

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2016 - Unaudited

		Individual Period		Cumulative Period	
	Note	3 months ended		6 months ended	
		30.6.2016	30.6.2015	30.6.2016	30.6.2015
		RM'000	RM'000	RM'000	RM'000
Revenue	9	23,381	29,849	45,702	60,206
Cost of sales		(17,651)	(20,985)	(33,167)	(44,518)
Gross profit		5,730	8,864	12,535	15,688
Other items of income:					
– Interest income		1,008	1,013	1,944	1,907
– Other income		387	218	(983)	921
Operating expenses		(2,787)	(3,215)	(5,603)	(6,369)
Operating profit		4,338	6,880	7,893	12,147
Finance costs		(18)	(13)	(36)	(27)
Profit before taxation	9 & 19	4,320	6,867	7,857	12,120
Taxation	20	(1,313)	(2,034)	(2,693)	(3,557)
Profit for the period		3,007	4,833	5,164	8,563
Other comprehensive profit, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations		(91)	376	(2,087)	2,058
Total comprehensive income for the period		2,916	5,209	3,077	10,621

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2016 - Unaudited (Continued)

		Individual Period		Cumulative Period	
	Note	3 months ended		6 months ended	
		30.6.2016	30.6.2015	30.6.2016	30.6.2015
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		3,008	4,794	5,154	8,468
Non-controlling interests		(1)	39	10	95
Profit for the period					
		3,007	4,833	5,164	8,563
Total comprehensive profit attributable to:					
Owners of the Company		2,917	5,170	3,067	10,526
Non-controlling interests		(1)	39	10	95
Total comprehensive income for the period					
		2,916	5,209	3,077	10,621
Earnings per share attributable to owners of the Company:					
- Basic	25	1.09	1.73	1.86	3.06
- Diluted	25	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 2015 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 2016 - Unaudited

	Note	<u>Unaudited</u> As at 30.6.2016 RM'000	<u>Audited</u> As at 31.12.2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	64,371	68,969
Investment properties		23,609	23,641
Other investments		199	195
Goodwill		4,932	4,932
		<hr/>	<hr/>
		93,111	97,737
		<hr/>	<hr/>
Current assets			
Inventories		11,843	11,906
Property development costs		73,399	69,005
Trade and other receivables		29,160	36,431
Accrued billings		-	10,018
Prepaid expenses		1,093	867
Tax recoverable		36	34
Deposits with licensed banks		90,974	85,776
Cash and bank balances		67,942	45,706
		<hr/>	<hr/>
		274,447	259,743
		<hr/>	<hr/>
TOTAL ASSETS	9	367,558	357,480
		<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		139,357	139,357
Share premium		1,281	1,281
Treasury shares		(947)	(947)
Capital reserve		308	308
Currency translation reserve		3,906	5,993
Retained profits		163,996	162,991
		<hr/>	<hr/>
		307,901	308,983
Non-controlling interests		1,644	1,634
		<hr/>	<hr/>
Total equity		309,545	310,617
		<hr/>	<hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 June 2016 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 30.6.2016 RM'000	<u>Audited</u> As at 31.12.2015 RM'000
Non-current liabilities			
Finance lease liabilities	22	909	1,120
Deferred tax liabilities		21,722	22,455
		<hr/>	<hr/>
		22,631	23,575
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		26,734	21,555
Finance lease liabilities	22	2,672	461
Provision for taxation		1,827	1,272
		<hr/>	<hr/>
		35,382	23,288
		<hr/>	<hr/>
Total liabilities		58,013	46,863
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		367,558	357,480
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share			
attributable to owners of the Company (RM)		1.11	1.12
		<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 2015 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 2016 - 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 2016	139,357	1,281	(947)	308	5,993	162,991	308,983	1,634	310,617
Total comprehensive (loss)/income for the period	-	-	-	-	(2,087)	5,154	3,067	10	3,077
At 30 June 2016	139,357	1,281	(947)	308	3,906	163,996	307,901	1,644	309,545

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 June 2016 - 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 2015	139,357	1,281	(947)	308	1,828	149,941	291,768	1,645	293,413
Total comprehensive income for the period	-	-	-	-	2,058	8,468	10,526	95	10,621
At 30 June 2015	139,357	1,281	(947)	308	3,886	158,409	302,294	1,740	304,034

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016 - Unaudited

	Cumulative Period	
	6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000
Cash flows from operating activities		
Profit before taxation	7,857	12,120
Adjustments for non-cash items	2,876	2,825
Operating profit before working capital changes	10,733	14,945
Working capital changes		
Inventories	63	2,182
Property development costs	(4,394)	(223)
Receivables, deposits and prepayments	17,063	13,365
Payables and accruals	5,179	1,250
Cash generated from operations	28,644	31,519
Interest paid	(36)	(27)
Interest received	1,944	1,907
Income tax paid	(2,873)	(3,585)
Income tax recovered	-	20
Net cash from operating activities	27,679	29,834
Cash flows from investing activities		
Purchase of property, plant and equipment	(794)	(644)
Proceeds from disposal of property, plant and equipment	-	50
Purchase of other investments	(4)	(3)
Net cash used in investing activities	(798)	(597)

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 June 2016 - Unaudited (Continued)

	Cumulative Period	
	6 months ended 30.6.2016 RM'000	30.6.2015 RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	(227)	(153)
Net cash used in financing activities	(227)	(153)
Net increase in cash and cash equivalents	26,654	29,084
Cash and cash equivalents at beginning of the financial period	131,482	108,171
Effects of foreign exchange rate changes	(1,447)	1,434
Cash and cash equivalents at end of the financial period	156,689	138,689
Cash and cash equivalents comprise:		
Deposits with licensed banks	90,974	100,896
Cash and bank balances	67,942	38,532
Bank overdrafts	(2,227)	(739)
	156,689	138,689

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 25 August 2016.

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”). These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015. 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 2015.

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 and Application of MFRS 1

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 2015, except for the adoption of Amendments to Standards and Issue Committee (IC) interpretations effective as of 1 January 2016.

2.1 Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2016.

MFRS 14	Regulatory Deferral Accounts
Amendments for MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments for MFRS 10 and MFRS 12	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Venture
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture - Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 - 2014 Cycle	

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

2.2 Standard issued but not yet effective

At the date of authorisation of the condensed consolidated interim financial statements, the following Standards were issued but not yet effective and have not been adopted by the Group:

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

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 and Application of MFRS 1 (Continued)

2.2 Standard issued but not yet effective (Continued)

Effective for financial periods beginning on or after 1 January 2018

MFRS 9

Financial Instruments (IFRS 9 as issued by
International Accounting Standards Board
("IASB") in July 2014

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, other than for MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when full standard is issued.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 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 46th Annual General Meeting held on 23 June 2016, 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 2015 of 3% or 1.5 sen per ordinary share of 0.50 sen each, amounting to RM4,149,258. The dividend was paid on 18 August 2016.

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	
	6 months ended	
	30.6.2016	30.6.2015
	RM’000	RM’000
Segment Revenue		
Revenue from:		
Manufacturing	30,202	44,382
Property development and management	15,694	16,018
	<hr/>	<hr/>
Total revenue including inter-segment revenue	45,896	60,400
Elimination of inter-segment revenue	(194)	(194)
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Revenue from external customers	45,702	60,206
	<hr/> <hr/>	<hr/> <hr/>
Segment Results (External)		
Results from:		
Manufacturing	(1,211)	5,176
Property development and management	9,070	6,945
Trading, services and others	(2)	(1)
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Profit before tax	7,857	12,120
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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	
	6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000
Segment Assets		
Segment assets of:		
Manufacturing	194,845	212,480
Property development and management	167,731	146,297
Trading, services and others	14	13
	<hr/>	<hr/>
	362,590	358,790
Unallocated assets	4,968	4,975
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Total consolidated assets	367,558	363,765
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10. Property, Plant and Equipment

Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of RM794,000 (six months ended 30 June 2015: RM644,000). Items of property, plant and equipment with a net book value of RM Nil were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RM Nil), resulting in a gain on disposal of RM Nil (six months ended 30 June 2015: loss 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.

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

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 2015.

14. Capital Commitments

There were no capital commitments as at 30 June 2016.

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 RM45.702 million and RM7.857 million respectively.

This represented a decrease of RM14.504 million in revenue or 24.09% of the revenue for the same period in the previous financial year ended 31 December 2015. The decrease in revenue was mainly due to slowdown for the demand for our Malaysia and overseas subsidiary's products.

For the cumulative six months ended 30 June 2016, the decrease in the results for the financial period-to-date was RM4.263 million or 35.17% of the results for the same period in the previous financial year ended 31 December 2015. The decrease was mainly attributed from drop in revenue and foreign currency exchange loss subsequent to the strengthening of Ringgit Malaysia against United States Dollar of RM1 million, of which RM0.869 million is unrealised as compared to a gain of RM0.812 million in the same period in the previous financial year ended 31 December 2015.

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 manufacturing segment registered a decrease in revenue and results for the current financial period-to-date of 31.95% and 123.40% respectively as compared to the revenue and results in the corresponding financial period-to-date in the preceding financial year. Certain models for some of our customers in Malaysia and China have reached their end of life, whilst their replacement models have not started yet. The general soft market sentiment for the local automotive industry, stiff competition and sluggish market in our overseas' electronics industry also affected our sales for this period. Higher foreign currency exchange loss subsequent to the strengthening of RM against USD has affected our results.

b) Property development and management segment

The property development and management segment registered an increase in results for the current financial period-to-date of 30.60% as compared to the results in the corresponding financial period-to-date in the preceding financial year.

c) Trading, services and others segment

This segment is not active.

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

16. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM23.381 million and RM4.320 million respectively compared to revenue of RM22.321 million and profit before tax of RM3.537 million for the immediate preceding quarter ended 31 March 2016. The higher revenue and profit in the second quarter was mainly due to higher demand subsequent to the festive shut down in the first quarter. Besides, lower foreign currency exchange loss has also contributed to the improve in revenue.

17. Current Year Prospects

Given the unstable global economic outlook, we expect 2016 to be a very challenging year. However, the group is cautiously optimistic that we will be able to achieve satisfactory results for the year ending 31 December 2016.

The manufacturing division performance would be dependent on orders from existing customers and the expected gradual recovery of the global economy. The potential hike in minimum wages in Malaysia will also increase the cost burden of the Group. Nevertheless, the group will continue its commitment to streamline its manufacturing process to achieve cost optimization for greater efficiency. The management will also explore other business opportunities.

As for the property division, revenue is expected to decrease subsequent to the completion of the two on-going projects. Reduced consumer sentiment and stringent lending policies are also expected to impact the performance of the property division. Despite this, we have launched new projects in Bukit Kemuning in this quarter and are planning further launches in the second half of the year. As such, the management is confident that the property division will contribute satisfactorily to the group's performance as we are developing landed houses that are within the affordable range in the Shah Alam 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

	<u>Current</u> <u>Quarter</u> <u>3 months</u> <u>ended</u> <u>30.6.2016</u> <u>RM'000</u>	<u>Year-To-</u> <u>Date</u> <u>6 months</u> <u>ended</u> <u>30.6.2016</u> <u>RM'000</u>
Profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment and investment properties	2,389	4,783
Interest expense	18	36
Net foreign exchange loss:		
– Realised	89	133
– Unrealised	(526)	869
	<hr/> <hr/>	<hr/> <hr/>

20. Taxation

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>30.6.2016</u>	<u>30.6.2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
In respect of current financial year:				
– Malaysian income tax	1,534	2,180	3,427	3,852
– Deferred tax	(221)	(146)	(734)	(295)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	1,313	2,034	2,693	3,557

The effective tax rate for the current quarter and the financial period-to-date was 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.

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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

21. Status of Corporate Proposals

There were no corporate proposals announced.

22. Borrowings

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000
Non-current		
– Secured	909	1,120
Current		
– Secured	445	461
– Unsecured	2,227	-
	<hr/> 3,581	<hr/> 1,581
	<hr/> <hr/>	<hr/> <hr/>

23. Material Litigation

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

24. Dividend

No dividend has been declared for the financial period ended 30 June 2016.

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

25. 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		6 months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
Profit for the period attributable to owners of the Company (RM'000)	3,008	4,794	5,154	8,468
Weighted average number of ordinary shares in issue ('000)	276,617	276,617	276,617	276,617
Basic earnings per share (sen)	1.09	1.73	1.86	3.06

(b) Diluted earnings per share

Diluted earnings per share is not disclosed as it is not applicable.

26. Breakdown of retained profits into realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at the reporting date, into realised and unrealised profits or losses, is as follows:

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000
Realised and unrealised profits of the Company and its subsidiaries:		
- Realised	203,400	199,932
- Unrealised	(7,427)	(5,065)
	195,973	194,867
Less: Consolidation adjustments	(31,977)	(31,876)
Total retained profits	163,996	162,991