

Kumpulan H & L High-Tech Berhad

199401032123 (317805-V)

Notes to quarterly report for the quarter ended 31 October 2023

Part A-Explanatory Notes Pursuant to FRS 134

A1. Accounting policies and methods of computation

The interim financial report has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The figures for the quarter ended 31 October 2023 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2022.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 October 2022.

A2. Seasonal or cyclical of interim operations

The Group's business operations were not affected by any seasonal or cyclical factors.

A3. Unusual items affecting assets, liabilities, equity, net income or cash flows

There are no unusual items of nature, size or incidence that affect the assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A4. Material changes in estimates

There were no changes in the nature and amount of changes in estimates of amounts reported in the immediate preceding quarter or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter under review.

A5. Capital management, issuances, repurchase, and repayment of debts and equity instruments

The Group's objective of managing capital are to safeguard the Group's ability to continue in operations as going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The Group's strategy is to maintain a maximum gearing ratio of 50%. The ratio is calculated as the total borrowings to total equity.

The gearing ratios as at 31 October 2023 and 31 October 2022, which are within the Group's objectives for capital management, are as follows:

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As At	31-Oct-2023 (Unaudited) RM'000	31-Oct-2022 (Audited) RM'000
Total borrowings	22,918	24,505
Total equity	135,578	129,321
Gearing Ratio	16.9%	18.9%

There were no shares issued, shares cancellation, resale of treasury shares and repayments of debts and equity securities during the current quarter.

On 28 March 2007, approval has been obtained from the shareholders for the Company to buy-back its own shares. The authority granted by the shareholders was subsequently renewed in the Annual General Meeting held on 18 April 2023. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the share buy-back scheme can be applied in the best interest of the Company and its shareholders.

During the quarter under review, a total of 630,700 shares bought back as treasury shares ("share buyback") in the open market for approximately RM0.8873 per share, total value of share buyback approximately RM0.559 million only.

A6. Dividends paid

During the quarter under review, an interim dividend of 2.0 sen per Ordinary Shares for Financial Year Ended 31 October 2023 total RM2.366 million has been paid in October 2022.

During Financial Year Ended 31 October 2023, shareholders of the company had received a total of RM3.561 million as dividend.

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A7. Operating segment information

With the adoption of MFRS 8, Operating Segments, the Group has four reportable segments: Manufacturing and trading, property investment and investment holdings and joint property development.

Segment information for the financial period ended 31 October 2023	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	16,848	3,271	1,226	6,153	27,498
Intersegment revenue	341	22	-	-	363
Reportable segment profit / (loss)	3,355	1,106	891	2,069	7,421

Reconciliation of profit or loss

	<i>RM '000</i>
Total profit for reportable segments	7,421
Investment income	76
Gain on disposal of quoted investments	100
Net fair value gain/(loss) on held for quoted shares	(40)
Fair value adjustment on investment properties	4,900
Interest income	472
Unallocated amounts:-	
Corporate expenses	(440)
Other expenses	(14)
Group's profit before income tax expense	<u>12,475</u>

A8. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statement for the interim period.

A9. Effects of changes in composition of the Group

There were no changes to the composition of the Group during the interim period, including business combinations, acquisition and long term investments, restructuring and discontinuing operations.

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A10. Changes in contingent liabilities and contingent assets since the date of statement of financial position of prior audited financial statement

Save as disclosed below, the Company is not aware of any contingent liabilities or contingent assets as at 31 October 2023 except as follow:-

	31-Oct-2022 (Audited) RM '000	Changes RM '000	31-Oct-2023 (Unaudited) RM '000
Total limit	19,200	0	19,200
Total utilised	15,117	-1,554	13,563

Contingent liabilities for corporate guarantee given by the Company to financial institutions for credit facilities granted to subsidiary companies

A11. Capital Commitment

There was no capital commitments as at 31 October 2023.

* End of Part A *

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Part B - Explanatory Notes Pursuant to BURSA MALAYSIA SECURITIES BERHAD,
Chapter 9 of the Listing Requirement, Part A of Appendix 9B.

B1. Detailed analysis of the performance the current quarter

RM '000	Individual quarter		Cumulative quarters	
	Current year 31-Oct-2023	Preceding year corresponding quarter 31-Oct-2022	Current year 31-Oct-2023	Preceding year corresponding quarters 31-Oct-2022
Revenue				
Manufacturing & Trading	4,389	4,104	16,848	14,779
Property Investment	841	804	3,271	3,094
Property Development	-	97	1,226	498
Plantation	1,860	1,842	6,153	8,568
Profit/(Loss) before tax				
Manufacturing & Trading	727	786	3,355	2,625
Property Investment	519	490	1,106	1,857
Property Development	(16)	53	891	258
Plantation	1,239	900	2,069	3,633

For current quarter under review as compared to preceding year corresponding quarter:-

Manufacturing segment registered higher revenue and pre-tax profit mainly due to higher order from plastic division.

Property investment segment revenue and pre-tax profit approximate preceding year corresponding quarter due to an uneventful quarter.

Property development segment remain relatively dormant pending launching of new project.

Plantation segment maintained approximately same level of revenue but higher pre-tax profit due to lower operating expenses.

B2. Comment on any material change in the profit before taxation as compared with immediate preceding quarter.

Revenue merely increased by 1.6% or RM0.108 million mainly due to increase in order in plastic division.

Pre-tax profit jumped 201.6% or RM4.899 million mainly due to recognition of a RM4.900 million fair value gain on property during the current quarter under review.

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B3. Current financial year's prospect

Barring unforeseen circumstances, the Boards foresee a very challenging year ahead for financial year ending 31 October 2024 as there are news on potential global recession under high interest rate environment. Nevertheless the Directors endeavor to maintain current performance.

B4. Profit forecast

There were no revenue or profits estimate, forecast, projection of internal targets announced or disclosed in a public document.

B5. Taxation

	Current Quarter RM '000	Year-to-date RM '000
Current Year	466	1,706
Prior Year	-	(25)
Deferred Taxation	656	656
Tax expense *	1,122	2,337

* The effective tax rate for financial period ended 31 October 2023 was slightly below the statutory tax rate of 24% due to certain gain not subject to income tax.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 31 October 2023.

B7. Group borrowings and debt securities

The group's borrowings as at 31 October 2023 as follows:-

RM '000	Secured	Unsecured	Total
Short term	1,474	-	1,474
Long term	12,089	-	12,089
Total	13,563	-	13,563

All borrowings are denominated in local currency.

There was no debt securities issued.

B8. Changes in material litigation

There was no material litigation pending as at the date of this report.

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B9. Proposed Dividends

There were no dividend proposed.

B10. Earnings per share

a. Basic

The calculation of the basic earnings per share is based on the Group's net profit attributable to the equity holders divided by the weighted average number of ordinary shares in issue during the year excluding the weighted average treasury shares held by the Company.

	Current Quarter	Year-to-date
Net profit / (loss) attributable to equity holders of the Company (RM '000)	6,208	10,139
Weighted average number of ordinary shares ('000)	118,443	119,124
Basic earning/(loss) per share (sen)	5.24	8.51

b. Diluted

Not applicable

B11. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the financial year ended 31 October 2022 did not contain any qualification.

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B12. The profit / (loss) after tax was derived after charging / (crediting) the following:-

	Current Quarter RM'000	Year-To-Date RM'000
1 interest income;	(8)	(36)
2 other income including investment income;	(29)	(76)
3 interest expense;	257	1,038
4 depreciation of property, plant and equipment (ppe)	222	938
5 amortisation of right-of-use assets	168	647
6 amortisation of biological assets	83	332
7 auditors' remuneration	54	144
8 realised (gain)/loss on foreign exchange	(24)	36
9 unrealised (gain)/loss on foreign exchange	9	(62)
10 rental expenses	65	151
11 rental income	(841)	(3,271)
12 net fair value (gain)/loss on held for quoted shares	1	40
13 (gain)/loss on disposal of ppe	2	(18)
14 (gain)/loss on disposal of treasury shares	0	0
15 (gain)/loss on disposal of quoted investment	0	(100)
16 fair value gain on investment properties	(4,900)	(4,900)

B13. DISCLOSURES OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of retained earnings as at the reporting date, which has been prepared by the Directors in accordance with the directives from **Bursa Malaysia Securities Berhad** stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants, are as follows:-

As At	31-Oct-2023
	RM'000
Realised	63,710
Unrealised	33,683
	<u>97,393</u>
Less: Consolidated adjustments	(18,597)
Retained earnings	<u>78,796</u>