

Kumpulan H & L High-Tech Berhad (317805-V)

Notes to quarterly report for the quarter ended 30 April 2015

Part A-Explanatory Notes Pursuant to FRS 134

A1. Accounting policies and methods of computation

The interim financial report has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The figures for the quarter ended 31 January 2015 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2014. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year 31 October 2014.

A2. Seasonal or cyclical of interim operations

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

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

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

A4. Material changes in estimates

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

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

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

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

The gearing ratios as at 30 April 2015 and 31 October 2014, which are within the Group's objectives for capital management, are as follows:

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As At	30-Apr-15	31-Oct-14 (Audited)
	RM'000	RM'000
Total borrowings	7,468	7,975
Total equity	76,030	75,288
Total capital	83,498	83,263
Gearing Ratio	9.8%	10.6%

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

On 28 March 2007, approval has been obtained from the shareholders for the Company to buy-back its own shares. The authority granted by the shareholders was subsequently renewed in the Annual General Meeting held on 28 April 2015. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the share buy-back scheme can be applied in the best interest of the Company and its shareholders.

There were no changes to the treasury shares during the quarter under review.

A6. Dividends paid

An interim dividend in respect of the financial year ended 31 October 2014 of 1.5 sen per share of RM1.00 for a total ordinary shares of 36,576,525 amounted to RM 548,648 has been paid during the quarter under review.

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A7. Operating segment information

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

Segment information for the financial period ended 30 April 2015	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	8,861	1,002	1,399	19	11,281
Intersegment revenue	(900)	-	-	-	(900)
Reportable segment profit / (loss)	1,060	552	528	(162)	1,978

Reconciliation of profit or loss

	RM '000
Total profit for reportable segments	1,978
Investment income	9
Gain on disposal of quoted investments	21
Net fair value gain on held for quoted shares	(87)
Interest income	199
Unallocated amounts:-	
Corporate expenses	(109)
Group's profit before income tax expense	2,011

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

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

A9. Effects of changes in composition of the Group

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

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

Save as disclosed below, the Company is not aware of any contingent liabilities or contingent assets as at 30 April 2015 except as follow:-

	31-Oct-14 (Audited) RM '000	Changes RM '000	30-Apr-15 (Unaudited) RM '000
Total limit	11,500	0	11,500
Total utilised	7,975	-507	7,468

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

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A11. Capital Commitment

Save for the following, there was no capital commitments not provided for in the financial statement as at 30 April 2015.

Authorised and Contracted for	RM 2.6 million
Authorised but not Contracted for	RM Nil

* End of Part A *

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

B1. Detailed analysis of the performance the current quarter

RM '000	Individual quarter		Cumulative quarter	
	Current year	Preceding year corresponding quarter	Current year	Preceding year corresponding period
	30-Apr-15	30-Apr-14	30-Apr-15	30-Apr-14
Revenue				
Manufacturing & Trading	4,391	4,997	8,861	8,911
Property Investment	502	461	1,002	914
Property Development	92	141	1,399	444
Plantation	19	-	19	-
Profit/(Loss) before tax				
Manufacturing & Trading	(13)	756	1,060	622
Property Investment	289	230	552	409
Property Development	(271)	22	528	117
Plantation	(116)	(45)	(162)	(118)

For current quarter under review,

The Manufacturing segments incurred a pretax loss of RM0.013 million compared to a pretax profit of RM0.7564 million recorded in preceding year corresponding quarter. The slid of profit was mainly due to lower revenue and higher operating expenses.

The Property Investment segments recorded higher pretax profit of RM0.289 million during the quarter under review as compared to preceding year corresponding quarter of RM0.230 million mainly due to rental revision and lower operation expenses.

The property development segment incurred a pretax loss of RM0.271 million due to delay of launching for the 2nd phase and higher operating expenses.

Plantation had started to contribute a maiden sales of RM0.02 million and revenue is expected to contribute progressively in coming quarters as oil palm trees reach the harvesting stage.

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

For the quarter ended 30 April 2015, sales declined by RM1.3 million or 25.4% to RM5.0 million. The decline mainly came from property development due to delaying in launching the 2nd phase project. Only RM0.1 million revenue was recorded as compared to RM1.3 million in Q 1 in 2015. The softening of property market due to various measures taken by Bank Negara had resulted in the delay in the launching.

With consolidated sales lower by RM1.3 million, this had impacted profit by RM0.6 million. In addition to that, there was RM0.6 million adjustment made in Q 2 related to Q 1 2015 cost of sales. This explains why the consolidated gross margin percentage

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had dropped from 48.5% in Q 1 to 23.9% in Q 2. Had there been no adjustment made, consolidated gross margin would have been 35.7% instead of 23.9%.

B3. Current financial year's prospect

Barring unforeseen circumstances, the Boards foresee a challenging year ahead for the remaining quarters for current financial year. Nevertheless the Directors endeavor to maintain current performance.

B4. Profit forecast

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

B5. Taxation

	Current Quarter RM '000	Year-to-date RM '000
Current Year	720	720
Prior Year	-	-
Deferred Taxation	-	-
Tax expense *	720	720

The effective tax rate for financial period ended 30 April 2015 was higher than the statutory tax rate of 25% mainly due to non-tax allowable expenses by certain subsidiaries during the quarter under review.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 30 April 2015.

B7. Group borrowings and debt securities

The group's borrowings as at 30 April 2015 as follows:-

RM '000	Secured	Unsecured	Total
Short term	1,021	-	1,021
Long term	6,447	-	6,447
Total	7,468	-	7,468

All borrowings are denominated in local currency.

There was no debt securities issued.

B8. Changes in material litigation

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

B9. Proposed Dividends

There were no proposed dividends for the quarter review.

B10. Earnings per share

a. Basic

The calculation of the basic earnings per share is based on the Group's net profit attributable to the equity holders divided by the weighted average number of ordinary shares of RM1.00 each in issue during the year excluding the weighted average treasury shares held by the Company.

	Current Quarter	Year-to-date
Net profit / (loss) attributable to equity holders of the Company (RM '000)	(321)	1,291
Weighted average number of ordinary shares ('000)	36,577	36,577
Basic earning/(loss) per share (sen)	(0.88)	3.53

b. Diluted

Not applicable

B11. Audit report qualification and status of matters raised

The audit report of the Group's annual financial statements for the financial year ended 31 October 2014 did not contain any qualification.

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

	Current Quarter RM'000	Year-To-Date RM'000
(a) interest income;	(94)	(199)
(b) other income including investment income;	(4)	(9)
(c) interest expense;	76	185
(d) depreciation of property, plant and equipment	421	865
(e) amortisation of prepaid land lease payment	9	17
(f) auditors' remuneration	22	44
(g) realised (gain)/loss on foreign exchange	(69)	(102)
(h) unrealised (gain)/loss on foreign exchange	(145)	59
(i) rental expenses	0	2
(j) rental income	(42)	(83)
(k) net fair value (gain)/loss on held for quoted shares	162	87
(l) (Gain)/loss on disposal of property, plant and equipment	(126)	(126)
(m) Amortisation of deferred income	0	60
(n) (Gain)/loss on disposal of quoted investment	0	(21)

B13. DISCLOSURES OF REALISED AND UNREALISED PROFITS/LOSSES

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

As At	30-Apr-15
	RM'000
Realised	41,852
Unrealised	11,550
	53,402
Less: Consolidated adjustments	(19,826)
Retained earnings	33,576

BY ORDER OF THE BOARD

Ng Bee Lian
Company Secretary

Kuala Lumpur