

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 31 December 2016 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		12 months ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
Revenue	9	27,451	28,190	97,342	120,113
Cost of sales		(18,978)	(20,592)	(68,939)	(88,929)
Gross profit		8,473	7,598	28,403	31,184
Other items of income:					
– Interest income		940	1,059	3,791	4,027
– Other income		1,335	201	1,388	2,572
Operating expenses		(2,813)	(4,195)	(11,181)	(12,917)
Operating profit		7,935	4,663	22,401	24,866
Finance costs		(16)	(19)	(67)	(64)
Profit before taxation	9 & 19	7,919	4,644	22,334	24,802
Taxation	20	(1,920)	(1,782)	(6,402)	(7,614)
Profit for the period		5,999	2,862	15,932	17,188
Other comprehensive profit, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations		770	(1,678)	(788)	4,165
Total comprehensive income for the period		6,769	1,184	15,144	21,353

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 31 December 2016 - Unaudited (Continued)

	Note	Individual Period		Cumulative Period	
		3 months ended		12 months ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		6,740	2,904	16,381	17,199
Non-controlling interests		(741)	(42)	(449)	(11)
Profit for the period					
		5,999	2,862	15,932	17,188
Total comprehensive profit attributable to:					
Owners of the Company		7,510	1,226	15,593	21,364
Non-controlling interests		(741)	(42)	(449)	(11)
Total comprehensive income for the period					
		6,769	1,184	15,144	21,353
Earnings per share attributable to owners of the Company:					
- Basic	25	2.44	1.05	5.92	6.22
- 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 31 December 2016 - Unaudited

	Note	<u>Unaudited</u> As at 31.12.2016 RM'000	<u>Audited</u> As at 31.12.2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	60,262	68,969
Investment properties		23,577	23,641
Other investments		202	195
Goodwill		4,932	4,932
		<hr/>	<hr/>
		88,973	97,737
		<hr/>	<hr/>
Current assets			
Inventories		14,800	11,906
Property development costs		70,563	69,005
Trade and other receivables		38,035	36,431
Accrued billings		414	10,018
Prepaid expenses		1,111	867
Tax recoverable		30	34
Deposits with licensed banks		137,709	85,776
Cash and bank balances		14,829	45,706
		<hr/>	<hr/>
		277,491	259,743
		<hr/>	<hr/>
TOTAL ASSETS	9	<u>366,464</u>	<u>357,480</u>
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		5,205	5,993
Retained profits		175,540	162,991
		<hr/>	<hr/>
		320,744	308,983
Non-controlling interests		<hr/>	<hr/>
		908	1,634
		<hr/>	<hr/>
Total equity		<u>321,652</u>	<u>310,617</u>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 31 December 2016 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 31.12.2016 RM'000	<u>Audited</u> As at 31.12.2015 RM'000
Non-current liabilities			
Finance lease liabilities	22	713	1,120
Deferred tax liabilities		21,288	22,455
		<hr/>	<hr/>
		22,001	23,575
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		21,117	21,555
Finance lease liabilities	22	407	461
Provision for taxation		1,287	1,272
		<hr/>	<hr/>
		22,811	23,288
		<hr/>	<hr/>
Total liabilities		44,812	46,863
TOTAL EQUITY AND LIABILITIES		<hr/> <hr/>	<hr/> <hr/>
		366,464	357,480
Net assets per share			
attributable to owners of the Company (RM)		1.16	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 31 December 2016 - Unaudited

Note	Attributable to shareholders of the Company							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	Total 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 year	-	-	-	-	(788)	16,381	15,593	(449)	15,144
<u>Transactions with owners:</u>									
Increase/(Decrease) in equity interest in subsidiary company	-	-	-	-	-	317	317	(277)	40
Dividends on ordinary shares	-	-	-	-	-	(4,149)	(4,149)	-	(4,149)
At 31 December 2016	139,357	1,281	(947)	308	5,205	175,540	320,744	908	321,652

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 2016 - Unaudited (Continued)

Note	Attributable to shareholders of the Company							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	Total 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 year	-	-	-	-	4,165	17,199	21,364	(11)	21,353
<u>Transactions with owners:</u>									
Dividends on ordinary shares	-	-	-	-	-	(4,149)	(4,149)	-	(4,149)
At 31 December 2015	139,357	1,281	(947)	308	5,993	162,991	308,983	1,634	310,617

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 31 December 2016 - Unaudited

	Cumulative Period	
	12 months ended 31.12.2016	31.12.2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	22,334	24,802
Adjustments for non-cash items	5,632	3430
Operating profit before working capital changes	27,966	28,232
Working capital changes		
Inventories	(2,894)	3,621
Property development costs	(1,558)	(3,964)
Receivables, deposits and prepayments	7,756	11,526
Payables and accruals	(438)	(11,274)
Cash generated from operations	30,832	28,141
Interest paid	(67)	(64)
Interest received	3,791	4,027
Income tax paid	(7,558)	(8,530)
Income tax recovered	8	32
Net cash from operating activities	27,006	23,606
Cash flows from investing activities		
Purchase of property, plant and equipment	(845)	(1,536)
Proceeds from disposal of property, plant and equipment	-	117
Proceeds from issue of ordinary share	40	-
Purchase of other investments	(7)	(6)
Net cash used in investing activities	(812)	(1,425)

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 31 December 2016 - Unaudited (Continued)

	Cumulative Period	
	12 months ended 31.12.2016	31.12.2015
	RM'000	RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	(461)	(368)
Dividends paid on ordinary shares	(4,149)	(4,149)
Net cash used in financing activities	(4,610)	(4,517)
Net increase in cash and cash equivalents	21,584	17,664
Cash and cash equivalents at beginning of the financial year	131,482	108,171
Effects of foreign exchange rate changes	(528)	5,647
Cash and cash equivalents at end of the financial year	152,538	131,482
Cash and cash equivalents comprise:		
Deposits with licensed banks	137,709	85,776
Cash and bank balances	14,829	45,706
	152,538	131,482

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 23 February 2017.

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	Clarification of Acceptable Methods of
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

On 18 August 2016, the Company paid a first and final single tier dividend of 3% or 1.5 sen per ordinary share of RM0.50 each, amounting to RM4,149,258 in respect of the financial 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

9. Operating Segments

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

	Cumulative Period	
	12 months ended 31.12.2016	31.12.2015
	RM’000	RM’000
Segment Revenue		
Revenue from:		
Manufacturing	62,958	84,509
Property development and management	34,772	35,992
	<hr/>	<hr/>
Total revenue including inter-segment revenue	97,730	120,501
Elimination of inter-segment revenue	(388)	(388)
	<hr/>	<hr/>
Revenue from external customers	97,342	120,113
	<hr/> <hr/>	<hr/> <hr/>
Segment Results (External)		
Results from:		
Manufacturing	2,531	8,226
Property development and management	19,808	16,581
Trading, services and others	(5)	(5)
	<hr/>	<hr/>
Profit before tax	22,334	24,802
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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	
	12 months ended 31.12.2016 RM'000	31.12.2015 RM'000
Segment Assets		
Segment assets of:		
Manufacturing	206,642	206,727
Property development and management	154,845	145,772
Trading, services and others	15	15
	<hr/>	<hr/>
Unallocated assets	361,502	352,514
	4,962	4,966
	<hr/>	<hr/>
Total consolidated assets	366,464	357,480
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10. Property, Plant and Equipment

Acquisitions and disposals

During the financial year ended 31 December 2016, the Group acquired items of property, plant and equipment with a cost of RM845,000 (financial year ended 31 December 2015: RM2,272,000). Items of property, plant and equipment with a net book value of RM Nil were disposed of during the financial year ended 31 December 2016 (financial year ended 31 December 2015: RM38,000), resulting in a gain on disposal of RM Nil (financial year ended 31 December 2015: gain on disposal of RM79,000).

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 31 December 2016.

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 RM97.342 million and RM22.334 million respectively.

This represented a decrease of RM22.771 million in revenue or 18.96% of the revenue for the same period in the previous financial year ended 31 December 2015. The decrease in revenue was mainly due to lower sales from major customers subsequent to the slow down in the general market condition for both our Malaysia and overseas subsidiary's products.

For the cumulative twelve months ended 31 December 2016, the decrease in the results for the financial period-to-date was RM2.468 million or 9.95% of the results for the same period in the previous financial year ended 31 December 2015. The decrease was mainly attributed from the corresponding drop in revenue as explained above.

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 25.50% and 69.23% 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.

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 19.46% 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 RM27.451 million and RM7.919 million respectively compared to revenue of RM24.189 million and profit before tax of RM6.558 million for the immediate preceding quarter ended 30 September 2016. The higher revenue and profit in the fourth quarter was mainly due to higher profit recognition subsequent to the completion of our two projects namely Kemuning Hijauan and Kemuning Greenhills in Bukit Kemuning. Besides, foreign currency exchange gain has also contributed to the improve in revenue.

17. Current Year Prospects

The manufacturing division performance would be dependent on orders from existing customers and the expected gradual recovery of the global economy. Nevertheless, the group will persevere in its business initiatives to secure more projects, continuously looking for new business opportunities and to streamline its manufacturing process to achieve cost optimization through greater efficiency.

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 project in Bukit Kemuning. As such, the management is confident 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 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

	Current Quarter	Year-To- Date
	3 months ended	12 months ended
	31.12.2016	31.12.2016
	RM'000	RM'000
Profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment and investment properties	2,204	9,355
Interest expense	16	67
Net foreign exchange gain:		
– Realised	(218)	(120)
– Unrealised	(2,221)	(2,323)

20. Taxation

	Individual Period		Cumulative Period	
	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
– Malaysian income tax	2,139	1,935	7,569	8,186
– Deferred tax	(215)	325	(1,167)	(89)
	1,924	2,260	6,402	8,097
In respect of prior financial years:				
– Malaysian income tax	(4)	(478)	-	(481)
– Deferred tax	-	-	-	(2)
	(4)	(478)	-	(483)
	1,920	1,782	6,402	7,614

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 31.12.2016 RM'000	As at 31.12.2015 RM'000
Non-current		
– Secured	713	1,120
Current		
– Secured	407	461
	<hr/> 1,120	<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

The Board of Directors has proposed a first and final single tier dividend of 3% or 1.5 sen per ordinary share of RM0.50 each, in respect of the financial year ended 31 December 2016, 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.

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

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 31.12.2016	31.12.2015	12 months ended 31.12.2016	31.12.2015
Profit for the period attributable to owners of the Company (RM'000)	6,740	2,904	16,381	17,199
Weighted average number of ordinary shares in issue ('000)	276,617	276,617	276,617	276,617
Basic earnings per share (sen)	2.44	1.05	5.92	6.22

(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 31.12.2016 RM'000	As at 31.12.2015 RM'000
Realised and unrealised profits of the Company and its subsidiaries:		
- Realised	210,198	199,932
- Unrealised	(3,802)	(5,065)
	206,396	194,867
Less: Consolidation adjustments	(30,856)	(31,876)
Total retained profits	175,540	162,991