

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

Notes to quarterly report for the quarter ended 31 October 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 October 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 October 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-Oct-15	31-Oct-14 (Audited)
	<b>RM'000</b>	<b>RM'000</b>
Total borrowings	6,951	7,975
Total equity	80,896	75,288
Total capital	87,847	83,263
Gearing Ratio	8.6%	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**

There were no dividends paid during the quarter under review.

**A7. Operating segment information**

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

Segment information for the financial period ended 31 October 2015	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	17,255	2,005	2,182	229	21,671
Intersegment revenue	(340)	-	-	-	(340)
Reportable segment profit / (loss)	2,414	1,170	940	(597)	3,927

**Reconciliation of profit or loss**

RM '000

<b>Total profit for reportable segments</b>	<b>3,927</b>
Investment income	27
Gain on disposal of quoted investments	45
Net fair value gain / (loss) on held for quoted shares	(6)
Fair value adjustment on investment properties	4,350
Interest income	379
Unallocated amounts:-	
Corporate expenses	(237)
<b>Group's profit before income tax expense</b>	<b>8,485</b>

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### 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 October 2015 except as follow:-

	31-Oct-14 (Audited) RM '000	Changes RM '000	31-Oct-15 (Unaudited) RM '000
Total limit	11,500	0	11,500
Total utilised	7,975	-1,024	6,951

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

### A11. Capital Commitment

Save for the following, there was no capital commitments not provided for in the financial statement as at 31 October 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-Oct-15	31-Oct-14	31-Oct-15	31-Oct-14
<b>Revenue</b>				
Manufacturing & Trading	4,336	4,257	17,255	17,682
Property Investment	501	496	2,005	1,897
Property Development	669	292	2,182	1,647
Plantation	92	-	229	-
<b>Profit/(Loss) before tax</b>				
Manufacturing & Trading	764	123	2,414	1,116
Property Investment	335	282	1,170	995
Property Development	432	81	940	689
Plantation	(210)	(92)	(597)	(255)

For current quarter under review,

Manufacturing & Trading segment had a small increase in turnover but the pretax profit was increased by more than five-folds mainly due to higher gross profit margin.

Property investment segment performed better with higher pretax profit mainly due to rental revision and lower operating expenses.

Property development segment recorded higher turnover as well as pretax profit compared to preceding year corresponding quarter as the sale for Phase 2 project has been accounted for.

Plantation segment incurred a higher loss due to amortization of biological assets as well as no longer allowed to capitalize of certain expenses under Malaysian Accounting Standard 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 October 2015, the group's revenue increased by 13.4% when compared to immediate preceding quarter, mainly contributed by depreciation of Ringgit and higher revenue recognition in the launch of phase 2 project.

Pretax profit was RM5.825 million as compared immediate preceding quarter's pretax profit of RM0.65 million. The significant improvements were due to fair value gain on investment properties amounted RM4.35 million as well as improvement in mould-making business.

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### B3. Next financial year's prospect

Barring unforeseen circumstances, the Boards foresee the next financial year ahead remains challenging. 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	357	1,387
Prior Year	-	(46)
Deferred Taxation	174	174
Tax expense *	531	1,515

The effective tax rate for financial period ended 31 October 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 October 2015.

### B7. Group borrowings and debt securities

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

RM '000	Secured	Unsecured	Total
Short term	1,072	-	1,072
Long term	5,879	-	5,879
Total	6,951	-	6,951

All borrowings are denominated in local currency.

There was no debt securities issued.

### B8. Changes in material litigation

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

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**B9. Proposed Dividends**

There were no proposed dividends for the quarter under 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)	5,294	6,971
Weighted average number of ordinary shares ( '000)	36,577	36,577
Basic earning/(loss) per share (sen)	14.47	19.06

## 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;	(91)	(379)
(b) other income including investment income;	(14)	(27)
(c) interest expense;	74	361
(d) depreciation of property, plant and equipment	429	1,688
(e) amortisation of prepaid land lease payment	8	33
(f) amortisation of biological assets	58	58
(g) auditors' remuneration	26	91
(h) realised (gain)/loss on foreign exchange	(299)	(445)
(i) unrealised (gain)/loss on foreign exchange	(94)	(249)
(j) rental expenses	0	2
(k) rental income	(42)	(167)
(l) net fair value (gain)/loss on held for quoted shares	(105)	6
(m) (Gain)/loss on disposal of property, plant and equipment	120	(2)
(n) Amortisation of deferred income	0	60
(o) (Gain)/loss on disposal of quoted investment	(24)	(45)
(p) Fair value gain on investment properties	(4,350)	(4,350)

**B13. DISCLOSURES OF REALISED AND UNREALISED PROFITS/LOSSES**

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

As At	31-Oct-15	RM '000
Realised		41,222
Unrealised		16,289
		<u>57,511</u>
Less: Consolidation Adjustments		(19,535)
<b>Retained Earnings</b>		<u><b>37,976</b></u>

BY ORDER OF THE BOARD

Ng Bee Lian  
Company Secretary

Kuala Lumpur