

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

Notes to quarterly report for the quarter ended 31 July 2019

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 30 April 2019 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 2018.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 October 2018.

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 2019 and 31 October 2018, which are within the Group's objectives for capital management, are as follows:

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

Notes to quarterly report for the quarter ended 31 July 2019

As At	31-Jul-19 (Unaudited) RM'000	31-Oct-18 (Audited) RM'000
Total borrowings	7,805	3,575
Total equity	94,060	92,098
Total capital	101,865	95,673
Gearing Ratio	8.3%	3.9%

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

On 28 March 2007, approval has been obtained from the shareholders for the Company to buy-back its own shares. The authority granted by the shareholders was subsequently renewed in the Annual General Meeting held on 23 April 2019. 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

During the quarter under review, there were no dividends paid.

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 2019	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	13,154	1,766	769	1,351	17,040
Intersegment revenue	229	16	-	-	245
Reportable segment profit / (loss)	2,310	1,107	402	(479)	3,340

Reconciliation of profit or loss

Total profit for reportable segments	3,340
Investment income	32
Gain on disposal of quoted investments	53
Net fair value gain on held for quoted shares	(67)
Interest income	415
Unallocated amounts:-	
Corporate expenses	(230)
Other expenses	(11)
Group's profit before income tax expense	3,532

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

Notes to quarterly report for the quarter ended 31 July 2019

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 2019 except as follow:-

	31-Oct-18 (Audited) RM '000	Changes RM '000	31-Jul-19 (Unaudited) RM '000
Total limit	11,500	-300	11,200
Total utilised	3,575	4,128	7,703

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

A11. Capital Commitment

There was no capital commitments as at 31 July 2019.

* End of Part A *

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

Notes to quarterly report for the quarter ended 31 July 2019

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

B1. Detailed analysis of the performance the current quarter

RM '000	Individual quarter		Cumulative quarters	
	Current year	Preceding year corresponding quarter	Current year	Preceding year corresponding quarters
	31-Jul-19	31-Jul-18	31-Jul-19	31-Jul-18
Revenue				
Manufacturing & Trading	4,840	5,001	13,154	13,344
Property Investment	591	574	1,766	1,707
Property Development	386	991	769	2,483
Plantation	419	557	1,351	1,590
Profit/(Loss) before tax				
Manufacturing & Trading	858	1,429	2,310	2,127
Property Investment	395	421	1,107	1,229
Property Development	251	787	402	1,901
Plantation	(108)	(51)	(479)	(365)

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

Manufacturing segment suffered a decrease of pre-tax profit mainly due to higher operating expenses and lower turnover by 3.2% from RM5.00 mil to RM4.84 mil.

Property investment segment posted slightly higher revenue but pre-tax profit decreased by RM0.026 million due to higher operating expenses.

Property development segment registered significant lower revenue and pre-tax profit as most of the remaining unsold units remained unsold.

Plantation segment still suffered from a pre-tax loss of RM0.108 million despite had a higher FFB yields mainly due to reduction of FFB price by approximately 28%.

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

Revenue improved by 10.7% to RM6.17 million while the pre-tax profit also improved by 40.7% to RM1.56 million from RM1.11 million mainly due to higher other income and higher revenue.

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

Notes to quarterly report for the quarter ended 31 July 2019

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	255	898
Prior Year	319	(60)
Deferred Taxation	-	-
Tax expense *	574	838

The effective tax rate for financial period ended 31 July 2019 was lower than the statutory tax rate of 24% mainly due to a loss-making subsidiary during the quarter under review.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 31 July 2019.

B7. Group borrowings and debt securities

The group's borrowings as at 31 July 2019 as follows:-

RM '000	Secured	Unsecured	Total
Short term	1,099	-	1,099
Long term	6,706	-	6,706
Total	7,805	-	7,805

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.

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

Notes to quarterly report for the quarter ended 31 July 2019

B9. Proposed Dividends

The Board of Directors proposed a single tier interim dividend of 1.50 sen per ordinary share in respect of financial year ending 31 October 2019. The book closure date and payment date will be on 18th October 2019 and 30 October 2019 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 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)	987	2,694
Weighted average number of ordinary shares ('000)	36,577	36,577
Basic earning/(loss) per share (sen)	2.70	7.37

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 2018 did not contain any qualification.

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

Notes to quarterly report for the quarter ended 31 July 2019

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;	(150)	(415)
(b) other income including investment income;	(13)	(32)
(c) interest expense;	92	219
(d) depreciation of property, plant and equipment	328	974
(e) amortisation of deferred income	(15)	(45)
(f) amortisation of prepaid land lease payment	8	25
(g) auditors' remuneration	26	76
(h) realised (gain)/loss on foreign exchange	(13)	59
(i) unrealised (gain)/loss on foreign exchange	(38)	(44)
(j) rental expenses	16	37
(k) rental income	(1)	
(l) net fair value (gain)/loss on held for quoted shares	31	67
(m) Amortisation of Biological Assets	57	170
(n) (Gain)/loss on disposal of quoted investment	(53)	(53)

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-19
	RM'000
Realised	39,416
Unrealised	28,660
	<u>68,076</u>
Less: Consolidated adjustments	<u>(19,384)</u>
Retained earnings	<u>48,692</u>

BY ORDER OF THE BOARD

Yap Sit Lee
Company Secretary

Kuala Lumpur