



KUMPULAN H & L HIGH-TECH BERHAD
[199401032123 (317805-V)]



Building our future through **SUSTAINABLE GROWTH**

2019 ANNUAL REPORT



Building our future through **SUSTAINABILITY GROWTH**

TABLE OF CONTENTS

| | |
|---|------|
| Corporate Information | 2 |
| Corporate Structure | 3 |
| Financial Highlight | 4 |
| Management Discussion and Analysis | 5 |
| Profile of the Board of Directors and Key Senior Management | 7 |
| Sustainability Statement | 10 |
| Corporate Governance Statement | 11 |
| Audit Committee Report | 19 |
| Statement of Risk Management and Internal Control | 23 |
| Additional Compliance Information | 25 |
| Financial Statements | 26 |
| Analysis of Shareholdings | 112 |
| List of Properties | 114 |
| Notice of Annual General Meeting | 115 |
| Proxy Form | Enc. |

CORPORATE INFORMATION



BOARD OF DIRECTORS

TAN LYE HUAT

Group Executive Chairman and Managing Director

TAN SOOK YEE

Executive Director

CHU KAN

Independent Non-Executive Director

RITA TAI LAI LING

Independent Non-Executive Director

HAU HOCK KHUN

Independent Non-Executive Director

CHEW YOCK FAT

Independent Non-Executive Director

AUDIT COMMITTEE

Chew Yock Fat

Chairman / Independent Non-Executive Director

Chu Kan

Independent Non-Executive Director

Hau Hock Khun

Independent Non-Executive Director

Rita Tai Lai Ling

Independent Non-Executive Director

COMPANY SECRETARIES

Ng Bee Lian
Wong Wai Foong
Yap Sit Lee

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel : (03) 2783 9191
Fax : (03) 2783 9111

INVESTOR RELATIONS

www.insage.com.my/ir/HIGHTEC

PRINCIPAL PLACE OF BUSINESS

No. 6, Jalan TSB 1
Taman Industri Sungai Buloh
47000 Sungai Buloh
Selangor Darul Ehsan
Tel : (03) 6157 6339
Fax : (03) 6156 8918
Email : info@hlhightech.com
Website : www.hlhightech.com

SHARE REGISTRARS

Boardroom Share Registrars Sdn Bhd

11th Floor, Menara Symphony
No. 5, Jalan Prof, Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor
Tel : (03) 7890 4700
Fax : (03) 7890 4670

AUDITORS

Messrs. Grant Thornton Malaysia PLT
Chartered Accountants

PRINCIPAL BANKERS

Hong Leong Bank Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
Stock Name : HIGHTEC
Stock Code : 7033

ANNUAL REPORT 2019

CORPORATE STRUCTURE



KUMPULAN H & L HIGH-TECH BERHAD

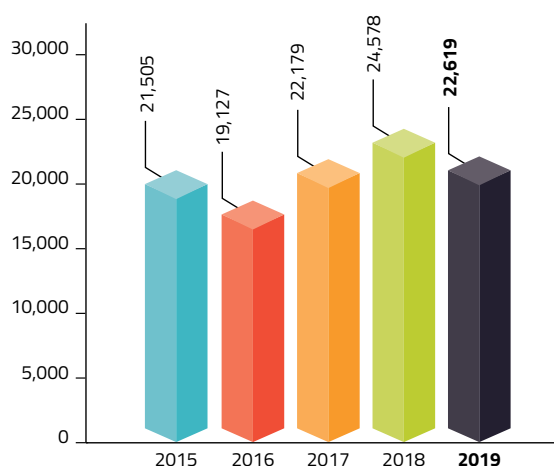
5 YEARS' FINANCIAL HIGHLIGHTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER

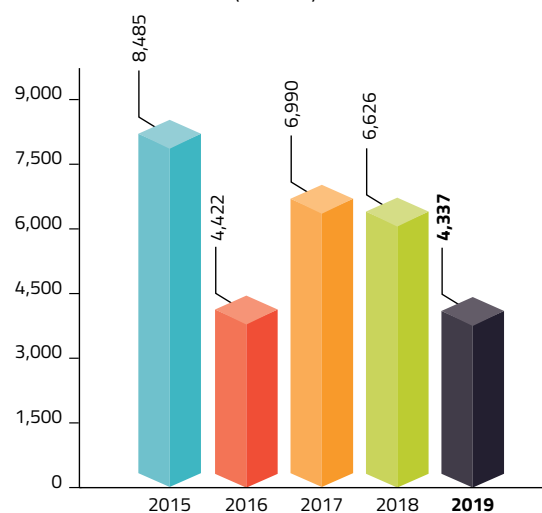
| | 2015 RM 000 | 2016 RM 000 | 2017 Restated RM 000 | 2018 Restated RM 000 | 2019 RM 000 |
|--------------------------------------|----------------|----------------|----------------------------|----------------------------|----------------|
| Group Revenue | 21,505 | 19,127 | 22,179 | 24,578 | 22,619 |
| Profit Before Tax | 8,485 | 4,422 | 6,990 | 6,626 | 4,337 |
| Profit Attributable to Shareholder | 6,971 | 3,458 | 5,570 | 3,521 | 3,358 |
| Paid Up Capital | 40,612 | 40,612 | 40,612 | 40,612 | 40,612 |
| Total Assets | 95,350 | 96,100 | 103,961 | 107,163 | 115,284 |
| Shareholders' Equity | 80,821 | 83,763 | 90,827 | 92,789 | 94,924 |
| Net Earnings per Share (sen) * | 19.06 | 9.45 | 15.23 | 9.63 | 9.18 |
| Net Tangible Assets per Share (RM) * | 2.21 | 2.29 | 2.84 | 2.93 | 3.15 |
| Dividend (sen) | 3.50 | 3.50 | 3.50 | 1.50 | 3.50 |

* Excluding treasury shares

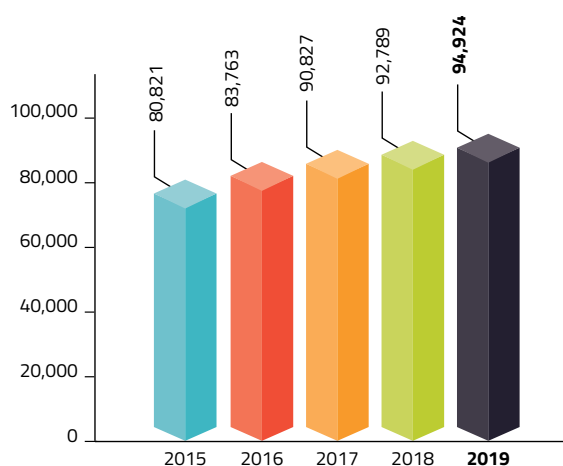
GROUP REVENUE
(RM'000)



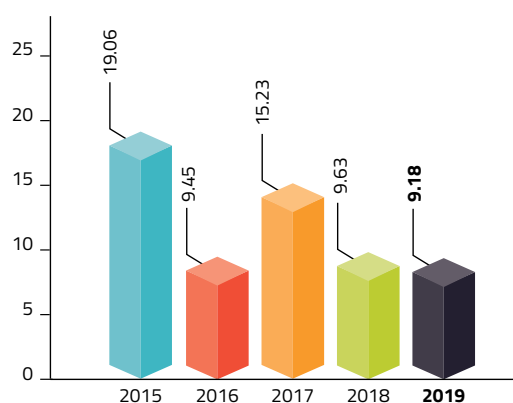
PROFIT BEFORE TAX
(RM'000)



SHAREHOLDERS' EQUITY
(RM'000)



NET EARNINGS PER SHARE
(sen)



ANNUAL REPORT 2019

MANAGEMENT DISCUSSION AND ANALYSIS

CORE BUSINESS

There has been no change to Kumpulan H & L High-Tech Berhad group of companies' activities in 2019, namely:

- Manufacturing precision engineering moulds and machine parts and customised precision engineering plastic injection moulds and components
- Property investment and property development
- Cultivation of Oil Palm plantation

OVERVIEW OF THE GROUP'S BUSINESS IN 2019

| | Manufacturing | | Property investment and property development | | Plantation |
|---|---------------|---|---|---|------------|
| Overall revenue declined by 5%. Plastic segment registered an improvement but this was unable to offset the drastic decline in precision engineering moulding (PEM) segment. PEM was badly affected due to slow down in demand from Malaysia and compounded by the trade war between China and the United States. | | Property investment continued to enjoy steady rental income with a minor increase in rental revenue. However, the same cannot be said for property development. Take up rates declined significantly due to poor market conditions and difficulty in obtaining loans from financial institutions. Property overhang also contributed to the decline in poor demand. | | Fresh Fruit Bunch (FFB) production continued to improve with more than six thousand metric tons recorded in 2019. As compared to 2018, FFB production has increased by more than 10%. However, the increase in FFB production was not able to offset the more than 20% decline in average selling price caused by depressed CPO prices and high CPO inventory. As a result, revenue was lower by RM240,000. | |

OVERVIEW OF FINANCIAL AND OPERATION PERFORMANCE

The group achieved a total revenue of RM22.6 million, a decline of RM2.0 million from RM24.6 million in 2018 or 8% decline. With the revenue declined by 8%, profit before tax (PBT) suffered a drop of RM2.3 million or 34.6% lower. Lower sales and lower margin contributed total RM1.3 million. Lower fair value gain contributed another RM0.6 million and the balance of RM0.4 million were due to lower interest income and higher operating expenses. Profit after tax (PAT) was marginally lower by approximately RM11,000 due to lower tax.

In 2019, manufacturing is the top contributor to the group PAT, followed by property investment and property development. Plantation segment continued to suffered losses due to depressed CPO prices despite higher FFB production.

WORKING CAPITAL

Total current assets stood at RM34.2 million with a current ratio of more than eight times. The group continues its prudence policy on working capital management. Total liquid assets stood at RM25.9 million versus total borrowings of RM11.0 million. The biggest component of working capital besides liquid cash is receivables which stood at RM4.2 million which was almost similar as per last year. The average collection period is 52 days, 2 days higher than 2018. Despite higher collection day, there have been no bad debts written off nor provision of doubt debts.

CAPITAL INVESTMENT IN 2019

Total capital investment is RM2.8 million mainly focusing in plantation and manufacturing. We are confident both segments will continue to provide reasonable returns in the coming years.

The gearing ratio (equity vs long term liability) stood at 21%. Although borrowings and gearing ratio have increased as compared with last year, this is mainly due to additional loan taken by a subsidiary, property investment company, to repay to the holding company. The overall impact is neutral as liquid cash has also improved by an almost similar amount.

KUMPULAN H & L HIGH-TECH BERHAD

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

OUTLOOK AND PROSPECT IN 2020

Malaysia's economy is projected to grow by 4.8% but according to World Bank Malaysia GDP growth is projected at only 4.5%. In 2019 Malaysia faced an outflow of foreign equity of RM11.1 billion with no signs of slowing down. This may have resulted in Malaysia's equity performance as the worst in Asia and Malaysian Ringgit is probably one of the worst performing currencies if not the worst compared with other currencies within this region. To compound the problem, domestic political issues also caused much uncertainties to foreign investors especially on succession issues.



Manufacturing

In 2019 manufacturing of PEM was badly affected by the trade war between China and the United States (US). Although phase 1 of the trade war between China and US ended in December 2019 and a new Agreement was signed in January 2020, we are of the view that the situation is still uncertain and we do not foresee manufacturing activities picking up until 2nd half of 2020 if not later.



Property investment and property development

While the rental income is expect to remain stable and constant due to low base, we do not see much recovery in the property development segment. This is primarily due to more than 33,000 units of completed units (both residential and condominiums) remain unsold. In fact, some developers have given out attractive incentives to try to clear stock but the take up rate is still not encouraging.



Plantation

With the recovery of CPO price towards the last quarter of 2019, the FFB price also increased to around RM530 per ton compared to the average of RM360 in 2019. This is probably the bright spot if CPO can remain above RM3,000 per ton level.

FFB production is expected to increase by single digit. We hope the labour force remains stable. In addition as more acres reach harvesting stage, this will help the plantation to turnaround in 2020 after suffering two years of losses.

Indonesia's commitment to the B30 and also limiting the opening of new areas for oil palm cultivation are positive steps that help to sustain stable CPO prices.

RISK FACTORS

FFB Price

Towards the last quarter, the CPO inventory was on a downward trend due to hot weather and low season production. This somehow pushed the CPO prices up by more than 20%. However, on the political front, India had informally instructed their refineries to avoid buying CPO from Malaysia over the refusal of Malaysian authorities to hand over an Indian preacher and Malaysian Prime Minister's criticism on the issue of citizenship of Muslims in India.

Trade War between China and US

This issue may take much longer to resolve and it is likely to affect our exports. We have already seen how our orders were affected in 2019.

Currency risks

Malaysian Ringgit was one of the worst performing currencies in the region in 2019. This may have been compounded by the prolonged uncertainty of a succession plan or hand over of the Premiership. This uncertainty may cause foreigners to continue pulling out their equity funds.

This is likely to put pressure on Ringgit in near future.

PROFILE OF THE BOARD OF DIRECTORS & KEY SENIOR MANAGEMENT

TAN LYE HUAT

Group Executive Chairman and Managing Director

▪ Key Senior Management

Tan Lye Huat, Malaysian, Male, aged 66, was appointed as Group Executive Chairman and Managing Director of Kumpulan H & L High-Tech Berhad (H & L) on 2 September 1997. Mr Tan is also one of the Key Senior Management and he is a businessman by profession and the founder of H & L High-Tech Sdn Bhd (HHT), Plastik STC Sdn Bhd (PSSB), H & L High-Tech Deco Sdn Bhd (HHTD), H & L High-Tech Properties Sdn Bhd (HHTP) and H & L High-Tech Properties Development Sdn Bhd (HHPD).

He founded Hup Lee Engineering Works (HLEW) in 1976 as a partnership in the mould and dies industry and incorporated the partnership under HHT on 9 November 1988.

With more than 40 years experience of closely managing the production and marketing operations of HHT and HLEW, he possess in-depth knowledge and experience in the overall operations of HHT as well as the industry in general.

He sits on the Board of all companies under the H & L Group and also holds directorships in a number of other private limited companies. He has no conflict of interest with the Company. His daughter, Tan Sook Yee is Director of H & L.

He has no conviction for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

TAN SOOK YEE

Executive Director

▪ Key Senior Management

Tan Sook Yee, Malaysian, Female, aged 39, was appointed as Non-Independent Executive Director of H & L on 30 June 2006. She is also one of the Key Senior Management.

She graduated with a Bachelor of Manufacturing Engineering (Honours) and Bachelor of Commerce from the University of Melbourne.

She joined H & L Group as a Customer Support Engineer in 2004 and is now the Business Development Director of which her primary role is to develop new projects for the Group and manage the Group's international businesses. She is also the Quality Management Representative for the H & L Group. She

sits on the Board of H & L and all its subsidiaries. She also holds directorships in a number of other private limited companies. She has no conflict of interest with the Company. She is the daughter of Mr. Tan Lye Huat, Chairman and Managing Director of H & L.

She is the Chairperson of the Risk Management Committee of the Company.

She has no conviction for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KUMPULAN H & L HIGH-TECH BERHAD

PROFILE OF THE BOARD OF DIRECTORS

& KEY SENIOR MANAGEMENT

(cont'd)

CHU KAN

Independent Non-Executive Director

Chu Kan, Malaysian, Male, aged 76, was appointed as an Independent Non-Executive Director of Kumpulan H & L High-Tech Berhad on 2 September 1997. He has been a member of the Institute of Internal Auditors since 1980 and he became a professional member of the National Institute of Accountants, Australia in 2003. In 1969, he began his career as an office manager cum accountant with General Ceramic Bhd (now known as General Corporation Bhd). He left in 1986 as the assistant group internal auditor.

In 1987, he joined Redland Prestige Ceramic Sdn Bhd, a wholly owned subsidiary of Johan Holdings Bhd, which is principally involved in manufacturing of ceramic tiles, as a finance and administration manager. He retired from employment in early

1997 and currently sits on the Board of several private limited companies.

He sits on Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee of the Company. He does not have any family relationship with any director and/or major shareholder of the Company and there is no conflict of interest with the Company.

He has no conviction for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

RITA TAI LAI LING

Independent Non-Executive Director

Rita Tai, Malaysian, Female, aged 54, was appointed as an Independent Non-Executive Director of H & L on 23 June 2009. She is a Chartered Accountant of the Malaysian Institute of Accountants, a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants and a holder of Capital Market Services License issued by the Securities Commission.

She began her career in 1989 as an Accountant with MST Industrial System Sdn Bhd. In 1990, she joined Coopers & Lybrand (now known as PriceWaterHouseCoopers) as an audit assistant and thereafter was promoted to the position of an Audit Manager. Subsequently in 1994, she joined a licensed Asset Management company as the Head of Finance and Corporate Affairs. In 1997, she joined Hwang DBS Securities Sdn. Bhd. (now known as Hwang DBS Investment Bank Bhd.) as a Dealer's Representative. Later in 2001, she transferred her Dealer's Representative licence to Kenanga Investment Bank Berhad and has been with the company until end of 2011. In January 2012, she transferred her Dealer's Representative

licence to Malacca Securities Sdn Bhd. The years of experience that she gained in the audit and business advisory services as well as in the securities industry has equipped her with extensive knowledge in the operations of the stockbroking, manufacturing, banking, insurance, trading and plantation sectors.

She is the Chairperson of the Remuneration Committee and a member of the Nomination Committee, Audit Committee and Risk Management Committee of the Company.

She does not have any family relationship with any director and/or major shareholder of the Company and there is no conflict of interest with the Company.

She has no conviction for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

ANNUAL REPORT 2019

PROFILE OF THE BOARD OF DIRECTORS & KEY SENIOR MANAGEMENT

(cont'd)

HAU HOCK KHUN

Independent Non-Executive Director

Hau Hock Khun, Malaysian, Male, aged 47, was appointed as an Independent Non-Executive Director of H & L on 5 August 2009. He holds a Bachelor of Law (L.L.B.) from Bond University, Australia, MBA (Total Quality Management) from Newport University, USA and International Diploma Computer Science NCC, UK.

He was called to the Malaysian Bar on 31 May 1998 and is admissible to the Queensland Solicitors' Board (Australia), and currently is the Advocate & Solicitor of the High Court of Malaya. He is also a Mediator registered with the panel of Malaysia Mediation Centre and the Associate Member of the U. K. Chartered Institute of Arbitrators.

He is currently a Managing Partner in Messrs H K Hau, Advocates and Solicitors and also a Consultant for various organisations for property and project development planning, property investment & development and real estate related matters.

He is proficient and well versed in various law fields with specialisation and experience in shipping, company restructuring, franchising, trademark, patents, industry design, corporate and commercial law, banking and civil litigation as well as in the property and real estate related matters.

He is the Chairman of the Nomination Committee and a member of the Audit Committee, Remuneration Committee and Risk Management Committee of the Company.

He does not have any family relationship with any director and/or major shareholder of the Company and there is no conflict of interest with the Company.

He has no conviction for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHEW YOCK FAT

Independent Non-Executive Director

Chew Yock Fat, Malaysian, Male, aged 61, was appointed as Independent Non-Executive Director of H & L on 4 February 2015. He was a Member of Malaysian Institute of Accountant, and was a Fellow member of Association of Chartered Certified Accountants UK and was a Licensed GST Agent.

He worked as Accountant in 1985 with Fung Keong Rubber Manufactory Sdn Bhd and subsequently in 1988 as Finance Manager with Don Eastern Sdn Bhd. Later he joined one of the subsidiaries of Southern Steel Berhad as the Group Financial Controller until 1994. He was the Financial Controller with a Japanese MNC from 1994 until 2008 and later as Financial Controller in a Swedish company until 2013.

He has wide ranging experience in finance, accounting, corporate and indirect taxes. He is also well verse with compliance matters such as Sarbanes Oxley, Foreign Corrupt

Practice, Anti Money Laundering. In addition, he had experience conducting GST training and providing consultancy services to Small Medium Enterprises.

He is the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Risk Management Committee of the Company.

He does not have any family relationship with any director and/or major shareholder of the Company and there is no conflict of interest with the Company.

He has no conviction for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KUMPULAN H & L HIGH-TECH BERHAD

SUSTAINABILITY STATEMENT

Our Group has recognised and acknowledged the importance of a corporate culture that emphasizes good corporate social responsibility ("CSR") and corporate citizenship. While delivering sustainable and growing stakeholders value through the core business, our Group also contributes and provides for the betterment of the employee welfare, market place and community.

ENVIRONMENT

Our Group promotes environmentally-conscious work practices in order to reduce environmental impact, enhance energy efficiency and recycling whenever possible. Our manufacturing wastes are relatively minor impact to the environment, and we can easily eliminate such waste in orderly manner and in accordance with guidelines and regulations as stipulated by the Department of Environment ("DOE").

MARKET PLACE

Our Group recognises that our ability to produce consistently high quality products is critical to the success of our business. As such, we place extensive and substantial emphasis on the ultimate quality of our products and maintain stringent quality control throughout our manufacturing processes. This enables us to produce high quality products to satisfy the demands and expectations of highly-demanding international customers. Being a manufacturer of export goods, we are required to adhere to the product quality requirements of countries in which we export to. In addition, we also work closely with our customers to ensure that our products are in proper compliance with prevailing local and international requirements or quality standards.

WORKPLACE

Our Group believes that human capital development is very important to ensure that we have the right and relevant skill set and knowledge in ensuring business sustainability and growth. As such, we have conducted trainings with emphasis on quality for the staff to improve further their quality of work and workplace. Health and Safety at the workplace is also another area of importance to us. Regular inspections are taken to ensure the Company's equipment and infrastructures are well-maintained. In addition, local employees are offered subsidy to be covered by Group Personal Accident insurance, Group Hospitalisation and Surgical insurance, and foreign workers on Foreign Worker Compensation Scheme. Other employee benefits like medical benefits, working hours, overtime and off days are clearly outlined.

SOCIAL: SOCIETY

We view investment in communities as an instrument for contributing to the development of the societies where we operate.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Kumpulan H & L High-Tech Berhad ("HLGroup" or "the Company") is committed to uphold the high standards of corporate governance through the Company and its subsidiaries ("the Group") with the ultimate objective of realising long-term shareholder value while taking into consideration the interest of other stakeholders.

This Corporate Governance Statement sets out the extent to which the Company has applied the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance ("MCCG") except where stated otherwise, during the financial year ended 31 October 2019.

Details of the Group's application of each practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available together with this Report in Bursa website and the Company's website at www.hlhightech.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

Board Charter and Board Committees

The Board is responsible for the overall oversight and management of the Group. The Board has established clear functions reserved for the Board and those delegated to Management to enhance accountability. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include inter-alia, quarterly and annual financial statements for announcement, investment and divestment, as well as monitoring of the Group's financial statements and operating performance. Such delineation of roles is clearly set out in the Board Charter ("Charter"), which serves as a reference point for the Board activities. The Charter provides guidance for directors and Management regarding the responsibilities of the Board, its Committees and management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities. The Board is committed to take full responsibility for the overall corporate governance of the Group. In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting. The key elements of governance principles embedded in the Board Charter regulate the Board's conducts and guide the business strategic initiative of the Group. The Board Charter is available on the Company's website www.hlhightech.com.

The Board has established three (3) Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee that are delegated with specific responsibilities and authorities to assist the Board in executing its duties and to provide the Board with recommendations and advice. The delegation of authority to the Committees enables the Board to achieve operational efficiency, by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. Each Committee is governed by its own Terms of Reference which sets out its functions and duties, composition, rights and meeting procedures. These Terms of Reference are reviewed periodically in accordance with the needs of the Company and taking into account the changes in the business, governance and legal environment that may have an impact on the discharge of the Committees' duties and responsibilities. The Chairmen of the various committees will report to the Board the outcome of the Committee meetings which will be recorded in the minutes of the Board meeting. The ultimate responsibility for decision making, however, lies with the Board.

Company Secretaries

The Board is supported by Company Secretaries in discharging its duties and functions who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The appointment of Company Secretaries is based on the capability and proficiency as determined by the Board. The Directors have unrestricted access to the advice and services of the Company Secretaries to enable the Directors to discharge their duties effectively. The Company Secretaries ensure that the Board is regularly updated on their obligations under relevant regulatory requirements such as Main Market listing Requirements ("MMLR") of Bursa, codes or new statutes issued from time to time and are fulfilled in a timely manner.

The Company Secretaries also attend all Board, Board Committee and general meetings, and ensure that deliberations at the meetings are accurately minuted and kept in the minutes books and subsequently communicated to the relevant party for necessary actions. Such minutes of meetings are confirmed by the respective Board Committees and signed by the Chairman of the meeting. All Directors have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business of the Group.

KUMPULAN H & L HIGH-TECH BERHAD

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Responsibilities (cont'd)

Information and Support for Directors

The Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board at least seven (7) days before the date of the meeting. This is to ensure that the Directors are given sufficient time to read the Board papers and seek any clarification that they may need from Management or to consult the Company Secretaries or independent advisers before the Board Meetings, if necessary. This enables the Directors to discuss the issues effectively at the Board meetings. The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties. All Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. The Chairmen of the Board Committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee brief the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings. When necessary, all Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated.

Code of Conduct and Ethics

Good governance at all levels is essential for sustainable development. The Board is committed to embrace the highest standards of corporate governance practices and ethical standards throughout the Group. In this respect, the Board has formalised a Director's Code of Conduct and Ethic, setting out the standards of conduct expected from Directors and employees to inculcate good ethical conduct. The Board recognises the importance of adhering to the Code of Conduct and Ethics and has taken measures to put in place a process to ensure its compliance. Both codes are available on the Company's website at www.hlhightech.com.

Whistleblowing Policy

The Board is committed to achieve and maintain high standards of corporate governance practices across the Group. The Board has formalised a Whistleblowing Policy, with the aim of providing an avenue for raising concerns relating to possible breaches of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. Further details pertaining to the Whistleblowing Policy can be found at the Company's website at www.hlhightech.com.

Board Composition

The Board recognises the importance of having a diverse Board in terms of age, ethnicity and gender as this provides the necessary range of perspectives, experience and expertise in bringing value to the Company and achieve effective stewardship. The present Board consists of six (6) members, comprising two (2) Executive Directors and four (4) Independent Non-Executive Directors.

This composition fulfills the requirements as set out in the MMLR, which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The Directors, with their diverse backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as engineering, entrepreneurship, finance, taxation, accounting and audit, legal and economics. The Executive Directors are responsible for the making of the day-to-day business and operational decisions and implementation of Board policies. There is a clear division of duties and responsibilities amongst them in order to maintain a balance of control, power and authority within the Management. The Independent Non-Executive Directors bring the objective and independent views, advice and judgment on interest, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. The Board is satisfied that its current size and composition reflect an appropriate balance of Executive and Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.

ANNUAL REPORT 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (cont'd)

During the financial year ended 31 October 2019, five (5) Board Meetings were held with attendance as follows:-

| Name of Directors | Position | Designation | No. of Meeting Attended |
|-------------------|----------|------------------------------------|-------------------------|
| Tan Lye Huat | Chairman | Managing Director | 5 out of 5 |
| Tan Sook Yee | Member | Executive Director | 5 out of 5 |
| Hau Hock Khun | Member | Independent Non-Executive Director | 5 out of 5 |
| Chu Kan | Member | Independent Non-Executive Director | 5 out of 5 |
| Rita Tai Lai Ling | Member | Independent Non-Executive Director | 5 out of 5 |
| Chew Yock Fat | Member | Independent Non-Executive Director | 5 out of 5 |

Diversity on Board and Senior Management

The composition of the Board represents a good mix of knowledge, skills and experience to ensure that the Group is competitive within its industry. The Board, through the Nomination Committee will consider appropriate targets for appointment as Board members in terms of skills, experience, gender, ethnicity and age and will take required measures to meet those targets from time to time if deemed necessary to enhance the effectiveness of the Board.

The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two (2) directors or one-third (1/3) of the Board of the Company, whichever is higher are independent directors. In addition, the Board composes of four (4) males and two (2) females to ensure a good mix of gender. This composition and combination of different skills ensure an effective Board decision-making process and enable the Board to efficiently lead and control the Group. During the financial year, no new Director is appointed. The optimal size would enable effective oversight, delegation of responsibilities and productive discussions amongst members of the Board.

The Board does not have specific policy on diversity pertaining to gender, age and ethnicity for candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The Nomination Committee, will however continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its recruitment exercise.

Nomination Committee

The nomination Committee conducted an assessment of the performance of the Board, as a whole, the Audit Committee, Nomination Committee and Remuneration Committee and individual Directors, based on a self and peer assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considered and approved the recommendations on the re-election of Directors at the Company's forthcoming Annual General Meeting.

Full details of the Nomination Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website at www.hlhightech.com. The Nomination Committee comprises exclusively of Independent Non-Executive Directors and chaired by the Independent Director. The Committee meets as and when required, at least once a year. During the financial year, one (1) meeting was carried out, with attendance as follows:-

| Name of Director | Position | Designation | No. of Meeting Attended |
|-------------------|----------|------------------------------------|-------------------------|
| Hau Hock Khun | Chairman | Independent Non-Executive Director | 1 out of 1 |
| Chu Kan | Member | Independent Non-Executive Director | 1 out of 1 |
| Rita Tai Lai Ling | Member | Independent Non-Executive Director | 1 out of 1 |
| Chew Yock Fat | Member | Independent Non-Executive Director | 1 out of 1 |

KUMPULAN H & L HIGH-TECH BERHAD

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (cont'd)

Nomination Committee (cont'd)

During the financial year ended 31 October 2019, the Nomination Committee had carried out the following activities:-

- i. Review the training needs/training programs for the Board and facilitate Board induction and training programs;
- ii. Implement an annual assessment on the effectiveness and performance of the Board as a whole, the committees of the Board, as well as the contribution/performance of each individual Director, including Non-Executive Directors and Executive Director(s);
- iii. Assessed the independence of the Independent Directors; and
- iv. Reviewed and recommended the re-election of directors who shall retire at the Annual General Meeting.

Evaluation of Board, Board Committees and Individual Directors

The Nomination Committee annually performs a board self-evaluation to evaluate the performance of the Board, Board Committees and individual Directors, in order to verify that the Board is operating effectively and efficiently as a whole. Each Director completed a detailed questionnaire in the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other things, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairmen, as well as Committee's performance against its Terms of Reference.

The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices. Based on the assessment carried out during the financial year ended 31 October 2019, the Nomination Committee had concluded the following:-

- (a) The Board was found to be competent and had a dynamic and balanced mix of skills and experience wherein the Directors were able to contribute effectively to the Board's decision-making process.
- (b) The current structure, size and composition of the Board, which comprises people who possess a wide range of expertise and experience in various fields with diverse backgrounds and specialisations, would enable the Board to lead and manage the Company effectively.
- (c) The Directors had discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.
- (d) The Board and Board Committees had contributed positively to the Company and its subsidiaries and were operating in an effective manner.
- (e) The performances of the Board Committees were found to be effective.

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact of such regulatory requirements have on the Group. All directors have attended the Mandatory Accreditation Programme ("MAP") as required by the MMLR on all directors of listed companies and the Board will continue to evaluate and determine the training needs of its Directors on an on-going basis. During the financial year, the Directors have attended various seminars or briefings which they have collectively or individually considered it useful in discharging their stewardship responsibilities.

The Company Secretaries circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board on these updates, where applicable. The Accountant and External Auditors also brief the Board members on any changes to the Financial Reporting Standards that affect the Group's financial statement during the financial year under review. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role. For the financial year ended 31 October 2019, all the Directors have attended training programmes. Particulars of the seminars and courses attended are as follows:-

ANNUAL REPORT 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (cont'd)

Evaluation of Board, Board Committees and Individual Directors (cont'd)

| Name of Director | Programme / Seminar |
|-------------------|---|
| Tan Lye Huat | <ul style="list-style-type: none"> ▪ BDO 2019 Tax ▪ Sustainability: Governance – Towards Long Term Value |
| Tan Sook Yee | <ul style="list-style-type: none"> ▪ ISO 13485 : 2016 (Internal Auditors Training) |
| Chew Yock Fat | <ul style="list-style-type: none"> ▪ BDO 2019 Tax |
| Chu Kan | <ul style="list-style-type: none"> ▪ BDO 2019 Tax ▪ Economics & Capital Market Analytics: Analysis of Business Impact Trends. |
| Rita Tai Lai Ling | <ul style="list-style-type: none"> ▪ Strategies for Warrants, ETFs & Derivatives |
| Hau Hock Khun | <ul style="list-style-type: none"> ▪ Risk Management Conference (Governance and Risk in a Digital World) |

Remuneration

Remuneration Policy

The Board has recognised the need to establish a fair and transparent Remuneration Policy with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key senior management. On a yearly basis, the Remuneration Committee reviewed and recommended to the Board the remuneration packages of the Executive Directors, while the remuneration for the Non-Executive Directors was determined by the Board as a whole. Fees and benefits payable to the Directors are subject to approval by the shareholders at the Company's Annual General Meeting ("AGM"). The affected Directors had abstained from participation in deliberations and decisions regarding their individual remuneration.

In making its recommendation, the Remuneration Committee considered the principles set out in the Remuneration Policy. The remuneration was structured to align rewards to corporate and individual performances besides adequately compensate the Directors for risks and complexities of the duties and responsibilities they assumed.

Remuneration Committee

The Remuneration Committee, established by the Board, is responsible for setting the policy framework and recommending to the Board the remuneration of Directors so as to ensure that the Company is able to attract and retain its Directors needed to run the Group successfully. The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned. Directors do not participate in discussion of their individual remuneration. All Remuneration Committee Members are Independent Non-Executive Directors. During the financial year, one (1) meeting was carried out with attendance as follows:-

| Name of Director | Position | Designation | No. of Meeting Attended |
|-------------------|-------------|------------------------------------|-------------------------|
| Rita Tai Lai Ling | Chairperson | Independent Non-Executive Director | 1 out of 1 |
| Chew Yock Fat | Member | Independent Non-Executive Director | 1 out of 1 |
| Chu Kan | Member | Independent Non-Executive Director | 1 out of 1 |
| Hau Hock Khun | Member | Independent Non-Executive Director | 1 out of 1 |

The responsibilities of Remuneration Committee are as follows:-

- (i) Support the Board in actively overseeing the design and operation of the Company's remuneration system;
- (ii) Review and recommend to the Board on the remuneration of Non-Executive Directors, particularly on whether the remuneration remains appropriate to each Director's contribution, by taking into account the level of expertise, commitment and responsibilities undertaken;
- (iii) Review and recommend to the Board on the total individual remuneration package for Executive Directors and senior management personnel including, where appropriate, bonuses and incentive payments within the terms of the agreed remuneration policy and based on individual performance; and
- (iv) Provide clarification to shareholders during general meetings on matters pertaining to remuneration of Directors and senior management as well as the overall remuneration framework of the Company.

KUMPULAN H & L HIGH-TECH BERHAD

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration (cont'd)

Remuneration Committee (cont'd)

Remuneration of Directors pursuant to the respective service contracts with the Company and its subsidiaries, the details of individual Directors' remuneration are as follows:-

Remuneration to be disclosed on a named basis:-

Group Level

| | Fee/Salaries and Other Emoluments (RM '000) | Bonus (RM '000) | EPF (RM '000) | Allowance/ Benefit in Kind (RM '000) | Total (RM '000) |
|--------------------------------|--|--------------------|------------------|--|--------------------|
| Non-Executive Directors | | | | | |
| Chu Kan | 18 | 0 | 0 | 5 | 23 |
| Chew Yock Fat | 22 | 0 | 0 | 26 | 48 |
| Rita Tai Lai Ling | 18 | 0 | 0 | 5 | 23 |
| Hau Hock Khun | 18 | 0 | 0 | 5 | 23 |
| Executive Directors | | | | | |
| Tan Lye Huat | 616 | 170 | 80 | 13 | 879 |
| Tan Sook Yee | 136 | 44 | 17 | 3 | 200 |

Company Level

| | Fee/Salaries and Other Emoluments (RM '000) | Bonus (RM '000) | EPF (RM '000) | Allowance/ Benefit in Kind (RM '000) | Total (RM '000) |
|--------------------------------|--|--------------------|------------------|--|--------------------|
| Non-Executive Directors | | | | | |
| Chu Kan | 18 | 0 | 0 | 5 | 23 |
| Chew Yock Fat | 22 | 0 | 0 | 26 | 48 |
| Rita Tai Lai Ling | 18 | 0 | 0 | 5 | 23 |
| Hau Hock Khun | 18 | 0 | 0 | 5 | 23 |

Remuneration of Senior Management

The details of top five (5) senior management's remuneration are not disclosed, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talents.

The total remuneration paid to each senior management reflects the time and effort devoted to fulfill his or her responsibilities on the Board and linked to the Group's performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee comprises wholly of Independent Non-Executive Directors. The Audit Committee's composition and its summary activity are set forth in the Audit Committee Report of this Annual Report. Full details of the Audit Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website at www.hlhightech.com.

II. Risk Management and Internal Control Framework

The Board recognises the importance of maintaining a sound internal control system covering risk management and the financial, operational and compliance controls to safeguard shareholders' investment and the Group's assets. The Board acknowledges that it is responsible for the Group's system of internal control and risk management for the continuing review of its adequacy, effectiveness and integrity. Additionally, the Group Managing Director and the Finance Advisor have given assurance to the Board that the Group's risk management and internal control systems are operating adequately and effectively to meet the Group's objectives.

The internal control system is designed to cater for the Group's needs and to manage the risks to which it is exposed. It should be noted that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve the business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board ensures the risk and control framework is embedded into the culture, processes and structure of the Group. Further details of the Group's state of risk management and internal control systems are reported in the Statement of Risk Management and Internal Control of this Annual Report. A risk profile of the Group has been compiled to help the Board and senior management to prioritise their focus on areas of high risk. The senior management is responsible for identifying, evaluating, managing and reporting on significant risks on an ongoing basis faced by the Group in its achievement of objectives and strategies. Significant risk matters are brought to the attention of the Executive Directors, and if necessary, are also discussed at Board meetings.

Internal Audit Functions

The Group has appointed an established external professional Internal Audit firm namely NGL Tricor Governance Sdn Bhd, who reports to the Audit Committee ("AC") and assist the AC in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the AC.

The scope of work covered by the internal audit functions during the financial year, summary of activities carried out, including its observations and recommendations, are provided in the Statement on Risk Management and Internal Control and Audit Committee Report of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with shareholders

The Board recognises the importance of being transparent and accountable to the Company's shareholders and prospective investors. The various channels of communication are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Malaysia Securities Berhad, relevant announcements and circulars. The Board is committed in providing accurate, useful and timely information about the Company, its business and its activities. Realising the importance of timely and thorough dissemination of material information to the shareholders, investors and the public at large, the Company maintains an open communication policy with its shareholders, investors and public at large and welcome feedback from them. The Group's information is disseminated through various disclosures and announcements made to Bursa Malaysia Securities Berhad. This information is also published at the Company's website www.hlhightech.com.

KUMPULAN H & L HIGH-TECH BERHAD

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Conduct of General Meetings

Notice of general meeting

The Board recognises the rights of shareholders. In order to continue encouraging shareholders participation in the general meetings, the Board would ensure that the Notice of AGM is sent to shareholders at least twenty-eight (28) days ahead of the date of general meeting and to provide sufficient time and opportunities for shareholders to seek clarifications during general meetings on any matters pertaining to the issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the operational and financial performance of the Company.

Attendance of directors at general meetings

The Annual General Meeting is the key element of the Company's dialogue with its shareholders. During the AGM, shareholders are encouraged to ask questions about the resolutions being proposed, about the Company's operations in general or about the annual reports of the Company and of the Group. All the Directors, Senior Management and External Auditors are available in the Annual General Meeting to provide responses to questions from the shareholders.

The Chairman plays a vital role in fostering constructive dialogue between the Board and the shareholders. All the members of the Board and the respective chairmen of the Board's Committees are present at the meetings to address queries raised by the shareholders which are relevant to their areas of responsibility.

ANNUAL REPORT 2019

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Audit Committee and its activities for the financial year ended 31 October 2019 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. MEMBER

The Audit Committee currently comprises the following members, all of which are Independent Non-Executive Directors. A summary of their respective attendance at the Audit Committee meetings held during the financial year are as follows:-

Members and Meetings Attendance

| Name | Membership status | Attendance |
|-------------------|------------------------------------|------------|
| Chew Yock Fat | Audit Committee Chairman | 5 out of 5 |
| | Independent Non-Executive Director | |
| Rita Tai Lai Ling | Independent Non-Executive Director | 5 out of 5 |
| Hau Hock Khun | Independent Non-Executive Director | 5 out of 5 |
| Chu Kan | Independent Non-Executive Director | 5 out of 5 |

Date, Time and Place of the Audit Committee Meetings held

| Date | Time | Place |
|-------------------|-----------|--------------------------|
| 19 December 2018 | 2.50 p.m. | Boardroom |
| 23 January 2019 | 2.15 p.m. | No.6 Jalan TSB 1 |
| 26 March 2019 | 1.55 p.m. | Taman Industri Sg. Buloh |
| 24 June 2019 | 2.00 p.m. | 47000 Sg. Buloh |
| 25 September 2019 | 2.05 p.m. | Selangor Darul Ehsan |

2. TERMS OF REFERENCE

Objective

- To serve as a focal point for communication between Non-Committee Directors and external auditors, internal auditors and the management on matters in connection with financial accounting, reporting and controls.
- To assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls, management and financial reporting practices of the Group.
- To enhance the independence of the functions of the Company's external auditors and internal auditors through active participation in the audit progress.

Membership

The Committee shall be appointed by the Board from amongst its members and shall consist of not less than three (3) members, all of whom must be Independent Non-Executive Directors.

At least one (1) member of the Audit Committee:-

1. must be a member of the Malaysian Institute of Accountants; or
2. if he is not a member of the Malaysian Institute of Accountants, must have at least three (3) years working experience and
 - a. either have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - b. a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
3. possess a degree/masters/doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
4. must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
5. fulfill such other requirements relating to financial-related qualifications or experience as prescribed or approved by Bursa Malaysia Securities Berhad.

KUMPULAN H & L HIGH-TECH BERHAD

AUDIT COMMITTEE REPORT

(cont'd)

2. TERMS OF REFERENCE (CONT'D)

Membership (cont'd)

The Chairman of the Committee shall be appointed by the members of the Audit Committee who shall be an Independent Non-Executive Director.

Members of the Committee may relinquish their membership with prior written notice to the Company Secretary and may continue to serve as Director of the Company.

In the event of any vacancy in the Committee, the vacancy shall be filled within three (3) months and the Nomination Committee shall review and recommend for the Board's approval another appropriate Director to fill the vacancy.

The Board must ensure that no Alternate Director is appointed as a member of the Audit Committee.

A former key audit partner of the Company or any entity within the Group shall not be appointed as a member of the Committee until the expiry of a cooling-period of at least two (2) years from the date he ceases to be the key audit partner.

Authority and Rights

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

- a. has authority to investigate any activity within its Terms of Reference;
- b. has the resources which are required to perform its duties;
- c. has full and unrestricted access to any information pertaining to the Group;
- d. has direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity(if any);
- e. has authority to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- f. be able to convene meetings with External Auditors, excluding the attendance of executive members of the Group, whenever deemed necessary.

Duties and Responsibilities

- a. To consider the appointment and re-appointment of the external auditors, the audit fee and questions of resignation or dismissal;
- b. To discuss with the external auditors before the annual audit commences, the nature and scope of the audit plan;
- c. To review the quarterly, and annual financial statements of the Company and the Group focusing particularly on:
 - (i) Any changes in accounting policies and practices
 - (ii) Significant adjustments arising from the audit
 - (iii) The going concern assumption
 - (iv) Compliance with accounting standards and other legal requirements
- d. To discuss problems and reservations arising from the final and any interim audits, evaluation of the system of internal controls and any matters the external auditors may wish to discuss including assistance given by the employees of the Group to the auditors; and to review the auditors' audit report, management letter and management's response;
- e. To consider any related party, inter company transactions and conflict of interest that may arise within the Company/ Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- f. To review the scope, functions, procedures of internal audit and results of any internal audit conducted and whether or not appropriate actions, where necessary have been taken;
- g. Such other functions as may be agreed by the Audit Committee and the Board of Directors;
- h. The adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.

ANNUAL REPORT 2019

AUDIT COMMITTEE REPORT

(cont'd)

2. TERMS OF REFERENCE (CONT'D)

Meeting and Minutes

The meeting shall be held not be less than four (4) times a year. Additionally, the Chairman shall convene a meeting of the Committee if requested to do so by its member, management or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee. The external auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee. The Committee may invite any Board member or any member of the Senior Management or any relevant employee within the Company who the Committee thinks fit to attend its meetings to assist in resolving and clarifying matters raised in audit reports. Any two (2) members of the Committee present at the meeting shall constitute a quorum. If at any meeting the Chairman of the Committee is not present within ten (10) minutes after the time appointed for holding the meeting, the Members present may choose one (1) of their numbers who is an Independent Non-Executive Director to be Chairman of the meeting.

The Chairman of the Audit Committee shall engage on a continuous basis with the senior management, internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

An agenda shall be sent to all the members of the Committee and any persons that may be required to attend. Minutes of each meeting shall be kept and distributed to each member of the Company and also the members of the Board of Directors.

The Company Secretary shall be Secretary of the Committee.

A resolution in writing signed by a majority of the Committee members for the time being entitled to receive notice of meeting of the Committee, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of a Committee member.

Review

The Committee will review the Terms of Reference periodically, and discuss any changes that may be required and recommend any such changes to the Board for consideration and approval.

3. SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee conducted its activities in accordance with its existing terms of reference, which included the review of the external auditors' scope of work and annual audit plan.

Five (5) meetings of the Committee were held during the financial year ended 31 October 2019.

- a. At each of these Audit Committee's meetings, the Group's finance manager was invited to brief the Audit Committee on specific issues.
- b. The reviews of the Group's quarterly and year-to-date unaudited financial statements were made before submission to the Board for their consideration and approval. During the respective Board Meetings, the Chairman of the Audit Committee briefed the Board on issues raised in respect of the financial statements and the recommendations of the Committee thereon.
- c. During the review of the Group's twelve-month's financial results, representatives of the External Auditors, Messrs Grant Thornton Malaysia PLT was invited to discuss the Group financial statements for the financial year ended 31 Oct 2019. Management's response to all pertinent issues and findings had been raised and noted by the External Auditors during their examination of the said Group Accounts; together with recommendations in respect of the findings;

KUMPULAN H & L HIGH-TECH BERHAD

AUDIT COMMITTEE REPORT

(cont'd)

3. SUMMARY OF ACTIVITIES (CONT'D)

- d. Held private meetings and discussions with the internal auditors;
- e. Reviewed, deliberated the internal audit reports presented and considered the significant findings of internal audit in the Group's operating subsidiaries through the review of internal audit reports tabled and management responses thereto and ensuring significant findings were adequately addressed by Management;
- f. Evaluated the performance and independent of the external auditors and made recommendations to the Board on their appointment and audit fees;
- g. Reviewed the Directors' Statement on Risk Management and Internal Control for the inclusion in the 2019 Annual Report;
- h. Reviewed and confirmed with the Management that the Group did not enter into any related-party transaction during the financial year;
- i. Conducted an annual assessment on the performance of the Internal Auditors; and
- j. Reviewed the revised Terms of Reference of the Audit Committee.

4. INTERNAL AUDIT FUNCTION

The Group's internal audit function had since November 2002 been outsourced to independent consultants, which is independent of its activities and operation and will report to the Audit Committee on the following:

- a. Undertakes the internal audit of the Group's operating units; ascertaining the extent of the units compliance with the established internal control procedures, policies and statutory requirements; highlighting the weaknesses and recommending improvements to the existing systems of controls;
- b. Assist in reviewing the adequacy and effectiveness of the Group's processes for controlling its activities;
- c. To review and appraise the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Company and the Group at reasonable costs; and
- d. Periodically provide information on the status and results of the internal audit plan.

During the financial year, the Audit Committee had reviewed internal audit activity that covered oil palm plantation management for second consecutive year and did not reveal any material weaknesses which would require disclosure in the annual report. The costs incurred for the Internal Audit function in respect of the financial year ended 31 October 2019 was approximately RM 17,000.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance ("MCCG") requires the Board of Directors ("the Board") to maintain a sound system of risk management and internal control to safeguard the Shareholders' interests and the Group's assets. The Board, in compliance with Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements, is pleased to provide the following Statement on Risk Management and Internal Control ("the Statement").

The Board is pleased to provide the following statements that have been prepared accordingly.

THE BOARD'S RESPONSIBILITIES

The Board acknowledges their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is designed to meet the Group's particular needs and to manage the risks exposure.

The system includes financial controls, operational and compliance controls and risk management to safeguard the shareholders' investments and the Group's assets. Because of the limitations that are inherent in any system of internal control, the system is designed to manage the principal business risks that may impede the Group from achieving its business objectives, rather than eliminate the risk of failure to achieve corporate objectives. The system, by its nature, can only provide reasonable but not absolute assurance against any material misstatement or loss.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL

- Clearly defined delegation of responsibilities of the Board, Committees and Management of the Group including authorisation levels for all aspect of business. Subsidiary companies have clear accountabilities to ensure appropriate risk management and control procedures are in place;
- Clearly documented internal procedures in the ISO 9001, where applicable, for its subsidiaries;
- Regular and comprehensive information provided to Board of Directors and Management, covering operational and financial performance;
- Monitoring actual results against budget. Significant variances are investigated and followed up, and where necessary management actions are taken;
- Internal audit visit by outsourced internal auditors are to review and appraise the internal control system within the Group in accordance with the approved internal audit plan;
- The Group Chairman and Managing Director provide briefing to the Board on significant changes in the business and external environment, which affect the operation of the Group at large;
- Where areas of improvement in the system are identified, the Board considers the recommendations made by the Audit Committee and the Management; and
- There is an ongoing process for identifying, evaluating and managing the significant risk faced by the Company.

The Board engages an independent firm of consultants to assist the Board in reviewing and appraising the internal control system within the Group.

RISK MANAGEMENT FRAMEWORK

The Board regularly reviews the Group's key commercial and financial risks together with general risks relating to compliance with laws and regulations so that reasonable level of assurance that the system of controls and operations is appropriate to the Group's situation and that there is an acceptable level of risk throughout the Group's businesses.

In light of the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers' issued by Bursa Malaysia, the Board has re-evaluated its risk management practices to ensure that it is appropriate and continues to remain relevant to the Group's requirements.

The Board has on 20 January 2020 established a Risk Management Committee ("RMC") and also approved the Terms of Reference for the RMC. The RMC consists of majority Independent Directors of the Board.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

BOARD COMMENTARY

During the financial year, the results of findings by the internal audit function, including the recommended corrective actions, were reported directly to the Audit Committee.

The Board is of the opinion that there were no material losses incurred during the financial year as a result of weaknesses in internal control. The Audit Committee considers the report from the internal audit function and comments from Management before making recommendation to the Board to strengthen the internal control system.

The Board has also received assurance from the Managing Director and the Management that the Group's internal control and risk management system is operating adequately and effectively based on the internal controls implemented throughout the Group.

ADDITIONAL COMPLIANCE INFORMATION

1. AUDIT AND NON AUDIT FEES

The amount of audit and non-audit fees paid/payable to external auditors and its affiliates for the financial year ended 31 October 2019 were as below:

| | Audit Fee (RM) | Non-Audit Fee (RM) |
|---------------|-------------------|-----------------------|
| Listed Issuer | 28,000 | 5,300 |
| Group | 111,500 | 5,300 |

2. MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company or its subsidiary involving interest of Directors and major shareholders of the Company that have not been reflected in the financial statement.

3. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for the financial year ended 31 October 2019, the Group has:

- ensured compliance with applicable accounting standards enforced in Malaysia;
- adopted and consistently applied appropriate accounting policies; and
- made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy, the financial position of the Group and also to ensure that the financial statements comply with the Companies Act 2016. In addition, the Board is responsible for the proper safeguarding of the assets of the Group and to take reasonable steps for the prevention and detection of fraud and other irregularities.

REPORTS AND FINANCIAL STATEMENTS

| | |
|---|----|
| Directors' Report | 27 |
| Statement by Directors | 31 |
| Statutory Declaration | 31 |
| Independent Auditors' Report | 32 |
| Statements of Financial Position | 36 |
| Statements of Profit or Loss and Other Comprehensive Income | 39 |
| Statements of Changes in Equity | 40 |
| Statements of Cash Flows | 41 |
| Notes to the Financial Statements | 43 |

ANNUAL REPORT 2019

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 October 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst those of its subsidiaries are disclosed in Note 23 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

RESULTS

| | Group RM | Company RM |
|-------------------------------|-------------|---------------|
| Profit for the financial year | 3,357,923 | 2,916,622 |

DIVIDENDS

The amount of dividends paid and declared since the end of the previous financial year were as follows:-

| | RM |
|--|------------------|
| In respect of the financial year ended 31 October 2019 | |
| First interim single tier dividend of 2.0 sen per ordinary share, paid on 23 April 2019 | 731,531 |
| Second interim single tier dividend of 1.5 sen per ordinary share, paid on 30 October 2019 | 548,651 |
| | <u>1,280,182</u> |

The Directors do not recommend any final dividend payment for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The name of the Director of the Company in office during the financial year and during the period commencing from the end of the financial year to the date of this report are as follows:-

Tan Lye Huat*
Tan Sook Yee*
Chu Kan
Rita Tai Lai Ling
Hau Hock Khun
Chew Yock Fat

* Directors of the Company and all the subsidiaries

In accordance with Article 97 of the Company's Article of Association, Mr. Tan Lye Huat and Mr. Chu Kan will retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

(cont'd)

DIRECTORS' INTERESTS

According to the register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests in the ordinary shares of the Company and its related corporations of those who were Directors as at year end are as follows:-

| | Number of ordinary shares | | | |
|----------------------------------|---------------------------|--------|------|------------------|
| | At 1.11.2018 | Bought | Sold | At 31.10.2019 |
| Company | | | | |
| <u>Direct interests</u> | | | | |
| Tan Lye Huat | 1,739,272 | - | - | 1,739,272 |
| Tan Sook Yee | 804,756 | - | - | 804,756 |
| <u>Indirect interests</u> | | | | |
| Tan Lye Huat* | 24,488,869 | - | - | 24,488,869 |
| Tan Sook Yee* | 20,887,124 | - | - | 20,887,124 |

* Deemed interest by virtue of the shareholdings in Company in which Directors have interest and members of the Director's family.

By virtue of their interests in the shares of the Company, Tan Lye Huat and Tan Sook Yee are also deemed interest in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

Other than abovementioned, no other Directors at the end of the financial year held any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the Directors of the Group and of the Company are as follows:-

| | Incurred by the Company RM | Incurred by the subsidiaries RM | Group RM |
|-------------------------------|----------------------------------|---------------------------------------|-------------|
| Directors' fees | 76,000 | - | 76,000 |
| Salaries and other emoluments | 41,000 | 980,880 | 1,021,880 |
| Defined contribution plan | - | 97,230 | 97,230 |
| Social security contribution | - | 3,436 | 3,436 |
| | 117,000 | 1,081,546 | 1,198,546 |

The estimate monetary value of benefits-in-kind received by the Directors other than cash from the Group amounted to RM16,325.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid up capital of the Company and there was no issuance of debentures during the financial year.

ANNUAL REPORT 2019

DIRECTORS' REPORT

(cont'd)

TREASURY SHARES

The shareholders of the Company, by a special resolution passed at an Annual General Meeting held on 28 March 2007, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 23 April 2019. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

The Company has the right to cancel or to resell these shares and/or distributes as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares were repurchased or sold during the financial year.

As at the reporting date, the number of ordinary shares in issue after deducting treasury shares against equity is 36,576,525 ordinary shares.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company which have arisen since the end of the financial year which secure the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which have arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

There is no indemnity coverage and insurance premium paid for the Directors and Officers of the Group and of the Company during the financial year.

Details of subsidiaries are set out in Note 23 to the financial statements.

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia PLT, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 31 October 2019 amounted to RM28,000 and RM83,500 respectively.

The Auditors, Messrs Grant Thornton Malaysia PLT, have expressed their willingness to continue in office.

There was no indemnity given to or insurance effected for the auditors of the Company during the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

TAN LYE HUAT

DIRECTORS

TAN SOOK YEE

Kuala Lumpur
20 January 2020

ANNUAL REPORT 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 36 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 October 2019 and their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

.....
TAN LYE HUAT

Kuala Lumpur
20 January 2020

.....
TAN SOOK YEE

STATUTORY DECLARATION

I, Chong Kong Hui, being the Officer primarily responsible for the financial management of Kumpulan H & L High-Tech Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 36 to 111 and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Kuala Lumpur)
in the Federal Territory this day of)
20 January 2020)

.....
CHONG KONG HUI
(MIA NO.: 25067)
CHARTERED ACCOUNTANT

Before me:

Commissioner for Oaths

KUMPULAN H & L HIGH-TECH BERHAD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia) Registration No: 199401032123 (317805-V)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kumpulan H & L High-Tech Berhad, which comprise statements of financial position of the Group and of the Company as at 31 October 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 36 to 111.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 October 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. Those matter were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon and we do not express an opinion on these individual matters.

Impairment assessment of the carrying amount of trade receivables

The risk

Refer to Note 10 to the financial statements. We focused on this area because the Group has material amounts of trade receivables that are past due but not impaired. The key associate risk is the recoverability of billed trade receivables as management judgement is required in determining the completeness of the trade receivables provision and in assessing its adequacy through considering the expected recoverability of the year-end trade receivables.

Our response

We have challenged management's assumptions in calculating the impairment loss for trade receivables. This includes reviewing the ageing of receivables in comparison to previous years, testing the integrity of ageing by calculating the due date for a sample of invoices and reviewing the level of bad debts written off in the current year against the prior year. We also checked the recoverability of outstanding receivables through examination of subsequent cash receipts, challenged the expected credit loss model developed by the Group and tested the operating effectiveness of the relevant control procedures that management has in place.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KUMPULAN H & L HIGH-TECH BERHAD

(Incorporated in Malaysia) Registration No: 199401032123 (317805-V)

(cont'd)

Inventories valuation

The risk

Refer to Note 7 to the financial statements. The Group holds a significant amount of inventories which is subject to risk that the inventories become slow-moving or obsolete, such that they could not be sold or can only be sold for selling prices that are less than the carrying value. There is inherent subjectivity and estimation required in determining the accuracy of inventory obsolescence provision and in making an assessment of its adequacy as it consist of risks such as inventory prices not valid and inventory not stated at the lower of cost or net realisable value

Our response

For both finished goods and raw materials, we tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions, and considered the nature and suitability of historic data used in estimating the provisions. In doing so, we obtained understanding on the ageing profile of inventories, the process for identifying specific problem inventories and historical loss rates.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprise the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KUMPULAN H & L HIGH-TECH BERHAD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia) Registration No: 199401032123 (317805-V)
(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards of Auditing, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group in order to express an opinion on the consolidated financial statements.

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We have provided to the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determined those matters that were of most significant in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We described these matters in our auditors' report.

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF KUMPULAN H & L HIGH-TECH BERHAD**

(Incorporated in Malaysia) Registration No: 199401032123 (317805-V)

(cont'd)

Other Matters

1. As stated in Note 2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 November 2018 with a transition date of 1 November 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 October 2018 and 1 November 2017, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year ended 31 October 2018 and related disclosures. We were not engaged to report on the Malaysian Financial Reporting Standards transition comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 October 2019, have in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 November 2018 do not contain misstatements that materially affect the financial position as at 31 October 2019, financial performance and cash flows for the financial year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT

(201906003682 & AF 0737)

CHARTERED ACCOUNTANTS

Kuala Lumpur

20 January 2020

TAN CHEE BENG

(NO: 02664/02/2021(J))

CHARTERED ACCOUNTANT

KUMPULAN H & L HIGH-TECH BERHAD

STATEMENTS OF FINANCIAL POSITION

AS AT 31 OCTOBER 2019

| Group | Note | 31.10.2019 RM | Restated 31.10.2018 RM | Restated 1.11.2017 RM |
|---|------|------------------|------------------------------|-----------------------------|
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 4 | 22,510,179 | 22,838,690 | 21,135,006 |
| Prepaid land lease payments | 5 | 2,365,711 | 2,399,031 | 2,432,350 |
| Investment properties | 6 | 55,840,000 | 55,845,731 | 55,016,281 |
| Inventories | 7 | 293,503 | 293,503 | 293,503 |
| Other investments | 8 | 69,764 | 165,000 | 165,000 |
| Total non-current assets | | 81,079,157 | 81,541,955 | 79,042,140 |
| CURRENT ASSETS | | | | |
| Inventories | 7 | 4,158,844 | 4,168,876 | 4,530,333 |
| Bearer biological assets | 9 | 88,485 | 80,030 | 99,863 |
| Trade receivables | 10 | 2,850,642 | 3,054,727 | 3,453,281 |
| Other receivables | 11 | 332,367 | 310,670 | 325,930 |
| Other investments | 8 | 820,445 | 385,458 | 461,600 |
| Derivative financial assets | 12 | - | 5,781 | 8,706 |
| Tax recoverable | | 52,000 | - | 39,375 |
| Deposits with licensed financial institutions | 13 | 21,893,223 | 12,942,611 | 10,823,211 |
| Cash and bank balances | | 4,008,809 | 4,673,449 | 5,177,166 |
| Total current assets | | 34,204,815 | 25,621,602 | 24,919,465 |
| TOTAL ASSETS | | 115,283,972 | 107,163,557 | 103,961,605 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Equity attributable to owners of the Company | | | | |
| Share capital | 14 | 40,612,085 | 40,612,085 | 40,612,085 |
| Treasury shares | 15 | (3,554,493) | (3,554,493) | (3,554,493) |
| Revaluation reserve | 16 | 8,368,286 | 8,310,830 | 8,041,790 |
| Retained earnings | | 49,498,060 | 47,420,319 | 45,728,400 |
| Total equity | | 94,923,938 | 92,788,741 | 90,827,782 |

ANNUAL REPORT 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 OCTOBER 2019
(cont'd)

| Group (cont'd) | Note | 31.10.2019 RM | Restated 31.10.2018 RM | Restated 1.11.2017 RM |
|-------------------------------------|------|------------------|------------------------------|-----------------------------|
| LIABILITIES | | | | |
| NON-CURRENT LIABILITIES | | | | |
| Borrowings | 17 | 10,056,819 | 2,340,043 | 3,535,320 |
| Deferred tax liabilities | 18 | 6,064,173 | 6,126,376 | 4,257,925 |
| Government grants | 19 | - | - | 59,857 |
| Total non-current liabilities | | 16,120,992 | 8,466,419 | 7,853,102 |
| CURRENT LIABILITIES | | | | |
| Trade payables | 20 | 458,827 | 537,919 | 602,338 |
| Other payables | 21 | 2,358,631 | 3,609,137 | 3,022,915 |
| Contract liabilities | 22 | 83,701 | - | - |
| Borrowings | 17 | 988,419 | 1,235,354 | 1,212,525 |
| Government grants | 19 | - | 59,857 | 59,856 |
| Derivative financial liabilities | 12 | 2,584 | - | - |
| Tax payable | | 346,880 | 466,130 | 383,087 |
| Total current liabilities | | 4,239,042 | 5,908,397 | 5,280,721 |
| Total liabilities | | 20,360,034 | 14,374,816 | 13,133,823 |
| TOTAL EQUITY AND LIABILITIES | | 115,283,972 | 107,163,557 | 103,961,605 |

KUMPULAN H & L HIGH-TECH BERHAD

STATEMENTS OF FINANCIAL POSITION

AS AT 31 OCTOBER 2019
(cont'd)

| Company | Note | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
|---|------|-------------------|-------------------|-------------------|
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Investment in subsidiaries | 23 | 26,020,367 | 22,407,054 | 23,416,971 |
| Total non-current assets | | 26,020,367 | 22,407,054 | 23,416,971 |
| CURRENT ASSETS | | | | |
| Other receivables | 11 | 11,421 | 6,513 | 4,872 |
| Amount due from subsidiaries | 23 | 513,781 | 14,519,343 | 13,404,211 |
| Deposits with licensed financial institutions | 13 | 12,660,219 | 662,464 | 1,334,990 |
| Cash and bank balances | | 294,851 | 251,802 | 964,037 |
| Total current assets | | 13,480,272 | 15,440,122 | 15,708,110 |
| TOTAL ASSETS | | 39,500,639 | 37,847,176 | 39,125,081 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Equity attributable to owners of the Company | | | | |
| Share capital | 14 | 40,612,085 | 40,612,085 | 40,612,085 |
| Treasury shares | 15 | (3,554,493) | (3,554,493) | (3,554,493) |
| Retained earnings | | 2,329,694 | 693,254 | 1,982,683 |
| Total equity | | 39,387,286 | 37,750,846 | 39,040,275 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Other payables | 21 | 113,273 | 96,250 | 84,590 |
| Tax payable | | 80 | 80 | 216 |
| Total current liabilities/Total liabilities | | 113,353 | 96,330 | 84,806 |
| TOTAL EQUITY AND LIABILITIES | | 39,500,639 | 37,847,176 | 39,125,081 |

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2019

| | | Group | | Company | |
|--|------|------------------|------------------------|------------------|----------------|
| | Note | 2019 RM | Restated 2018 RM | 2019 RM | 2018 RM |
| Revenue | 24 | 22,618,724 | 24,578,289 | 3,500,000 | 1,800,000 |
| Cost of sales | | (13,988,650) | (14,643,202) | - | - |
| Gross profit | | 8,630,074 | 9,935,087 | 3,500,000 | 1,800,000 |
| Other income | | 762,745 | 1,257,478 | - | - |
| Finance income | 25 | 569,492 | 439,578 | 148,296 | 25,612 |
| Selling and distribution expenses | | (175,441) | (497,725) | - | - |
| Administration expenses | | (3,601,025) | (3,253,449) | (172,289) | (145,492) |
| Other expenses | | (1,528,535) | (1,043,721) | (558,509) | (1,139,832) |
| Finance costs | 26 | (320,636) | (211,219) | - | - |
| Profit before tax | 27 | 4,336,674 | 6,626,029 | 2,917,498 | 540,288 |
| Tax expense | 28 | (978,751) | (3,105,277) | (876) | (884) |
| Profit for the financial year | | 3,357,923 | 3,520,752 | 2,916,622 | 539,404 |
| Other comprehensive income, net of tax | | | | | |
| <i>Item that will not be subsequently reclassified to profit or loss</i> | | | | | |
| - Revaluation of buildings | | 57,456 | 269,040 | - | - |
| Total comprehensive income for the financial year | | 3,415,379 | 3,789,792 | 2,916,622 | 539,404 |
| Profit for the financial year attributable to:- | | | | | |
| Owners of the Company | | 3,357,923 | 3,520,752 | 2,916,622 | 539,404 |
| Total comprehensive income attributable to:- | | | | | |
| Owners of the Company | | 3,415,379 | 3,789,792 | 2,916,622 | 539,404 |
| Earnings per share attributable to the owners of the Company (sen) | | | | | |
| - Basic | 29 | 9.18 | 9.63 | | |
| - Diluted | 29 | - | - | | |

The accompanying notes form an integral part of the financial statements.

KUMPULAN H & L HIGH-TECH BERHAD

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2019

| | Share capital RM | ← Non-distributable → Revaluation reserve RM | Treasury shares RM | Distributable Retained earnings RM | Total RM |
|---|------------------------|---|--------------------------|---|-------------|
| Group | | | | | |
| Balance at 1 November 2017, as previous stated | 40,612,085 | 8,041,790 | (3,554,493) | 44,992,611 | 90,091,993 |
| Adoption of MFRSs | - | - | - | 735,789 | 735,789 |
| Balance at 1 November 2017, restated | 40,612,085 | 8,041,790 | (3,554,493) | 45,728,400 | 90,827,782 |
| Total comprehensive income:- | | | | | |
| Profit for the financial year | - | - | - | 3,520,752 | 3,520,752 |
| Revaluation during the financial year | - | 269,040 | - | - | 269,040 |
| Transaction with owners:- | | | | | |
| Dividends (Note 30) | - | - | - | (1,828,833) | (1,828,833) |
| Balance at 31 October 2018, restated | 40,612,085 | 8,310,830 | (3,554,493) | 47,420,319 | 92,788,741 |
| Total comprehensive income:- | | | | | |
| Profit for the financial year | - | - | - | 3,357,923 | 3,357,923 |
| Revaluation during the financial year | - | 57,456 | - | - | 57,456 |
| Transaction with owners:- | | | | | |
| Dividends (Note 30) | - | - | - | (1,280,182) | (1,280,182) |
| Balance at 31 October 2019 | 40,612,085 | 8,368,286 | (3,554,493) | 49,498,060 | 94,923,938 |
| Company | | | | | |
| Balance at 1 November 2017 | 40,612,085 | - | (3,554,493) | 1,982,683 | 39,040,275 |
| Total comprehensive income | - | - | - | 539,404 | 539,404 |
| Transaction with owners:- | | | | | |
| Dividends (Note 30) | - | - | - | (1,828,833) | (1,828,833) |
| Balance at 31 October 2018 | 40,612,085 | - | (3,554,493) | 693,254 | 37,750,846 |
| Total comprehensive income | - | - | - | 2,916,622 | 2,916,622 |
| Transaction with owners:- | | | | | |
| Dividends (Note 30) | - | - | - | (1,280,182) | (1,280,182) |
| Balance at 31 October 2019 | 40,612,085 | - | (3,554,493) | 2,329,694 | 39,387,286 |

The accompanying notes form an integral part of the financial statements.

ANNUAL REPORT 2019

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2019

| | | Group | Company | |
|---|-------------|------------------------|------------|-------------|
| Note | 2019 RM | Restated 2018 RM | 2019 RM | 2018 RM |
| OPERATING ACTIVITIES | | | | |
| Profit before tax | 4,336,674 | 6,626,029 | 2,917,498 | 540,288 |
| Adjustments for:- | | | | |
| Amortisation of prepaid land lease payments | 33,320 | 33,319 | - | - |
| Amortisation on government grants | (59,857) | (59,856) | - | - |
| Depreciation of property, plant and equipment | 1,508,030 | 1,403,170 | - | - |
| Dividend income from other investments | (41,754) | (45,268) | - | - |
| Fair value loss/(gain) on investment properties | 5,731 | (765,550) | - | - |
| Fair value loss on derivative financial instruments | 8,365 | 2,925 | - | - |
| Fair value (gain)/loss on bearer biological assets | (8,455) | 19,833 | - | - |
| Gain on disposal of quoted shares | (93,252) | - | - | - |
| Gain on disposal of property, plant and equipment | - | (5,672) | - | - |
| Impairment loss on investment in a subsidiary | - | - | 386,687 | 1,009,917 |
| Interest income | (569,492) | (439,578) | (148,296) | (25,612) |
| Interest expenses | 320,636 | 211,219 | - | - |
| Net unrealised loss/(gain) on foreign exchange | 19,938 | (26,022) | - | - |
| Net fair value loss on other investments | 203,867 | 76,142 | - | - |
| Property, plant and equipment written off | 1 | - | - | - |
| Operating profit before working capital changes | 5,663,752 | 7,030,691 | 3,155,889 | 1,524,593 |
| Changes in working capital:- | | | | |
| Inventories | 10,032 | 361,457 | - | - |
| Receivables | 162,754 | 447,477 | (4,908) | (1,641) |
| Payables | (1,329,290) | 521,614 | 17,023 | 11,660 |
| Contract liabilities | 83,701 | - | - | - |
| Cash generated from operations | 4,590,949 | 8,361,239 | 3,168,004 | 1,534,612 |
| Tax refunded | 269,090 | 62,635 | - | - |
| Tax paid | (1,499,438) | (1,262,003) | (876) | (1,020) |
| Net cash from operating activities | 3,360,601 | 7,161,871 | 3,167,128 | 1,533,592 |
| INVESTING ACTIVITIES | | | | |
| Dividend received from other investments | 41,754 | 45,268 | - | - |
| Repayment from/(Advances to) subsidiaries | - | - | 10,005,562 | (1,115,132) |
| Interest received | 569,492 | 439,578 | 148,296 | 25,612 |

KUMPULAN H & L HIGH-TECH BERHAD

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2019
(cont'd)

| | | Group | | Company | |
|---|----------|-------------|------------------------|-------------|-------------|
| | Note | 2019 RM | Restated 2018 RM | 2019 RM | 2018 RM |
| INVESTING ACTIVITIES (cont'd) | | | | | |
| Proceeds from disposal of property, plant and equipment | | - | 5,672 | - | - |
| Proceeds from disposal of quoted shares | | 586,264 | | | |
| Purchase of property, plant and equipment | | (1,103,920) | (2,752,854) | - | - |
| Purchase of quoted shares | | (1,036,630) | - | - | - |
| Purchase of investment properties | | - | (63,900) | - | - |
| Net cash (used in)/from investing activities | | (943,040) | (2,326,236) | 10,153,858 | (1,089,520) |
| FINANCING ACTIVITIES | | | | | |
| Interest paid | | (320,636) | (211,219) | - | - |
| Dividend paid | | (1,280,182) | (1,828,833) | (1,280,182) | (1,828,833) |
| Placement of deposit with licensed financial institutions | | (2,575) | (2,541) | - | - |
| Drawdown of term loans | | 11,200,000 | - | - | - |
| Repayment of borrowings | | (3,730,159) | (1,172,448) | - | - |
| Net cash from/(used in) financing activities | | 5,866,448 | (3,215,041) | (1,280,182) | (1,828,833) |
| CASH AND CASH EQUIVALENTS | | | | | |
| Net changes | | 8,284,009 | 1,620,594 | 12,040,804 | (1,384,761) |
| Effect of exchange rate changes | | (612) | (7,452) | - | - |
| Brought forward | | 17,527,700 | 15,914,558 | 914,266 | 2,299,027 |
| Carried forward | A | 25,811,097 | 17,527,700 | 12,955,070 | 914,266 |

NOTE TO THE STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:-

| | 2019 RM | Group 2018 RM | 2019 RM | Company 2018 RM |
|--|------------|---------------------|------------|-----------------------|
| Cash and bank balances | 4,008,809 | 4,673,449 | 294,851 | 251,802 |
| Deposits with licensed financial institutions (Note 13) | 21,893,223 | 12,942,611 | 12,660,219 | 662,464 |
| | 25,902,032 | 17,616,060 | 12,955,070 | 914,266 |
| Less: Deposit pledged with licensed financial institutions | (90,935) | (88,360) | - | - |
| | 25,811,097 | 17,527,700 | 12,955,070 | 914,266 |

The accompanying notes form an integral part of the financial statements.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 6, Jalan TSB 1, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.

The principal activity of the Company is investment holding whilst those of its subsidiaries are disclosed in Note 23 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 January 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain properties that are measured at revalued amounts or fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group or the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 - Quoted (adjusted) market prices in active markets for the identical assets.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of Measurement (cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 First Time Adoption of MFRSs

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Board ("MASB").

This is the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards has been applied.

The explanation and financial impact on transition to MFRSs are disclosed in Note 37 to the financial statements.

2.4.1 Standards Issued but Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the MASB but are not yet effective, and has not been early adopted by the Group and the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impacts on the Group's and on the Company's financial statements, except for:-

2.4.1.1 MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 First Time Adoption of MFRSs (cont'd)

2.4.1 Standards Issued but Not Yet Effective (cont'd)

2.4.1.1 MFRS 16 Leases (cont'd)

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

Transition to MFRS 16

The Group and the Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group and the Company have leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value. Overall, the Group and the Company expect no significant impact on their statements of financial position.

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management and will seldom equal the estimated result.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

2.5.1 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Inventories

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to valuation of inventories.

Depreciable of Property, Plant and Equipment

Management estimates the useful lives of the property, plant and equipment to be within 4 to 50 years and reviews the useful lives of depreciable assets at the end of the each reporting period. At 31 October 2019, management assesses the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

Impairment of Plant and Equipment

The Group carried out impairment tests where there are indications of impairment based on a variety of estimation including value-in-use of cash-generating unit to which the plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Key Sources of Estimation Uncertainty (cont'd)

Provision for Expected Credit Losses of Trade Receivables

The Group makes provision for expected credit losses based on an assessment of the recoverability of trade receivables. The impairment provisions for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The identification of loss allowance requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying amount of the trade receivables and loss allowance in the period in which such estimate has been changed.

Fair Value of Bearer Biological Assets

The Group's bearer biological assets are measured at fair value less point-of-sale costs. In measuring fair values of fresh fruit bunches, management uses estimates of cash flows using inputs or assumptions of life to maturity, productivity quantity, mortality rate, selling prices of fresh fruit bunches, variable costs and profit margins. The probability-weighted cash flows are discounted using an appropriate discount rate that reflects the time value of money and the risk. As prices in agricultural business are volatile, the actual cash flows and discount rate may not coincide with the estimates made and this may have a significant effect on the Group's financial position and results.

Impairment of Non-Financial Assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary and may cause significant adjustments to the Group's and the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Income Tax and Deferred Tax

Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Revaluation of Property, Plant and Equipment

The Group measures its factory and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engages independent valuation specialists to determine the fair values.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Key Sources of Estimation Uncertainty (cont'd)

Fair Value Valuation of Investment Properties

The Group measures its investment properties at fair value with any change in fair value being recognised in profit or loss. Significant judgement is required in the determination of fair value which may be derived based on different valuation methods. In making the judgement, the Group evaluates based on past experience and reliance on the work of specialists. The Group engages independent valuation specialists to determine the fair values.

Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

2.5.2 Significant Management Judgement

The following are significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Leases

In applying the classification of leases in MFRS 117, management considers some of its leases of leasehold land as operating lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.2 Significant Management Judgement (cont'd)

Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Basis of Consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and of its subsidiaries are all drawn up to the same reporting period.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

Business Combinations (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

3.2 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries are stated at cost less impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiary is assessed and written down immediately to its recoverable amount.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.3 Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.4 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, to ensure that the carrying amount does not differ materially from the fair value of the buildings at the end of the reporting period.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, Plant and Equipment (cont'd)

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of buildings is recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Bearer plants are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce, except for incidental scrap sales. The bearer plants that are available for use are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. Bearer plants have an average life cycle of 25 years with the first 3 years as immature bearer plants and the remaining years as mature bearer plants. The mature bearer plants are depreciated over their remaining useful lives of 22 years on a straight-line basis. The immature bearer plants are not depreciated until such time when they are available for use.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Property, plant and equipment other than bearer plants are depreciated based on the estimated useful lives of the assets as follows:-

| | |
|--|-----------|
| Factory and buildings | 2% |
| Plant and machinery | 10% - 20% |
| Motor vehicles | 20% |
| Office equipment, furniture and fittings | 10% - 20% |
| Warehouse | 10% |
| Renovations | 10% |
| Tools and utensils | 10% - 14% |
| Electrical installation | 10% |
| Staff quarters | 25% |

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is decognised.

3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or asset) or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

As a Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group and to the Company are classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased assets is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

As a Lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.5.1 Finance Leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group and the Company obtain ownership of the asset at the end of the lease term.

For lease of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact the land normally has an indefinite economic life.

3.5.2 Operating Leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance are expensed as incurred.

3.6 Investment Properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Group.

Investment properties are initially measured at cost. The cost of investment properties includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, investment properties are stated at fair value and are revalued annually, which is determined by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and supported with by market evidence. Gain or losses arising from changes in the fair value of investment properties are included in the profit or loss in the financial year in which they arise.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Investment Properties (cont'd)

Investment properties are derecognised when either they are disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year in which they arise.

3.7 Inventories

Inventories comprising land held for property development, raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost is determined on a first-in-first-out method. The costs of raw materials comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The costs of work-in-progress and finished goods comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in the profit or loss in the period in which it occurs.

3.7.1 Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost plus incidental costs directly attributable to acquisition less any accumulated impairment losses.

Land held for property development is classified as property development cost at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

3.7.2 Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the outcome of a development activity can be estimated reliably, property development revenue and expenses are recognised in the profit or loss by using the percentage of completion method. The percentage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on development units sold are recognised as an expense in the period in which they are incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings within trade payables.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Bearer Biological Assets - Oil Palm

The Group attribute a fair value on the fresh fruit bunches ("FFB") at each statements of financial position date as required under MFRS 141 "Agriculture". FFB are produce of oil palm trees and are harvested continuously throughout the financial year to be used in the production of crude palm oil ("CPO"). Each FFB takes approximately 22 weeks from pollination to reach maximum oil content to be ready for harvesting. The value of each FFB at each point of the FFB production cycle will vary based on the cumulative oil content in each fruit.

In determining the fair values of FFB, management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 15 days prior to harvest, the FFB prior to 15 days before harvesting are excluded in the valuation as the fair values are considered negligible.

The valuation model adopted by the Group is a discounted cash flows model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for transportation and other cost to sell at the point of harvest.

3.9 Financial Instruments

3.9.1 Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

3.9.2 Financial Assets

3.9.2.1 Classification and Subsequent Measurement

Accounting Policies applied from 1 November 2018:-

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:-

- (i) amortised cost;
- (ii) fair value through profit or loss ("FVTPL"); and
- (iii) fair value through other comprehensive income ("FVOCI").

The classification is determined by both:-

- (i) the entity's business model for managing the financial asset; and
- (ii) the contractual cash flow characteristics of the financial asset.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is called SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determined whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

3.9.2 Financial Assets (cont'd)

3.9.2.1 Classification and Subsequent Measurement (cont'd)

Accounting Policies applied from 1 November 2018 (cont'd):-

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented as net loss on impairment of financial assets in statement of profit or loss and other comprehensive income.

In the financial year, the Group and the Company does not have any financial assets categorised as FVOCI.

Financial Assets at Amortised Cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):-

- (i) they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- (ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method and are subject to impairment. Gain or loss are recognised in profit or loss when the asset is derecognised, modified or impaired. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's trade and most of other receivables, amount due from subsidiaries, deposits with licensed financial institutions and cash and bank balances fall into this category of financial instruments.

Financial Assets at FVTPL

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

The category also contains an equity investment. The Group account for the investment at FVTPL and did not make the irrevocable election to account for the listed equity securities at fair value through other comprehensive income ("FVOCI"). In the current financial year, the fair value was determined in line with the requirements of MFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

3.9.2 Financial Assets (cont'd)

3.9.2.1 Classification and Subsequent Measurement (cont'd)

Accounting Policies applied until 31 October 2018:-

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

- a) financial assets at fair value through profit or loss;
- b) held-to-maturity investments;
- c) loans and receivables; and
- d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's trade and most of other receivables, amount due from subsidiaries, deposits with licensed financial institutions and cash and bank balances fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Financial Assets at FVTPL

Financial assets at FVTPL comprise of financial assets which are held for trading or those designated at fair value through profit or loss upon initial recognition. All derivative financial instruments (including separated embedded derivatives) which are acquired principally for the purpose of selling in the near term and contingent consideration in a business combination fall into this category, except for those that are financial guarantee contracts or those designated and effective as hedging instruments.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

3.9.2 Financial Assets (cont'd)

3.9.2.1 Classification and Subsequent Measurement (cont'd)

Accounting Policies applied until 31 October 2018 (cont'd)-

Financial Assets at FVTPL (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets which are held primarily for trading purposes are presented as current whereas financial assets which are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities and the equity instruments.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss and presented as a reclassification adjustment within other comprehensive income.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

3.9.2.2 Impairment

Accounting Policies applied from 1 November 2018:-

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit losses (ECLs) model'. This replaces MFRS 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group and the Company first identifying a credit loss event. Instead the Group and the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

3.9.2 Financial Assets (cont'd)

3.9.2.2 Impairment (cont'd)

Accounting Policies applied from 1 November 2018 (cont'd)-

In applying this forward-looking approach, a distinction is made between:-

- (i) financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- (ii) financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group and the Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group and the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

For all other financial instruments, the Group and the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognised an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determines that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

3.9.2 Financial Assets (cont'd)

3.9.2.2 Impairment (cont'd)

Accounting Policies applied until 31 October 2018:-

The Group and the Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

3.9.2 Financial Assets (cont'd)

3.9.2.2 Impairment (cont'd)

Accounting Policies applied until 31 October 2018 (cont'd)-

Unquoted Equity Securities Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Available-for-sale Investments

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale investments are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

3.9.3 Financial Liabilities

3.9.3.1 Classification and Subsequent Measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's and the Company's financial liabilities include trade and most of other payables, borrowings and government grants.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

3.9.3 Financial Liabilities (cont'd)

3.9.3.1 Classification and Subsequent Measurement (cont'd)

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value at the date a derivative financial instrument contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in the profit or loss immediately.

A derivative financial instrument with a positive fair value is recognised as a financial asset whereas a derivative financial instrument with a negative fair value is recognised as a financial liability. A derivative financial instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivative financial instruments are presented as current assets or current liabilities.

Financial Guarantee Contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.9.4 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset has expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay.

If the Group and the Company retains substantially all the risks and rewards of ownership of transferred assets, the Group and the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Group and the Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.9.5 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Non-financial Assets

At each reporting date, the Group and the Company review the carrying amounts of their non-financial assets to determine whether there is any indication of impairment. Non-financial asset is tested for impairment annually at financial year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value-in-use.

In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in profit and loss immediately except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years.

All reversals of impairment losses are recognised as income immediately in profit or loss unless the asset is measured at revalued amount, in which case the reversal as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits with licensed financial institutions and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statements of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date is classified as non-current asset.

3.12 Tax Expenses

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.12.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Current tax for current and prior periods is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax Expenses (cont'd)

3.12.2 Deferred Tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.12.3 Goods and Services Tax

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Company paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

The Malaysian Government has zero rated the GST effective from 1 June 2018. This mean the GST rate on the supplies of goods or services or on the importation of goods has been revised from 6% to 0%.

The GST has been replaced with the Sales and Services Tax ("SST") effective from 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for services tax is fixed at 6%. The Company is not registered with SST.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax Expenses (cont'd)

3.12.4 Sales and Services Tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax ("SST"), except:

- Where the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

The amount of SST payable to taxation authority is included as part of payables in the statements of financial position.

3.13 Foreign Currency Transactions and Balances

Transactions in foreign currencies are recorded in the respective functional currency of the Company and its subsidiaries at exchange rates approximating those ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at reporting date. Non-monetary items that are measured at historical cost are translated at the dates of the initial transactions and those items measured at fair value in foreign currency are translated at the date when the fair value was determined.

Gains and losses resulting from settlement of such transactions and conversion of short term assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

3.14 Government Grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that the Group and the Company will comply with the conditions attaching to them and the grants will be received.

Government grant used for financial support, assistance or to reimburse costs incurred by the Group and the Company are recognised in the profit or loss on the straight line basis over the expected lives of 5 years of the related products.

3.15 Contract Liabilities

Contract liability is the obligation to transfer goods or services to customer for which the Group and the Company have received the consideration or have billed the customer. Contract liabilities include the other deferred income where the Group and the Company have billed or have collected the payment before the goods are delivered or services are provided to the customers.

3.16 Revenue and Other Income

3.16.1 Sales of Goods

Accounting Policies Applied from 1 November 2018:-

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognises revenue when (or as) it transfers control over a product or services to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- (a) the customer simultaneously receives and consumes the benefits provided as the Group and the Company performs;
- (b) the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company has an enforceable right to payment for performance completed to date.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Revenue and Other Income (cont'd)

3.16.1 Sales of Goods (cont'd)

Accounting Policies Applied until 31 October 2018:-

Revenue from the sale of goods is recognised net of goods and services taxes and discounts upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.16.2 Dividend Income

Dividend income is recognised when the shareholders' right to receive payment is established.

3.16.3 Interest Income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis using effective interest method in profit or loss.

3.16.4 Rental Income

Rental income is recognised on an accrual basis unless collectibility is in doubt.

3.16.5 Joint Property Development Income

Revenue from joint property development project is recognised when the right to receive distribution is established.

3.17 Employee Benefits

3.17.1 Short Term Employee Benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.17.2 Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Equity, Reserves and Distributions to Owners

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Share capital are recorded at the proceeds from ordinary shares issued net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

The revaluation reserve within equity comprises gains and losses due to revaluation of property, plant and equipment.

Retained earnings include all current and prior years' accumulated profits.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

All transactions with owners of the Company are recorded separately within equity.

3.19 Treasury Shares

When issued shares of the Company are repurchased, the consideration paid, including directly attributable costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, reissuance or cancellation of treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are reissued by resale, the difference between the sale consideration net of directly attributable costs and the carrying amount of the treasury shares is shown as a movement in equity.

3.20 Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.21 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 36 to the financial statements.

3.22 Earnings per Ordinary Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group based on the weighted average number of ordinary shares in issue during the period.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group based on the weighted average number of shares in issue, for the effects of all dilutive potential ordinary shares during the period.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.24 Provision

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.25 Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Company if that person:-
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company.
- (b) An entity is related to the reporting entity if any of the following conditions applies:-
- (i) The entity and the Company are members of the same group;
 - (ii) The entity is an associate or joint venture of the Company;
 - (iii) Both the Company and the entity are joint ventures of the same third party;
 - (iv) The Company is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) The entity is controlled or jointly-controlled by a person identified in the (a) above;
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity; or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the corporate shareholders of the Company or the Company.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

4. PROPERTY, PLANT AND EQUIPMENT

| | At valuation | | At cost | | | | | | | | |
|----------------------------------|-----------------------------|----------------------|---------------------------|----------------------|--|-----------------|-------------------|-------------------------------|--------------------------|---------------------|-------------|
| Group | Factory and buildings RM | Staff quarters RM | Plant and machinery RM | Motor vehicles RM | Office equipment, furniture and fittings RM | Warehouse RM | Renovations RM | Electrical installation RM | Tools and utensils RM | Bearer plants RM | Total RM |
| Cost or valuation | | | | | | | | | | | |
| At 1.11.2017, as previous stated | 13,682,251 | 236,596 | 33,211,619 | 4,773,304 | 5,697,693 | 867,200 | 1,286,731 | 1,100,658 | 4,893,982 | - | 65,750,034 |
| Adoption of MFRSs | - | - | - | - | - | - | - | - | - | 5,470,020 | 5,470,020 |
| At 1.11.2017, restated | 13,682,251 | 236,596 | 33,211,619 | 4,773,304 | 5,697,693 | 867,200 | 1,286,731 | 1,100,658 | 4,893,982 | 5,470,020 | 71,220,054 |
| Additions | - | 73,969 | 927,740 | 712,099 | 117,902 | - | - | 16,470 | 33,144 | 871,530 | 2,752,854 |
| Disposal | - | - | (479,694) | - | - | - | - | - | - | - | (479,694) |
| Revaluation adjustment | 80,000 | - | - | - | - | - | - | - | - | - | 80,000 |
| At 31.10.2018, restated | 13,762,251 | 310,565 | 33,659,665 | 5,485,403 | 5,815,595 | 867,200 | 1,286,731 | 1,117,128 | 4,927,126 | 6,341,550 | 73,573,214 |
| Additions | - | 231,117 | 74,137 | 327,870 | 51,375 | - | - | 2,197 | 23,303 | 393,921 | 1,103,920 |
| Disposal | - | - | (23,000) | - | - | - | - | - | - | - | (23,000) |
| Written off | - | - | - | - | (1,500) | - | - | - | - | - | (1,500) |
| Revaluation adjustment | (200,000) | - | - | - | - | - | - | - | - | - | (200,000) |
| At 31.10.2019 | 13,562,251 | 541,682 | 33,710,802 | 5,813,273 | 5,865,470 | 867,200 | 1,286,731 | 1,119,325 | 4,950,429 | 6,735,471 | 74,452,634 |

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | At valuation | | At cost | | | | | | | | |
|----------------------------------|-----------------------------|----------------------|---------------------------|----------------------|--|-----------------|-------------------|-------------------------------|--------------------------|---------------------|-------------|
| Group | Factory and buildings RM | Staff quarters RM | Plant and machinery RM | Motor vehicles RM | Office equipment, furniture and fittings RM | Warehouse RM | Renovations RM | Electrical installation RM | Tools and utensils RM | Bearer plants RM | Total RM |
| Accumulated depreciation | | | | | | | | | | | |
| At 1.11.2017, as previous stated | - | 140,425 | 32,431,134 | 4,144,586 | 5,489,692 | 683,063 | 1,101,821 | 1,091,114 | 4,491,912 | - | 49,573,747 |
| Adoption of MFRSs | - | - | - | - | - | - | - | - | - | 511,301 | 511,301 |
| At 1.11.2017, restated | - | 140,425 | 32,431,134 | 4,144,586 | 5,489,692 | 683,063 | 1,101,821 | 1,091,114 | 4,491,912 | 511,301 | 50,085,048 |
| Charge for the financial year | 274,000 | 53,782 | 213,342 | 349,388 | 73,985 | 56,880 | 60,045 | 2,704 | 92,509 | 226,535 | 1,403,170 |
| Disposal | - | - | (479,694) | - | - | - | - | - | - | - | (479,694) |
| Revaluation adjustment | (274,000) | - | - | - | - | - | - | - | - | - | (274,000) |
| At 31.10.2018, restated | - | 194,207 | 32,164,782 | 4,493,974 | 5,563,677 | 739,943 | 1,161,866 | 1,093,818 | 4,584,421 | 737,836 | 50,734,524 |
| Charge for the financial year | 275,600 | 87,638 | 299,183 | 391,268 | 83,692 | 29,390 | 35,220 | 5,714 | 73,790 | 226,535 | 1,508,030 |
| Disposal | - | - | (23,000) | - | - | - | - | - | - | - | (23,000) |
| Written off | - | - | - | - | (1,499) | - | - | - | - | - | (1,499) |
| Revaluation adjustment | (275,600) | - | - | - | - | - | - | - | - | - | (275,600) |
| At 31.10.2019 | - | 281,845 | 32,440,965 | 4,885,242 | 5,645,870 | 769,333 | 1,197,086 | 1,099,532 | 4,658,211 | 964,371 | 51,942,455 |
| Net carrying amount | | | | | | | | | | | |
| At 31.10.2019 | 13,562,251 | 259,837 | 1,269,837 | 928,031 | 219,600 | 97,867 | 89,645 | 19,793 | 292,218 | 5,771,100 | 22,510,179 |
| At 31.10.2018, restated | 13,762,251 | 116,358 | 1,494,883 | 991,429 | 251,918 | 127,257 | 124,865 | 23,310 | 342,705 | 5,603,714 | 22,838,690 |
| At 1.11.2017, restated | 13,682,251 | 96,171 | 780,485 | 628,718 | 208,001 | 184,137 | 184,910 | 9,544 | 402,070 | 4,958,719 | 21,135,006 |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The buildings were revalued in the financial year 2019, based on valuation carried out by an independent professional valuer, on an open market value basis to reflect the market value of existing use. The comparison method was adopted in arriving at the market value of the buildings. There have been no changes to the valuation technique during the financial year. The revaluation surplus net of applicable deferred tax was credited to other comprehensive income and is shown in "Revaluation Reserve" under equity.

Buildings at valuation are categorised at Level 2 fair value. There were no transfer between Level 1 and Level 2 during the financial year.

Level 2 Fair Value

Level 2 fair values of factory and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square feet of comparable properties.

At the reporting date, had the revalued factory and buildings of the Group carried under the cost model, the carrying amount would have been at RM2,911,637 (31.10.2018: RM3,046,673 and 1.11.2017: RM3,181,709).

- (b) The cost of motor vehicles of the Group amounted to RM510,451 (31.10.2018 and 1.11.2017: RM510,451) is held in trust in the name of a Director of the Group. The net carrying amount of the motor vehicles is RMNil (31.10.2018 and 1.11.2017: RMNil).

5. PREPAID LAND LEASE PAYMENTS

| | ← Group → | | |
|--|------------|------------------------|-----------------------|
| | 31.10.2019 | Restated 31.10.2018 | Restated 1.11.2017 |
| | RM | RM | RM |
| Long leasehold land | | | |
| Cost | | | |
| Brought forward | 3,132,050 | 3,132,050 | 2,136,309 |
| Adoption of MFRSs | - | - | 995,741 |
| Carried forward | 3,132,050 | 3,132,050 | 3,132,050 |
| Accumulated depreciation | | | |
| Brought forward | 733,019 | 699,700 | 306,565 |
| Adoption of MFRSs | - | - | 359,815 |
| Amortisation for the financial year | 33,320 | 33,319 | 33,320 |
| Carried forward | 766,339 | 733,019 | 699,700 |
| | 2,365,711 | 2,399,031 | 2,432,350 |
| Amount to be amortised: | | | |
| - not later than 1 year | 33,320 | 33,320 | 33,319 |
| - later than 1 year but not later than 5 years | 133,280 | 133,280 | 133,276 |
| - more than 5 years | 2,199,111 | 2,232,431 | 2,265,755 |
| | 2,365,711 | 2,399,031 | 2,432,350 |

Long leasehold land represents leasehold land with unexpired lease period of more than 50 years.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

6. INVESTMENT PROPERTIES

| Group | Freehold land RM | Leasehold land RM | Freehold buildings RM | Leasehold buildings RM | Total RM |
|-----------------------|------------------------|-------------------------|-----------------------------|------------------------------|-------------|
| Fair value | | | | | |
| At 1 November 2017 | 30,346,675 | 10,109,056 | 14,290,550 | 270,000 | 55,016,281 |
| Additions | - | - | 63,900 | - | 63,900 |
| Fair value adjustment | 1,020,000 | - | (254,450) | - | 765,550 |
| At 31 October 2018 | 31,366,675 | 10,109,056 | 14,100,000 | 270,000 | 55,845,731 |
| Fair value adjustment | 3,325 | (9,056) | - | - | (5,731) |
| At 31 October 2019 | 31,370,000 | 10,100,000 | 14,100,000 | 270,000 | 55,840,000 |

The title deed of the Group's leasehold land amounting to RM1,000,000 (31.10.2018 and 1.11.2017: RM1,179,056) is yet to be issued by the relevant authority.

Freehold land and building and leasehold land and building of a subsidiary with net carrying amount of RM33,500,000 (31.10.2018: RM33,500,000 and 1.11.2017: RM33,810,550) and RM1,050,000 (31.10.2018 and 1.11.2017: RM1,050,000) respectively have been charged to a financial institution for credit facility granted to the subsidiary as disclosed in Note 17 to the financial statements.

Income and expenses recognised in profit or loss:-

| | 2019 RM | Group 2018 RM |
|---|------------|---------------------|
| Rental income from investment properties | 2,262,370 | 2,218,290 |
| Direct operating expenses for investment properties | (111,834) | (111,817) |

Fair value basis of investment properties

Investment properties are stated at fair value, which has been determined based on valuations during the financial year. The fair values of the investment properties are based on valuations performed by accredited independent valuers with recent experience in the location and category of properties being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

Fair value measurement of the investment properties were categorised as follows:-

| | ← Level 2 31.10.2019 RM | Group Level 2 31.10.2018 RM | → Level 2 1.11.2017 RM |
|--|-------------------------------|--------------------------------------|------------------------------|
| Recurring fair value measurements:- | | | |
| Freehold land | 31,370,000 | 31,366,675 | 30,346,675 |
| Leasehold land | 10,100,000 | 10,109,056 | 10,109,056 |
| Freehold buildings | 14,100,000 | 14,100,000 | 14,290,550 |
| Leasehold buildings | 270,000 | 270,000 | 270,000 |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

6. INVESTMENT PROPERTIES (CONT'D)

Fair value basis of investment properties (cont'd)

Level 2 Fair Value

Level 2 fair values of freehold and leasehold land and buildings have generally derived using the sales comparison approach. Sales price comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square feet of comparable properties.

7. INVENTORIES

| | ← Group → | | |
|---------------------------------------|------------|------------|-----------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| Non-current | | | |
| Land held for development (Note 7.1) | 293,503 | 293,503 | 293,503 |
| Current | | | |
| Property development costs (Note 7.2) | 129,028 | 221,880 | 510,603 |
| Raw materials | 1,532,550 | 1,169,254 | 1,058,530 |
| Work-in-progress | 676,863 | 524,907 | 837,614 |
| Finished goods | 1,820,403 | 2,252,835 | 2,123,586 |
| | 4,158,844 | 4,168,876 | 4,530,333 |
| | 4,452,347 | 4,462,379 | 4,823,836 |

| | Group | |
|---|------------|------------|
| | 2019 | 2018 |
| | RM | RM |
| Recognised in profit or loss:- | | |
| Inventories recognised in cost of sales | 12,015,847 | 13,327,233 |

7.1 Land held for Property Development

| | ← Group → | | |
|---------------------------------|------------|------------|-----------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| Freehold land | | | |
| Cost | | | |
| Brought forward/Carried forward | 293,503 | 293,503 | 293,503 |

Title deeds of the freehold land are currently surrendered to Perak state authority as part of the conditions for the property development project entered by a subsidiary.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

7. INVENTORIES (CONT'D)

7.2 Property Development Costs

| | ← Group → | | |
|---|------------|------------|-----------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| Freehold land | | | |
| Cost | | | |
| Brought forward | 221,880 | 510,603 | 508,455 |
| Transferred from land held for property development | - | - | 253,127 |
| Transferred to profit or loss | (92,852) | (288,723) | (250,979) |
| Carried forward | 129,028 | 221,880 | 510,603 |

Title deeds of the freehold land are currently surrendered to Perak state authority as part of the conditions for the property development project entered by a subsidiary.

The subsidiary has entered into a joint venture agreement with a joint venture partner to develop two pieces of land and the subsidiary is entitled to 21% and 23% of the profit earned from the properties sold for each land respectively. All the development cost is operated and financed by the joint venture partner.

8. OTHER INVESTMENTS

| | ← Group → | | |
|--|------------|------------|-----------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| FVTPL (31.10.2019)/AFS (31.10.2018 and 1.11.2017) | | | |
| Non-current asset | | | |
| Golf club membership | 67,000 | 115,000 | 115,000 |
| Unquoted shares in Malaysia | 2,764 | 50,000 | 50,000 |
| | 69,764 | 165,000 | 165,000 |
| FVTPL | | | |
| Current asset | | | |
| Quoted shares in Malaysia | 820,445 | 385,458 | 461,600 |
| | 890,209 | 550,458 | 626,600 |
| Representing items:- | | | |
| At cost | - | 165,000 | 165,000 |
| At fair value | 890,209 | 385,458 | 461,600 |
| | 890,209 | 550,458 | 626,600 |
| Fair value of quoted investment (Level 1) | 820,445 | 385,458 | 461,600 |
| Fair value of unquoted investment (Level 2) | 67,000 | - | - |
| Fair value of unquoted investment (Level 3) | 2,764 | 165,000 | 165,000 |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

8. OTHER INVESTMENTS (CONT'D)

Details of the Level 3 fair value measured is as follows:-

| Valuation method and key inputs | Significant unobservable inputs | Relationship of unobservable inputs and fair value |
|--|--|---|
| Adjusted net asset method which derives the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities. | Fair value of individual assets and liabilities. | The higher the net assets, the higher the fair value. |

In prior financial year, there is an impairment loss of RM65,000 (1.11.2017: RM65,000) being incurred for investment in golf club membership. The amount shown above is net amount after impairment loss.

Investments in golf club membership and unquoted shares of the Group were designated as available-for-sale financial assets which were stated costs less impairment losses as their fair value as at 31 October 2018 and 1 November 2017.

The Group measured their golf club membership and unquoted shares at fair value through profit or loss due to adoption of MFRS 9 with effective from 1 November 2018.

9. BEARER BIOLOGICAL ASSETS

| | ← Group | | |
|--|------------|------------------------|-----------------------|
| | 31.10.2019 | Restated 31.10.2018 | Restated 1.11.2017 |
| | RM | RM | RM |
| At fair value | | | |
| Fresh fruit bunches | | | |
| Brought forward | 80,030 | 99,863 | 4,958,719 |
| Transfer to plant and equipment:- | | | |
| Cost | - | - | (5,470,020) |
| Accumulated depreciation | - | - | 511,301 |
| | - | - | (4,958,719) |
| Changes in fair value less costs to sell | 8,455 | (19,833) | 99,863 |
| Carried forward | 88,485 | 80,030 | 99,863 |

The biological assets of the Group comprise fresh fruit bunches ("FFB") prior to harvest. The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. To arrive at the fair value, the management has considered the oil content of the unripe FFB and derived the assumption that the net cash flows to be generated from FFB prior to more than 15 days to harvest is negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 80% of the ripe FFB, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Costs to sell include harvesting cost and transport.

During the financial year, the Group harvested approximately 6,155 metric tonnes (31.10.2018: 5,394 metric tonnes and 1.11.2017: 4,663 metric tonnes) of FFB respectively. As at 31 October 2019, none of the biological assets are pledged as securities for liabilities. The fair value measurement of the Group's biological assets, which are estimated using unobservable inputs, are categorised within Level 3 of the fair value hierarchy. Fair value assessments have been completed consistently using the same valuation techniques.

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year 31.10.2019, 31.10.2018 and 1.11.2017.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

10. TRADE RECEIVABLES

| | ← Group → | | |
|-------------------|------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Trade receivables | 2,850,642 | 3,054,727 | 3,453,281 |

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

The credit terms granted by the Group to the trade receivables range from 30 to 75 days (31.10.2018 and 1.11.2017: 30 to 75 days). Other credit terms are assessed and approved on a case-by-case basis.

An impairment analysis performed at each reporting date using a provision of matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The following table provides information about the credit risk exposure on the Group's trade receivables using a provision of matrix:-

| | ← Days past due → | | | | | |
|---------------------------|-------------------|--------------------|---------------------|---------------------|----------------------------|-------------|
| | Current RM | 1 to 30 days RM | 31 to 60 days RM | 61 to 90 days RM | More than 90 days RM | Total RM |
| 31.10.2019 | | | | | | |
| Expected credit loss rate | - | - | - | - | - | |
| Gross carrying amount | 1,295,868 | 762,734 | 416,782 | 215,038 | 160,220 | 2,850,642 |
| 31.10.2018 | | | | | | |
| Expected credit loss rate | - | - | - | - | - | |
| Gross carrying amount | 1,377,466 | 906,886 | 679,798 | 52,505 | 38,072 | 3,054,727 |
| 1.11.2017 | | | | | | |
| Expected credit loss rate | - | - | - | - | - | |
| Gross carrying amount | 2,115,652 | 919,691 | 363,699 | - | 54,239 | 3,453,281 |

11. OTHER RECEIVABLES

| | ← Group → | | |
|-----------------------|------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Non-trade receivables | 128,333 | 59,794 | 78,423 |
| Deposits | 31,600 | 18,000 | 32,098 |
| Prepayments | 171,642 | 187,152 | 176,345 |
| GST recoverable | 792 | 45,724 | 39,064 |
| | 332,367 | 310,670 | 325,930 |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

11. OTHER RECEIVABLES (CONT'D)

| | ← Company → | | |
|-------------|------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Deposits | 1,000 | 1,000 | 1,000 |
| Prepayments | 10,421 | 5,513 | 3,872 |
| | 11,421 | 6,513 | 4,872 |

12. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

| Group | Contract/ Notional Amount RM | Assets RM | Liabilities RM | Net RM |
|-----------------------------------|---------------------------------------|--------------|-------------------|-----------|
| Current | | | | |
| Forward currency contracts | | | | |
| 31 October 2019 | 512,411 | 512,411 | (514,995) | (2,584) |
| 31 October 2018 | 1,699,936 | 1,699,936 | (1,694,155) | 5,781 |
| 1 November 2017 | 922,239 | 922,239 | (913,533) | 8,706 |

The Company uses forward currency contracts to hedges for purchase denominated in foreign currency and to limit the exposure to potential changes in foreign exchange rates with respect to the Group's foreign currency denominated in financial liabilities.

13. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The average interest rates for deposits with licensed financial institutions of the Group and of the Company ranged from 2.30% to 4.71% (31.10.2018: 2.00% to 3.78% and 1.11.2017: 2.37% to 3.81%) and 2.36% to 3.71% (31.10.2018: 2.54% to 3.78% and 1.11.2017: 2.56% to 3.81%) per annum and the average maturity period are 30 to 150 days (31.10.2018 and 1.11.2017: 30 to 150 days) and 30 to 90 days (31.10.2018 and 1.11.2017: 30 to 90 days) respectively.

Included in deposits with licensed financial institutions of the Group is an amount of RM90,935 (31.10.2018: RM88,360 and 1.11.2017: RM85,819) which has been pledged for banking facilities granted by a subsidiary.

14. SHARE CAPITAL

| | ← Group and Company → | | |
|-----------------------------------|-----------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Issued and fully paid-up:- | | | |
| 40,612,085 unit ordinary shares | 40,612,085 | 40,612,085 | 40,612,085 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

15. TREASURY SHARES

| | ← Group and Company → | | | | | |
|-------------------------------------|---|--------------|---|--------------|---|--------------|
| | 31.10.2019 | | 31.10.2018 | | 1.11.2017 | |
| | Number of treasury shares Unit | Amount RM | Number of treasury shares Unit | Amount RM | Number of treasury shares Unit | Amount RM |
| Brought forward/ Carried forward | 4,035,560 | 3,554,493 | 4,035,560 | 3,554,493 | 4,035,560 | 3,554,493 |

The shareholders of the Company, by a special resolution passed at an Annual General Meeting held on 28 March 2007, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 23 April 2019. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

The shares purchased were retained as treasury shares. The Company has the right to re-issue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended.

As at the reporting date, the Company held 4,035,560 (31.10.2018 and 1.11.2017: 4,035,560) of the Company's shares and the number of ordinary shares in issue after setting off against treasury shares is 36,576,525 (31.10.2018 and 1.11.2017: 36,576,525).

No treasury shares were sold during the current and previous financial years.

16. REVALUATION RESERVE

| | ← Group → | | |
|---|------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Brought forward | 8,310,830 | 8,041,790 | 6,003,014 |
| Revaluation surplus during the financial year | 75,600 | 354,000 | 2,682,600 |
| Transferred to deferred tax liabilities | (18,144) | (84,960) | (643,824) |
| Carried forward | 8,368,286 | 8,310,830 | 8,041,790 |

The revaluation reserve is not available for distribution.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

17. BORROWINGS

| | ← | Group | → |
|--|------------|------------|-----------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| Secured:- | | | |
| Non-current | | | |
| Term loans | 10,056,819 | 2,340,043 | 3,535,320 |
| Current | | | |
| Term loans | 988,419 | 1,235,354 | 1,212,525 |
| | 11,045,238 | 3,575,397 | 4,747,845 |
| Repayment terms: | | | |
| - Not later than 1 year | 988,419 | 1,235,354 | 1,212,525 |
| - later than 1 year but not later than 5 years | 4,406,793 | 2,003,931 | 3,187,661 |
| - more than 5 years | 5,650,026 | 336,112 | 347,659 |
| | 10,056,819 | 2,340,043 | 3,535,320 |
| | 11,045,238 | 3,575,397 | 4,747,845 |

The effective interest rate of term loans ranging from 4.52% to 4.97% (31.10.2018: 4.72% to 4.96% and 1.11.2017: 4.72%) per annum.

The term loans are secured by way of:-

- (i) Fixed charge against freehold land and building and leasehold land and building of a subsidiary as disclosed in Note 6 to the financial statements;
- (ii) Assignment of rental proceeds; and
- (iii) Corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

18. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities is made up of the following:-

| | Group | | | | | | | |
|--|--------------|-------------------|--------------|-------------------|--------------|-------------------|-----------|--|
| | 31.10.2019 | | 31.10.2018 | | 31.10.2017 | | | |
| | Assets RM | Liabilities RM | Assets RM | Liabilities RM | Assets RM | Liabilities RM | Net RM | |
| Brought forward | (217,179) | 6,343,555 | (512,271) | 4,770,196 | (627,608) | 3,946,096 | 3,318,488 | |
| Recognised in profit or loss | 94,969 | (175,316) | 295,092 | 1,488,399 | 115,337 | 180,276 | 295,613 | |
| Recognised in other comprehensive income | - | 18,144 | - | 84,960 | - | 643,824 | 643,824 | |
| Carried forward | (122,210) | 6,186,383 | (217,179) | 6,343,555 | (512,271) | 4,770,196 | 4,257,925 | |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

18. DEFERRED TAX LIABILITIES (CONT'D)

- (a) The deferred tax liabilities is made up of the following (cont'd):-

The components of deferred tax liabilities/(assets) are made up of temporary difference arising from:-

| | ← Group → | | |
|---|------------------|------------------|------------------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| Carrying amount of qualifying property, plant and equipment and investment properties in excess of their tax base | 981,658 | 1,066,431 | 1,174,929 |
| Inventories written down | - | - | (7,591) |
| Revaluation surplus | 2,254,400 | 2,288,719 | 2,149,672 |
| Unabsorbed capital allowances | - | - | (301,404) |
| Unutilised business losses | - | (11,714) | (11,714) |
| Unutilised industrial building allowance | (122,210) | (197,874) | (197,874) |
| Fair value gain on investment properties | 2,950,325 | 2,980,814 | 1,451,907 |
| | <u>6,064,173</u> | <u>6,126,376</u> | <u>4,257,925</u> |

- (b) Deferred tax assets have not been recognised in respect of the following items (stated at gross) for certain subsidiaries due to uncertainty of future taxable income of the subsidiaries. However, the deductible temporary differences, unabsorbed agriculture allowance, unutilised business losses and unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiary.

| | ← Group → | | |
|---|------------------|------------------|------------------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| Carrying amount of qualifying plant and equipment in excess of their tax base | (5,230,000) | (4,770,300) | (4,151,800) |
| Unabsorbed agriculture allowance | 5,991,500 | 5,604,700 | 4,725,400 |
| Unutilised business losses | 1,504,388 | 1,504,388 | 1,504,388 |
| Unabsorbed capital allowances | 34,396 | 34,396 | 34,396 |
| Additional deferred tax on real property gain tax | (17,906) | - | - |
| | <u>2,282,378</u> | <u>2,373,184</u> | <u>2,112,384</u> |

19. GOVERNMENT GRANTS

| | ← Group → | | |
|-------------------------------------|------------|---------------|----------------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| Brought forward | 59,857 | 119,713 | 179,569 |
| Amortised during the financial year | (59,857) | (59,856) | (59,856) |
| Carried forward | - | 59,857 | 119,713 |
| Current | | | |
| - amortised within 1 year | - | 59,857 | 59,856 |
| Non-current | | | |
| - amortised after 1 year | - | - | 59,857 |
| | <u>-</u> | <u>59,857</u> | <u>119,713</u> |

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

19. GOVERNMENT GRANTS (CONT'D)

The government grant received is in respect of the purchase of an asset under the scheme of Malaysia Investment Development Authority (MIDA) by the government principal agency for promotion of the manufacturing and services sectors in Malaysia.

20. TRADE PAYABLES

The trade payables of the Group are non-interest bearing and the normal credit term granted by suppliers to the Group ranges from 30 to 60 days (31.10.2018 and 1.11.2017: 30 to 60 days).

21. OTHER PAYABLES

| | ← Group → | | |
|---------------------|------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Sundry deposits | 693,600 | 776,202 | 1,273,274 |
| Non-trade payables | 122,789 | 1,280,034 | 342,606 |
| Accrual of expenses | 1,542,242 | 1,552,741 | 1,378,248 |
| GST payable | - | - | 28,787 |
| SST payable | - | 160 | - |
| | 2,358,631 | 3,609,137 | 3,022,915 |

| | ← Company → | | |
|---------------------|------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Accrual of expenses | 113,273 | 96,250 | 84,590 |

Included in the sundry deposit of the Group, there is an amount of RM150,000 (31.10.2018 and 1.11.2017: RM150,000) is in relation with a subsidiary entering into an arrangement with PY Homes Realty Sdn. Bhd. for the purpose of developing the subsidiary's lands into a mixed residential project with the usual amenities.

22. CONTRACT LIABILITIES

| | ← Company → | | |
|------------------|------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Deposit received | 83,701 | - | - |

Contract liabilities comprised of advances deposit from customers for rendering of delivery of goods.

The Group has initially applied MFRS 9 and MFRS 15 using the cumulative effect transition method and adjusted the opening balance as at 1 November 2018.

Upon the adoption of MFRS 15, amount previously included as "Deposit received" under "Other payables" were reclassified to contract liabilities. When the Group received advances before the activity commences, this will give rise to contract liabilities at the start of a contract. The advances will be reversed and recognised as revenue upon satisfying the performance obligation within the contract. All deposits received are expected to be settled within one year.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

23. INVESTMENT IN SUBSIDIARIES/AMOUNT DUE FROM SUBSIDIARIES

| | ← 31.10.2019 RM | Company 31.10.2018 RM | → 1.11.2017 RM |
|---|--------------------|-----------------------------|-------------------|
| <u>Investment in subsidiaries</u> | | | |
| Unquoted shares, at cost | 27,416,971 | 23,416,971 | 23,416,971 |
| Less: impairment loss on investment in a subsidiary | (1,396,604) | (1,009,917) | - |
| | 26,020,367 | 22,407,054 | 23,416,971 |

The movement of impairment losses of investment in a subsidiary is as follow:-

| | ← 31.10.2019 RM | Company 31.10.2018 RM | → 1.11.2017 RM |
|----------------------------|--------------------|-----------------------------|-------------------|
| Brought forward | 1,009,917 | - | - |
| Impairment during the year | 386,687 | 1,009,917 | - |
| Carried forward | 1,396,604 | 1,009,917 | - |

The impairment loss was recognised to adjust the carrying amount of investment in a subsidiary due to net assets of a subsidiary is lower than the cost of investment.

Details of the subsidiaries at the end of the reporting period are as follows:-

| Name of company | Principal place of business | Effective interest | | | Principal activities |
|--|-----------------------------|--------------------|-----------------|----------------|--|
| | | 31.10.2019 % | 31.10.2018 % | 1.11.2017 % | |
| H & L High-Tech Sdn. Bhd. | Malaysia | 100 | 100 | 100 | Manufacture and sale of precision engineering moulds, dies, jigs, fixtures, tools and other precision machine parts. |
| Plastik STC Sdn. Bhd. | Malaysia | 100 | 100 | 100 | Manufacture and sale of customised precision engineering plastic injection moulded thermoplastic and thermosett parts and components for electrical and electronic industry. |
| H & L High-Tech Deco Sdn. Bhd. | Malaysia | 100 | 100 | 100 | Oil palm plantation. |
| H & L High-Tech Properties Sdn. Bhd. | Malaysia | 100 | 100 | 100 | Letting of properties and property investment. |
| H & L High-Tech Properties Development Sdn. Bhd. | Malaysia | 100 | 100 | 100 | Property development. |
| HLH Desa Coalfields Sdn. Bhd. | Malaysia | 100 | 100 | 100 | Dormant. |
| STC Technology Sdn. Bhd. | Malaysia | 100 | 100 | 100 | Dormant. |

Amount due from subsidiaries

The amount due from subsidiaries is non-trade related, unsecured, non-interest bearing and repayable on demand.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

24. REVENUE

| | Group | | Company | |
|--|-------------------|-------------------|------------------|------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Sales of goods | 19,562,436 | 19,751,046 | - | - |
| Rental income | 2,114,530 | 2,070,450 | - | - |
| Distribution from joint property development project | 941,758 | 2,756,793 | - | - |
| Dividend income | - | - | 3,500,000 | 1,800,000 |
| | <u>22,618,724</u> | <u>24,578,289</u> | <u>3,500,000</u> | <u>1,800,000</u> |

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition in the following table:-

| | Group | | Company | |
|--|-------------------|-------------------|------------------|------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| <u>Major products and services</u> | | | | |
| Manufacturing and sales of goods | 17,435,488 | 17,383,747 | - | - |
| Plantation | 2,126,948 | 2,367,299 | - | - |
| Rental income | 2,114,530 | 2,070,450 | - | - |
| Distribution from joint property development project | 941,758 | 2,756,793 | - | - |
| Dividend income | - | - | 3,500,000 | 1,800,000 |
| | <u>22,618,724</u> | <u>24,578,289</u> | <u>3,500,000</u> | <u>1,800,000</u> |

Primary geographical markets

| | Group | | Company | |
|-----------------|-------------------|-------------------|------------------|------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Malaysia | 8,570,407 | 11,297,372 | 3,500,000 | 1,800,000 |
| South East Asia | 625,278 | 667,875 | - | - |
| European | 10,444,794 | 12,201,754 | - | - |
| United States | 2,883,307 | 378,146 | - | - |
| Others | 94,938 | 33,142 | - | - |
| | <u>22,618,724</u> | <u>24,578,289</u> | <u>3,500,000</u> | <u>1,800,000</u> |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

24. REVENUE (CONT'D)

Timing of revenue recognition

| | Group | | Company | |
|--------------------|-------------------|-------------------|------------------|------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| At a point of time | 21,631,580 | 21,305,720 | 3,500,000 | 1,800,000 |
| Over time | 987,144 | 3,272,569 | - | - |
| | <u>22,618,724</u> | <u>24,578,289</u> | <u>3,500,000</u> | <u>1,800,000</u> |

25. FINANCE INCOME

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Interest income from deposit with licensed financial institutions | 569,492 | 439,578 | 148,296 | 25,612 |

26. FINANCE EXPENSE

| | Group | |
|------------|------------|------------|
| | 2019 RM | 2018 RM |
| Term loans | 320,636 | 211,219 |

27. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst other items, the following:-

| | Group | | Company | |
|---|------------|------------------------|------------|------------|
| | 2019 RM | Restated 2018 RM | 2019 RM | 2018 RM |
| Amortisation of prepaid land lease payments | 33,320 | 33,319 | - | - |
| Amortisation on government grants | (59,857) | (59,856) | - | - |
| Auditors' remuneration | | | | |
| - statutory audit | 111,500 | 100,800 | 28,000 | 23,300 |
| - other services | 5,300 | 5,300 | 5,300 | 5,300 |
| Depreciation of property, plant and equipment | 1,508,030 | 1,403,170 | - | - |
| Dividend from financial assets at fair value through profit or loss:- | | | | |
| - quoted in Malaysia | (41,754) | (45,268) | - | - |
| Fair value loss/(gain) on investment properties | 5,731 | (765,550) | - | - |
| Fair value loss on derivative financial instruments | 8,365 | 2,925 | - | - |

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

27. PROFIT BEFORE TAX (CONT'D)

Profit before tax has been determined after charging/(crediting), amongst other items, the following (cont'd):-

| | Group | | Company | |
|--|----------|------------------|---------|-----------|
| | 2019 | Restated 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Fair value (gain)/loss on bearer biological assets | (8,455) | 19,833 | - | - |
| Gain on disposal of property, plant and equipment | - | (5,672) | - | - |
| Gain on disposal of quoted shares | (93,252) | - | - | - |
| Impairment loss on investment in a subsidiary | - | - | 386,687 | 1,009,917 |
| Net fair value loss on other investments | 203,867 | 76,142 | - | - |
| Rental expenses | 355,046 | 334,546 | - | - |
| Property, plant and equipment written off | 1 | - | - | - |
| Unrealised foreign exchange | | | | |
| - loss | 19,938 | 5,236 | - | - |
| - gain | - | (31,258) | - | - |
| Realised foreign exchange | | | | |
| - loss | 67,740 | 205,432 | - | - |

28. TAX EXPENSE

Tax recognised in profit or loss

| | Group | | Company | |
|---|-----------|-----------|---------|------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Current tax | | | | |
| Current year | 1,388,650 | 1,431,650 | 850 | 850 |
| (Over)/Under provision in prior financial year | (329,552) | (109,864) | 26 | 34 |
| | 1,059,098 | 1,321,786 | 876 | 884 |
| Deferred tax | | | | |
| Current year | (55,985) | 1,819,411 | - | - |
| Crystallisation of deferred tax upon depreciation charged for revalued assets | (52,463) | (51,767) | - | - |
| Under recognised in prior financial year | 28,101 | 15,847 | - | - |
| | (80,347) | 1,783,491 | - | - |
| | 978,751 | 3,105,277 | 876 | 884 |

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the financial year.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

28. TAX EXPENSE (CONT'D)

Tax recognised in other comprehensive income

| | Group | | Company | |
|--------------------------|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Revaluation of buildings | 18,144 | 84,960 | - | - |

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follow:-

| | Group | | Company | |
|---|------------|------------------------|------------|------------|
| | 2019 RM | Restated 2018 RM | 2019 RM | 2018 RM |
| Profit before tax | 4,336,674 | 6,626,029 | 2,917,498 | 540,288 |
| Tax at statutory tax rate of 24% | 1,040,802 | 1,590,247 | 700,200 | 129,669 |
| Tax effects in respect of:- | | | | |
| Income not subject to tax | (115,026) | (216,377) | (870,735) | (432,000) |
| Expenses not deductible for tax purposes | 459,171 | 285,692 | 171,385 | 303,181 |
| Crystallisation of deferred tax upon depreciation charged for revalued assets | (52,463) | (51,767) | - | - |
| Addition deferred tax liabilities on real property gain | (30,489) | 1,528,907 | - | - |
| Under recognised of deferred tax in prior financial year | 28,101 | 15,847 | - | - |
| (Over)/Under provision of tax expense in prior financial year | (329,552) | (109,864) | 26 | 34 |
| Deferred tax assets not recognised | (21,793) | 62,592 | - | - |
| | 978,751 | 3,105,277 | 876 | 884 |

The Group unutilised business losses, unabsorbed capital allowances, unabsorbed agriculture allowance and unutilised industrial building allowance which can be carried forward to offset against future taxable profit amounted to approximately RM1,504,388 (2018: RM1,504,388), RM34,396 (2018: RM34,396), RM5,991,500 (2018: RM5,604,700) and RM509,207 (2018: RM509,207) respectively.

29. EARNINGS PER SHARE

Group

- (a) The basic earnings per share has been calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company of RM3,357,923 (31.10.2018: RM3,520,752) to the weighted average number of shares issued during the financial year of 36,576,525 (31.10.2018: 36,576,525), excluding treasury shares held by the Company.
- (b) There is no diluted earnings per share as the Company does not have any convertible financial instruments as at reporting date.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

30. DIVIDENDS

| | Group and Company | |
|--|-------------------|------------------|
| | 2019 | 2018 |
| | RM | RM |
| In respect of the financial year ended 31 October 2019:- | | |
| First interim single tier dividend of 2.0 sen per ordinary share, paid on 23 April 2019 | 731,531 | - |
| Second interim single tier dividend of 1.5 sen per ordinary share, paid on 30 October 2019 | 548,651 | - |
| In respect of the financial year ended 31 October 2018:- | | |
| First interim single tier dividend of 1.5 sen per ordinary share, paid on 30 October 2018 | - | 548,651 |
| In respect of the financial year ended 31 October 2017:- | | |
| First interim single tier dividend of 1.5 sen per ordinary share, paid on 8 November 2017 | - | 548,651 |
| Final single tier dividend of 2.0 sen per ordinary share, paid on 13 April 2018 | - | 731,531 |
| | <u>1,280,182</u> | <u>1,828,833</u> |

The Directors do not recommend any final dividend payment for the current financial year.

31. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|--------------------------------------|------------------|------------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Salaries, wages and other emoluments | 5,773,178 | 6,584,673 | 117,000 | 100,000 |
| Defined contribution plan | 476,345 | 472,552 | - | - |
| Social security contribution | 64,818 | 61,118 | - | - |
| | <u>6,314,341</u> | <u>7,118,343</u> | <u>117,000</u> | <u>100,000</u> |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

31. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Included in the employee benefits expense is the Directors' remuneration as below:-

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| <u>Executive Directors:-</u> | | | | |
| Directors of the Company | | | | |
| Salaries and other emoluments | 980,880 | 1,026,399 | - | - |
| Defined contribution plan | 97,230 | 89,290 | - | - |
| Social security contribution | 3,436 | 3,436 | - | - |
| Executive Directors' remuneration | 1,081,546 | 1,119,125 | - | - |
| <u>Executive Directors:-</u> | | | | |
| Past Directors of the Subsidiary | | | | |
| Salaries and other emoluments | - | 22,000 | - | - |
| Defined contribution plan | - | 2,502 | - | - |
| Social security contribution | - | 237 | - | - |
| Executive Directors' remuneration | - | 24,739 | - | - |
| <u>Non-Executive Directors:-</u> | | | | |
| Directors of the Company | | | | |
| Salaries and other emoluments | 41,000 | 37,000 | 41,000 | 37,000 |
| Fees | 76,000 | 63,000 | 76,000 | 63,000 |
| Non-Executive Directors' remuneration | 117,000 | 100,000 | 117,000 | 100,000 |
| Total | 1,198,546 | 1,243,864 | 117,000 | 100,000 |

The estimated monetary value of benefits-in-kind received by the Directors of the Company other than cash from the Group amounted to RM16,325 (2018: RM16,325).

32. COMMITMENTS

Lease commitment

The Group had entered into a total of 11 (2018: 7) cancellable Renting Agreements with various parties to lease the land for venturing into business of the oil palm plantation, comprising an area of approximately 1,438 acres (2018: 1,276 acres) for a renting period of sixty years.

The payment terms of the leasing are as follows:-

- i) For the first six to eight months (2018: first six months), no rental charges for tenor to land mobilisation.
- ii) After the first six to eight months (2018: first six months), no rental charges for tenor on oil palm plantation process for three years.
- iii) After the three years and six to eight months (2018: after the three years and six months), RM0.50 of rental charges will be apply on each oil palm tree planted on monthly basis for a period of two years.
- iv) After the five years and six to eight months (2018: after the five years and six months), RM0.60 of rental charges will be apply on each oil palm tree planted on monthly basis until the end of the tenancy period.
- v) If the oil palm tree plant is infected by disease, rental charges will be exempted for three years.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

32. COMMITMENTS (CONT'D)

Lease commitment (cont'd)

As at the reporting date, the cancellable lease commitments are as follows:-

| | 2019 RM | 2018 RM |
|----------------------|-------------------|-------------------|
| Within 1 year | 334,552 | 334,440 |
| Between 2 to 5 years | 1,714,794 | 1,477,200 |
| More than 5 years | 24,695,385 | 18,981,540 |
| | <u>26,744,731</u> | <u>20,793,180</u> |

33. RELATED PARTY DISCLOSURES

The Group and the Company have related party relationship with its subsidiaries, companies in which Directors have interest and key management personnel.

Related Party Transactions and Balances

The significant related party transactions during the financial year were as follows:-

| | 2019 RM | 2018 RM |
|---|------------------|------------------|
| Group and Company | | |
| - Dividend paid to companies in which Directors have interest | <u>590,669</u> | <u>843,812</u> |
| Company | | |
| - Dividend received from subsidiaries | <u>3,500,000</u> | <u>1,800,000</u> |

The outstanding balances arising from the related party transactions as at the reporting date are disclosed in Note 23 to the financial statements.

Compensation of Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directly and controlling the activities of the Group and of the Company either directly or indirectly and entity that provides key management personnel services to the Group and the Company.

The remuneration of key management personnel is same with the Directors' remuneration as disclosed in Note 31 to the financial statements. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

34. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:-

- (i) Amortised costs ("AC")
- (ii) Loan and receivables ("L&R");
- (iii) Fair value through profit or loss ("FVTPL"); and
- (iv) Available for sale financial assets ("AFS").

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Categories of Financial Instruments (cont'd)

| | Carrying amount RM | AC RM | L & R RM | FVTPL RM | AFS RM |
|--|--------------------------|-------------------|-------------|----------------|-----------|
| Group | | | | | |
| 31.10.2019 | | | | | |
| Financial assets | | | | | |
| Trade receivables | 2,850,642 | 2,850,642 | - | - | - |
| Other receivables | 159,933 | 159,933 | - | - | - |
| Deposits with licensed financial institutions | 21,893,223 | 21,893,223 | - | - | - |
| Cash and bank balances | 4,008,809 | 4,008,809 | - | - | - |
| Other investments | 890,209 | - | - | 890,209 | - |
| | <u>29,802,816</u> | <u>28,912,607</u> | <u>-</u> | <u>890,209</u> | <u>-</u> |

Financial liabilities

| | | | | | |
|-------------------------------------|-------------------|-------------------|----------|--------------|----------|
| Trade payables | 458,827 | 458,827 | - | - | - |
| Other payables | 2,358,631 | 2,358,631 | - | - | - |
| Borrowings | 11,045,238 | 11,045,238 | - | - | - |
| Derivative financial liabilities | 2,584 | - | - | 2,584 | - |
| | <u>13,865,280</u> | <u>13,862,696</u> | <u>-</u> | <u>2,584</u> | <u>-</u> |

31.10.2018

Financial assets

| | | | | | |
|--|-------------------|----------|-------------------|----------------|----------------|
| Trade receivables | 3,054,727 | - | 3,054,727 | - | - |
| Other receivables | 77,794 | - | 77,794 | - | - |
| Derivative financial assets | 5,781 | - | - | 5,781 | - |
| Deposits with licensed financial institutions | 12,942,611 | - | 12,942,611 | - | - |
| Cash and bank balances | 4,673,449 | - | 4,673,449 | - | - |
| Other investments | 550,458 | - | - | 385,458 | 165,000 |
| | <u>21,304,820</u> | <u>-</u> | <u>20,748,581</u> | <u>391,239</u> | <u>165,000</u> |

Financial liabilities

| | | | | | |
|-------------------|------------------|------------------|----------|----------|----------|
| Trade payables | 537,919 | 537,919 | - | - | - |
| Other payables | 3,608,977 | 3,608,977 | - | - | - |
| Borrowings | 3,575,397 | 3,575,397 | - | - | - |
| Government grants | 59,857 | 59,857 | - | - | - |
| | <u>7,782,150</u> | <u>7,782,150</u> | <u>-</u> | <u>-</u> | <u>-</u> |

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Categories of Financial Instruments (cont'd)

| | Carrying amount RM | AC RM | L & R RM | FVTPL RM | AFS RM |
|--|--------------------------|----------|-------------------|----------------|----------------|
| Group (cont'd) | | | | | |
| 1.11.2017 | | | | | |
| Financial assets | | | | | |
| Trade receivables | 3,453,281 | - | 3,453,281 | - | - |
| Other receivables | 110,521 | - | 110,521 | - | - |
| Derivative financial assets | 8,706 | - | - | 8,706 | - |
| Deposits with licensed financial institutions | 10,823,211 | - | 10,823,211 | - | - |
| Cash and bank balances | 5,177,166 | - | 5,177,166 | - | - |
| Other investments | 626,600 | - | - | 461,600 | 165,000 |
| | <u>20,199,485</u> | <u>-</u> | <u>19,564,179</u> | <u>470,306</u> | <u>165,000</u> |

Financial liabilities

| | | | | | |
|-------------------|------------------|------------------|----------|----------|----------|
| Trade payables | 602,338 | 602,338 | - | - | - |
| Other payables | 2,994,128 | 2,994,128 | - | - | - |
| Borrowings | 4,747,845 | 4,747,845 | - | - | - |
| Government grants | 119,713 | 119,713 | - | - | - |
| | <u>8,464,024</u> | <u>8,464,024</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Company

31.10.2019

Financial assets

| | | | | | |
|--|-------------------|-------------------|----------|----------|----------|
| Other receivables | 1,000 | 1,000 | - | - | - |
| Amount due from subsidiaries | 513,781 | 513,781 | - | - | - |
| Deposits with licensed financial institutions | 12,660,219 | 12,660,219 | - | - | - |
| Cash and bank balances | 294,851 | 294,851 | - | - | - |
| | <u>13,469,851</u> | <u>13,469,851</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Financial liability

| | | | | | |
|----------------|---------|---------|---|---|---|
| Other payables | 113,273 | 113,273 | - | - | - |
|----------------|---------|---------|---|---|---|

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Categories of Financial Instruments (cont'd)

| | Carrying amount RM | AC RM | L & R RM | FVTPL RM | AFS RM |
|---|--------------------------|----------|-------------------|-------------|-----------|
| Company (cont'd) | | | | | |
| 31.10.2018 | | | | | |
| Financial assets | | | | | |
| Other receivables | 1,000 | - | 1,000 | - | - |
| Amount due from subsidiaries | 14,519,343 | - | 14,519,343 | - | - |
| Deposits with licensed financial institutions | 662,464 | - | 662,464 | - | - |
| Cash and bank balances | 251,802 | - | 251,802 | - | - |
| | <u>15,434,609</u> | <u>-</u> | <u>15,434,609</u> | <u>-</u> | <u>-</u> |

Financial liability

| | | | | | |
|----------------|---------------|---------------|----------|----------|----------|
| Other payables | <u>96,250</u> | <u>96,250</u> | <u>-</u> | <u>-</u> | <u>-</u> |
|----------------|---------------|---------------|----------|----------|----------|

1.11.2017

Financial assets

| | | | | | |
|---|-------------------|----------|-------------------|----------|----------|
| Other receivables | 1,000 | - | 1,000 | - | - |
| Amount due from subsidiaries | 13,404,211 | - | 13,404,211 | - | - |
| Deposits with licensed financial institutions | 1,334,990 | - | 1,334,990 | - | - |
| Cash and bank balances | 964,037 | - | 964,037 | - | - |
| | <u>15,704,238</u> | <u>-</u> | <u>15,704,238</u> | <u>-</u> | <u>-</u> |

Financial liability

| | | | | | |
|----------------|---------------|---------------|----------|----------|----------|
| Other payables | <u>84,590</u> | <u>84,590</u> | <u>-</u> | <u>-</u> | <u>-</u> |
|----------------|---------------|---------------|----------|----------|----------|

Financial Risks Management Objective and Policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy of the Group and of the Company in respect of the major areas of treasury activity are set out as follows:-

(a) Credit Risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's and the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the head of credit control.

The areas where the Group and the Company are exposed to credit risk are as follows:-

Receivables

Receivables are monitored on an ongoing basis to mitigate risk of bad debts. The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's and the Company's standard payment and delivery terms and conditions are offered. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the management.

In respect of other receivables, the Group and the Company is not subjected to significant credit risk exposure to a single counterparty or a group of counterparties having similar characteristics.

Based on historical information about customer default rates, management consider the credit quality of trade receivables that are past due but not impaired to be good.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low.

As at the end of the reporting period, the computed expected credit losses are not material. Therefore, no adjustment has been made to recognise the expected credit loss.

Information regarding the Group's exposure to credit risk and ECLs for trade receivables is disclosed in Note 10 to the financial statements.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(a) Credit Risk (cont'd)

Receivables (cont'd)

The credit risk concentration profile by geographical on trade receivables of the Group as at reporting date is as follows:-

| | 31.10.2019 | | 31.10.2018 | | 1.11.2017 | |
|--------------------|------------------|------------|------------------|------------|------------------|------------|
| | RM | % | RM | % | RM | % |
| By country | | | | | | |
| Malaysia | 901,512 | 32 | 924,212 | 30 | 1,404,137 | 41 |
| European countries | 1,566,038 | 55 | 1,984,874 | 64 | 1,983,770 | 56 |
| Taiwan | - | - | 82,189 | 3 | 35,981 | 1 |
| Singapore | 37,280 | 1 | 12,668 | 1 | 10,154 | 1 |
| China | - | - | 13,849 | 1 | - | - |
| United States | 327,239 | 11 | - | - | - | - |
| Thailand | 17,204 | 1 | - | - | - | - |
| Others* | 1,369 | - | 36,935 | 1 | 19,239 | 1 |
| | <u>2,850,642</u> | <u>100</u> | <u>3,054,727</u> | <u>100</u> | <u>3,453,281</u> | <u>100</u> |

* Less than 1% for each of the country.

In respect of trade and other receivables, the Group has no significant concentration of credit risk with any single counterparty except as disclosed below:-

Credit Risk Concentration Profile

The Group determines concentration of credit risk by comparing the amount due from each individual customer against the total trade receivables. The credit risk concentration profile of the Group's trade receivables at the reporting date as:-

| | 31.10.2019 | | 31.10.2018 | | 1.11.2017 | |
|------------|----------------|-----------|------------|----------|-----------|----------|
| | RM | % | RM | % | RM | % |
| Customer A | 523,988 | 18 | 1,009,836 | 33 | 753,023 | 22 |
| Customer B | 513,726 | 18 | 454,677 | 15 | 408,490 | 12 |
| Customer C | 319,698 | 11 | - | - | 357,849 | 10 |
| Customer D | <u>299,369</u> | <u>10</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(a) Credit Risk (cont'd)

Comparative Information under FRS 139

| | Gross RM | Impairment RM | Net RM |
|--|-------------|------------------|-----------|
| 31.10.2018 | | | |
| Within credit terms | 1,377,466 | - | 1,377,466 |
| Past due 1-30 days but not impaired | 906,886 | - | 906,886 |
| Past due 31-120 days but not impaired | 744,971 | - | 744,971 |
| Past due more than 120 days but not impaired | 25,404 | - | 25,404 |
| | 3,054,727 | - | 3,054,727 |
| 1.11.2017 | | | |
| Within credit terms | 2,115,652 | - | 2,115,652 |
| Past due 1-30 days but not impaired | 919,691 | - | 919,691 |
| Past due 31-120 days but not impaired | 363,699 | - | 363,699 |
| Past due more than 120 days but not impaired | 54,239 | - | 54,239 |
| | 3,453,281 | - | 3,453,281 |

Trade receivables that are neither past due nor impaired are credit worthy receivables with good payment records with the Group.

The net carrying amount of trade receivables is considered a reasonable approximate of fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above.

Investments and Other Financial Assets

As at reporting date, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

Investments are mostly in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of unquoted investments as disclosed in Note 8 to the financial statements.

Financial Guarantee/Corporate Guarantee

The maximum exposure to credit risk RM10,317,601 (31.10.2018: RM3,665,397 and 1.11.2017: RM 4,837,845) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

The Company provide unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary. As at end of the reporting period, there was no indication that the subsidiary would default on repayment.

The corporate guarantee does not have a determinable effect on the term of the credit facilities due to the bank requiring parent's guarantees as a pre-condition for approving the banking facilities granted to the subsidiary. The actual terms of credit facilities are likely to be the best indicator of "at market" term and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiary. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(a) Credit Risk (cont'd)

Intercompany Balances

The Company provides advances to subsidiaries and monitors the ability of the subsidiaries to repay the advances on an individual basis.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when the subsidiaries's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the advances when they are payable, the Company consider the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers the advances to be credit impaired when the subsidiaries are unlikely to repay the advance to the Company in full, the advance is overdue for more than a year, or the subsidiaries are continuously loss making and having deficit in shareholders' funds.

The Company determines the probability of default for these advances individually using internal information available.

As at the end of the reporting period, there was no indication that the intercompany amounts are not recoverable.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit rating.

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds.

In managing its exposures to liquidity risk, the Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(b) Liquidity Risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

| | Current | Non-current | | | |
|---|------------------------|-----------------------|-----------------------|----------------------------|--|
| | Within 1 year RM | 1 to 2 years RM | 2 to 5 years RM | More than 5 years RM | Total contractual cash flows RM |
| Group | | | | | |
| 31.10.2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured:- | | | | | |
| Borrowings | 1,447,776 | 1,447,776 | 4,343,328 | 6,222,912 | 13,461,792 |
| Unsecured:- | | | | | |
| Trade payables | 458,827 | - | - | - | 458,827 |
| Other payables | 2,358,631 | - | - | - | 2,358,631 |
| Derivative financial liabilities | 2,584 | - | - | - | 2,584 |
| Total undiscounted financial liabilities | 4,267,818 | 1,447,776 | 4,343,328 | 6,222,912 | 16,281,834 |
| 31.10.2018 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured:- | | | | | |
| Borrowings | 1,384,188 | 1,482,194 | 680,943 | 449,367 | 3,996,692 |
| Unsecured:- | | | | | |
| Trade payables | 537,919 | - | - | - | 537,919 |
| Other payables | 3,608,977 | - | - | - | 3,608,977 |
| Total undiscounted financial liabilities | 5,531,084 | 1,482,194 | 680,943 | 449,367 | 8,143,588 |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(b) Liquidity Risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

| | Current | Non-current | | | |
|---|------------------------|-----------------------|-----------------------|----------------------------|--|
| | Within 1 year RM | 1 to 2 years RM | 2 to 5 years RM | More than 5 years RM | Total contractual cash flows RM |
| Group (cont'd) | | | | | |
| 1.11.2017 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured:- | | | | | |
| Borrowings | 1,384,188 | 1,384,188 | 1,670,431 | 404,300 | 4,843,107 |
| Unsecured:- | | | | | |
| Trade payables | 602,338 | - | - | - | 602,338 |
| Other payables | 2,994,128 | - | - | - | 2,994,128 |
| Total undiscounted financial liabilities | 4,980,654 | 1,384,188 | 1,670,431 | 404,300 | 8,439,573 |
| Company | | | | | |
| 31.10.2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Corporate guarantee* | 10,317,601 | - | - | - | 10,317,601 |
| Unsecured:- | | | | | |
| Other payables | 113,273 | - | - | - | 113,273 |
| Total undiscounted financial liabilities | 10,430,874 | - | - | - | 10,430,874 |

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(b) Liquidity Risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

| | Current | Non-current | | | |
|---|------------------------|-----------------------|-----------------------|----------------------------|--|
| | Within 1 year RM | 1 to 2 years RM | 2 to 5 years RM | More than 5 years RM | Total contractual cash flows RM |
| Company (cont'd) | | | | | |
| 31.10.2018 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Corporate guarantee* | 3,665,397 | - | - | - | 3,665,397 |
| Unsecured:- | | | | | |
| Other payables | 96,250 | - | - | - | 96,250 |
| Total undiscounted financial liabilities | 3,761,647 | - | - | - | 3,761,647 |
| 1.11.2017 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Corporate guarantee* | 4,837,845 | - | - | - | 4,837,845 |
| Unsecured:- | | | | | |
| Other payables | 84,590 | - | - | - | 84,590 |
| Total undiscounted financial liabilities | 4,922,435 | - | - | - | 4,922,435 |

* This exposure of liquidity risk is included for illustration purpose only as related financial guarantee has not crystallised.

The above amounts reflect the contractual undiscounted cash flows, which differ from the carrying values of financial liabilities at the reporting date.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(c) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the subsidiaries. The currencies giving rise to this risk are primarily EURO Dollar ("EURO"), US Dollar ("USD"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

The Group's exposure to foreign currency risk, based on carrying amounts as at the reporting date are as follows (foreign currency balances are unhedged):-

| | ← Denominated in → | | | |
|------------------------|--------------------|-----------|---------|-----------|
| | EURO | USD | SGD | JPY |
| Group | | | | |
| 31.10.2019 | | | | |
| Trade receivables | 858,301 | 930,403 | 162,448 | - |
| Cash and bank balances | 40,050 | 240,433 | 82,782 | - |
| Trade payables | - | (130) | - | - |
| | 898,351 | 1,170,706 | 245,230 | - |
| 31.10.2018 | | | | |
| Trade receivables | 643,938 | 1,112,516 | 354,843 | - |
| Cash and bank balances | 205,349 | 173,205 | 287,612 | - |
| Other payables | (525,250) | - | - | (355,490) |
| | 324,037 | 1,285,721 | 642,455 | (355,490) |
| 1.11.2017 | | | | |
| Trade receivables | 530,080 | 1,235,022 | 284,042 | - |
| Cash and bank balances | 220,276 | 506,837 | 316,138 | - |
| Trade payables | - | (20,296) | (4,444) | - |
| Other payables | (480,624) | - | - | - |
| | 269,732 | 1,721,563 | 595,736 | - |

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(c) Foreign Currency Risk (cont'd)

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the EURO, USD, SGD and JPY exchange rates against the functional currency of the Group, with all other variables held constant.

| | Increase/(Decrease) on profit for the financial year | | |
|-----------------------|--|------------|-----------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | RM | RM | RM |
| Group | | | |
| EURO/RM | | | |
| Strengthened 1%/1%/2% | 8,984 | 3,240 | 5,395 |
| Weakened 1%/1%/2% | (8,984) | (3,240) | (5,395) |
| USD/RM | | | |
| Strengthened 1%/2%/2% | 11,707 | 25,714 | 34,431 |
| Weakened 1%/2%/2% | (11,707) | (25,714) | (34,431) |
| SGD/RM | | | |
| Strengthened 1%/1%/1% | 2,452 | 6,425 | 5,957 |
| Weakened 1%/1%/1% | (2,452) | (6,425) | (5,957) |
| JPY/RM | | | |
| Strengthened 2% | - | (7,110) | - |
| Weakened 2% | - | 7,110 | - |

This percentage has been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of the changes in market interest rates.

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

The Group's and the Company's interest rate management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(d) Interest Rate Risk (cont'd)

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting date were as follows:-

| | ← Group → | | |
|---|------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Fixed rate instruments | | | |
| <u>Financial asset</u> | | | |
| Deposits with licensed financial institutions | 21,893,223 | 12,942,611 | 10,823,211 |
| Floating rate instruments | | | |
| <u>Financial liability</u> | | | |
| Term loans | 11,045,238 | 3,575,397 | 4,747,845 |

| | ← Company → | | |
|---|--------------------|------------------|-----------------|
| | 31.10.2019 RM | 31.10.2018 RM | 1.11.2017 RM |
| Fixed rate instruments | | | |
| <u>Financial asset</u> | | | |
| Deposits with licensed financial institutions | 12,660,219 | 662,464 | 1,334,990 |

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss and does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting date would not affect profit or loss.

At the reporting date, if interest rate had been 50 (31.10.2018 and 1.11.2017: 50) basis points lower/higher, with all the other variable held constant, the Group's profit for the financial year would have been RM55,226 (31.10.2018: RM17,877 and 1.11.2017: RM23,739) higher/lower, arising mainly from lower/higher interest expense on floating rate borrowings.

(e) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than foreign exchange or interest rates). Equity price risk arises from the Group's investments in equity securities quoted in Bursa Malaysia Securities Berhad.

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the authorised person of the Group.

Equity Price Risk Sensitivity Analysis

This analysis assumes that all other variables remain constant and all the Group's equity investments moved in percentage of the share price.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(e) Market Price Risk (cont'd)

Equity Price Risk Sensitivity Analysis (cont'd)

A 8% (31.10.2018: 8% and 1.11.2017: 5%) increase in share price of each counter at the reporting date would have increase the Group's profit for the financial year by RM65,636 (31.10.2018: RM30,837 and 1.11.2017: RM23,080). A 8% (31.10.2018: 8% and 1.11.2017: 5%) weakening in the share price of each counter would have equal but opposite effect on the Group's profit for the financial year.

Fair Value of Financial Instruments

The carrying amounts of short term receivables and payable, cash and cash equivalents and borrowings approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Group does not intend to dispose of these investments in the near future.

The following summarises the methods used in determining the fair value of financial instruments reflected above:-

Investment in Equity Instruments

The fair value of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the reporting period.

Non-derivatives Financial Liabilities

Fair value, which is determined for disclosures purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

The interest rates used to discount estimated cash flows, where applicable, are as follows:-

| | ← Group → | | |
|------------|-------------------|-------------------|------------------|
| | 31.10.2019 | 31.10.2018 | 1.11.2017 |
| | % | % | % |
| Term loans | 4.52 to 4.97 | 4.72 to 4.96 | 4.72 |

Fair Value Hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Fair Value Hierarchy (cont'd)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (cont'd).

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|--|---------------|---------------|---------------|-------------|
| Group | | | | |
| 31.10.2019 | | | | |
| Financial assets at FVTPL | | | | |
| Other investments | 820,445 | 67,000 | 2,764 | 890,209 |
| Bearer biological assets | - | - | 88,485 | 88,485 |
| | 820,445 | 67,000 | 91,249 | 978,694 |
| Financial liability at FVTPL | | | | |
| Derivative financial liabilities | - | (2,584) | - | (2,584) |
| | 820,445 | 64,416 | 91,249 | 976,110 |
| 31.10.2018 | | | | |
| Financial assets at FVTPL | | | | |
| Other investments | 385,458 | - | - | 385,458 |
| Derivative financial assets | - | 5,781 | - | 5,781 |
| Bearer biological assets | - | - | 80,030 | 80,030 |
| Available-for-sale financial assets | | | | |
| Other investments | - | - | 165,000 | 165,000 |
| | 385,458 | 5,781 | 245,030 | 636,269 |
| 1.11.2017 | | | | |
| Financial assets at FVTPL | | | | |
| Other investments | 461,600 | - | - | 461,600 |
| Derivative financial assets | - | 8,706 | - | 8,706 |
| Bearer biological assets | - | - | 99,863 | 99,863 |
| Available-for-sale financial assets | | | | |
| Other investments | - | - | 165,000 | 165,000 |
| | 461,600 | 8,706 | 264,863 | 735,169 |

There were no transfers between Level 1 (2018 & 2017: Level 1, 2 and 3).

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

Fair Value Hierarchy (cont'd)

The following table shows a reconciliation of Level 3 fair values:-

| | ← 31.10.2019 RM | Group 31.10.2018 RM | 1.11.2017 RM → |
|--|--------------------|---------------------------|-------------------|
| Financial instruments carried at fair value | | | |
| Golf club membership | | | |
| Balance at 1 November | 115,000 | 115,000 | 115,000 |
| Transfer to Level 2 | (115,000) | - | - |
| Balance at 31 October | - | 115,000 | 115,000 |

Policy on Transfer Between Levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Reconciliation of Liabilities Arising from Financing Activity

| | 1 November 2018 RM | Cash flows RM | Other RM | 31 October 2019 RM |
|--------------|-----------------------|------------------|-------------|-----------------------|
| Group | | | | |
| Term loans | 3,575,397 | (3,730,159) | 11,200,000 | 11,045,238 |
| | | | | |
| | 1 November 2017 RM | Cash flows RM | Other RM | 31 October 2018 RM |
| Group | | | | |
| Term loans | 4,747,845 | (1,172,448) | - | 3,575,397 |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

35. CAPITAL MANAGEMENT

The Group's and the Company's objective when managing capital is to maintain a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal gearing ratio that complies with debt covenants and regulatory requirements.

The Group monitors capital using a gearing ratio, which are the total interest bearing borrowings over owners' equity. The Group's policy is to keep the gearing ratio below 0.50. The borrowings include term loans and other loan while owners' equity refers to the equity attributable to the owners of the Company.

| | ← | Group | → |
|----------------------|-------------------|--------------------------------|-------------------------------|
| | 31.10.2019 | Restated 31.10.2018 | Restated 1.11.2017 |
| | RM | RM | RM |
| Total borrowings | | | |
| - term loans | 11,045,238 | 3,575,397 | 4,747,845 |
| Owners' equity | 94,923,938 | 92,788,741 | 90,827,782 |
| Debt-to-equity ratio | 0.12 | 0.04 | 0.05 |

There were no changes in the Group's approach to capital management during the financial year.

36. OPERATING SEGMENT

(i) Business segment

For management purposes, the Group is organised into four major business units based on their products and services which comprises the following:-

- | | | | |
|-----|----------------------------|---|---|
| (a) | Manufacturing and trading | - | Manufacturing and sales of precision engineering moulds and other precision |
| (b) | Investment | - | Investment holding, letting of properties and properties investment |
| (c) | Plantation | - | Cultivation of oil palm |
| (d) | Joint property development | - | Property development |

Management monitors the operating results to its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

36. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

Transfer prices between operating segments are on negotiated basis.

| | Note | Manufacturing and trading RM | Investment RM | Plantation RM | Joint property development RM | Elimination RM | Total RM |
|---|------|------------------------------------|------------------|------------------|-------------------------------------|-------------------|-------------|
| 2019 | | | | | | | |
| Revenue:- | | | | | | | |
| External revenue | | 17,435,488 | 2,114,530 | 2,126,948 | 941,758 | - | 22,618,724 |
| Inter-segment revenue | | 268,669 | 3,521,600 | - | - | (3,790,269) | - |
| Total revenue | | 17,704,157 | 5,636,130 | 2,126,948 | 941,758 | (3,790,269) | 22,618,724 |
| Results:- | | | | | | | |
| Finance income | | 338,491 | 150,871 | - | 80,130 | - | 569,492 |
| Finance costs | | - | (281,762) | (38,874) | - | - | (320,636) |
| Depreciation and amortisation | | (831,004) | - | (649,490) | (12,999) | 12,000 | (1,481,493) |
| Other non-cash (expenses)/ income | (a) | (138,919) | 170,000 | (170,601) | 3,325 | - | (136,195) |
| Tax expense | | (505,321) | (361,182) | - | (112,248) | - | (978,751) |
| Segment profit/ (loss) | | 2,657,891 | 3,972,914 | (618,405) | 446,836 | (3,101,313) | 3,357,923 |
| Assets:- | | | | | | | |
| Additions to non- current assets | (b) | 91,178 | - | 1,012,742 | - | - | 1,103,920 |
| Segment assets | | 42,117,139 | 89,162,756 | 8,669,161 | 5,800,866 | (30,465,950) | 115,283,972 |
| Liabilities:- | | | | | | | |
| Segment liabilities | | 5,369,425 | 13,808,485 | 5,235,246 | 217,125 | (4,270,247) | 20,360,034 |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

36. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

| | Note | Manufacturing and trading RM | Investment RM | Plantation RM | Joint property development RM | Elimination RM | Total RM |
|--|------|------------------------------------|------------------|------------------|-------------------------------------|-------------------|-------------|
| 2018 | | | | | | | |
| Revenue:- | | | | | | | |
| External revenue | | 17,383,747 | 2,070,450 | 2,367,299 | 2,756,793 | - | 24,578,289 |
| Inter-segment revenue | | 1,321,462 | 1,821,600 | - | - | (3,143,062) | - |
| Total revenue | | 18,705,209 | 3,892,050 | 2,367,299 | 2,756,793 | (3,143,062) | 24,578,289 |
| Results:- | | | | | | | |
| Finance income | | 387,661 | 28,153 | - | 23,764 | - | 439,578 |
| Finance costs | | - | (211,219) | - | - | - | (211,219) |
| Depreciation and amortisation | | (831,772) | - | (554,861) | (26,000) | 36,000 | (1,376,633) |
| Other non- cash income/ (expenses) | (a) | 495,552 | 222,625 | (19,833) | - | - | 698,344 |
| Tax expense | | (943,502) | (1,742,256) | - | (419,519) | - | (3,105,277) |
| Segment profit/ (loss) | | 2,640,106 | 466,902 | (378,560) | 1,517,228 | (724,924) | 3,520,752 |
| Assets:- | | | | | | | |
| Additions to non- current assets | (b) | 1,078,786 | 63,900 | 1,674,068 | - | - | 2,816,754 |
| Segment assets | | 44,529,231 | 86,660,869 | 8,571,722 | 5,444,453 | (38,042,718) | 107,163,557 |
| Liabilities:- | | | | | | | |
| Segment liabilities | | 6,386,375 | 13,999,330 | 8,519,402 | 307,548 | (14,837,839) | 14,374,816 |

Notes:-

(a) Notes to other non-cash (expenses)/income consist of the following items:-

| | 2019 RM | 2018 RM |
|---|------------|------------|
| Fair value (loss)/gain on investment properties | (5,731) | 765,550 |
| Fair value gain/(loss) on bearer biological assets | 8,455 | (19,833) |
| Gain on disposal of property, plant and equipment | - | 5,672 |
| Gain on disposal of quoted shares | 93,252 | - |
| Net fair value loss on other investments | (203,867) | (76,142) |
| Net fair value loss on derivative financial instruments | (8,365) | (2,925) |
| Property, plant and equipment written off | (1) | - |
| Net unrealised (loss)/gain on foreign exchange | (19,938) | 26,022 |
| | (136,195) | 698,344 |

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

36. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

(b) Additions to non-current assets consist of:-

| | 2019 RM | 2018 RM |
|-------------------------------|------------------|------------------|
| Investment properties | - | 63,900 |
| Property, plant and equipment | 1,103,920 | 2,752,854 |
| | <u>1,103,920</u> | <u>2,816,754</u> |

(ii) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

| | 2019 | Non-current Assets | 2018 | Non-current Assets |
|--------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Revenue RM | RM | Revenue RM | RM |
| Malaysia* | 8,570,407 | 81,079,157 | 11,297,372 | 81,541,955 |
| South East Asia | 625,278 | - | 667,875 | - |
| European countries | 10,444,794 | - | 12,201,754 | - |
| United States | 2,883,307 | - | 378,146 | - |
| Others | 94,938 | - | 33,142 | - |
| | <u>22,618,724</u> | <u>81,079,157</u> | <u>24,578,289</u> | <u>81,541,955</u> |

* The Company's home country

(iii) Information about major customers

The following are major customers with revenue equal or more than 10 percent of the Group's revenue:-

| | RM | % | Operating Segment |
|-------------------|------------------|-----------|---------------------------|
| <u>31.10.2019</u> | | | |
| Customer A | 3,031,132 | 13 | Manufacturing and trading |
| Customer B | 2,883,307 | 13 | Manufacturing and trading |
| Customer C | 2,561,908 | 11 | Manufacturing and trading |
| | <u>8,476,347</u> | <u>37</u> | |
| <u>31.10.2018</u> | | | |
| Customer A | 3,282,912 | 13 | Manufacturing and trading |
| Customer B | 2,856,149 | 12 | Manufacturing and trading |
| Customer C | 2,367,299 | 10 | Plantation |
| | <u>8,506,360</u> | <u>35</u> | |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

37. TRANSITION TO MFRSs FRAMEWORK

As disclosed in Note 2.4 to the financial statements, these are the first financial statements of the Group and the Company prepared in accordance with the MFRSs Framework. The accounting policies set out in Note 3 to the financial statements have been applied in preparing the financial statements of the Group and the Company for the financial year ended 31 October 2019, the comparative information presented in these financial statements for the financial year ended 31 October 2018 and the opening statements of financial position as at 1 November 2017 (the Group's and the Company's date of transition to MFRSs Framework).

The transition from FRSs to the MFRSs Framework has had no material effect on the equity, total comprehensive income and cash flow generated by the Group and the Company.

The transition from FRSs to the MFRSs Framework has had no material effect on the financial statements of the Group and of the Company.

The impacts of transition to the MFRSs Framework to the Group and the Company are as follows:-

(a) MFRS 1 Exception Order

Exemption for deemed cost prepaid land lease

In accordance with the exemption in MFRS 1, the Group elected to measure certain of the Group's prepaid land lease at fair value as deemed cost as at transition date.

(b) MFRS 9 Financial Instruments

MFRS 9 addresses the classification, recognition, derecognition, measurement and impairment of financial assets and financial liabilities, as well as general hedge accounting. It replaces MFRS 139.

MFRS 9 requires financial assets to be classified into three measurement categories, i.e. FVTPL, FVOCI and amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to changes in an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. MFRS 9 contains a new impairment model based on expected losses (as oppose to 'incurred loss' model under MFRS 139), i.e. a loss event need not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 November 2018. The Group and the Company has not restated the comparative information, which continues to be reported under FRS 139. There were no material differences arising from the adoption of MFRS 9.

All of the Group's and the Company's financial assets previously classified and measured as loans and receivables under FRS 139 are classified and measured as amortised cost under MFRS 9 as at 1 November 2018 based on the business model assessment done.

The Group's golf club membership and unquoted equity instruments previously classified as available-for-sale financial assets are now measured at FVTPL. The Group elected to classify irrevocably its golf club membership and unquoted equity investments under this category as it intends to hold these investments for the foreseeable future.

KUMPULAN H & L HIGH-TECH BERHAD

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

37. TRANSITION TO MFRSs FRAMEWORK (CONT'D)

The impacts of transition to the MFRSs Framework to the Group and the Company are as follows (cont'd):

(c) MFRS 15 Revenue from Contracts with Customers

The Group assessed expenses incurred by the Group in securing contracts with customers will now be capitalised as costs to obtain the contract. The cost to obtain contract will be amortised to profit or loss by reference to the progress towards completing the performance obligation under the contracts.

In addition, legal fees borne by the Group in securing contracts with customers will be accounted for as a reduction against the gross development value of the projects.

(d) MFRS 102 Inventories

All of the Group's land held for property development and property development costs previously measured under FRS 201 are measured under MFRS 102 as inventories.

(e) MFRS 141 Agriculture

Upon adoption of MFRS 141, the Group is required to adopt the requirements of MFRS 141. The standard requires a change of accounting policy to capitalisation and amortisation method. Replanting expenditure charged as an expense in prior years are to be retrospectively added back as cost and amortised according to the useful lives of the biological assets. The transitional provision also allows the fair value of biological assets to be treated as deemed cost, and the balance in revaluation reserve is to be transferred to retained earnings at the date of transition. The produce growing on trees will be treated as a bearer biological asset. Agricultural produce harvested from the Group's biological asset shall be measured at fair value less cost to sell as the period of harvest. Gains and losses are recognised in profit or loss for the period in which it arises.

The financial impacts to the statements of financial position of the Group arising from the transition to the MFRSs Framework are disclosed below:-

| | FRSs RM | Effect of transition to MFRSs RM | MFRSs RM |
|------------------------------------|------------|---|-------------|
| 31.10.2018 | | | |
| Non-current assets | | | |
| Property, plant and equipment | 17,234,976 | 5,603,714 | 22,838,690 |
| Biological assets | 5,603,714 | (5,603,714) | - |
| Land held for property development | 293,503 | (293,503) | - |
| Inventories | - | 293,503 | 293,503 |
| Prepaid land lease payments | 1,788,542 | 610,489 | 2,399,031 |
| Current assets | | | |
| Property development costs | 221,880 | (221,880) | - |
| Inventories | 3,946,996 | 221,880 | 4,168,876 |
| Bearer biological assets | - | 80,030 | 80,030 |
| Equity | | | |
| Retained earnings | 46,729,800 | 690,519 | 47,420,319 |

ANNUAL REPORT 2019

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019
(cont'd)

37. TRANSITION TO MFRSs FRAMEWORK (CONT'D)

The financial impacts to the statements of financial position of the Group arising from the transition to the MFRSs Framework are disclosed below (cont'd):-

| | FRSs RM | Effect of transition to MFRSs RM | MFRSs RM |
|------------------------------------|------------|---|-------------|
| 1.11.2017 | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16,176,287 | 4,958,719 | 21,135,006 |
| Biological assets | 4,958,719 | (4,958,719) | - |
| Land held for property development | 293,503 | (293,503) | - |
| Inventories | - | 293,503 | 293,503 |
| Prepaid land lease payments | 1,796,424 | 635,926 | 2,432,350 |
| Current assets | | | |
| Property development costs | 510,603 | (510,603) | - |
| Inventories | 4,019,730 | 510,603 | 4,530,333 |
| Bearer biological assets | - | 99,863 | 99,863 |
| Equity | | | |
| Retained earnings | 44,992,611 | 735,789 | 45,728,400 |

The financial impacts to the statements of profit or loss and other comprehensive income of the Group arising from the transition to the MFRSs Framework are disclosed below:-

| | FRSs RM | Effect of transition to MFRSs RM | MFRSs RM |
|-------------------|------------|---|-------------|
| 31.10.2018 | | | |
| Other expenses | 1,023,888 | 19,833 | 1,043,721 |

The financial impacts to the statements of cash flow of the Group arising from the transition to the MFRSs Framework are disclosed below:-

| | FRSs RM | Effect of transition to MFRSs RM | MFRSs RM |
|---|------------|---|-------------|
| Adjustment for:- | | | |
| Amortisation of biological assets | 226,535 | (226,535) | - |
| Amortisation of prepaid land lease payments | 7,882 | 25,437 | 33,319 |
| Depreciation of property, plant and equipment | 1,176,635 | 226,535 | 1,403,170 |
| Fair value loss on bearer biological assets | - | 19,833 | 19,833 |
| Change in working capital:- | | | |
| Inventories | 72,734 | 288,723 | 361,457 |
| Property development costs | 288,723 | (288,723) | - |

KUMPULAN H & L HIGH-TECH BERHAD

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JANUARY 2020

| | | |
|-------------------------|---|---|
| Number of issued shares | : | 40,612,085 (including 4,035,560 treasury shares held) |
| No. of Shareholders | : | 1,217 |
| Class of share | : | Ordinary share |
| Voting rights | : | One vote for each ordinary share |

DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Holders | | No. of Shares * | | Percentage (%) | |
|---|----------------|----------|-------------------|----------------|----------------|-------------|
| | Malaysian | Foreign | Malaysian | Foreign | Malaysian | Foreign |
| less than 100 | 293 | 5 | 9,819 | 264 | 0.03 | 0.00 |
| 100 to 1,000 | 97 | 0 | 48,213 | - | 0.13 | - |
| 1,001 to 10,000 | 680 | 0 | 2,080,446 | - | 5.69 | - |
| 10,001 to 100,000 | 110 | 4 | 2,752,825 | 145,525 | 7.53 | 0.40 |
| 100,001 to less than 5% of issued shares | 26 | 0 | 14,663,187 | - | 40.09 | - |
| 5% and above of issued shares | 2 | 0 | 16,876,246 | - | 46.14 | - |
| TOTAL | 1,208 | 9 | 36,430,736 | 145,789 | 99.60 | 0.40 |

* Treasury shares excluded

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| No. | Names | No. of Shares | % of Shares* |
|-----|--|---------------|--------------|
| 1. | AFFLUENT FUTURE SDN BHD | 11,480,001 | 31.39 |
| 2. | TAN LYE HUAT HOLDINGS SDN BHD | 5,396,245 | 14.75 |
| 3. | TAN AH HENG | 1,791,040 | 4.90 |
| 4. | TAN LYE HUAT | 1,739,272 | 4.76 |
| 5. | NG TIONG KANG | 1,517,863 | 4.15 |
| 6. | TAN KIM LAI | 1,075,519 | 2.94 |
| 7. | TAN YAW BIN | 959,990 | 2.62 |
| 8. | TAN ENG LOON | 917,149 | 2.51 |
| 9. | TAN AI NEE | 900,000 | 2.46 |
| 10. | TAN SOOK YEE | 688,828 | 1.88 |
| 11. | TAN HWA | 601,925 | 1.65 |
| 12. | TAN JIN TUAN | 522,000 | 1.43 |
| 13. | TAN FUNG YING | 450,000 | 1.23 |
| 14. | TAN ENG YIK | 403,300 | 1.10 |
| 15. | TAN AI LING | 394,600 | 1.08 |
| 16. | TAN YAW TUNG | 352,088 | 0.96 |
| 17. | TAN HO FOOT | 349,202 | 0.95 |
| 18. | TAN YAW BIN | 324,823 | 0.89 |
| 19. | YAYASAN TERENGGANU | 307,500 | 0.84 |
| 20. | TAN PEI WEI | 200,125 | 0.55 |
| 21. | RHB NOMINEES (TEMPATAN) SDN BHD | 200,000 | 0.55 |
| | PLEDGED SECURITIES ACCOUNT FOR TAN HO FOOT | | |

ANNUAL REPORT 2019

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JANUARY 2020
(cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

| No. | Names | No. of Shares | % of Shares* |
|-----|--|---------------|--------------|
| 22. | TAN YAW TUNG | 184,705 | 0.50 |
| 23. | KHOO KIM WEE | 171,900 | 0.47 |
| 24. | KOAY LAY PENG | 153,750 | 0.42 |
| 25. | TAN PEI KAH | 120,000 | 0.33 |
| 26. | TAN SOOK YEE | 115,928 | 0.32 |
| 27. | NG CHAI TEE | 113,223 | 0.31 |
| 28. | CHEANG KAM HONG | 108,457 | 0.30 |
| 29. | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN | 100,000 | 0.27 |
| 30. | CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS) | 98,800 | 0.27 |

* Treasury shares excluded

LIST OF SUBSTANTIAL SHAREHOLDERS

| No. | NAMES | Direct Interest | | Indirect Interest | |
|-----|-------------------------------|-----------------|--------------|-------------------|--------------|
| | | No. of Shares | % of Shares* | No. of Shares | % of Shares* |
| 1. | AFFLUENT FUTURE SDN BHD | 11,480,001 | 31.39 | - | - |
| 2. | TAN LYE HUAT HOLDINGS SDN BHD | 5,396,245 | 14.75 | - | - |
| 3. | TAN LYE HUAT | 1,739,272 | 4.76 | 24,488,869 | 66.95 |
| 4. | TAN SOOK YEE | 804,756 | 2.20 | 20,887,124 | 57.11 |
| 5. | TAN HO FOOT | 569,702 | 1.56 | 17,813,731 | 48.70 |

* Treasury shares excluded

DIRECTORS SHAREHOLDINGS

| No. | Name of Directors | Direct Interest | | Indirect Interest | |
|-----|-------------------|-----------------|------|-------------------|-------|
| | | No. of Shares | % * | No. of Shares | % * |
| 1. | TAN LYE HUAT | 1,739,272 | 4.76 | 24,488,869 | 66.95 |
| 2. | TAN SOOK YEE | 804,756 | 2.20 | 20,887,124 | 57.11 |
| 3. | CHU KAN | - | - | - | - |
| 4. | HAU HOCK KHUN | - | - | - | - |
| 5. | RITA TAI LAI LING | - | - | - | - |
| 6. | CHEW YOCK FAT | - | - | - | - |

* Treasury shares excluded

KUMPULAN H & L HIGH-TECH BERHAD

LIST OF PROPERTIES

AS AT 31 OCTOBER 2019

| Location | Date of Acquisition (A)/ Valuation (V) | Description/ Existing use | Land area/ built-up area (sq metres) | Tenure/ age of buildings (years) | Net Book Value RM |
|--|--|---|--------------------------------------|-----------------------------------|--------------------------------------|
| Lot No Pt 1539 52, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor | 31/10/2018 (V) | 2-storey Terrace Factory (Corner unit) /rented out | 481.2 / 987.8 | Freehold / 32 | 3,700,000 |
| Lot No Pt 1540 50, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor | 31/10/2018 (V) | 2-storey Terrace Factory/rented out | 185.8 / 371.6 | Freehold / 32 | 1,450,000 |
| Lot No Pt 1541 48, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor | 31/10/2018 (V) | 2-storey Terrace Factory/rented out | 185.8 / 371.6 | Freehold / 32 | 1,450,000 |
| Lot No Pt 1542 46, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor | 31/10/2018 (V) | 2-storey Terrace Factory/rented out | 185.8 / 371.6 | Freehold / 32 | 1,450,000 |
| Lot No Pt 1543 44, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor | 31/10/2018 (V) | 2-storey Terrace Factory/rented out | 185.8 / 371.6 | Freehold / 32 | 1,450,000 |
| Lot No Pt 20033 6, Jalan TSB 1 Taman Industri Sungai Buloh 47000 Sungai Buloh Selangor | 31/10/2018 (V) | Prepaid lease payment Industrial building/factory | 3715 / 5183 | 99 year leasehold (24/03/2091) | 1,157,196 |
| | | | | Leasehold / 22 | <u>7,800,000</u> <u>8,957,196</u> |
| Lot No Pt 19770 7, Jalan TSB 9 Taman Industri Sungai Buloh 47000 Sungai Buloh Selangor | 31/10/2018 (V) | Prepaid lease payment Factory, Warehouse and office space | 3,633 / 3,189 | 99 year leasehold (24/03/2091) | 1,214,816 |
| | | | | Leasehold / 22 | <u>4,600,000</u> <u>5,814,816</u> |
| Lot 14, Lorong Keluli 1C Kaw Perindustrian Bukit Raja Seksyen 8, Shah Alam Selangor | 31/10/2018 (V) | Warehouse cum office /rented out | 16,489/13,383 | Freehold / 24 | 33,500,000 |
| Lot 2581, 2582, 2583, 2584 | 31/10/2018 (V) | } Land for development | 47,063 | 99 year leasehold (22/08/2081) | } 10,790,000 |
| AND Lot 2573, 2574, 2575 | 31/10/2018 (V) | | 35,354 | 99 year leasehold (26/10/2081) | |
| AND Lot 2592 and PT47 Mukim of Ijuk Daerah Kuala Selangor Negeri Selangor | 31/10/2018 (V) | | 22,250 | 99 year leasehold (22/08/2081) | |

ANNUAL REPORT 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting of Kumpulan H & L High-Tech Berhad ("the Company") will be held at Green I, ClubHouse, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 April 2020 at 11:00 am, to transact the following businesses:-

AGENDA

ORDINARY BUSINESS

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 October 2019 together with the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To approve the payment of Directors' fees of up to RM 76,000 for the financial year ending 31 October 2020. | (Ordinary Resolution 1) (Please refer to Explanatory Note 2) |
| 3. | To approve the payment of Directors' benefits of up to RM 150,000 for the period from 28 April 2020 until the next Annual General Meeting of the Company. | (Ordinary Resolution 2) (Please refer to Explanatory Note 2) |
| 4. | To re-elect Mr Tan Lye Huat who retires pursuant to Clause 76(3) of the Constitution of the Company. | (Ordinary Resolution 3) (Please refer to Explanatory Note 3) |
| 5. | To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | (Ordinary Resolution 4) (Please refer to Explanatory Note 4) |

SPECIAL BUSINESS

To consider and if deemed fit, to pass with or without modifications, the following resolutions:-

- | | | |
|--|--|---|
| 6. | ORDINARY RESOLUTION AUTHORITY TO ALLOT AND ISSUE SHARES | (Please refer to Explanatory Note 5) |
| <p>"THAT subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory authorities (if any), the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act to allot shares in the Company, from time to time, at such price, upon such terms and conditions, and for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for additional shares so issued from Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."</p> | | (Ordinary Resolution 5) |

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

7. ORDINARY RESOLUTION PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

(Please refer to
Explanatory Note 6)

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(Ordinary Resolution 6)

- (i) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:-

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

ANNUAL REPORT 2019

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- viii. To deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

8. **ORDINARY RESOLUTIONS**
CONTINUATION IN OFFICE AS INDEPENDENT DIRECTORS

(Please refer to
Explanatory Note 7)

"THAT approval be and is hereby given for Mr Chu Kan who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

(Ordinary Resolution 7)

"THAT approval be and is hereby given for Ms Rita Tai Lai Ling who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

(Ordinary Resolution 8)

"THAT approval be and is hereby given for Mr Hau Hock Khun who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

(Ordinary Resolution 9)

9. To transact any other business of which due notice shall have been given.

By Order Of the Board

WONG WAI FOONG (MAICSA 7001358)
NG BEE LIAN (MAICSA 7041392)
YAP SIT LEE (MAICSA 7028098)
Company Secretaries

Kuala Lumpur
28 February 2020

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

NOTES:-

1. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 20 April 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
2. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
3. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
4. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
5. Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
8. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:-
 - (i) In hard copy form
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor.
 - (ii) By electronic means via facsimile
In the case of an appointment made via facsimile transmission, this proxy form must be received at 03-7890 4670.
For option (ii), the Company may request any member to deposit original executed proxy form to its share registrar before or on the day of meeting for verification purpose.
9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company situated at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
10. Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
11. Last date and time for lodging this proxy form is Sunday, 26 April 2020 at 11:00 am.
12. Please bring an ORIGINAL of the following identification papers (where applicable) and present it to the registration staff for verification:-
 - (a) Identity card (NRIC) (Malaysian), or
 - (b) Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
 - (c) Passport (Foreigner).
13. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the ORIGINAL certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

ANNUAL REPORT 2019

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. Audited Financial Statements for the Financial Year Ended 31 October 2019

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. They do not require shareholders' approval and hence, will not be put forward for voting by shareholders of the Company.

2. Ordinary Resolutions 1 and 2 – Payment of Directors' Fees and Benefits

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The proposed Ordinary Resolution 1 is to facilitate the payment of Directors' fees on a current financial year basis, calculated based on the current Board of Directors ("Board") size. In the event the Directors' fees proposed are insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

The proposed Ordinary Resolution 2 for the Directors' benefits are benefits payable to the Executive Directors and meeting allowances payable to Non-Executive Directors which are calculated based on the current Board size and the number of scheduled Board and Committee meetings for the period from 28 April 2020 up to the next Annual General Meeting. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the shortfall.

3. Ordinary Resolution 3 – Re-election of Director

Mr Tan Lye Huat is standing for re-election as Director of the Company and being eligible, has offered himself for re-election at the Twenty-Fifth Annual General Meeting.

The Board has through the Nomination Committee, considered the assessment of the Director and agreed that he meets the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") on character, experience, integrity, competence and time to effectively discharge his role as Director.

Mr Chew Yock Fat who is retiring pursuant to Clause 76(3) of the Constitution of the Company as Director of the Company at the forthcoming Twenty-Fifth Annual General Meeting, has indicated to the Company that he would not be seeking re-election at the Twenty-Fifth Annual General Meeting. Therefore, Mr Chew Yock Fat shall retire as Director at the conclusion of the Twenty-Fifth Annual General Meeting.

4. Ordinary Resolution 4 – Re-appointment of Auditors

The Board has through the Audit Committee, considered the re-appointment of Messrs Grant Thornton Malaysia PLT as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table the re-appointment of Messrs Grant Thornton Malaysia PLT at the forthcoming Annual General Meeting, included an assessment of the Auditors' independence and objectivity, caliber and quality process/performance.

EXPLANATORY NOTES ON SPECIAL BUSINESS

5. Ordinary Resolution 5 – Authority to Allot and Issue Shares

The proposed Ordinary Resolution 5 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

The proposed Ordinary Resolution 5, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier.

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

6. Ordinary Resolution 6 – Proposed Renewal of Authority for Share Buy-Back

The proposed Ordinary Resolution 6, if passed, will allow the Company to purchase its own shares through Bursa Securities up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 28 February 2020 in relation to the Proposed Renewal of Authority for Share Buy-Back for further information.

7. Ordinary Resolutions 7, 8 and 9 – Continuation in Office as Independent Directors

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than nine (9) years.

Mr Chu Kan, Ms Rita Tai Lai Ling and Mr Hau Hock Khun were appointed to the Board on 2 September 1997, 23 June 2009 and 5 August 2009 respectively as Independent Directors. They have therefore served on the Board for more than nine (9) years.

The Board has through the Nomination Committee assessed the independence of Mr Chu Kan, Ms Rita Tai Lai Ling and Mr Hau Hock Khun, and recommended that they continue to act as Independent Directors of the Company based on the following justifications:-

- (i) they have fulfilled the criteria under the definition on Independent Director as stated in the Listing Requirements of Bursa Securities and, therefore, were able to bring independent and objective judgement to the Board;
- (ii) they have been with the Company for many years and were familiar with the Company's business operations and the plastic mould injection industry market, thus enabling them to contribute actively and effectively during deliberations or discussions at Board meetings;
- (iii) their length of services on the Board does not in any way interfere with their exercise of independent judgement. They have remained objective and independent in expressing their views and participating in deliberation and decision making of the Board and Board Committees;
- (iv) their vast experience in audit, finance and laws enable them to provide the Board, as the case may be, with pertinent expertise, skills and competence;
- (v) they have continued to exercise their independence and due care during their tenure as Independent Directors of the Company and carried out their duties in the interest of the Company and shareholders; and
- (vi) they have devoted sufficient time and commitment to discharge their responsibilities as Independent Directors.

The proposed Ordinary Resolutions 7, 8 and 9, if passed, will enable Mr Chu Kan, Ms Rita Tai Lai Ling and Mr Hau Hock Khun to continue to act as Independent Directors of the Company until the conclusion of next Annual General Meeting of the Company.

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KUMPULAN H & L HIGH-TECH BERHAD

[199401032123 (317805-V)]
(INCORPORATED IN MALAYSIA)

PROXY FORM

I/We, _____ Tel.: _____
(Full name in block, NRIC / Passport / Company No.)

of _____
(Address)

being a member of Kumpulan H & L High-Tech Berhad, hereby appoint:-

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|----------------------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |

and / or* (*delete as appropriate)

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|----------------------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |

or failing him/her, the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Twenty-Fifth Annual General Meeting of the Company to be held at Green I, ClubHouse, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 April 2020 at 11:00 am or any adjournment thereof, and to vote as indicated below:-

| NO. | RESOLUTIONS | FOR | AGAINST |
|-----|---|-----|---------|
| 1. | To approve the payment of Directors' Fees of up to RM 76,000 for the financial year ending 31 October 2020. | | |
| 2. | To approve the payment of Directors' benefits of up to RM 150,000 for the period from 28 April 2020 until the next Annual General Meeting of the Company. | | |
| 3. | To re-elect Mr Tan Lye Huat, who retires pursuant to Clause 76(3) of the Company's Constitution, as Director. | | |
| 4. | To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors and to authorise the Directors to fix their remuneration. | | |
| 5. | To grant authority to Directors to allot and issue shares. | | |
| 6. | To approve the Proposed Renewal of Authority for Share Buy-Back. | | |
| 7. | To approve Mr Chu Kan to continue to act as an Independent Director. | | |
| 8. | To approve Ms Rita Tai Lai Ling to continue to act as an Independent Director. | | |
| 9. | To approve Mr Hau Hock Khun to continue to act as an Independent Director. | | |

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this _____ day of _____

Signature*
Member

*Manner of execution:-

- If you are an individual member, please sign where indicated.
- If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:-
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

NOTES:-

- For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 20 April 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
- A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
- If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
- Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:-
 - In hard copy form
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor.
 - By electronic means via facsimile
In the case of an appointment made via facsimile transmission, this proxy form must be received at 03-7890 4670.
For option (ii), the Company may request any member to deposit original executed proxy form to its share registrar before or on the day of meeting for verification purpose.
- Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company situated at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
- Last date and time for lodging this proxy form is Sunday, 26 April 2020 at 11:00 am.
- Please bring an ORIGINAL of the following identification papers (where applicable) and present it to the registration staff for verification:-
 - Identity card (NRIC) (Malaysian), or
 - Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
 - Passport (Foreigner).
- For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the ORIGINAL certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

Fold this flap for sealing

Then Fold Here

AFFIX
STAMP

KUMPULAN H & L HIGH-TECH BERHAD
[199401032123 (317805-V)]

c/o Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan.

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KUMPULAN H & L HIGH-TECH BERHAD

[199401032123 (317805-V)]

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