

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 31 December 2018 - Unaudited

	Individual Period		Cumulative Period	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	35,706	29,328	105,416	102,192
Cost of sales	(25,502)	(27,090)	(82,214)	(79,090)
Gross profit	10,204	2,238	23,202	23,102
Other items of income:				
– Interest income	933	916	4,399	5,037
– Other income	285	812	5,705	1,031
Operating expenses	(3,406)	(3,313)	(12,617)	(13,723)
Operating profit	8,016	653	20,689	15,447
Finance costs	(8)	(9)	(30)	(43)
Profit before taxation	8,008	644	20,659	15,404
Taxation	(1,305)	2,991	(3,748)	(1,885)
Profit for the period	6,703	3,635	16,911	13,519
Other comprehensive profit, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	63	(273)	(557)	(643)
Total comprehensive income for the period	6,766	3,362	16,354	12,876

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 31 December 2018 - Unaudited (Continued)

	Individual Period		Cumulative Period	
	3 months ended 31.12.2018 RM'000	31.12.2017 RM'000	12 months ended 31.12.2018 RM'000	31.12.2017 RM'000
Profit attributable to:				
Owners of the Company	6,778	3,526	17,055	13,490
Non-controlling interests	(75)	109	(144)	29
Profit for the period	6,703	3,635	16,911	13,519
Total comprehensive profit attributable to:				
Owners of the Company	6,841	3,253	16,498	12,847
Non-controlling interests	(75)	109	(144)	29
Total comprehensive income for the period	6,766	3,362	16,354	12,876
Earnings per share attributable to owners of the Company (sen):				
- Basic	2.04	1.06	5.14	4.06
- 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 31 December 2018 - Unaudited

	Note	<u>Unaudited</u> As at 31.12.2018 RM'000	<u>Audited</u> As at 31.12.2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	52,169	56,159
Investment properties		23,451	23,514
Inventories		12,012	-
Other investments		215	2,596
Goodwill		5,905	4,932
		<hr/>	<hr/>
		93,752	87,201
		<hr/>	<hr/>
Current assets			
Inventories		215,186	77,582
Trade and other receivables		31,744	36,320
Contract assets		11,424	17,358
Prepaid expenses		884	1,646
Tax recoverable		34	30
Deposits with licensed banks		93,369	129,038
Cash and bank balances		19,578	27,303
		<hr/>	<hr/>
		372,219	289,277
		<hr/>	<hr/>
TOTAL ASSETS	9	<hr/> <hr/> 465,971	<hr/> <hr/> 376,478
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		4,005	4,562
Retained profits		162,455	158,266
		<hr/>	<hr/>
		332,840	329,208
Non-controlling interests		<hr/> 793	<hr/> 937
		<hr/>	<hr/>
Total equity		<hr/> 333,633	<hr/> 330,145

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 31 December 2018 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 31.12.2018 RM'000	<u>Audited</u> As at 31.12.2017 RM'000
Non-current liabilities			
Finance lease liabilities	21	389	378
Deferred tax liabilities		37,620	16,029
		<hr/>	<hr/>
		38,009	16,407
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		91,588	27,230
Finance lease liabilities	21	357	336
Bank overdraft	21	1,510	866
Provision for taxation		874	1,494
		<hr/>	<hr/>
		94,329	29,926
		<hr/>	<hr/>
Total liabilities		132,338	46,333
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		465,971	376,478
		<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 31 December 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	-	-	-	-	-	(7,057)	(7,057)	-	(7,057)
As at 1 January 2018	167,019	-	(947)	308	4,562	151,209	322,151	937	323,088
Total comprehensive (loss)/income for the year	-	-	-	-	(557)	17,055	16,498	(144)	16,354
<u>Transactions with owners:</u>									
Dividends on ordinary shares	-	-	-	-	-	(5,809)	(5,809)	-	(5,809)
At 31 December 2018	167,019	-	(947)	308	4,005	162,455	332,840	793	333,633

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 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			
At 1 January 2017	139,357	1,281	(947)	308	5,205	175,544	320,748	908	321,656
Total comprehensive income for the year	-	-	-	-	(643)	13,490	12,847	29	12,876
<u>Transactions with owners:</u>									
Increase/(Decrease) in equity interest in subsidiary company	-	-	-	-	-	(238)	(238)	-	(238)
Bonus issue	27,662	(1,281)	-	-	-	(26,381)	-	-	-
Dividends on ordinary shares	-	-	-	-	-	(4,149)	(4,149)	-	(4,149)
At 31 December 2017	167,019	-	(947)	308	4,562	158,266	329,208	937	330,145

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 31 December 2018 - Unaudited

	Cumulative Period	
	12 months ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	20,659	15,404
Adjustments for non-cash items	(5,315)	3,067
Operating profit before working capital changes	15,344	18,471
Working capital changes		
Inventories	(4,228)	(2,888)
Property development costs	(46,660)	13,749
Receivables, deposits and prepayments	9,513	(18,535)
Payables and accruals	26,355	4,108
Cash generated from operations	324	14,905
Interest paid	(30)	(43)
Interest received	4,399	5,037
Income tax paid	(6,364)	(6,999)
Net cash (used in)/from operating activities	(1,671)	12,900
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,663)	(2,464)
Proceeds from disposal of property, plant and equipment	73	50
Net cash outflow from acquisition of subsidiaries	(31,210)	-
Purchase of other investments	-	(2,394)
Net cash used in investing activities	(35,800)	(4,808)

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 31 December 2018 - Unaudited (Continued)

	Cumulative Period	
	12 months ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	(347)	(407)
Dividends paid on ordinary shares	(5,809)	(4,149)
Net cash used in financing activities	(6,156)	(4,556)
Net (decrease)/increase in cash and cash equivalents	(43,627)	3,536
Cash and cash equivalents at beginning of the financial year	155,475	152,538
Effects of foreign exchange rate changes	(411)	(599)
Cash and cash equivalents at end of the financial year	111,437	155,475
Cash and cash equivalents comprise:		
Deposits with licensed banks	93,369	129,038
Cash and bank balances	19,578	27,303
Bank overdrafts	(1,510)	(866)
	111,437	155,475

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 26 February 2019.

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	17,358	(6,964)	10,394
Trade and other receivables	36,320	(93)	36,227
Impact to assets	<u>53,678</u>		<u>46,621</u>
Equity			
Retained profits	<u>158,266</u>	(7,057)	<u>151,209</u>

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	
	12 months ended	
	31.12.2018	31.12.2017
	RM’000	RM’000
Segment Revenue		
Revenue from:		
Manufacturing	69,138	71,134
Property development and management	36,666	31,446
	<hr/>	<hr/>
Total revenue including inter-segment revenue	105,804	102,580
Elimination of inter-segment revenue	(388)	(388)
	<hr/>	<hr/>
Revenue from external customers	105,416	102,192
	<hr/> <hr/>	<hr/> <hr/>
Segment Results (External)		
Results from:		
Manufacturing	173	(4,115)
Property development and management	16,123	14,531
Trading, services and others	(6)	(6)
	<hr/>	<hr/>
Interest income	16,290	10,410
Finance costs	4,399	5,037
	(30)	(43)
	<hr/>	<hr/>
Profit before tax	20,659	15,404
Taxation	(3,748)	(1,885)
	<hr/>	<hr/>
Profit after tax	16,911	13,519
	<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	
	12 months ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
Segment Assets		
Segment assets of:		
Manufacturing	168,547	205,116
Property development and management	291,472	166,388
Trading, services and others	14	14
	460,033	371,518
Unallocated assets	5,938	4,960
Total consolidated assets	465,971	376,478

The Group's revenue for the twelve months ended 31 December 2018 based on geographical location is presented as follows:

	Cumulative Period	
	12 months ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
Location:		
Hong Kong	1,725	3,176
Malaysia	93,971	85,248
People's Republic of China	7,601	13,023
Taiwan	2,119	39
Thailand	-	706
Total revenue	105,416	102,192

HIL INDUSTRIES BERHAD

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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 financial year ended 31 December 2018, the Group acquired items of property, plant and equipment with a cost of RM4,663,000 (financial year ended 31 December 2017: RM2,464,000). Items of property, plant and equipment with a net book value of RM285,000 were disposed during the financial year ended 31 December 2018 (financial year ended 31 December 2017: RM14000), resulting in a gain on disposal of RM73,000 (financial year ended 31 December 2017: gain on disposal of RM36,000).

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 year-to-date.

12. Changes in Composition of the Group

There were no changes in the composition of the Group in the current financial year-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 31 December 2018.

HIL INDUSTRIES BERHAD

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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 RM105.416 million and RM20.659 million respectively.

This represented an increase of RM3.224 million in revenue or 3.15% of the revenue for the same period in the previous financial year ended 31 December 2017.

For the cumulative twelve months ended 31 December 2018, the increase in the results for the financial period-to-date was RM5.255 million or 34.11% 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 2.81% and an increase in results of 205.82% for Malaysia and decrease in loss of 67.31% 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 slight decrease in revenue was mainly due to the unforeseen production line down by one of our major customers in the financial period. On the other hand, the increase in results was mainly due the lower foreign currency exchange loss as compared to preceding financial year and improved production efficiency for both Malaysia and China.

b) Property development and management segment

The property development and management segment registered an increase in revenue and results for the current financial period-to-date of 16.60% and 10.96% respectively as compared to the results in the corresponding financial period-to-date in the preceding financial year. The increase in revenue and results were mainly due to the higher profit recognition from our on-going Amverton Greens, 108 terrace houses in Bukit Kemuning and our recently launched Amverton Links consisting of 100 units of 2-storey link houses in this current financial period-to-date.

c) Trading, services and others segment

This segment is not active.

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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 RM35.706 million and RM8.008 million respectively compared to revenue of RM20.620 million and profit before tax of RM1.834 million for the immediate preceding quarter ended 30 September 2018. The increase in revenue and results in this fourth quarter were mainly due to the higher profit recognition for the on-going projects, which were Amverton Greens and 108 terrace houses and from the newly launched project in Klang consisting of 100 units of 2-storey link houses in this quarter.

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 and Perodua Aruz. 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. Our new JV for the supply of headlining products have also just begun for the newly launched Perodua SUV (Aruz).

As for the property division, revenue will be mainly from our on-going Amverton Greens, 108 terrace house in Bukit Kemuning and our newly launched Amverton Links Phase 1, which comprises of 100 units of 2-storey link houses in this quarter. The management plans to launch Amverton Links Phase 2 by the end of 2019. 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.

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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	12 months ended
	31.12.2018	31.12.2018
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment and investment properties	1,962	4,663
Interest expense	15	30
Interest income	(933)	(4,399)
Stock written off	137	137
Negative goodwill from acquisition of subsidiary	-	(5,319)
Net foreign exchange (gain)/loss:		
– Realised	283	116
– Unrealised	(541)	(536)

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		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
– Malaysian income tax	2,830	1,563	5,744	7,145
– Deferred tax	(1,525)	(4,554)	(1,996)	(5,260)
	1,305	(2,991)	3,748	1,885

The effective tax rate for the current quarter and the financial period-to-date were higher than the statutory tax rate principally due to the losses of certain subsidiary companies which cannot be set off against the taxable profits made by other subsidiary companies, and certain expenses which are not deductible for tax purposes.

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 31.12.2018 RM'000	As at 31.12.2017 RM'000
Non-current		
– Secured	389	378
Current		
– Secured	357	336
– Unsecured	1,510	866
	<u>2,256</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

The Board of Directors has proposed a first and final single tier dividend of 1.75 sen per ordinary share, in respect of the financial year ended 31 December 2018, which is subject to shareholders' approval at the forthcoming Annual General Meeting. The entitlement and payment date have yet to be fixed and will be announced later.

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 31.12.2018	31.12.2017	12 months ended 31.12.2018	31.12.2017
Profit for the period attributable to owners of the Company (RM'000)	6,778	3,526	17,055	13,490
Weighted average number of ordinary shares in issue ('000)	331,941	331,941	331,941	331,941
Basic earnings per share (sen)	2.04	1.06	5.14	4.06

(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.