

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2019 - Unaudited

	Individual Period		Cumulative Period	
	3 months ended 30.6.2019 RM'000	30.6.2018 RM'000	6 months ended 30.6.2019 RM'000	30.6.2018 RM'000
Revenue	35,926	28,458	71,476	49,090
Cost of sales	(27,213)	(22,165)	(57,082)	(39,571)
Gross profit	8,713	6,293	14,394	9,519
Other items of income:				
– Interest income	1,026	1,255	1,988	2,387
– Other income	108	34	148	5,389
Operating expenses	(3,054)	(2,419)	(7,212)	(6,462)
Operating profit	6,793	5,163	9,318	10,833
Finance costs	(7)	(7)	(15)	(16)
Profit before taxation	6,786	5,156	9,303	10,817
Taxation	(2,168)	(1,414)	(3,202)	(1,702)
Profit for the period	4,618	3,742	6,101	9,115
Other comprehensive profit, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(99)	(314)	35	(379)
Total comprehensive income for the period	4,519	3,428	6,136	8,736

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2019 - Unaudited (Continued)

	Individual Period		Cumulative Period	
	3 months ended 30.6.2019 RM'000	30.6.2018 RM'000	6 months ended 30.6.2019 RM'000	30.6.2018 RM'000
Profit attributable to:				
Owners of the Company	4,655	3,763	6,177	9,160
Non-controlling interests	(37)	(21)	(76)	(45)
Profit for the period	4,618	3,742	6,101	9,115
Total comprehensive profit attributable to:				
Owners of the Company	4,556	3,449	6,212	8,781
Non-controlling interests	(37)	(21)	(76)	(45)
Total comprehensive income for the period	4,519	3,428	6,136	8,736
Earnings per share attributable to owners of the Company (sen):				
- Basic	1.40	1.13	1.86	2.76
- 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 2018 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 June 2019 - Unaudited

	Note	<u>Unaudited</u> As at 30.6.2019 RM'000	<u>Audited</u> As at 31.12.2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	49,042	52,169
Investment properties		23,451	23,451
Inventories		12,012	12,012
Other investments		219	215
Goodwill		5,910	5,910
		<hr/>	<hr/>
		90,634	93,757
		<hr/>	<hr/>
Current assets			
Inventories		225,691	214,156
Trade and other receivables		10,694	17,246
Contract assets		23,625	25,636
Prepaid expenses		1,250	830
Tax recoverable		27	154
Deposits with licensed banks		95,208	93,229
Cash and bank balances		28,735	19,699
		<hr/>	<hr/>
		385,230	370,950
		<hr/>	<hr/>
TOTAL ASSETS	9	<hr/> <hr/> 475,864	<hr/> <hr/> 464,707
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		4,047	4,012
Retained profits		163,578	163,210
		<hr/>	<hr/>
		334,005	333,602
Non-controlling interests		<hr/> 717	<hr/> 793
Total equity		<hr/> 334,722	<hr/> 334,395

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 June 2019 - Unaudited (Continued)

	Note	Unaudited As at 30.6.2019 RM'000	Audited As at 31.12.2018 RM'000
Non-current liabilities			
Finance lease liabilities	21	259	389
Deferred tax liabilities		34,851	35,965
		<hr/>	<hr/>
		35,110	36,354
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		99,384	92,714
Finance lease liabilities	21	266	357
Provision for taxation		573	887
Dividends payable		5,809	-
		<hr/>	<hr/>
		106,032	93,958
		<hr/>	<hr/>
Total liabilities		141,142	130,312
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		475,864	464,707
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share			
attributable to owners of the Company (RM)		1.01	1.00
		<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 2018 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 June 2019 - 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 2019	167,019	-	(947)	308	4,012	163,210	333,602	793	334,395
Total comprehensive income/(loss) for the period	-	-	-	-	35	6,177	6,212	(76)	6,136
<u>Transactions with owners:</u>									
Dividends on ordinary shares	-	-	-	-	-	(5,809)	(5,809)	-	(5,809)
At 30 June 2019	167,019	-	(947)	308	4,047	163,578	334,005	717	334,722

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 June 2019 - 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 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 income for the period	-	-	-	-	(379)	9,160	8,781	(45)	8,736
<u>Transactions with owners:</u>									
Dividends on ordinary shares	-	-	-	-	-	(5,809)	(5,809)	-	(5,809)
At 30 June 2018	167,019	-	(947)	308	4,183	160,687	331,250	892	332,142

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 June 2019 - Unaudited

	Cumulative Period	
	6 months ended	
	30.6.2019 RM'000	30.6.2018 RM'000
Cash flows from operating activities		
Profit before taxation	9,303	10,817
Adjustments for non-cash items	906	(3,258)
Operating profit before working capital changes	10,209	7,559
Working capital changes		
Inventories	730	(2,355)
Property development costs	(12,696)	(29,081)
Receivables, deposits and prepayments	7,261	13,588
Payables and accruals	6,671	20,825
Cash generated from operations	12,175	10,536
Interest paid	(15)	(16)
Interest received	1,988	2,387
Income tax paid	(2,792)	(2,467)
Net cash from operating activities	11,356	10,440
Cash flows from investing activities		
Purchase of property, plant and equipment	(219)	(3,222)
Proceeds from disposal of property, plant and equipment	72	-
Net cash outflow from acquisition of subsidiaries	-	(30,408)
Purchase of other investments	-	(44)
Net cash used in investing activities	(147)	(33,674)

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 June 2019 - Unaudited (Continued)

	Cumulative Period	
	6 months ended	
	30.6.2019	30.6.2018
	RM'000	RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	(221)	(118)
Net cash used in financing activities	(221)	(118)
Net increase/(decrease) in cash and cash equivalents	10,988	(23,352)
Cash and cash equivalents at beginning of the financial period	112,928	155,475
Effects of foreign exchange rate changes	27	(293)
Cash and cash equivalents at end of the financial period	123,943	131,830
Cash and cash equivalents comprise:		
Deposits with licensed banks	95,208	113,841
Cash and bank balances	28,735	19,018
Bank overdrafts	-	(1,029)
	123,943	131,830

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 29 August 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 2018. 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 2018.

2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2018, except for the adoption of Amendments to Standards and Issue Committee (IC) interpretations effective as of 1 January 2019, as disclosed below:

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations (Annual Improvements 2015-2018 Cycle)
Amendments to MFRS 11	Joint Arrangements (Annual Improvements 2015-2018 Cycle)
Amendments to MFRS 112	Income taxes (Annual Improvements 2015-2018 Cycle)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments Settlement

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

3. Auditors' Report on Proceeding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 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

During the Company's 49th Annual General Meeting held on 20th June 2019, the shareholders of the Company had approved the payment of a first and final single tier dividend in respect of the financial year ended 31 December 2018 of 1.75 sen per ordinary share, amounting to RM5,808,964. The dividend was paid on 16 August 2019.

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	
	30.6.2019 RM’000	30.6.2018 RM’000
Segment Revenue		
Revenue from:		
Manufacturing	40,616	34,491
Property development and management	31,054	14,793
	<hr/>	<hr/>
Total revenue including inter-segment revenue	71,670	49,284
Elimination of inter-segment revenue	(194)	(194)
	<hr/>	<hr/>
Revenue from external customers	71,476	49,090
	<hr/> <hr/>	<hr/> <hr/>
Segment Results (External)		
Results from:		
Manufacturing	58	(1,304)
Property development and management	7,275	9,752
Trading, services and others	(3)	(2)
	<hr/>	<hr/>
	7,330	8,446
Interest income	1,988	2,387
Finance costs	(15)	(16)
	<hr/>	<hr/>
Profit before tax	9,303	10,817
Taxation	(3,202)	(1,702)
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Profit after tax	6,101	9,115
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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	
	30.6.2019 RM'000	30.6.2018 RM'000
Segment Assets		
Segment assets of:		
Manufacturing	170,581	177,936
Property development and management	299,330	282,202
Trading, services and others	14	14
	469,925	460,152
Unallocated assets	5,939	5,933
Total consolidated assets	475,864	466,085

The Group's revenue for the six months ended 30 June 2019 based on geographical location is presented as follows:

	Cumulative Period	
	30.6.2019 RM'000	30.6.2018 RM'000
Location:		
Hong Kong	-	1,494
Malaysia	68,091	43,855
People's Republic of China	2,141	3,741
Taiwan	1,244	-
Total revenue	71,476	49,090

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 six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of RM219,000 (six months ended 30 June 2018: RM3,222,000). Items of property, plant and equipment with a net book value of RM291,000 were disposed during the six months ended 30 June 2019 (six months ended 30 June 2018: RM Nil), resulting in a gain on disposal of RM72,000 (six months ended 30 June 2018: gain on disposal of RM Nil).

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 2018.

14. Capital Commitments

There were no capital commitment as at 30 June 2019.

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 RM71.476 million and RM9.303 million respectively.

This represented an increase of RM22.386 million in revenue or 45.60% of the revenue for the same period in the previous financial year ended 31 December 2018.

For the cumulative six months ended 30 June 2019, the decrease in the results for the financial period-to-date was RM1.514 million or 14.00% of the results for the same period in the previous financial year ended 31 December 2018.

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 an increase in revenue of 17.76%, increase in results of 675.65% for Malaysia and increase in loss of 13.05% for China, for the current financial period-to-date respectively as compared to the corresponding financial period-to-date in the preceding financial year. Both revenue and results for the current quarter is higher than the preceeding year corresponding quarter mainly due to the improvement of our Malaysian and overseas subsidiary operations. The slight increase in loss for China is mainly due to the unfavorable movement in foreign exchange.

b) Property development and management segment

The property development and management segment registered an increase in revenue and decrease in results for the current financial period-to-date of 109.92% and 25.39% respectively as compared to the corresponding financial period-to-date in the preceding financial year. The increase in revenue for the current quarter is higher than the preceeding year corresponding quarter mainly due to progressive revenue recognition from our ongoing projects. The lower results in this current quarter is mainly due to one-off gain from acquisition of subsidiary amounting to RM5.3 million that was recognised in preceeding year corresponding quarter.

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 RM35.926 million and RM6.786 million respectively compared to revenue of RM35.550 million and profit before tax of RM2.517 million for the immediate preceding quarter ended 31 March 2019. This was mainly attributed to the increase in demand in the local automotive industries, and a favourable movement in foreign exchange.

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 Aroz. 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, 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.

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	6 months ended
	30.6.2019	30.6.2019
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment and investment properties	1,501	3,203
Interest expense	7	15
Interest income	(1,026)	(1,988)
Net foreign exchange (gain)/loss:		
– Realised	7	29
– Unrealised	(521)	482

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		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
– Malaysian income tax	2,517	2,018	4,316	2,407
– Deferred tax	(349)	(604)	(1,114)	(705)
	2,168	1,414	3,202	1,702

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 30.6.2019 RM'000	As at 31.12.2018 RM'000
Non-current		
– Secured	259	389
Current		
– Secured	266	357
	<u>525</u>	<u>746</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 June 2019.

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 30.6.2019	30.6.2018	6 months ended 30.6.2019	30.6.2018
Profit for the period attributable to owners of the Company (RM'000)	4,655	3,763	6,177	9,160
Weighted average number of ordinary shares in issue ('000)	331,941	331,941	331,941	331,941
Basic earnings per share (sen)	1.40	1.13	1.86	2.76

(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.