

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

Notes to quarterly report for the quarter ended 31 July 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 July 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 31 July 2015 and 31 October 2014, which are within the Group's objectives for capital management, are as follows:

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As At	31-Jul-15	31-Oct-14 (Audited)
	RM'000	RM'000
Total borrowings	7,224	7,975
Total equity	75,685	75,288
Total capital	82,909	83,263
Gearing Ratio	9.5%	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

A final dividend in respect of the financial year ended 31 October 2014 of 2.0 sen per share of RM1.00 for a total ordinary shares of 36,576,525 amounted to RM 0.731 million 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 31 July 2015	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	12,919	1,504	1,513	137	16,073
Intersegment revenue	(900)	-	-	-	(900)
Reportable segment profit / (loss)	1,650	835	508	(387)	2,606

Reconciliation of profit or loss

	<i>RM '000</i>
Total profit for reportable segments	2,606
Investment income	13
Gain on disposal of quoted investments	21
Net fair value gain on held for quoted shares	(111)
Interest income	288
Unallocated amounts:-	
Corporate expenses	(156)
Group's profit before income tax expense	<u>2,661</u>

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

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

A9. Effects of changes in composition of the Group

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

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

Save as disclosed below, the Company is not aware of any contingent liabilities or contingent assets as at 31 July 2015 except as follow:-

	31-Oct-14 (Audited) RM '000	Changes RM '000	31-Jul-15 (Unaudited) RM '000
Total limit	11,500	0	11,500
Total utilised	7,975	-751	7,224

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 31 July 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
	31-Jul-15	31-Jul-14	31-Jul-15	31-Jul-14
Revenue				
Manufacturing & Trading	4,058	4,514	12,919	13,425
Property Investment	502	487	1,504	1,401
Property Development	115	911	1,513	1,355
Plantation	118	-	137	-
Profit/(Loss) before tax				
Manufacturing & Trading	590	371	1,650	993
Property Investment	283	304	835	713
Property Development	(20)	491	508	608
Plantation	(225)	(45)	(387)	(163)

For current quarter under review, within the manufacturing division, mould manufacturing had a poor quarter with sales declined by RM1.3 million or 66.6%. However, the decline was partly offset by good showing in plastic division with revenue increased by RM0.8 million or 31.9%.

Mould manufacturing faces a difficult time primarily due to slowdown in electronic sectors and introduction of GST in Apr 2015. Decline in property launch in Q3 2015 had also contributed to the decline in sales revenue.

As some trees are bearing fruits since first half this year, the company has begun the amortization of part of the biological assets, the plantation segment incurred higher loss when compared to preceding year corresponding quarter.

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

For the quarter ended 31 July 2015, total revenue declined by RM0.2 million or 4.2% mainly came manufacturing division when compared with immediate preceding quarter. Property and plantation divisions both had marginal increase of RM0.02 million and RM0.1 million respectively. Within the manufacturing divisions, Plastik STC had an increase of RM0.3 mill while mound division had a decline of RM0.6 million.

Overall gross margin was higher by 6.7% mainly coming from plastic division. The weak Ringgit was one of the main contributing factors to higher margin as most of the products are exported.

Operating expense in Q3 2015 was lower by RM0.5 million as compared with Q2 2015 due to certain non-recurring expenses in Q2. Overall operating expense would have been lower by another RM0.1 million had it not been a charge of amortization of biological assets.

Profit after tax was RM0.4 million as compared loss of RM0.3 million. Loss in Q2 was attributed to an adjustment made for cost related to Q1 operation.

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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	1,030	1,030
Prior Year	(46)	(46)
Deferred Taxation	-	-
Tax expense *	984	984

The effective tax rate for financial period ended 31 July 2015 was higher than the statutory tax rate of 25% mainly due to loss of incurred as well as non-tax allowable expenses by certain subsidiaries during the quarter and period under review.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 31 July 2015.

B7. Group borrowings and debt securities

The group's borrowings as at 31 July 2015 as follows:-

RM '000	Secured	Unsecured	Total
Short term	1,058	-	1,058
Long term	6,166	-	6,166
Total	7,224	-	7,224

All borrowings are denominated in local currency.

There was no debt securities issued.

B8. Changes in material litigation

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

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B9. Proposed Dividends

The Board of Directors proposed an interim single-tier dividend of 1.5 sen per ordinary share of RM1.00 each in respect of the financial year ending 31 October 2015. The book closure date and payment date will be on 19 October 2015 and 2 November 2015 respectively.

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)	386	1,677
Weighted average number of ordinary shares ('000)	36,577	36,577
Basic earning/(loss) per share (sen)	1.06	4.58

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;	(89)	(288)
(b) other income including investment income;	(4)	(13)
(c) interest expense;	102	287
(d) depreciation of property, plant and equipment	492	1,259
(e) amortisation of prepaid land lease payment	8	25
(f) auditors' remuneration	21	65
(g) realised (gain)/loss on foreign exchange	(44)	(146)
(h) unrealised (gain)/loss on foreign exchange	(214)	(155)
(i) rental expenses	0	2
(j) rental income	(42)	(125)
(k) net fair value (gain)/loss on held for quoted shares	24	111
(l) (Gain)/loss on disposal of property, plant and equipment	4	(122)
(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	31-Jul-15
	RM '000
Realised	41,239
Unrealised	11,740
	<u>52,979</u>
Less: Consolidation adjustments	<u>-19,748</u>
	<u><u>33,231</u></u>

BY ORDER OF THE BOARD

Ng Bee Lian
Company Secretary

Kuala Lumpur