

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

Notes to quarterly report for the quarter ended 31 October 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 31 October 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 except for the following:

MFRS 116: Property, Plant and Equipment and MFRS 141: Agriculture

Biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. Bearer plants will now be measured under MFRS 116 at accumulated cost. The Group is currently measuring the bearer plants at cost less amortization, the change of accounting policies is limited to reclassification of accounts and will not impact comprehensive income or equity.

The unripe fresh fruit bunch (“FFB”) on bearer plants are within the scope of MFRS 141. Prior to adoption of 141, biological assets which form part of the bearer plants were not recognized. With the adoption of the MFRS 141, the biological assets are measured at fair value less cost to sell with the changes in fair value recognized in profit and loss.

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

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

As At	31-Oct-19 (Unaudited) RM'000	31-Oct-18 (Audited) RM'000
Total borrowings	11,045	3,575
Total equity	94,330	92,098
Total capital	105,375	95,673
Gearing Ratio	11.7%	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, an interim dividend of 1.5 sen per ordinary share has been 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.

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Segment information for the financial period ended 31 October 2019	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	17,435	2,351	942	2,127	22,855
Intersegment revenue	269	22	-	-	291
Reportable segment profit / (loss)	2,612	1,481	479	(627)	3,945

Reconciliation of profit or loss

Total profit for reportable segments

Investment income	42
Gain on disposal of quoted investments	53
Net fair value gain on held for quoted shares	(110)
Fair value adjustment on investment properties	170
Interest income	569
Unallocated amounts:-	
Corporate expenses	(344)
Other expenses	(14)
Group's profit before income tax expense	4,311

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 2019 except as follow:-

	31-Oct-18 (Audited) RM '000	Changes RM '000	31-Oct-19 (Unaudited) RM '000
Total limit	11,500	-300	11,200
Total utilised	3,575	4,500	8,075

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 October 2019.

* 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 quarters	
	Current year 31-Oct-19	Preceding year corresponding quarter 31-Oct-18	Current year 31-Oct-19	Preceding year corresponding quarters 31-Oct-18
Revenue				
Manufacturing & Trading	4,281	4,039	17,435	17,384
Property Investment	585	574	2,351	2,292
Property Development	173	991	942	2,757
Plantation	776	557	2,127	2,367
Profit/(Loss) before tax				
Manufacturing & Trading	248	358	2,612	2,485
Property Investment	374	433	1,481	1,662
Property Development	77	12	479	1,913
Plantation	(148)	6	(627)	(359)

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

Manufacturing segment pre-tax profit dropped 30.7% or RM0.110 million despite a 6% or RM0.242 mil increased in Revenue mainly due to fair value loss on investment properties and a lower gross profit margin.

Property investment segment posted slightly higher revenue but pre-tax profit decreased by RM0.06 million due to higher operating expenses.

Property development segment registered significant lower revenue but higher pre-tax profit due to fair value adjustment.

Plantation segment incurred pre-tax loss of RM0.148 million despite the Revenue increased by 39% to RM0.776 mil mainly due fair value loss on investment properties as well as a lower FFB selling price.

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

Revenue dropped by 6.7% to RM5.76 million while the pre-tax profit dropped by 20.2% to RM1.24 million from RM1.56 million mainly due to lower gross profit margin and higher operating expenses despite the other income increased by 59% to RM0.56 million from RM0.35 million.

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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	Year-to-date
	RM'000	RM'000
Current Year	247	1,145
Prior Year	(235)	(235)
Deferred Taxation	(46)	(46)
Tax expense*	(34)	804

The effective tax rate for financial period ended 31 October 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 October 2019.

B7. Group borrowings and debt securities

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

RM '000	Secured	Unsecured	Total
Short term	988	-	988
Long term	10,057	-	10,057
Total	11,045	-	11,045

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 dividend 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 in issue during the year excluding the weighted average treasury shares held by the Company.

	Current quarter	Year-to- date
Net profit attributable to equity holders of the Company (RM '000)	813	3,507
Weighted average number of ordinary shares ('000)	36,576.53	36,576.53
Basic earnings/(loss) per share (sen)	2.22	9.59

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.

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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
1 interest income;	(154)	(569)
2 other income including investment income;	(10)	(42)
3 interest expense;	102	321
4 depreciation of property, plant and equipment	319	1,293
5 amortisation of deferred income	(15)	(60)
6 amortisation of prepaid land lease payment	8	33
7 auditors' remuneration	36	112
8 realised (gain)/loss on foreign exchange	15	74
9 unrealised (gain)/loss on foreign exchange	30	(14)
10 rental expenses	13	50
11 rental income	3	3
12 FV (gain)/loss on held for quoted shares	42	109
13 amortisation of Biological Assets	57	227
14 (Gain)/loss on disposal of quoted investment	0	(53)
15 FV (Gain)/loss on investment properties	(173)	(173)

* FV = Fair value

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-19
	RM'000
Realised	39,580
Unrealised	28,761
	<u>68,341</u>
Less: Consolidated adjustments	<u>(19,384)</u>
Retained earnings	<u>48,957</u>

BY ORDER OF THE BOARD

Yap Sit Lee
Company Secretary

Kuala Lumpur