

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (8812-M))

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2020 - Unaudited

	Individual Period		Cumulative Period	
	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	21,911	35,926	53,895	71,476
Cost of sales	(17,793)	(27,213)	(43,049)	(57,082)
Gross profit	4,118	8,713	10,846	14,394
Other items of income:				
– Interest income	515	1,026	1,125	1,988
– Other income	681	108	977	148
Operating expenses	(3,199)	(3,054)	(5,606)	(7,212)
Operating profit	2,115	6,793	7,342	9,318
Finance costs	(4)	(7)	(8)	(15)
Profit before taxation	2,111	6,786	7,334	9,303
Taxation	(112)	(2,168)	(1,314)	(3,202)
Profit for the period	1,999	4,618	6,020	6,101
Other comprehensive profit, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(96)	(99)	451	35
Total comprehensive income for the period	1,903	4,519	6,471	6,136

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (8812-M))

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2020 - Unaudited (Continued)

	Individual Period		Cumulative Period	
	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Profit attributable to:				
Owners of the Company	2,149	4,655	6,280	6,177
Non-controlling interests	(150)	(37)	(260)	(76)
Profit for the period	1,999	4,618	6,020	6,101
Total comprehensive profit attributable to:				
Owners of the Company	2,053	4,556	6,731	6,212
Non-controlling interests	(150)	(37)	(260)	(76)
Total comprehensive income for the period	1,903	4,519	6,471	6,136
Earnings per share attributable to owners of the Company (sen):				
- Basic	0.65	1.40	1.89	1.86
- 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 2019 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (8812-M))

Condensed Consolidated Statement of Financial Position As at 30 June 2020 - Unaudited

	Note	<u>Unaudited</u> As at 30.6.2020 RM'000	<u>Audited</u> As at 31.12.2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	44,263	46,175
Right-of-use assets		174	245
Investment properties		23,388	23,388
Inventories		12,066	12,057
Other investments		226	223
Goodwill		5,910	5,910
		<hr/>	<hr/>
		86,027	87,998
		<hr/>	<hr/>
Current assets			
Inventories		239,620	234,617
Trade and other receivables		19,028	19,957
Contract assets		32,072	33,181
Tax recoverable		29	29
Investment		4,804	268
Deposits with licensed banks		62,143	72,780
Cash and bank balances		30,687	24,607
		<hr/>	<hr/>
		388,383	385,439
		<hr/>	<hr/>
TOTAL ASSETS	9	<hr/> <hr/> 474,410	<hr/> <hr/> 473,437
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		4,122	3,671
Retained profits		181,171	178,874
		<hr/>	<hr/>
		351,673	348,925
Non-controlling interests		<hr/> 151	<hr/> 411
		<hr/>	<hr/>
Total equity		<hr/> 351,824	<hr/> 349,336
		<hr/>	<hr/>

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (8812-M))

Condensed Consolidated Statement of Financial Position As at 30 June 2020 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 30.6.2020 RM'000	<u>Audited</u> As at 31.12.2019 RM'000
Non-current liabilities			
Finance lease liabilities	21	180	225
Deferred tax liabilities		31,188	32,457
		<hr/>	<hr/>
		31,368	32,682
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		85,907	88,662
Finance lease liabilities	21	83	164
Provision for taxation		1,245	2,593
Dividends payable		3,983	-
		<hr/>	<hr/>
		91,218	91,419
		<hr/>	<hr/>
Total liabilities		122,586	124,101
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		474,410	473,437
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share			
attributable to owners of the Company (RM)		1.06	1.05
		<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 2019 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (8812-M))

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 June 2020 - 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			
At 1 January 2020	167,019	-	(947)	308	3,671	178,874	348,925	411	349,336
Total comprehensive income/(loss) for the period	-	-	-	-	451	6,280	6,731	(260)	6,471
<u>Transactions with owners:</u>									
Dividends on ordinary shares	-	-	-	-	-	(3,983)	(3,983)	-	(3,983)
At 30 June 2020	167,019	-	(947)	308	4,122	181,171	351,673	151	351,824

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (8812-M))

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 June 2020 - 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 2019	167,019	-	(947)	308	4,012	163,210	333,602	793	334,395
Total comprehensive income 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

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (8812-M))

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 June 2020 - Unaudited

	Cumulative Period	
	30.6.2020 RM'000	30.6.2019 RM'000
Cash flows from operating activities		
Profit before taxation	7,334	9,303
Adjustments for non-cash items	838	906
Operating profit before working capital changes	8,172	10,209
Working capital changes		
Inventories	1,859	730
Property development costs	(6,915)	(12,696)
Receivables, deposits and prepayments	(2,767)	7,261
Payables and accruals	(2,755)	6,671
Cash (used in)/generated from operations	(2,406)	12,175
Interest paid	(8)	(15)
Interest received	1,125	1,988
Income tax paid	(2,086)	(2,792)
Net cash (used in)/from operating activities	(3,375)	11,356
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,407)	(219)
Proceeds from redemption of other investments	-	72
Net cash used in investing activities	(1,407)	(147)

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (8812-M))

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 June 2020 - Unaudited (Continued)

	Cumulative Period	
	6 months ended	
	30.6.2020	30.6.2019
	RM'000	RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	(126)	(221)
Net cash used in financing activities	(126)	(221)
Net (decrease)/increase in cash and cash equivalents	(4,908)	10,988
Cash and cash equivalents at beginning of the financial period	97,387	112,928
Effects of foreign exchange rate changes	351	27
Cash and cash equivalents at end of the financial period	92,830	123,943
Cash and cash equivalents comprise:		
Deposits with licensed banks	62,143	95,208
Cash and bank balances	30,687	28,735
	92,830	123,943

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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 27.08.2020.

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 2019. 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 2019.

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 2019, except for the adoption of Amendments to Standards and Issue Committee (IC) interpretations effective as of 1 January 2020, as disclosed below:

Amendments to MFRS 3	Business Combinations (Definitions of a Business)
Amendments to MFRS 101	Presentation of Financial Statements (Definition of Material)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
Amendments to MFRS 9	Financial Instruments (Interest Rate Benchmark Reform)
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform)
Amendments to MFRS 7	Financial Instruments: Disclosures (Interest Rate Benchmark Reform)

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 2019 was not qualified.

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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 21 May 2020, the Board of Directors approved and declared a first and final single tier dividend of 1.20 sen per ordinary share for the financial year ended 31 December 2019 amounting to a total dividend payment of approximately RM3,983,290. The dividend was paid on 18 August 2020.

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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	
	6 months ended	
	30.6.2020 RM’000	30.6.2019 RM’000
Segment Revenue		
Revenue from:		
Manufacturing	29,057	40,616
Property development and management	25,032	31,054
Total revenue including inter-segment revenue	54,089	71,670
Elimination of inter-segment revenue	(194)	(194)
Revenue from external customers	53,895	71,476
Segment Results (External)		
Results from:		
Manufacturing	(172)	58
Property development and management	6,390	7,275
Trading, services and others	(1)	(3)
Interest income	6,217	7,330
Finance costs	1,125	1,988
	(8)	(15)
Profit before tax	7,334	9,303
Taxation	(1,314)	(3,202)
Profit after tax	6,020	6,101

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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	
	6 months ended	
	30.6.2020	30.6.2019
	RM'000	RM'000
Segment Assets		
Segment assets of:		
Manufacturing	145,054	170,581
Property development and management	323,404	299,330
Trading, services and others	14	14
	468,472	469,925
Unallocated assets	5,938	5,939
Total consolidated assets	474,410	475,864

The Group's revenue for the six months ended 30 June 2020 based on geographical location is presented as follows:

	Cumulative Period	
	6 months ended	
	30.6.2020	30.6.2019
	RM'000	RM'000
Location:		
Hong Kong	12	-
Malaysia	47,976	68,091
People's Republic of China	2,593	2,141
Taiwan	3,314	1,244
Total revenue	53,895	71,476

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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 2020, the Group acquired items of property, plant and equipment with a cost of RM1,407,000 (six months ended 30 June 2019: RM219,000). Items of property, plant and equipment with a net book value of RM34,000 were disposed during the six months ended 30 June 2020 (six months ended 30 June 2019: RM291,000), resulting in a gain on disposal of RM148,000 (six months ended 30 June 2019: gain on disposal of RM72,000).

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 other 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 2019.

14. Capital Commitments

There were no capital commitment as at 30 June 2020.

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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 RM53.895 million and RM7.334 million respectively.

This represented a decrease of RM17.581 million in revenue or 24.60% of the revenue for the same period in the previous financial year ended 31 December 2019.

For the cumulative six months ended 30 June 2020, the decrease in the results for the financial period-to-date was RM1.969 million or 21.17% of the results for the same period in the previous financial year ended 31 December 2019.

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 and results of 28.5% and 396.6% for the current financial period-to-date as compared to the corresponding financial period-to-date in the preceding financial year. The decrease in revenue and results were mainly due to Covid-19 pandemic outbreak. The implementation of the Movement Control Order (MCO) by Malaysia government has caused disruptions in the operations and hence affected the sales and results.

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 19.39% and 12.16% respectively as compared to the corresponding financial period-to-date in the preceding financial year. The decrease in revenue and results were mainly due to lower profit recognition from our on-going projects during the MCO.

c) Trading, services and others segment

This segment is not active.

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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 RM21.911 million and RM2.111 million respectively compared to revenue of RM31.984 million and profit before tax of RM5.223 million for the immediate preceding quarter ended 31 March 2020. The drop in revenue and results were mainly due to the implementation of MCO by our government starting from 18th March 2020.

17. Current Year Prospects

The outbreak of COVID-19 contagious disease has caused global concern in increasing economic hardship for consumers and businesses, create uncertainties in the market and dampen the global economic outlook.

Since end June 2020, the Group has started to venture into manufacturing Personal Protective Equipment products by producing face shields and face masks.

As for the automotive manufacturing division, its 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. With the recently announced Short-Term Recovery Plan ("Penjana") under the Recovery Movement Control Order ("RMCO"), which includes 100% sales tax exemption on completely knock-down ("CKD") models and 50% sales tax exemption on completely built-up ("CBU") models, the Group is confident that this will create increased demand for our end customers product and hence improve our revenue and results.

As for the property division, revenue will be mainly from our on-going Amverton Greens, 108 terrace house in Bukit Kemuning and Amverton Links Phase 1, which comprises of 100 units of 2-storey link houses. The management plans to launch Amverton Links Phase 2 and Amverton Links townhouse that are already in the pipeline by end of 2020.

Barring any unforeseen circumstances, for example a second lockdown, the management is optimistic that the manufacturing and property division will contribute positively to the group's performance for the remaining quarters in 2020.

18. Profit Forecast or Profit Guarantee

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

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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 30.6.2020 RM'000	6 months ended 30.6.2020 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment and investment properties	1,266	2,652
Interest expense	4	8
Interest income	(515)	(1,125)
Net foreign exchange (gain)/loss:		
– Realised	68	207
– Unrealised	(154)	(1,146)

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	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
– Malaysian income tax	717	2,517	2,584	4,316
– Deferred tax	(605)	(349)	(1,270)	(1,114)
	112	2,168	1,314	3,202

HIL INDUSTRIES BERHAD

(Company No: 196901000472 (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 30.6.2020 RM'000	As at 31.12.2019 RM'000
Non-current		
– Secured	180	225
Current		
– Secured	83	164
	<u>263</u>	<u>389</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 2020.

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 30.6.2020	30.6.2019	6 months ended 30.6.2020	30.6.2019
Profit for the period attributable to owners of the Company (RM'000)	2,149	4,655	6,280	6,177
Weighted average number of ordinary shares in issue ('000)	331,941	331,941	331,941	331,941
Basic earnings per share (sen)	0.65	1.40	1.89	1.86

(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.