

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

Notes to quarterly report for the quarter ended 31 January 2020

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 2020 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 2019.

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 2019.

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 January 2020 and 31 October 2019, which are within the Group's objectives for capital management, are as follows:

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As At	31-Jan-20 (Unaudited) RM'000	31-Oct-19 (Audited) RM'000
Total borrowings	10,808	11,045
Total equity	95,140	94,924
Total capital	105,948	105,969
Gearing Ratio	11.4%	11.6%

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 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 dividend 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 January 2020	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	3,739	591	35	812	5,177
Intersegment revenue	47	5	-	-	52
Reportable segment profit / (loss)	(125)	361	(54)	210	392

Reconciliation of profit or loss

	RM '000
Total profit for reportable segments	392
Investment income	1
Gain on disposal of quoted investments	-
Net fair value gain on held for quoted shares	(19)
Interest income	188
Unallocated amounts:-	
Corporate expenses	(80)
Other expenses	(4)
Group's profit before income tax expense	478

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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 January 2020 except as follow:-

	31-Oct-2019 (Audited) RM '000	Changes RM '000	31-Jan-2020 (Unaudited) RM '000
Total limit	11,500	-300	11,200
Total utilised	11,045	-237	10,808

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 January 2020.

* 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	
	Current year 31-Jan-2020	Preceding year corresponding quarter 31-Jan-2019
Revenue		
Manufacturing & Trading	3,739	4,036
Property Investment	591	588
Property Development	35	51
Plantation	812	498
Profit/(Loss) before tax		
Manufacturing & Trading	(125)	771
Property Investment	361	313
Property Development	(54)	(57)
Plantation	210	(192)

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

Manufacturing segment incurred a pre-tax loss of RM0.125 mil mainly due to reduced turnover by 7.4%

Property investment segment posted slightly higher revenue and pre-tax profit due to rental revision and lower operating expenses.

Property development segment registered lower revenue and a pre-tax loss of RM0.054 mil mainly due to most of the remaining unsold units remained unsold.

Plantation segment recorded a turnaround from pre-tax loss of RM0.192 mil to pre-tax profit of RM0.21 mil mainly due to higher weighted average FFB price by 50% and higher FFB output by 9%.

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

Revenue maintain at RM5.1 mil mainly despite a weaker demand for Manufacturing segment but pre-tax profit lowered to RM0.478 mil from RM0.811 mil as a results of lower gross profit margin.

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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	157	157
Prior Year	-	-
Deferred Taxation	-	-
Tax expense *	157	157

The effective tax rate for current period under review was higher than the statutory tax rate of 24% mainly due to loss incurred by certain subsidiaries.

B6. Status of corporate proposals

There was no corporate proposal announced but not completed as at 31 January 2020.

B7. Group borrowings and debt securities

The group's borrowings as at 31 January 2020 as follows:-

RM '000	Secured	Unsecured	Total
Short term	889	-	889
Long term	9,919	-	9,919
Total	10,808	-	10,808

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

A single tier interim dividend of 2.0 sen per ordinary share has been proposed during the quarter under review for financial year ending 31 October 2020. The book closure date and payment date were 13 February 2020 and 28 February 2020 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)	322	322
Weighted average number of ordinary shares ('000)	36,577	36,577
Basic earning/(loss) per share (sen)	0.88	0.88

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 2019 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
(a) interest income;	(188)
(b) other income including investment income;	(1)
(c) interest expense;	124
(d) depreciation of property, plant and equipment	318
(e) amortisation of deferred income	0
(f) amortisation of prepaid land lease payment	8
(g) auditors' remuneration	21
(h) realised (gain)/loss on foreign exchange	40
(i) unrealised (gain)/loss on foreign exchange	(44)
(j) rental expenses	23
(k) rental income	0
(l) net fair value (gain)/loss on held for quoted shares	35
(m) Amortisation of Biological Assets	57
(n) (Gain)/loss on disposal of quoted investment	0

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-Jan-2020
	RM'000
Realised	38,493
Unrealised	28,692
	<u>67,185</u>
Less: Consolidated adjustments	<u>(17,365)</u>
Retained earnings	<u>49,820</u>

BY ORDER OF THE BOARD

Yap Sit Lee
Company Secretary

Kuala Lumpur