

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

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

MFRS 16 Lease

The right-of-use asset is recognized and measured at cost, and subsequently measured at cost, less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

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.

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

As At	31-Jul-2019 (Unaudited) RM'000	31-Oct-2019 (Audited) RM'000
Total borrowings	10,282	11,045
Total equity	95,305	94,924
Total capital	105,587	105,969
Gearing Ratio	10.8%	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 28 July 2020. 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.

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Segment information for the financial period ended 31 July 2020	Manufacturing & Trading	Property Investment	Joint Property Development	Plantation	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue from external customer	9,144	1,677	483	2,016	13,320
Intersegment revenue	248	16	-	-	264
Reportable segment profit / (loss)	257	964	193	(116)	1,298

Reconciliation of profit or loss

	RM '000
Total profit for reportable segments	1,298
Investment income	32
Gain on disposal of quoted investments	-
Net fair value gain on held for quoted shares	(146)
Interest income	484
Unallocated amounts:-	
Corporate expenses	(233)
Other expenses	(10)
Group's profit before income tax expense	<u>1,425</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 2020 except as follow:-

	31-Oct-2019 (Audited) RM '000	Changes RM '000	31-Jul-2020 (Unaudited) RM '000
Total limit	11,500	-300	11,200
Total utilised	11,045	-763	10,282

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 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		Cumulative quarters	
	Current year	Preceding year corresponding quarter	Current year	Preceding year corresponding quarters
	31-Jul-2020	31-Jul-2019	31-Jul-2020	31-Jul-2019
Revenue				
Manufacturing & Trading	3,334	4,840	9,144	13,154
Property Investment	537	591	1,677	1,766
Property Development	366	386	483	769
Plantation	629	419	2,016	1,351
Profit/(Loss) before tax				
Manufacturing & Trading	987	912	257	2,364
Property Investment	264	395	964	1,107
Property Development	255	251	193	402
Plantation	(158)	(108)	(116)	(479)

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

Manufacturing segment suffered a decrease of revenue caused by the sudden drop of demand from overseas, however the pre-tax profit was higher mainly due to a jump of other income and higher gross profit margin.

Property investment segment posted slightly lower revenue and pre-tax profit mainly due to discount given to certain tenants affected by Covid-19 pandemic and the Movement Control Order.

Property development segment registered approximately same level of revenue and pre-tax profit as most of the remaining unsold units remained unsold.

Plantation segment recorded a pre-tax loss of RM0.158 million despite had a higher FFB yields mainly due higher cost of fertilization.

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

The Group recorded a turnaround from pre-tax loss RM0.19 million to pre-tax profit of RM1.39 million mainly due to increase of turnover by 49.2% and increase in other income of RM0.52 million.

The export business significantly affected in March 2020 has been resumed in May 2020 during the Restricted Movement Control Order period .

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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	170	498
Prior Year	(185)	(185)
Deferred Taxation	-	-
Tax expense *	(15)	313

The effective tax rate for financial period ended 31 July 2020 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 2020.

B7. Group borrowings and debt securities

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

RM '000	Secured	Unsecured	Total
Short term	979	-	979
Long term	9,303	-	9,303
Total	10,282	-	10,282

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 a single tier interim dividend of 1.00 sen per ordinary share in respect of financial year ending 31 October 2020. The book closure date and payment date will be on 15 October 2020 and 28 October 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)	1,447	1,113
Weighted average number of ordinary shares ('000)	36,577	36,577
Basic earning/(loss) per share (sen)	3.96	3.04

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	Year-To-Date RM'000
(a) interest income;	-136	-485
(b) other income including investment income;	-14	-32
(c) interest expense;	95	323
(d) depreciation of property, plant and equipment	293	923
(e) amortisation of deferred income	0	0
(f) amortisation of prepaid land lease payment	8	25
(g) auditors' remuneration	21	63
(h) realised (gain)/loss on foreign exchange	-22	14
(i) unrealised (gain)/loss on foreign exchange	-64	-1
(j) rental expenses	31	65
(k) rental income	2	9
(l) net fair value (gain)/loss on held for quoted shares	-17	226
(m) Amortisation of Biological Assets	57	170
(n) (Gain)/loss on disposal of quoted investment	0	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-Jul-2020
	RM'000
Realised	38,708
Unrealised	28,536
	<u>67,244</u>
Less: Consolidated adjustments	(17,365)
Retained earnings	<u>49,879</u>

BY ORDER OF THE BOARD

Yap Sit Lee
Company Secretary

Kuala Lumpur