

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 September 2018 - Unaudited

	Individual Period		Cumulative Period	
	3 months ended 30.9.2018 RM'000	30.9.2017 RM'000	9 months ended 30.9.2018 RM'000	30.9.2017 RM'000
Revenue	20,620	29,457	69,710	72,864
Cost of sales	(17,141)	(18,376)	(56,712)	(52,000)
Gross profit	3,479	11,081	12,998	20,864
Other items of income:				
– Interest income	1,079	1,245	3,466	4,121
– Other income	31	161	5,420	219
Operating expenses	(2,749)	(3,701)	(9,211)	(10,410)
Operating profit	1,840	8,786	12,673	14,794
Finance costs	(6)	(10)	(22)	(34)
Profit before taxation	1,834	8,776	12,651	14,760
Taxation	(741)	(2,445)	(2,443)	(4,876)
Profit for the period	1,093	6,331	10,208	9,884
Other comprehensive profit, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(241)	(32)	(620)	(370)
Total comprehensive income for the period	852	6,299	9,588	9,514

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 September 2018 - Unaudited (Continued)

	Individual Period		Cumulative Period	
	3 months ended 30.9.2018 RM'000	30.9.2017 RM'000	9 months ended 30.9.2018 RM'000	30.9.2017 RM'000
Profit attributable to:				
Owners of the Company	1,117	6,356	10,277	9,964
Non-controlling interests	(24)	(25)	(69)	(80)
Profit for the period	1,093	6,331	10,208	9,884
Total comprehensive profit attributable to:				
Owners of the Company	876	6,324	9,657	9,594
Non-controlling interests	(24)	(25)	(69)	(80)
Total comprehensive income for the period	852	6,299	9,588	9,514
Earnings per share attributable to owners of the Company:				
- Basic	0.34	1.91	3.10	3.00
- Diluted	N/A	N/A	N/A	N/A

Notes:

“N/A” – Not applicable

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 September 2018 - Unaudited

	Note	<u>Unaudited</u> As at 30.9.2018 RM'000	<u>Audited</u> As at 31.12.2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	52,480	56,159
Investment properties		23,514	23,514
Inventories		12,012	-
Other investments		226	2,596
Goodwill		5,905	4,932
		<hr/>	<hr/>
		94,137	87,201
		<hr/>	<hr/>
Current assets			
Inventories		206,132	77,582
Trade and other receivables		20,801	36,320
Contract assets		16,158	15,349
Prepaid expenses		2,393	1,646
Tax recoverable		297	30
Deposits with licensed banks		104,148	129,038
Cash and bank balances		14,502	27,303
		<hr/>	<hr/>
		364,431	287,268
		<hr/>	<hr/>
TOTAL ASSETS	9	458,568	374,469
		<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		167,019	167,019
Treasury shares		(947)	(947)
Capital reserve		308	308
Currency translation reserve		3,942	4,562
Retained profits		161,804	158,266
		<hr/>	<hr/>
		332,126	329,208
Non-controlling interests		868	937
		<hr/>	<hr/>
Total equity		332,994	330,145
		<hr/>	<hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 September 2018 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 30.9.2018 RM'000	<u>Audited</u> As at 31.12.2017 RM'000
Non-current liabilities			
Finance lease liabilities	21	172	378
Deferred tax liabilities		39,145	16,029
		<hr/>	<hr/>
		39,317	16,407
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		85,685	25,221
Finance lease liabilities	21	337	336
Bank overdraft	21	200	866
Provision for taxation		35	1,494
		<hr/>	<hr/>
		86,257	27,917
		<hr/>	<hr/>
Total liabilities		125,574	44,324
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		458,568	374,469
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share			
attributable to owners of the Company (RM)		1.00	0.99
		<hr/> <hr/>	<hr/> <hr/>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 September 2018 - Unaudited

Note	Attributable to shareholders of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000			
Unaudited									
At 1 January 2018	167,019	-	(947)	308	4,562	158,266	329,208	937	330,145
Impact arising from adoption of: - MFRS 9	-	-	-	-	-	(930)	(930)	-	(930)
As at 1 January 2018	167,019	-	(947)	308	4,562	157,336	328,278	937	329,215
Total comprehensive (loss)/income for the period	-	-	-	-	(620)	10,277	9,657	(69)	9,588
<u>Transactions with owners:</u>									
Dividends on ordinary shares	-	-	-	-	-	(5,809)	(5,809)	-	(5,809)
At 30 September 2018	167,019	-	(947)	308	3,942	161,804	332,126	868	332,994

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 September 2018 - Unaudited (Continued)

Note	Attributable to shareholders of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000			
Unaudited									
At 1 January 2017	139,357	1,281	(947)	308	5,206	175,544	320,749	908	321,657
Total comprehensive income for the period	-	-	-	-	(370)	9,964	9,594	(80)	9,514
<u>Transactions with owners:</u>									
Dividends on ordinary shares	-	-	-	-	-	(4,149)	(4,149)	-	(4,149)
At 30 September 2017	139,357	1,281	(947)	308	4,836	181,359	326,194	828	327,022

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 September 2018 - Unaudited

	Cumulative Period	
	30.9.2018 RM'000	30.9.2017 RM'000
Cash flows from operating activities		
Profit before taxation	12,651	14,760
Adjustments for non-cash items	(276)	2,202
Operating profit before working capital changes	12,375	16,962
Working capital changes		
Inventories	(2,009)	(81)
Property development costs	(40,272)	999
Receivables, deposits and prepayments	13,963	(9,582)
Payables and accruals	20,344	952
Cash generated from operations	4,401	9,250
Interest paid	(22)	(34)
Interest received	3,466	4,121
Income tax paid	(3,961)	(5,353)
Net cash from operating activities	3,884	7,984
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,208)	(842)
Proceeds from disposal of property, plant and equipment	-	46
Net cash outflow from acquisition of subsidiaries	(31,210)	-
Purchase of other investments	-	(2,772)
Net cash used in investing activities	(34,418)	(3,568)

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 September 2018 - Unaudited (Continued)

	Cumulative Period	
	9 months ended	
	30.9.2018	30.9.2017
	RM'000	RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	(205)	(312)
Dividends paid on ordinary shares	(5,809)	(4,149)
Net cash used in financing activities	(6,014)	(4,461)
Net decrease in cash and cash equivalents	(36,548)	(45)
Cash and cash equivalents at beginning of the financial period	155,475	152,538
Effects of foreign exchange rate changes	(477)	(269)
Cash and cash equivalents at end of the financial period	118,450	152,224
Cash and cash equivalents comprise:		
Deposits with licensed banks	104,148	129,879
Cash and bank balances	14,502	23,185
Bank overdrafts	(200)	(840)
	118,450	152,224

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

Hil Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 November 2018.

1. Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (“MASB”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

2. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2017 except for the new MFRSs, amendments to MFRSs and IC Interpretations that are effective for the financial statements effective 1 January 2018, as disclosed below:

MFRS 9	Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 2	Share-based payments - Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 128	Investment in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 140	Investment Properties - Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above pronouncements did not have any material impact on the interim financial statements of the Group, other than disclosed below:

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting

2. Significant Accounting Policies (Continued)

MFRS 9 Financial Instruments

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and elected not to restate comparatives.

The impacts of adopting MFRS 9 to opening balances are as follows:

Condensed Consolidated Statement of Financial Position			
	As previously reported	Adjustments for MFRS 9	After adjustments
	RM'000	RM'000	RM'000
1 January 2018			
Assets			
Contract assets	15,349	(276)	15,073
Trade and other receivables	36,320	(654)	35,666
Impact to assets	51,669	(930)	50,739
Equity			
Retained profits	158,266	(930)	157,336

3. Auditors' Report on Proceeding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not qualified.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

4. Comments about Seasonal or Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors during the quarter under review.

5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date.

6. Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period-to-date.

8. Dividends Paid

On 16 August 2018, the Company paid a first and final single tier dividend in respect of the financial year ended 31 December 2017 of 1.75 sen per ordinary share, amounting to RM5,808,964.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

9. Operating Segments

Segment information is presented in respect of the Group’s business segments.

	Cumulative Period	
	30.9.2018 RM’000	30.9.2017 RM’000
Segment Revenue		
Revenue from:		
Manufacturing	49,751	50,501
Property development and management	20,250	22,654
	<hr/>	<hr/>
Total revenue including inter-segment revenue	70,001	73,155
Elimination of inter-segment revenue	(291)	(291)
	<hr/>	<hr/>
Revenue from external customers	69,710	72,864
	<hr/> <hr/>	<hr/> <hr/>
Segment Results (External)		
Results from:		
Manufacturing	(1,011)	(4,263)
Property development and management	10,220	14,940
Trading, services and others	(2)	(3)
	<hr/>	<hr/>
	9,207	10,673
Interest income	3,466	4,121
Finance costs	(22)	(34)
	<hr/>	<hr/>
Profit before tax	12,651	14,760
Taxation	(2,443)	(4,876)
	<hr/>	<hr/>
Profit after tax	10,208	9,884
	<hr/> <hr/>	<hr/> <hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

9. Operating Segments (Continued)

	Cumulative Period	
	30.9.2018 RM'000	30.9.2017 RM'000
Segment Assets		
Segment assets of:		
Manufacturing	170,466	200,523
Property development and management	281,886	167,398
Trading, services and others	14	14
	452,366	367,935
Unallocated assets	6,202	4,960
Total consolidated assets	458,568	372,895

The Group's revenue for the nine months ended 30 September 2018 based on geographical location is presented as follows:

	Cumulative Period	
	30.9.2018 RM'000	30.9.2017 RM'000
Location:		
Hong Kong	-	1,617
Malaysia	62,993	60,114
People's Republic of China	6,717	7,432
Taiwan	-	135
Thailand	-	3,566
Total revenue	69,710	72,864

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

10. Property, Plant and Equipment

Acquisitions and disposals

During the nine months ended 30 September 2018, the Group acquired items of property, plant and equipment with a cost of RM3,208,000 (nine months ended 30 September 2017: RM842,000). There were no disposals during the current and previous financial period-to-date.

Valuation

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

11. Subsequent Events

There were no material events subsequent to the end of the financial period-to-date.

12. Changes in Composition of the Group

There were no changes in the composition of the Group in the current financial period-to-date.

13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2017.

14. Capital Commitments

There were no capital commitment as at 30 September 2018.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM69.710 million and RM12.651 million respectively.

This represented a decrease of RM3.154 million in revenue or 4.33% of the revenue for the same period in the previous financial year ended 31 December 2017.

For the cumulative nine months ended 30 September 2018, the decrease in the results for the financial period-to-date was RM2.109 million or 14.29% of the results for the same period in the previous financial year ended 31 December 2017.

The performance of the respective operating segments for the financial period-to-date as compared to the corresponding financial period-to-date in the preceding financial year is analysed as follows:

a) Manufacturing segment

The overall manufacturing segment registered a decrease in revenue of 1.49% and an increase in results of 108.68% for Msia and decrease in loss of 52.15% for China, for the current financial period-to-date respectively as compared to the revenue and results in the corresponding financial period-to-date in the preceding financial year. The decrease in revenue was mainly due to the unforeseen production line down by one of our major customers during the month of August and September. On the other hand, the increase in results was mainly due the lower foreign currency exchange loss as compared to preceding financial year.

b) Property development and management segment

The property development and management segment registered a decrease in revenue and results for the current financial period-to-date of 10.61% and 31.59% respectively as compared to the results in the corresponding financial period-to-date in the preceding financial year. The decrease in revenue and results are mainly due to the higher sales and profit recognition from Quadz project in the preceding financial year as the project was nearing tail-end.

c) Trading, services and others segment

This segment is not active.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

16. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM20.620 million and RM1.834 million respectively compared to revenue of RM28.458 million and profit before tax of RM5.156 million for the immediate preceding quarter ended 30 June 2018. The decrease in revenue and results were mainly due to the lower recognition from the sales of properties and also the production line down from one of our major customers.

17. Current Year Prospects

The manufacturing division performance would be dependent on orders from existing customers and the gradual recovery of the global economy as well as the performance of our overseas subsidiary. This division is expected to continue to improve domestically with the good response subsequent to the launch of the new Myvi. We are also continuously looking for new business opportunities and will intensify efforts to streamline our manufacturing process to achieve cost optimization through greater efficiency.

As for the property division, revenue will be mainly from our on-going Amverton Greens and 108 terrace house in Bukit Kemuning. We have just launched another project in Jalan Sungai Jati, comprising of 100 units of 2-storey link houses in this quarter. The planned project is adjacent to a successfully sold out terrace house project. The management is optimistic that the property division will contribute satisfactorily to the group's performance as we are developing properties that are within the affordable range in the Klang Valley and in particular the Kota Kemuning area.

18. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

19. Profit before taxation

	Current Quarter	Year-To- Date
	3 months ended	9 months ended
	30.9.2018	30.9.2018
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment and investment properties	2,701	4,403
Interest expense	15	22
Interest income	(1,079)	(3,466)
Negative goodwill from acquisition of subsidiary	-	(5,319)
Net foreign exchange (gain)/loss:		
– Realised	(167)	(20)
– Unrealised	5	(321)

Other than the above items, there were no other income including investment income, gain or loss on disposal of quoted and unquoted investment or properties, impairment of assets, gain or loss on derivatives and other exceptional items.

20. Taxation

	Individual Period		Cumulative Period	
	3 months ended		9 months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
– Malaysian income tax	507	2,647	2,914	5,582
– Deferred tax	234	(202)	(471)	(706)
	741	2,445	2,443	4,876

The effective tax rate of the Group for the current period is lower than the statutory tax rate mainly due to tax incentives enjoyed by certain subsidiaries in the group.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

21. Borrowings

	As at 30.9.2018 RM'000	As at 31.12.2017 RM'000
Non-current		
– Secured	172	378
Current		
– Secured	337	336
– Unsecured	200	866
	<u>709</u>	<u>1,580</u>

The borrowings are all denominated in Ringgit Malaysia.

22. Material Litigation

As at the reporting date, there was no material litigation against the Group.

23. Dividend

No dividend has been declared for the financial period ended 30 September 2018.

24. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period

	Individual Period		Cumulative Period	
	3 months ended 30.9.2018	30.9.2017	9 months ended 30.9.2018	30.9.2017
Profit for the period attributable to owners of the Company (RM'000)	1,117	6,356	10,277	9,964
Weighted average number of ordinary shares in issue ('000)	331,941	331,941	331,941	331,941
Basic earnings per share (sen)	0.34	1.91	3.10	3.00

(b) Diluted earnings per share

Diluted earnings per share is not applicable for the financial period as the unexercised warrants issued during the current financial period is anti-dilutive in nature. This is due to the company's share price is below the exercise price.