HIL INDUSTRIES BERHAD
(Company No: 8812-M)

2012 ANNUAL REPORT

YOUR LEADING GLOBAL PLASTIC PROVIDER




CONTENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FORTY-THIRD Annual General Meeting ("43rd AGM") of the Company will be held at Amverton Cove Golf & Island Resort, PT673, Pulau Carey, Mukim Jugra, 42960 Daerah Kuala Langat, Selangor Darul Ehsan on 27 June 2013 at 10.00 a.m. for the purpose of transacting the following businesses:-

As ordinary business

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2012. .... **Ordinary Resolution 1**

2. To re-elect the following Directors retiring in accordance with Section 129(6) of the Companies Act, 1965.

   a) Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf .... **Ordinary Resolution 2**
   b) Mat Ripen Bin Mat Elah .... **Ordinary Resolution 3**

3. To re-elect the following Directors retiring in accordance with Article 102 of the Company's Articles of Association.

   a) Dato' Ng Boon Thong @ Ng Thian Hock .... **Ordinary Resolution 4**
   b) Tan Sri Dato' Dr. Sak Cheng Lum .... **Ordinary Resolution 5**

4. To approve the payment of Directors' Fees for the financial year ended 31 December 2012. .... **Ordinary Resolution 6**

5. To reappoint Messrs Cheng & Co as Auditors of the Company and to authorise the Directors to fix their remuneration .... **Ordinary Resolution 7**

As special business

To consider and, if thought fit, pass the following Ordinary Resolutions:

6. (i) Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965 .... **Ordinary Resolution 8**

   "THAT subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(ii) Proposed Renewal of Share Buy-Back Authority .... **Ordinary Resolution 9**

"THAT subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company ("the Proposed Share Buy-Back") provided that:-

(a) the maximum number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company at any point of time;
(b) the maximum fund to be allocated by the Company in relation to the Proposed Share Buy-Back shall not exceed the sum of the retained profits and the share premium account of the Company based on the latest audited financial statements available up to the date of a transaction under the Proposed Share Buy-Back;
(c) the authority conferred by this resolution will be effective upon passing of this resolution and will continue in force until:-

    (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
    (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
    (iii) revoked or varied by ordinary resolution passed by shareholders in general meeting,

    whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements issued by Bursa Securities and any other relevant authorities.

(d) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-

    (i) To cancel the shares so purchased;
    (ii) To retain the shares so purchased as Treasury Shares;
    (iii) To distribute the Treasury Shares as dividends to shareholders;
    (iv) To resell the Treasury Shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; and
    (v) Any combination of the above (i), (ii), (iii) and (iv)

THAT authority be and is hereby given unconditionally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the aforesaid purchase(s) with full powers to assent to any conditions, modifications, resolutions, variations and/or amendments (if any) as may be imposed by the relevant authorities and to deal with all matters relating thereto and take all steps and do all acts and things in any manner as they may deem necessary in connection with the Proposed Share Buy-Back in the interest of the Company."

(iii) Retention of Independent Non-Executive Director .... **Ordinary Resolution 10**

"THAT subject to passing of Ordinary Resolution 3 above, approval be and is hereby given to Mr. Mat Ripen Bin Mat Elah, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the company in accordance with the Malaysian Code on Corporate Governance 2012."

To consider and, if thought fit, pass the following Special Resolutions:

7. Proposed Amendments to the Articles of Association of the Company ……….. **Special Resolution 1**

   "THAT the amendments to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 6 June 2013 be and is hereby approved and adopted AND THAT the Directors of the Company be and are hereby authorized to give full effect to the said amendments, alterations, modifications and deletions to the Articles of Association of the Company as may be required by any relevant authorities as they deem fit, necessary or expedient in order to give full effect to the Proposed Amendments to the Company's Articles of Association."

8. To transact any other business of which due notice has been given.

BY ORDER OF THE BOARD

BERNARD LIM BOON SIANG
(MACS 01153)
Company Secretary
Shah Alam
6 June 2013

NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hands of its attorney.

3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

6. Only members whose names appear in the Record of Depositors as at 21 June 2013 will be entitled to attend and vote at the meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

7. Ordinary Resolution 8 is proposed pursuant to Section 132(D) of the Companies Act, 1965 and if passed, will empower the Directors of the Company, from the date of the above general meeting, authority to issue and allot shares from the unissued capital of the Company for such purposes as the directors may deem fit and in the interest of the Company. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   The general mandate sought for issue of shares is a renewal to the general mandate sought in the preceding year. As at the date of Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 42nd AGM held on 28 June 2012 and hence no proceeds were raised there from. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

8. Ordinary Resolution 9 proposed above, if passed, will authorise the Company to buy back its own shares. The authority shall continue to be in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by Ordinary Resolution of the Company in a general meeting and is subject to annual renewal. Further information on this resolution is set out in the Circular dated 6 June 2013, which is sent out together with the Company's 2012 Annual Report.

9. Ordinary Resolution 10, if passed, will allow the Independent Non-Executive Director to be retained. The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Mat Ripen Bin Mat Elah who has served as an Independent Non-Executive Director since 20 February 2004 and has reached the nine years term limit on 20 February 2013. Mr. Mat Ripen Bin Mat Elah has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and the Board considers him to be independent and believes that he should be re-appointed and retained as Independent Non-Executive Director, in particular his experience and contributions to the Board.

10. The Special Resolution 1, if passed, will allow the Articles of Association of the Company to reflect the recent amendments prescribed under the Listing Requirements of Bursa Securities and to facilitate the business and administrative efficiencies of the Company as well as to add clarity to the existing Articles of the Company.

1. A total of five (5) Board Meetings were held during the year as follows:-

Date	Time	Place
28-Feb-12	10.30am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
26-Apr-12	11.00am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
30-May-12	10.30am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
29-Aug-12	10.30am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
28-Nov-12	10.30am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam

2. Details of attendance of each Director at the above Board Meetings as follows:-

Name of Directors	Number of Meetings Attended
Dato' Ng Boon Thong @ Ng Thian Hock	5/5
Dato' Setia Abdul Halim Bin Dato' Haji Abdul Rauf	4/5
Milton Norman Ng Kwee Leong	5/5
Malcolm Jeremy Ng Kwee Seng	5/5
Mat Ripen Bin Mat Elah	5/5
Tan Sri Dato' Dr. Sak Cheng Lum	3/5
Ooi Hock Guan	5/5

3. Directors who are standing for re-election are as below:-
   (a) Directors standing for re-election retiring in accordance with Section 129(6) of the Companies Act, 1965:-
      i) Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf
      ii) Mat Ripen Bin Mat Elah

   (b) Directors standing for re-election retiring in accordance with Article 102 of the Company's Article of Association:-
      i) Dato' Ng Boon Thong @ Ng Thian Hock
      ii) Tan Sri Dato' Dr. Sak Cheng Lum

   (c) Pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 to retain the following director, who have served the Company as board members for a cumulative term of more than nine years, in the capacity as Independent Non-Executive Director :-

   Continuing in office as Independent Non-Executive Director
      i) Mat Ripen Bin Mat Elah

4. The profile of the Directors who are standing for re-election are set out in the "Profile of Directors" and their securities holdings in the Company and its subsidiary companies are presented in the "Directors' Interest" of the Annual Report.

Corporate Information

DIRECTORS	Dato' Ng Boon Thong @ Ng Thian Hock	Chairman
	Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf	Deputy Chairman
	Milton Norman Ng Kwee Leong	Managing Director
	Malcolm Jeremy Ng Kwee Seng	Executive Director
	Tan Sri Dato' Dr. Sak Cheng Lum	
	Mat Ripen bin Mat Elah	
	Ooi Hock Guan	

SECRETARY

Bernard Lim Boon Siang (MACS 01153)
Teoh Yar Ley (MIA 29224)

REGISTERED OFFICE

Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam,
Selangor Darul Ehsan.
Tel : 03-5510 0501
Fax : 03-5510 0493

REGISTRAR

Tricor Investor Services Sdn. Bhd.
Level 17, The Gardens North Tower, Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur.
Tel : 03-2264 3883
Fax : 03-2282 1886

AUDITOR

Cheng & Co Chartered Accountants
Wisma Cheng & Co., No. 18-2, Jalan 2/114, Kuchai Business Centre
Off Jalan Klang Lama, 58200 Kuala Lumpur.
Tel: 03-7984 8988
Fax: 03-7984 4402
Email: customerservice@chengco.com.my

PRINCIPAL BANKERS

Hong Leong Bank Berhad (formerly Eon Bank Bhd)
34, Jalan Perbahan Satu, Seksyen 26/2A, 40000 Shah Alam,
Selangor Darul Ehsan.

Hong Leong Bank Berhad
3, Jalan Takal 15/21, Seksyen 15, 40000 Shah Alam,
Selangor Darul Ehsan.

Public Bank Berhad
2, Jalan Pahat G15/G, Komplex Otomobil, Persiaran Selangor
Section 15, 40200 Shah Alam, Selangor Darul Ehsan.

Public Bank Berhad
28, 30 & 32, Persiaran Sultan Ibrahim, 41300 Klang,
Selangor Darul Ehsan.

OCBC Bank (Malaysia) Berhad
19, Jalan Stesen, 41000 Klang, Selangor Darul Ehsan.

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Transferred from Second Board to Main Board on 21 September 2006.

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of HIL Industries Berhad ("HIL" or "the Group") for the financial year ended 31 December 2012.

The Company & its Performance Highlights

HIL's performance in 2012 has moved in tandem with the global economy as a whole. Our overseas subsidiary in China was affected by the sovereign debt crisis in the Eurozone and the struggling US economy. This led to lower consumer demand for the information technology market as a whole. Nevertheless, our local operations were satisfactory, with management concentrating on expanding our product range in the automotive industry as well as increasing our customer base.

During the financial year under review, the group registered net loss attributable to shareholders of RM3.119 Million on revenue of RM79.732 Million. This represented a decrease of RM26.717 Million in revenue or 25.10% lower than the revenue for the same period in the previous financial year while net profits attributable has decreased by RM3.602 Million or 745.76%. The decrease in revenue and profit before tax was mainly due to the unfavorable impact of foreign exchange rates, unfavourable product mix, impact of the minimum wage in Malaysia, and the performance of our overseas subsidiary in China.

For the period under review, the group registered the basic earnings per share attributable to the shareholders at a loss of 1.13 sen, a decrease of 1.30 sen and the net asset per share is 0.97 sen.

Despite the challenging market conditions, HIL's management has continued to place a great deal of emphasis on strong cash management and steady organic growth. I believe our technological advancement and strong financials will enable us to persevere during weaker markets. Management will have to continue to be prudent in reducing costs and overheads, as well as diversify into higher yielding assets for the company.

Dividends

No dividend was declared in respect of the financial year ended December 31, 2012.

Outlook

With prospects for the external sector remaining weak, economic management will be centered on strengthening domestic demand. Looking back at 2012, strong private consumption and domestic demand were the main drivers that increased the nation's economic growth from 5.1% to 5.6%. At the global level, demand for personal computers remains weak with declining orders. The growing popularity of smartphones and tablets has impacted negatively on the sales of PCs, notebooks and even the new ultra-books.

The outlook for the Group however remains strong. HIL has the resources to be pro active in increasing its productivity and sales. Management is also now focusing and planning for the future of its property and development division in order to take advantage of the booming property sector in Malaysia. In the meantime, the Group's domestic performance from the automotive industries will continue to be a key contributor to HIL's overall performance. Global automotive companies are now setting up their operations in Malaysia and "localizing" their operations to counter rising costs and maintain competitiveness. HIL will leverage on this to increase its market share in the automotive industry.

On an endnote, the Board of HIL Industries Bhd is confident that the outlook for the company remains positive. HIL will continue to be a major industry player, focusing on providing quality products and customer service. With the leadership of the management, I believe HIL will pull through these uncertain times and grow stronger in the years to come.

Appreciation

Our appreciation is also extended to all our valued customers, business partners, suppliers, bankers and financiers, the authorities and shareholders for their continued support and confidence in HIL. To our employees, the management team and my colleagues on the Board, please accept my heartfelt gratitude for your loyalty, perseverance, untiring dedication, resourcefulness, unfaltering commitment, collective effort and hard work.

I would like to thank each and every one of our employees whose commitments and efforts made 2012 yet another successful year for the Company.

Dato' Ng Boon Thong @ Ng Thian Hock
Chairman
May 2013

DATO' NG BOON THONG @ NG THIAN HOCK **Executive Chairman**

Malaysian, aged 65, was appointed to the Board on 7 February 2003 as an Executive Director and has been Executive Chairman since 4 July 2003. Dato' Ng Thian Hock graduated with an Honours Degree in Civil Engineering from the University of Malaya. He is the founder of the A&M Realty Berhad's Group of companies. He began his career in 1970 as an engineer in Perbadanan Urus Air Selangor Berhad before being appointed as a Municipal Councilor for the Selangor Government, State Assemblyman for the Barisan Nasional Party for the Selat Klang and Pandamaran constituencies and a Senator for the Government. Dato' Ng Thian Hock is also the Executive Chairman of A&M Realty Berhad.

Dato' Ng is a substantial shareholder of HIL. He is also the father of Milton Norman Ng Kwee Leong, the Managing Director and Malcolm Jeremy Ng Kwee Seng, the Executive Director of HIL. Dato' Ng does not have any conflict of interest with the Company.

DATO' SETIA ABDUL HALIM BIN DATO' HAJI ABDUL RAUF **Executive Deputy Chairman**

Malaysian, aged 75, was appointed to the Board on 7 February 2003 as an Executive Director and has been Executive Deputy Chairman since 4 July 2003.

Dato' Setia Abdul Halim holds a Bachelor of Arts Degree from the University of Malaya and Masters Degree in Public and International Affairs from the University of Pittsburgh, USA. Before joining the private sector, he held key positions in government authorities and agencies among which included Director-General of Implementation Coordination Unit in the Prime Minister's Department, State Secretary of the State Government of Selangor, Director-General of Immigration Department Malaysia, Deputy Director of Bureau of Research and Consultancy, National Institute of Public Administration, Malaysia and Senior Deputy Director-General of the Rubber Industry Smallholders Development Authority. He has vast experience in management and strategic business planning. He is Chairman of Kontena Nasional Global Logistics Sdn Bhd and the Executive Deputy Chairman of A&M Realty Berhad. Dato' Setia Abdul Halim does not have any interest in the securities of the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

MILTON NORMAN NG KWEE LEONG **Managing Director**

Malaysian, aged 42, was appointed to the Board on 3 July 1999 as Managing Director. He is a member of the Nomination Committee and Remuneration Committee.

Mr. Milton graduated with an Honours Degree in Law from the University of Western Australia in 1994. After graduating, he spent 9 months doing his pupilage in the legal office of Shearn Delamore and was admitted to the Malaysian Bar as an Advocate and Solicitor in May 1995. He spent a further 6 months in Shearn Delamore before joining HIL in December 1995 as general manager where he was responsible for the day-to-day operations of the Company.

Mr. Milton is a substantial shareholder of the Company by virtue of his parents' shareholdings. He is the son of Dato' Ng Boon Thong @ Ng Thian Hock, the Chairman of HIL. Mr. Milton does not have any conflict of interest in the Company.

MALCOLM JEREMY NG KWEE SENG Executive Director

Malaysian, aged 27, was appointed to the Board on 8 September 2008 as an Executive Director.

Mr. Malcolm graduated with double Degrees majoring in Accounting and Law from Murdoch University, Western Australia in 2008. After graduating he had spent a brief period in MIMB Investment Bank Bhd before joining HIL.

Mr. Malcolm is a substantial shareholder of the Company by virtue of his parents' shareholdings. He is the youngest son of Dato' Ng Boon Thong @ Ng Thian Hock, the Chairman of HIL and the youngest brother to Mr. Milton Norman Ng Kwee Leong, Managing Director of the Company. He is also a Director in A&M Realty Berhad. Mr. Malcolm does not have any conflict of interest in the Company.

TAN SRI DATO' DR. SAK CHENG LUM Independent and Non-Executive Director

Malaysian, aged 69, was appointed to the Board on 16 February 2007 as an independent Director. He is a member of the Audit Committee.

Tan Sri Dato' Dr. Sak Cheng Lum graduated with a Degree in Medicine from the University of Singapore in 1968 and served as a medical officer in the government service before going into private practice. His commitments to the nation can be seen from his former appointments including his election as the State Assemblyman under Barisan Nasional party for the seat of Bagan Jermal in Penang, appointment as Penang State Executive Councilor, Senator and Parliamentary Secretary of Ministry of Domestic Trade and Consumer Affairs. He is also a Director of A&M Realty Berhad. He does not have any interest in the securities of the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

MAT RIPEN BIN MAT ELAH Independent and Non-Executive Director

Malaysian, aged 73, was appointed to the Board on 20 February 2004 as an Independent Director. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Tuan Mat Ripen graduated from National Chengchi University Taiwan with a Bachelor of Law (Taiwan). He served in various capacities in UMNO, and was formerly a political secretary to the Chief Minister in Selangor. He is also a Director of A&M Realty Berhad. He does not have any interest in the securities of the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

OOI HOCK GUAN Independent and Non Executive Director

Malaysian, aged 47, was appointed to the Board on 26 February 2009 as an Independent Director. He is a member of the Audit Committee.

Mr. Ooi graduated with a Degree in Economics from the University of Leicester, United Kingdom and is a Professional Member of the Institute of Internal Auditors Malaysia. After graduating he has spend a total of 14 years with Royal Selangor Pewter and GCH Retail (Malaysia) Sdn Bhd (Giant Hypermarket) specialising in Internal Audit and Finance before joining HIL.

Mr. Ooi is also a Director for A&M Realty Berhad. He does not have any interest in the securities of the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

OTHER INFORMATION

Saved as disclosed, none of the directors has any conflicts of interest with the Company and none has convicted of any offences in the past ten years.

Statement of Directors' Responsibilities
In respect of the audited financial statement

Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company for the financial year then ended.

In preparing those financial statements, the Directors have:

Adopted applicable accounting policies and applied them consistently,

Make judgements and estimates that are prudent and reasonable,

Ensured applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

Prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

Audit Committee

The Audit Committee comprises the following members:

Mat Ripen bin Mat Elah	Chairman (Independent/Non-Executive Director)
Tan Sri Dato' Dr. Sak Cheng Lum	Member (Independent/Non-Executive Director)
Ooi Hock Guan	Member (Independent/Non-Executive Director)

TERMS OF REFERENCE

Composition

The Committee shall be appointed by the Board from amongst the Directors and shall consist not less than three (3) members whereby at least one member of the committee:-

i) Must be a member of the Malaysian Institute of Accountants; or

a) If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience; and

b) He must passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or

c) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

ii) Fulfils such other requirements as prescribed by Bursa Securities.

iii) A majority of the Committee members must be Independent Directors.

No alternate director is to be appointed as member of the Committee.

The members of the Committee shall elect a Chairman from among their member who is an Independent Non-Executive Director.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a chairman who must be Independent Director to chair the meeting.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make-up the minimum of three (3) members.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

Meeting and Minutes

Meeting shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary. The Managing Director, finance personnel and representatives of the external auditors shall normally be invited to attend the meetings. Other Board members shall also have the right of attendance. However, whenever deemed necessary, at least once a year the Committee shall be able to convene meetings with the external auditors without any executive directors present. A quorum shall be two (2) members present, a majority of whom must be independent directors. Minutes shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board. The Company Secretary shall be the Secretary of the Committee.

Authority

The Committee is authorised by the Board:

1. To investigate any activity within its terms of reference and shall have unrestricted access to information pertaining to the Company and the Group. It is authorised to seek any information it requires from any employees are directed to co-operate with any request made by the Committee.

2. To obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expense if it considers this necessary.

   Notwithstanding anything to the contrary hereinbefore stated, the Committee does not have executive powers and shall report to the Board of Directors on matters considered and its recommendation thereon, pertaining to the Company and the Group.

Functions and Duties

The functions and duties of the Committees shall be:

1. To monitor any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity. They are also required to ensure that the Directors report such transaction annually to shareholders via the Annual Report;

2. To review the quarterly report to the Bursa Securities and year end annual financial statements of the Group before submission to the Board, focusing on:

   Going concern assumption
   Compliance with accounting standards and regulatory requirements
   Any changes in accounting policies and practices
   Major judgemental areas

3. To consider the major findings of external auditors and the management response;

4. To review all prospective financial information provided to the regulators and/or the public;

5. To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved;

6. To discuss problems and reservations arising from the interim and final external audits, the audit report and any matters the auditors may wish to discuss;

7. To review with the external auditors, his evaluation of the system of internal controls, his management letter and management's response;

8. To consider the nomination and appointment of external auditors, as well as the audit fee;

9. To consider any letter of resignation from the external auditors of the Company and any reasons for grounds to believe that the external auditors are not suitable for re-appointment;

10. To consider the nomination and appointment of the professional firm engaged to carry out the internal audit functions and specifically perform the following review;

    - Review the adequacy of the scope , functions and resources of the professional firm engaged to carry out the internal audit function, and that it has the necessary authority to carry out its work;
    - Review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the professional firm engaged;
    - Review any appraisal or assessment of the performance of the professional firm engaged to carry out the internal audit function.

11. To consider any other functions as may be agreed by the Committee and the Board.

Membership and Meetings

The Audit Committee currently comprises three (3) Independent Non-Executive Directors with Mat Ripen bin Mat Elah as Chairman.

The Committee had five (5) meetings during the period, which were attended by the members. Other members of senior management and the Group's internal and external auditors attended some of these meetings upon invitation by the Chairman of the Committee.

Details of Audit Committee Meetings and Attendance of its Members

Details of Audit Committee meetings held during the financial year ended 31 December 2012 are as follows:

Date	Time	Place
28-Feb-12	10.00am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
26-Apr-12	10.30am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
30-May-12	10.00am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
29-Aug-12	10.00am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
28-Nov-12	10.00am	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam

The attendance of each member of the Audit Committee during the financial year ended 31 December 2012 is as follows:

Name of Audit Committee	Number of Meetings Attended
Mat Ripen Bin Mat Elah	5/5
Tan Sri Dato' Dr. Sak Cheng Lum	3/5
Ooi Hock Guan	5/5

Activities

The Audit Committee has undertaken the following activities during the financial year ended 31 December 2012 :-

1. Ensured sufficient audit coverage for all the Group's business and activities;

2. Reviewed the financial statements and ensured that the financial reporting and disclosure requirements have been complied with the relevant authorities;

3. Reviewed the quarterly reports and annual reports of the Company and Group, prior to its submission to the Board of Directors for consideration and approval;

4. Reviewed the audited Group financial statements and recommend it to the Board for approval before release to Bursa Securities and its shareholders; and

5. Reviewed the annual audit plan, its report finding and recommendation for improvement.

Internal Audit Function

The Internal audit functions have been outsourced to a professional firm reporting directly to the Audit Committee. Its responsibilities include the provision of independent reports to the Audit Committee to provide assurance on the effectiveness of the Group's system of internal control. It also conducts audits on all operating units and submits its findings to the Audit Committee.

The Malaysian Code on Corporate Governance 2012 ("the Code") sets out the broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture.

The Board of Directors has always been supportive of the adoption of the principles as set out in the Code. The Board is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company and the Group.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extend of the compliance with the recommendations of the Code throughout the year ended 31 December 2012.

Establish Clear Roles and Responsibilities

Clear Functions of the Board and Management

The Group acknowledges the pivotal role played by the Board of Directors in the stewardship of its direction and operations. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

The Board has delegated specific responsibilities to three (3) sub-committees (Audit, Nomination and Remuneration Committees). The details of the Audit Committee are set out on page 14 to 17 while the details of the Nomination and Remuneration Committees are set out below. These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board. To meet the recommendations of the Malaysian Code of Corporate Governance, the Board set up the Nomination Committee and Remuneration Committee on 29 March 2002.

Clear Roles and Responsibilities

The Board provides stewardship to the Group's strategic direction and operations, and ultimately the enhancement of long-term shareholders' value. The Board is primarily responsible for :

- Adopting and monitoring progress of the Company's strategies, budgets, plans and policies;
- Overseeing the conduct of the Company's business to evaluate whether the business is properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Developing and implementing investor relations programme or shareholders communication policy for the Group; and
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Formalised Ethical Standards through Code of Ethics

The Directors continue to adhere to the Company Directors' Code of Ethics established which is based on principles in relation to integrity, compliance with legal and regulatory requirements and company policies and accountability in order to enhance the high standards of corporate governance and behavior.

Strategies Promoting Sustainability

The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social welfare of employees, community and environmental responsibilities.

The Company strongly believe that human capital is the most important value to an organization. In retaining the best talents, the Company continually provide employees with education and training. Employee Training and Development which is carried out internally and externally aimed to equipping employees with skills and knowledge related to projects and tasks handle by them so that these may be executed to meet customers' needs and expectation. In recognition of their services and create amiable workplace for employees, the Group organized several events throughout the year such as annual dinner & recreational activities for the employees.

As part of our corporate social responsibility agenda, the Group ensured strictly ongoing compliance with the environmental laws governing plant operations, maintenance in areas relating to environmental standards, emission standards and noise level management. This is in line with our manufacturing factories being certified as an ISO 14001 organization holder by an international body.

Ongoing programmes initiated among its staff on awareness of recycling of waste materials and continuous improvements in our manufacturing process create a greener environment.

Access to Information and Advice

All Board meetings are structured with a pre-set agenda. Board papers providing updates on operation, financial and corporate developments as well as minutes of meetings of the Board Committees are circulated prior to the meetings to give Directors time to deliberate on the issues to be raised at the meetings.

All the Directors have been granted unrestricted access to all information pertaining to the Group's business and affairs as well advice and services of the Company Secretaries in order to assist them in their decision making. Where necessary, the Directors may engage independent professionals, at the Group's expense, to advise them on specialized issues for the purpose of decision making.

Qualified and Competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary supports the Board in managing the Company's governance model, ensuring it is effective and relevant.

During the year 2012, the Company Secretary attended all Board meetings and ensure that the deliberations in terms of the issues discussed and decisions made thereof, were accurately and sufficiently recorded, and properly kept for the purposes of meeting statutory regulations, Bursa Malaysia Listing Requirements or other regulatory requirements.

Board Charter

The Board Charter is currently being drafted and will be posted on the Company's website after the Board's approval for adoption. In the course of establishing a board charter, the Board recognises the importance to set out the key values, principles and ethos of the Company, as policies and strategy development are based on these considerations. The Board Charter is expected to include the division of responsibilities and powers between the Board and management as well as the different committees established by the Board.

Strengthen Composition

Nomination Committee

Mat Ripen bin Mat Elah	(Independent/Non-Executive Director) - Chairman
Milton Norman Ng Kwee Leong	(Non-Independent/Managing Director)
Ooi Hock Guan	(Independent/Non-Executive Director)

The Nomination Committee recommends to the Board:

- Candidates for all directorship to be filled by shareholders or the Board, including those proposed by the Managing Director or any senior executives of the Company; and
- Directors to fill the seats on Board Committees

In making its recommendations, the Nomination Committee should consider the candidates':

- Skills, knowledge, expertise and experience;
- Professionalism;
- Integrity; and
- In the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

In addition, this Committee assesses:

- The effectiveness of the Board as a whole and the Committees of the Board;
- The contribution of each individual Director; and
- The required mix of skills and experiences and other qualities; including core competencies which Non-Executive Directors should bring to the Board.

Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Malaysian Code on Corporate Governance endorses as good practice, a formal procedure for appointments to the Board, with a Nomination Committee making recommendation to the Board. The Code, however, states that this procedure may be performed by the Board as a whole, although, as a matter of best practice, it recommends that this responsibility be delegated to a committee.

In previous years, the appointment of any additional Director was made as and when deemed necessary by the existing Board with due consideration given to the mix of expertise and experience required for an effective Board. Pursuant to its set up on 29 March 2002, the Nomination Committee is responsible for making recommendations for any appointment to the Board. Any new nomination received is put to the full Board for assessment and endorsement.

In accordance with the Company's Article of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first Annual General Meeting after the appointment. In additions, one-third of the remaining Directors, are required to submit themselves for re-election by rotation at each Annual General Meeting. In compliance with the Bursa Securities Listing Requirements, which came into force on 1 June 2002, all Directors are required to submit themselves for re-election at least once every three years.

Directors over seventy years old are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Gender Diversity Policy

Corporate Governance Blueprint 2011 stated that the Board should ensure women participation on board to reach 30% by 2016. The Board does not have a policy on boardroom diversity, including gender diversity. The Company will provide equal opportunity to candidates with merit. Nonetheless, the Board will give consideration to the gender diversity objectives.

Directors' Remuneration

The Company set up the Remuneration Committee on 29 March 2002 as recommended by the Malaysian Code on Corporate Governance to determine the remuneration for a Director so as to ensure that the Company attracts and retain the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned.

The members of the Remuneration Committee, comprising a majority of Non-Executive Directors, are as follows :

Mat Ripen bin Mat Elah	(Independent/Non-Executive Director) - Chairman
Milton Norman Ng Kwee Leong	(Non-Independent/Managing Director)
Ooi Hock Guan	(Independent/Non-Executive Director)

The Remuneration Committee recommends to the Board the framework of the Executive Directors' remuneration and the remuneration package for each Executive Director in all its forms, drawing from outside advice if necessary. Executive Directors should pay no part in decisions on their own remuneration. It is, nevertheless, the responsibility of the entire Board to approve the remuneration of these Directors.

The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole. The individuals concerned should abstain from discussions of their own remuneration. The Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors.

The remuneration of Directors for the financial year ended 31 December 2012 is as follows:

(i) Aggregate remuneration of directors categorised into appropriate components:-

	Executive Directors RM'000	**Non-Executive Directors RM'000**
Fees	-	2
Salary & Allowances	842	-
EPF	116	-
Bonus	127	-

(ii) the number of directors as at 31 December 2012 whose total remuneration falls within the following bands:-

Range of Remuneration	Number of Directors Executive	Non-Executive
Below RM50, 000	-	3
RM50,001 to RM100, 000	1	-
RM100,001 to RM150, 000	2	-
RM150,001 to RM900, 000	1	-

Reinforce Independence

Annual Assessment of Independence

The Board, through the Nomination Committee, assesses the independence of the Independent Non-Executive Directors annually, taking into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board.

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company.

The Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

One of the recommendation of the Malaysian Code On Corporate Governance 2012 states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and the Board have determined at the annual assessment carried out that Mat Ripen Bin Mat Elah, who have served on the Board for more than nine (9) years, remains objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The length of their services on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interest of the Company.

Shareholder's Approval for the Retention of Independent Non-Executive Director

Mat Ripen Bin Mat Elah has offered himself for re-appointment as Directors of the Company at the forthcoming forty-third Annual General Meeting. The Board is satisfied with the skills, contribution and independent judgement that Mat Ripen Bin Mat Elah bring to the Board. In view thereof, the Board recommends and supports their retention as Independent Non-Executive Director of the Company which is tabled for shareholders' approval at the forthcoming forty-third Annual General Meeting of the Company.

Separation of Position of the Chairman and Managing Director

There is a clear division of responsibility between the Chairman, Dato' Ng Boon Thong @ Ng Thian Hock and the Managing Director, Milton Norman Ng Kwee Leong, to ensure there is a balance of power and authority.

The Code also recommends that the Chairman of the Board to be a non-executive member of the Board and in the event, the Chairman is not an Independent Director, the Board must comprise a majority of Independent Directors. The Company's Chairman, Dato' Ng Boon Thong @ Ng Thian Hock, is an executive member of the Board and is not an Independent Director by virtue of his substantial interest in the Group.

The Board believes that the Chairman is competent to act on behalf of the shareholders in their best interest and does not recommend the necessity of nominating an Independent Non-Executive Chairman at this juncture.

Board Composition and Balance

The Board currently consists of four (4) Executive Directors and three (3) Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. A brief description of the background of each Director is disclosed in the Profile of Directors on pages 10 to 12.

The Group is led and controlled by an experience Board, many of whom have intimate knowledge of business. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

There is balance in the Board because of the presence of three (3) Independent Non-Executive Directors who are of the caliber necessary to carry sufficient weight on Board decisions thus enabling adequate Board representation of the interest of minority shareholders. Although all the Directors have an equal responsibility for the Group's operation, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.
Mat Ripen bin Mat Elah acts as the senior Independent Non-Executive Director. Any concerns concerning the Group may be conveyed to him.

Foster Commitment

Time Commitment

The Board meets at least four (4) times a year, with additional meetings convened when necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources, and standards of conduct. The Non-Executive Directors are all independent.

During the year ended 31 December 2012, five (5) Board meetings were held. Every Director attended a majority of the Board meetings held during his tenure in the period. Details of the Board meetings and the attendance of the Directors are set out on page 6.The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

The Directors are required to submit an update on their other directorships and shareholdings to the company Secretary. Such information is used to monitor the number of directorship held by the Directors. Each member of the Board must not hold more than five directorships in public listed companies. This is in compliance with the Bursa Malaysia Listing Requirements which states that directors should not sit on the boards for more than five listed companies to ensure that their commitment and have the time to focus and fulfill their roles and responsibility effectively.

Directors Training

As an integral element of the process of appointing new Directors, the Nomination Committee ensures that new Board members are given every opportunity to familiarise themselves with the structure, operations and types of businesses of the Group.

All the Directors have attended the Mandatory Accreditation Programme conducted by Research Institute of Investment Analysts Malaysia and completed the Continuing Education Programmes ("CEP") within the timeframe. The Board is regularly updated by the Company Secretary on the latest update/amendments on the Bursa Securities Listing Requirements and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities. The Directors will also attend training endorsed by Bursa Securities to keep abreast with developments in the capital markets.

Uphold Integrity in Financial Reporting

Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects and to ensure that the financial statements are drawn up in accordance with the provision of Companies Act, 1965 and applicable accounting standards in Malaysia. This also applies to other price-sensitive public reports and reports to regulators. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Responsibility Statement by the Directors pursuant to Main Market Listing Requirements of Bursa Securities is set out in this Annual Report.

In addition to the above, the Board has overall responsibility for maintaining a sound system of internal controls, which encompasses financial, operational, and compliance controls and risk management necessary for the Group to achieve its corporate objectives within an acceptable risk profile.

These controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Board recognises that risk cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimizing and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. At least one of these meetings is held without the presence of the Executive Directors and the Management. The Audit Committee also meets with external auditors additionally whenever it deems necessary.

In this regard, the Audit Committee has assessed the independence of Messrs Cheng & Co as external auditors of the Company. Having satisfied with their performance, technical competency and fulfillment of criteria of independent, the Audit Committee has recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming Annual General Meeting.

Internal Control and Risk Management

The Board acknowledges their responsibilities for the internal control system of the Group, covering not only financial controls but also controls relating to operations, compliance and risk management. The Board, in fulfilling their responsibilities, had set-up Audit Committee and outsourced the internal audit function of the Group to independent consulting firm to assist the Board on these matters. Information of the Group's internal control and risk management is presented in the Statement on Internal Control set out on pages 27 to 29 of the Annual Report.

Ensure Timely and High Quality Disclosure

The Board acknowledges the need to inform shareholders of all material business matters affecting the Company. The Company committed to provide shareholders with timely and equal dissemination of material information in order to enhance the transparency and accountability.

The Company has established a website – www.hil.com.my for shareholder and the public to access for information, including the announcements made by the Company. The Company's website incorporate an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This investor Relations section enhances the Investor Relations function by including all announcements made by the Company, annual reports as well as the financial information of the Company.

The Company's website has a "Contact Us" section where shareholders and potential investors may direct their enquiries on the Company. The Company's customer services team will endeavour to reply to these queries in the shortest possible time.

The announcement of the quarterly financial result is also made via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Strengthen Relationship between Company and Shareholders

The Company provides information to shareholders with regard to, amongst others, details of the Annual General Meeting, their entitlement to attend the Annual General Meeting, the right to appoint a proxy and also the qualification of a proxy.

A copy of the Annual Report and the notice of the AGM are sent to all shareholders at least 21 days before the AGM. The notice of AGM is also published in a nationally circulated daily newspaper. To further promote participation of members through proxy(ies), which is in line with the insertion of Paragraph 7.21 of the Main Market Listing Requirements of Bursa Securities, the Company had sought shareholders' approval to amend its Articles of Association to include explicitly the right of proxies to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow any restriction on proxy's qualification.

In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public. The practice of disclosure of information is not just established to comply with requirements of the Main Market Listing Requirements of Bursa Securities pertaining to continuing disclosures, it also adopts the best practices as recommended in the Malaysian Code of Corporate Governance 2012 with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the Main Market Listing Requirements of Bursa Securities.

Another key avenue of communication with its shareholders is the Company's Annual General Meeting, which provides a useful forum for shareholders to engage directly with the Company's Directors. During the general meeting, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Company's Drectors. Where appropriate, the Board will undertake to provide written answer to any questions that cannot be readily answered at the meeting.

Statement of Internal Control

The revamped Bursa Securities Listing Requirements (Guidance) require the Board of Directors of public listed companies to include in its Annual Report "A statement about the state of internal control of the public listed issuer as a Group", based on principals laid out in The Malaysian Code on Corporate Governance (The Code). The following statement is set out in accordance with the Guidance.

Responsibility of the Board of Directors

The Board of Directors recognises the importance of good risk management framework and sound internal control systems, in order to safeguard shareholders' investment and the Groups' assets. The Board of Directors maintains full control over all internal controls within the Group, covering aspects of operational, compliance as well as financial in nature. In view of inherit risks, the Groups' internal control system are designed to reduce rather than eliminate possible risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Risk Management Framework

The Board of Directors has established an organisational structure with clearly defined lines of authorities and job responsibilities to enhance accountability.

An informal risk management process is carried out throughout the year, for identifying, evaluating and managing significant risks faced by the Group. The Board of Directors has empowered the Managing Director, who formed various task forces/project committees comprising Executive Directors and key senior management personnel to assist him, in reviewing and managing the significant risks faced by the various operating units to achieve their respective business objectives of the Group. The Managing Director will inform the Board of Directors of any pertinent matters, which require decision-making at Board level.

The Managing Director and his senior management team, through their day-to-day involvement in the operations of the Group, ensure that ongoing maintenance, monitoring, reviewing and reporting arrangement have been put in place to provide reasonable assurance that the structure of controls and operations is appropriate to the Group.

Internal Audit Function

In accordance with Best Practices Provision BBVII in Part 2 of The Code, the Group's internal audit function had been outsourced to a professional firm and it reports directly to the Audit Committee on a timely manner. The firm will assist the Audit Committee, in obtaining sufficient assurance of regular review and appraisal of the effectiveness of the systems of internal audit activities are performed with impartiality, proficiency and due professional care.

A high level assessment of the Group's business risk was carried out by the internal audit function to facilitate the preparation of the internal audit plan. The audit plan was approved by the Audit Committee. With the adoption of a risk-based approach, the internal audit function is able to focus its work on principal risk areas and processes of the business operation units.

The internal audit function adopts a risk-based approach in carrying out its internal audit works. Based on the risk profile of the Group, the internal audit function prepares its audit plan by focusing on areas of high risk. During the course of carrying out their reviews, full cooperation and unrestricted access to all information was given in order to discharge their duties.

The key features of the internal control systems are:

- Written policies and procedures for the Group are set out in accordance to Certified Quality Management System. The UK/US National Quality Assurance Limited (NQA) has awarded the TS16949:2009, QS 9000, ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 Environmental Management Systems certification to the Group to mark the Group's quality achievement and accreditation.

- Established organisational structure.

- Clear lines of authorities and well defined responsibilities for all personnel of the Group. Strict authorisation and approval procedures have been established within top management.

- Procedure has been established for hiring and termination of employees and an annual performance appraisal are in place to ensure employees are competent to carry out their respective duty. Training and development programs is exist t enhance employee knowledge, skills and abilities required for effective job performance.

- Regular and open communication between management, internal auditor and the Board of Directors on matters relating to risk and control.

- The Board of Directors takes into account significant aspects of internal control for the Group.

- Group quarterly financial reports are reviewed by Audit Committee to ensure the financial statements are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at the end of financial year. The Group financial statement is presented to Board and subsequently approved before release to Bursa Malaysia.

- Conduct of monthly senior management meeting encompassing directors and head of departments, focusing on principal risks affecting the Group's business objectives and to make decisions on important matters for the Group.

- Set up of ad hoc task forces and project committees that are chaired periodically by the Managing Director/Executive Directors and attended by heads of departments and executives, to manage critical matters that require close monitoring.

- Computerised financial system used to compile and consolidate data to generate monthly management reports, which assist management in identifying key changes and monitoring performance.

- Group assets are covered with sufficient insurance to ensure assets are protected against any mishap and other perils that could result in material loss. A yearly policy renewal exercise is undertaken in which Management reviews the coverage based on the current fixed assets inventory and the respective net book values and "replacement value".

During the financial year, the internal auditors carried out reviews on the following areas to assess the adequacy and effectiveness of internal controls :

- Sales and collections
- Cash and bank management
- Property, plant and equipment

The internal auditors have identified some weaknesses in the internal control and these together with improvement recommendations have been reported to the Audit Committee. However, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

The system of internal control will continue to be reviewed, enhanced or updated in line with changes in the operating environment. The Board will seek regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by the internal auditors. The Board is of the view that there is ongoing process for identifying, evaluating and managing significant risks faced by the Group and the internal control systems are in place and have not resulted on any material misstatement, loss, contingencies or uncertainties that would require disclosure on the Group's Annual Report.

Additional Compliance Information

1. **Shares buy-backs**

   The Company did not purchase any of its own shares, cancel or resell any treasury shares during the financial year ended 31 December 2012.

2. **Warrants**

   The Company does not issue any Warrants nor has any unexercised Warrants for the financial year ended 31 December 2012.

3. **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**

   The Company has not sponsored any ADR or GDR programme in the financial year ended 31 December 2012.

4. **Non-audit fees**

   The total amount of non-audit fees paid/payable to external auditors by HIB Group for the financial year ended 31 December 2012 amounted to RM Nil.

5. **Sanctions and/or penalties**

   There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year 2012.

6. **Variation in results**

   There is no material variance between the results for the financial period and the unaudited results previously announced by the Company.

7. **Profit guarantee**

   The Company did not make any arrangement during the financial year, which requires profit guarantee.

8. **Recurrent related party transaction of a revenue nature**

   There was no recurrent related party transaction of a revenue nature, which requires profit guarantee.

9. **Revaluation policy on land properties**

   The carrying values of landed properties are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amounts of the landed properties are estimated by the Directors.

10. **Material contracts**

    None of the directors and/or major shareholders has any material contracts (not being contracts entered into the ordinary course of business) with the Company and/or its subsidiaries either still subsisting at the end of the financial year ended 31 December 2012 or entered into since the end of the previous financial year.

Directors' Report

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the manufacture and sale of industrial and domestic moulded plastic products. The principal activities of the subsidiary companies are disclosed in Note 14 to the financial statements. There was no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
(Loss)/Profit for the financial year	(3,075,796)	6,449,739
(Loss)/Profit attributable to:		
Owners of the Company	(3,119,388)	6,449,739
Non-controlling interests	43,592	-
	(3,075,796)	6,449,739

DIVIDENDS

No dividend was paid or declared since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Dato' Ng Boon Thong @ Ng Thian Hock
Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf
Milton Norman Ng Kwee Leong
Malcolm Jeremy Ng Kwee Seng
Mat Ripen bin Mat Elah
Ooi Hock Guan
Tan Sri Dato' Dr Sak Cheng Lum

In accordance with Article 102 of the Company's Articles of Association, Dato' Ng Boon Thong @ Ng Thian Hock and Tan Sri Dato' Dr Sak Cheng Lum retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf and Mat Ripen bin Mat Elah retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.50 each in the Company			
	At 1.1.2012	Additions	Disposals	At 31.12.2012
Shareholdings in the name of the Director				
Dato' Ng Boon Thong @ Ng Thian Hock	33,113,566	-	-	33,113,566
Milton Norman Ng Kwee Leong	6,168,300	-	-	6,168,300
Malcolm Jeremy Ng Kwee Seng	3,075,600	-	-	3,075,600
Shareholdings in which the Director is deemed to have an interest				
Dato' Ng Boon Thong @ Ng Thian Hock	171,349,474	-	-	171,349,474
Milton Norman Ng Kwee Leong	189,124,240	-	-	189,124,240
Malcolm Jeremy Ng Kwee Seng	189,124,240	-	-	189,124,240

	Number of ordinary shares of RM1.00 each in Dalta Industries Sdn. Bhd. ("Dalta")			
	At 1.1.2012	Additions	Disposals	At 31.12.2012
Shareholdings in the name of the Director				
Dato' Ng Boon Thong @ Ng Thian Hock	7,000,000	-	-	7,000,000
Shareholdings in which the Director is deemed to have an interest				
Dato' Ng Boon Thong @ Ng Thian Hock	3,000,000	-	-	3,000,000

DIRECTORS' INTERESTS (Continued)

By virtue of their interests in shares in the Company, Dato' Ng Boon Thong @ Ng Thian Hock, Milton Norman Ng Kwee Leong and Malcolm Jeremy Ng Kwee Seng are also deemed interested in shares in the subsidiary companies to the extent that the Company has an interest.

Other than disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares in the Company or in shares in its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render:

(a) the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(b) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (Continued)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ablility of the Group or of the Company to meet their obligations when they fall due; and

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

HOLDING COMPANY

The Directors regard Dalta Industries Sdn. Bhd., a company incorporated in Malaysia, as the immediate and ultimate holding company.

AUDITORS

The auditors, Cheng & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated
24 April 2013

MILTON NORMAN NG KWEE LEONG	MALCOLM JEREMY NG KWEE SENG
Managing Director	Director

Statement By Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Milton Norman Ng Kwee Leong and Malcolm Jeremy Ng Kwee Seng, being two of the Directors of HIL INDUSTRIES BERHAD, state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standard and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then-ended.

Signed on behalf of the Board of Directors in accordance with their resolution dated
24 April 2013

MILTON NORMAN NG KWEE LEONG Managing Director	MALCOLM JEREMY NG KWEE SENG Director

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, Milton Norman Ng Kwee Leong, being the Director primarily responsible for the financial management of HIL INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed MILTON NORMAN NG KWEE)
LEONG at Klang in the State of Selangor Darul)
Ehsan on)

Before me,

Report on the Financial Statements

We have audited the financial statements of Hil Industries Berhad., which comprise statements of positions as at **31 December 2012** of the Group and of the Company and statements of comprehensive income, statement of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 116.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements gives a true and fair view of the financial position of the Group and of the Company as of **31 December 2012** and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings :

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

(c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Director are responsible for the preparation of supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 35 to the financial statements, Hil Industries Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtained sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CHENG & CO.
Firm No. : AF – 0886
Chartered Accountants (Malaysia)
18-2, Jalan 2/114, Kuchai Business Centre,
Off Jalan Klang Lama, 58200 Kuala Lumpur.

YAP PENG BOON
Partner
No. Kelulusan 2118/12/14 (J)

Kuala Lumpur,
Date: April 24, 2013

Statements of Comprehensive Income
For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	4	79,732,470	106,448,928	58,706,568	78,158,782
Cost of sales		(69,579,406)	(89,868,192)	(45,134,826)	(58,025,538)
Gross profit		10,153,064	16,580,736	13,571,742	20,133,244
Other items of income:					
– Interest income	5	2,244,613	1,643,799	1,675,414	1,184,632
– Other income		1,177,800	172,251	379,314	120,858
Other items of expense:					
– Selling and marketing expenses		(2,824,009)	(3,514,228)	(2,185,717)	(2,500,680)
– Administrative expenses		(9,118,094)	(11,072,201)	(4,197,589)	(4,769,249)
– Other expenses		(1,026,455)	(1,241,359)	(391,956)	(608,905)
Operating profit		606,919	2,568,998	8,851,208	13,559,900
Finance costs	6	(34,045)	(24,528)	(34,045)	(24,528)
Profit before taxation	7	572,874	2,544,470	8,817,163	13,535,372
Taxation	11	(3,648,670)	(1,979,074)	(2,367,424)	(1,614,102)
(Loss)/Profit for the financial year		(3,075,796)	565,396	6,449,739	11,921,270
Other comprehensive (loss)/income, net of tax					
Foreign currency translation differences for foreign operations		(2,212,060)	3,260,437	-	-
Total comprehensive (loss)/ income for the financial year		(5,287,856)	3,825,833	6,449,739	11,921,270

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
(Loss)/Profit attributable to:					
Owners of the Company		(3,119,388)	483,057	6,449,739	11,921,270
Non-controlling interests		43,592	82,339	-	-
(Loss)/Profit for the financial year		(3,075,796)	565,396	6,449,739	11,921,270
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(5,331,448)	3,743,494	6,449,739	11,921,270
Non-controlling interests		43,592	82,339	-	-
Total comprehensive (loss)/ income for the financial year		(5,287,856)	3,825,833	6,449,739	11,921,270
Basic earnings per share attributable to owners of the Company (sen)	10	(1.13)	0.17		

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position as at 31 December 2012

	Note	Group			Company		
			Restated	Restated At		Restated	Restated At
		2012	2011	1.1.2011	2012	2011	1.1.2011
		RM	RM	RM	RM	RM	RM
ASSETS							
Non-current assets							
Property, plant and equipment	12	89,507,182	97,452,540	100,982,227	67,464,515	69,959,023	68,549,347
Investment properties	13	23,829,644	23,892,683	23,955,722	-	-	-
Investments in subsidiary companies	14	-	-	-	40,667,869	40,241,269	20,055,204
Other investments	15	179,141	174,194	-	-	-	-
Goodwill	16	4,932,358	4,932,358	4,932,358	-	-	-
		118,448,325	126,451,775	129,870,307	108,132,384	110,200,292	88,604,551
Current assets							
Inventories	17	10,133,004	15,686,991	20,495,302	3,522,904	4,566,463	4,539,658
Property development costs	18	62,200,121	62,114,304	62,020,860	-	-	-
Trade and other receivables	19	33,641,930	32,599,426	43,011,768	98,560,436	95,277,908	137,853,152
Prepaid expenses		1,200,705	1,421,381	1,336,792	668,048	475,239	643,064
Tax recoverable		2,791,259	2,851,734	3,190,421	-	-	-
Deposits with licensed banks	20	76,137,444	72,851,542	46,492,540	61,374,887	54,118,083	33,093,730
Cash and bank balances	21	6,875,781	8,465,157	20,243,724	902,189	3,062,473	4,995,744
		192,980,244	195,990,535	196,791,407	165,028,464	157,500,166	181,125,348
TOTAL ASSETS		311,428,569	322,442,310	326,661,714	273,160,848	267,700,458	269,729,899

		Group			Company		
	Note	2012 RM	Restated 2011 RM	Restated At 1.1.2011 RM	2012 RM	Restated 2011 RM	Restated At 1.1.2011 RM
EQUITY AND LIABILITIES							
Equity attributable to shareholders of the Company							
Share capital	22	139,357,072	139,357,072	139,357,072	139,357,072	139,357,072	139,357,072
Share premium		1,280,872	1,280,872	1,280,872	1,280,872	1,280,872	1,280,872
Treasury shares	22(b)	(947,224)	(947,224)	-	(947,224)	(947,224)	-
Capital reserve		308,161	-	-	-	-	-
Currency translation reserve		(1,803,516)	408,544	(2,851,893)	-	-	-
Retained profits	23	131,585,343	134,704,731	138,122,072	98,416,445	91,966,706	83,945,834
		269,780,708	274,803,995	275,908,123	238,107,165	231,657,426	224,583,778
Non-controlling interests		1,757,161	2,448,330	2,365,991	-	-	-
Total equity		271,537,869	277,252,325	278,274,114	238,107,165	231,657,426	224,583,778
Non-current liabilities							
Finance lease liabilities	24	793,782	-	181,885	793,782	-	181,885
Deferred tax liabilities	25	23,359,074	23,224,372	22,627,394	8,195,671	8,060,969	7,463,991
		24,152,856	23,224,372	22,809,279	8,989,453	8,060,969	7,645,876
Current liabilities							
Trade and other payables	26	15,037,527	21,257,379	25,092,812	25,541,963	27,486,172	37,208,078
Finance lease liabilities	24	174,983	181,894	210,236	174,983	181,894	210,236
Provision for taxation		525,334	526,340	275,273	347,284	313,997	81,931
		15,737,844	21,965,613	25,578,321	26,064,230	27,982,063	37,500,245
Total liabilities		39,890,700	45,189,985	48,387,600	35,053,683	36,043,032	45,146,121
TOTAL EQUITY AND LIABILITIES		311,428,569	322,442,310	326,661,714	273,160,848	267,700,458	269,729,899

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2012

	Note	Attributable to owners of the Company									
		Share capital RM	Share premium RM	Treasury shares RM	Capital reserve RM	Revaluation reserve RM	Currency translation reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2012 (Previously reported)		139,357,072	1,280,872	(947,224)	-	572,385	408,544	134,132,346	274,803,995	2,448,330	277,252,325
Effects of adopting Malaysian Financial Reporting Standards ("MFRS")	2	-	-	-	-	(572,385)	-	572,385	-	-	-
At 1 January 2012 (Restated)		139,357,072	1,280,872	(947,224)	-	-	408,544	134,704,731	274,803,995	2,448,330	277,252,325
Total comprehensive (loss)/income for the financial year		-	-	-		-	(2,212,060)	(3,119,388)	(5,331,448)	43,592	(5,287,856)
Transactions with owners:											
Increase/(Decrease) in equity interest in subsidiary company		-	-	-	308,161	-	-	-	308,161	(734,761)	(426,600)
At 31 December 2012		139,357,072	1,280,872	(947,224)	308,161	-	(1,803,516)	131,585,343	269,780,708	1,757,161	271,537,869

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2012 (Continued)

		Attributable to owners of the Company									
	Note	Share capital RM	Share premium RM	Treasury shares RM	Capital reserve RM	Revaluation reserve RM	Currency translation reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2011 (Previously reported)		139,357,072	1,280,872	-	-	572,385	(2,851,893)	137,549,687	275,908,123	2,365,991	278,274,114
Effects of adopting MFRS	2	-	-	-	-	(572,385)	-	572,385	-	-	-
At 1 January 2011 (Restated)		139,357,072	1,280,872	-	-	-	(2,851,893)	138,122,072	275,908,123	2,365,991	278,274,114
Total comprehensive income for the financial year		-	-	-	-	-	3,260,437	483,057	3,743,494	82,339	3,825,833
Transactions with owners:											
– Purchase of treasury shares	22(b)	-	-	(947,224)	-	-	-	-	(947,224)	-	(947,224)
– Dividends on ordinary shares	28	-	-	-	-	-	-	(3,900,398)	(3,900,398)	-	(3,900,398)
		-	-	(947,224)	-	-	-	(3,900,398)	(4,847,622)	-	(4,847,622)
At 31 December 2011		139,357,072	1,280,872	(947,224)	-	-	408,544	134,704,731	274,803,995	2,448,330	277,252,325

The accompanying notes form an integral part of the financial statements.

Company Statement of Changes in Equity
For the Financial Year Ended 31 December 2012

	Note	Non-distributable				Distributable	
		Share capital RM	Share premium RM	Treasury shares RM	Revaluation reserve RM	Retained profits RM	Total equity RM
At 1 January 2012 (Previously reported)		139,357,072	1,280,872	(947,224)	536,000	91,430,706	231,657,426
Effects of adopting Malaysian Financial Reporting Standards ("MFRS")		-	-	-	(536,000)	536,000	-
At 1 January 2012 (Restated)		139,357,072	1,280,872	(947,224)	-	91,966,706	231,657,426
Total comprehensive income for the financial year		-	-	-	-	6,449,739	6,449,739
At 31 December 2012		139,357,072	1,280,872	(947,224)	-	98,416,445	238,107,165

Company Statement of Changes in Equity
For the Financial Year Ended 31 December 2012 (Continued)

	Note		Non-distributable			Distributable	
		Share capital RM	Share premium RM	Treasury shares RM	Revaluation reserve RM	Retained profits RM	Total equity RM
At 1 January 2011 (Previously reported)		139,357,072	1,280,872	-	536,000	83,409,834	224,583,778
Effects of adopting MFRS		-	-	-	(536,000)	536,000	-
At 1 January 2011 (Restated)		139,357,072	1,280,872	-	-	83,945,834	224,583,778
Total comprehensive income for the financial year		-	-	-	-	11,921,270	11,921,270
Transactions with owners:							
– Purchase of treasury shares	22(b)	-	-	(947,224)	-	-	(947,224)
– Dividends on ordinary shares	28	-	-	-	-	(3,900,398)	(3,900,398)
		-	-	(947,224)	-	(3,900,398)	(4,847,622)
At 31 December 2011		139,357,072	1,280,872	(947,224)	-	91,966,706	231,657,426

The accompanying notes form an integral part of the financial statements.

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
OPERATING ACTIVITIES					
Profit before taxation		572,874	2,544,470	8,817,163	13,535,372
Adjustments for:					
Bad debts written off		-	198	-	-
Depreciation of property, plant and equipment		10,609,594	10,826,357	7,485,183	7,282,914
Depreciation of investment properties		63,039	63,039	-	-
Gross dividend income		-	-	-	(3,531,237)
Impairment loss on trade receivables		1,433	18,933	-	-
Impairment on property, plant and equipment		501,999	-	-	-
Interest expense		34,045	24,528	34,045	24,528
Interest income		(2,244,613)	(1,643,799)	(1,675,414)	(1,184,632)
(Gain)/Loss on disposal of property, plant and equipment		(183,731)	66,383	(154,225)	73,883
Net unrealised foreign exchange losses/(gains)		80,969	529,107	98,008	(1,514)
Operating profit before working capital changes		9,435,609	12,429,216	14,604,760	16,199,314
Working capital changes:					
Inventories		5,553,987	4,808,311	1,043,559	(26,805)
Property development costs		(85,817)	(93,444)	-	-
Trade and other receivables		(926,058)	9,364,179	(3,187,091)	22,063,287
Prepaid expenses		220,676	(84,589)	(192,809)	167,825
Trade and other payables		(6,215,482)	(4,389,261)	(1,944,209)	(9,721,906)
Cash generated from operations carried forward		7,982,915	22,034,412	10,324,210	28,681,715

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash generated from operations brought forward		7,982,915	22,034,412	10,324,210	28,681,715
Dividends received		-	-	-	3,531,237
Interest paid		(34,045)	(24,528)	(34,045)	(24,528)
Interest received		2,244,613	1,643,799	1,675,414	1,184,632
Tax paid		(3,499,741)	(1,064,060)	(2,199,435)	(785,058)
Tax recovered		45,242	273,569	-	-
Net cash flow from operating activities		6,738,984	22,863,192	9,766,144	32,587,998
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	27	(2,697,932)	(5,998,853)	(4,002,420)	(8,979,473)
Proceeds from disposal of property, plant and equipment		245,782	220,500	210,570	213,000
Subscription of shares in existing subsidiary companies		-	-	-	(69,994)
Increase in equity interest in a subsidiary company		(426,600)	-	(426,600)	-
Purchase of other investments		(4,947)	(174,194)	-	-
Net cash flow from investing activities		(2,883,697)	(5,952,547)	(4,218,450)	(8,836,467)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
FINANCING ACTIVITIES					
Repayment of finance lease liabilities		(257,729)	(210,227)	(257,729)	(210,227)
Dividends paid on ordinary shares	28	-	(3,900,398)	-	(3,900,398)
Purchase of treasury shares	22(b)	-	(947,224)	-	(947,224)
Net cash flow from financing activities		(257,729)	(5,057,849)	(257,729)	(5,057,849)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,597,558	11,852,796	5,289,965	18,693,682
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		81,316,699	66,736,264	57,180,556	38,089,474
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		(1,901,032)	2,727,639	(193,445)	397,400
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	29	83,013,225	81,316,699	62,277,076	57,180,556

The accompanying notes form an integral part of the financial statements.

1. GENERAL INFORMATION

Hil Industries Berhad ("the Company" or "HIB") is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Bursa Malaysia Securities Berhad.

The business address of the Company is Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia.

The principal activities of the Company are investment holding and the manufacture and sale of industrial and domestic moulded plastic products. The principal activities of the subsidiary companies are disclosed in Note 14. There was no significant change in the nature of these activities during the financial year.

The Directors regard Dalta Industries Sdn. Bhd. ("Dalta"), a company incorporated in Malaysia, as the immediate and ultimate holding company.

The financial statements were authorised for issue by the Board of Directors on 24th April 2013.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impact on transition on MFRSs is disclosed in Note 35.

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee ("IC") Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company :

<u>Effective for financial periods beginning on or after 1 July 2012</u>

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income

2. BASIS OF PREPARATION (Continued)

2.1 Statement of compliance (Continued)

Effective for financial periods beginning on or after 1 January 2013

MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127 (2011)	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities : Transition Guidance
Improvements to MFRSs (2012)	Annual Improvements 2009 - 2011 Cycle

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

MFRS 9 (IFRS 9 as issued by IASB in November 2009)	Financial Instruments
MFRS 9 (IFRS 9 as issued by IASB in October 2010)	Financial Instruments

2. BASIS OF PREPARATION (Continued)

2.1 Statement of compliance (Continued)

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods.

Material impacts of initial application of a standard, an amendment or an interpretation are discussed below :

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments : *Recognition and Measurement*, on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impact to the current and prior periods' financial statements.

2.2 Basis of measurement

The financial statemetns have been prepared on the historical cost basis except as disclosed in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Group and the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. BASIS OF PREPARATION (Continued)

2.4 Use of estimates and judgements (Continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statement of financial position of the Group and of the Company as at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the reporting date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiary companies are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

3.2 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3.3 Foreign currencies

a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

b) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Foreign currencies (Continued)

b) Group companies (Continued)

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property, plant and equipment (Continued)

All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets, or the revalued amount, to their residual values over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Leasehold land	43 - 57 years
Buildings	50 years
Plant and machinery	4 - 13 years
Motor vehicles, equipment and furniture	3 - 5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

3.5 Investment properties

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 3.4.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the financial year of disposal or retirement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Goodwill

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

3.7 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

3.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

3.9 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial assets (Continued)

a) Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial assets (Continued)

d) Available-for-sale financial assets (Continued)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of financial assets (Continued)

b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method.

The cost of raw materials and consumables includes the original cost of purchase and other incidental costs required to bring the inventories to their present location and condition.

The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and an appropriate proportion of production overheads.

The cost of completed properties held for sale comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

3.13 Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the outcome of the development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

When the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

Where revenue recognised in the income statement exceeds billings to purchasers, the balance is shown as accrued billings under current assets. Where billings to purchasers exceed revenue recognised in the income statement, the balance is shown as progress billings under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.15 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

3.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leased assets

a) Finance leases

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

b) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance in an operating lease is classified as prepaid lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.19 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantially enacted by the reporting date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Employee benefits

a) Short term benefits

Salaries, wages, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees.

b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

3.21 Revenue recognition

a) Income from sale of products and performance of services

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales tax, discounts and returns.

b) Revenue from property letting

Rental income from properties is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

c) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

d) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4. REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of goods	78,156,333	105,336,250	58,706,568	74,627,545
Services rendered	67,619	70,478	-	-
Rental income from land and buildings	1,508,518	1,042,200	-	-
Dividend income from subsidiary companies	-	-	-	3,531,237
	79,732,470	106,448,928	58,706,568	78,158,782

5. INTEREST INCOME

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest income from loans and receivables	2,244,613	1,643,799	1,675,414	1,184,632

6. FINANCE COSTS

	Group and Company	
	2012 RM	2011 RM
Interest expense on:		
– Bank overdrafts	10,027	12,455
– Obligations under finance leases	24,018	12,073
	34,045	24,528

7. PROFIT BEFORE TAXATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before taxation is arrived at after charging/(crediting):				
Employee benefits expense (Note 8)	21,522,829	26,829,716	13,226,169	14,994,941
Non-executive directors' remuneration (Note 9)	2,000	3,500	2,000	3,500
Auditors' remuneration	74,298	68,926	26,500	23,500
Bad debts written off:				
– Receivables	-	198	-	-
Depreciation of property, plant and equipment	10,609,594	10,826,357	7,485,183	7,282,914
Depreciation of investment properties (Note 13)	63,039	63,039	-	-
Direct operating expenses arising from investment properties	984,276	572,446	-	-
Impairment loss on trade receivables (Note 19)	1,433	18,933	-	-

7. PROFIT BEFORE TAXATION (Continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Impairment loss on property, plant and equipment (Note 12)	501,999	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(183,731)	66,383	(154,225)	73,883
Net foreign exchange losses/(gains):				
– Realised	99,052	417,552	71,652	347,883
– Unrealised	80,969	529,107	98,008	(1,514)
Rental expense for land and buildings	1,346,923	2,070,952	367,022	438,947
Rental income from land and buildings	-	-	(225,000)	(120,000)

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries, bonuses and allowances	17,176,834	22,050,078	10,364,583	12,368,585
Contributions to defined contribution plans	1,182,013	1,024,835	939,101	833,029
Social security contributions	957,923	1,427,279	77,712	88,235
Other employee benefits	2,206,059	2,327,524	1,844,773	1,705,092
	21,522,829	26,829,716	13,226,169	14,994,941

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,082,608 (2011: RM1,171,760) and RM879,320 (2011: RM985,048) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors' remuneration (Note 8):				
– Non-fee emoluments	1,082,608	1,171,760	879,320	985,048
Non-executive directors' remuneration (Note 7):				
– Fees	2,000	3,500	2,000	3,500
Total directors' remuneration (Note 30)	1,084,608	1,175,260	881,320	988,548

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2012	2011
(Loss)/Profit for the financial year attributable to owners of the Company (RM)	(3,119,388)	483,057
Weighted average number of ordinary shares in issue	276,617,344	277,544,733
Basic earnings per share (sen)	(1.13)	0.17

As at the end of the current financial year, the Company does not have any dilutive potential ordinary shares. Accordingly, the diluted earnings per share is not presented.

11. TAXATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax expense:				
- Malaysian income tax	2,626,259	1,326,408	2,232,722	1,017,124
- Foreign income tax	877,723	-	-	-
- Underprovision in previous financial years	9,986	55,688	-	-
	3,513,968	1,382,096	2,232,722	1,017,124
Deferred taxation (Note 25)				
- relating to origination and reversal of temporary differences	202,822	596,978	202,822	596,978
- Overprovision in previous financial years	(68,120)	-	(68,120)	-
	134,702	596,978	134,702	596,978
Income tax expense recognised in profit or loss	3,648,670	1,979,074	2,367,424	1,614,102

Domestic current income tax is calculated at the statutory tax rate of 25% of the estimated assessable profit for the financial year.

11. TAXATION (Continued)

The explanation of the relationship between income tax expense and profit before taxation is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Numerical reconciliation of effective income tax expense				
Profit before taxation	572,874	2,544,470	8,817,163	13,535,372
Taxation at Malaysian statutory tax rate of 25%	143,219	636,118	2,204,291	3,383,843
Tax effect of:				
- income not subject to tax	1,955,167	(151,203)	(34,998)	(883,188)
- different tax rates of a foreign subsidiary company	(1,316,584)	-	-	-
- expenses not deductible for tax purposes	416,081	330,142	266,251	241,512
- utilisation of reinvestment allowances	-	(1,128,065)	-	(1,128,065)
- utilisation of previously unrecognised capital allowances	-	(6,072)	-	-
- utilisation of previously unrecognised tax losses	(11,933)	(53,070)	-	-
Deferred tax assets not recognised during the financial year	2,520,854	2,295,536	-	-
Overprovision of deferred tax in previous financial years	(68,120)	-	(68,120)	-
Underprovision of income tax in previous financial years	9,986	55,688	-	-
Income tax expense recognised in profit or loss	3,648,670	1,979,074	2,367,424	1,614,102

12. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles, equipment and furniture RM	Total RM
2012						
Net book value						
At 1 January 2012	4,136,968	3,871,718	22,545,458	63,609,561	3,288,835	97,452,540
Additions	-	-	-	1,973,359	1,769,173	3,742,532
Disposals	-	-	-	(26,345)	(35,706)	(62,051)
Depreciation charge	-	(106,269)	(621,023)	(8,336,072)	(1,546,230)	(10,609,594)
Impairment loss (Note 7)	-	-	-	(501,999)	-	(501,999)
Currency translation differences	-	-	-	(464,649)	(49,597)	(514,246)
At 31 December 2012	4,136,968	3,765,449	21,924,435	56,253,855	3,426,475	89,507,182
At 31 December 2012						
Cost	4,136,968	527,188	27,018,362	119,153,056	19,582,118	170,417,692
Valuation	-	5,360,000	4,032,815	-	-	9,392,815
Accumulated depreciation	-	(2,121,739)	(9,126,742)	(62,395,822)	(16,155,643)	(89,799,946)
Accumulated impairment losses	-	-	-	(503,379)	-	(503,379)
Net book value	4,136,968	3,765,449	21,924,435	56,253,855	3,426,475	89,507,182

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles, equipment and furniture RM	Total RM
2011						
Net book value						
At 1 January 2011	4,136,968	3,977,990	23,166,481	66,011,120	3,689,668	100,982,227
Additions	-	-	-	4,954,109	1,044,744	5,998,853
Disposals	-	-	-	(286,883)	-	(286,883)
Depreciation charge	-	(106,272)	(621,023)	(8,524,262)	(1,574,800)	(10,826,357)
Currency translation differences	-	-	-	1,455,477	129,223	1,584,700
At 31 December 2011	4,136,968	3,871,718	22,545,458	63,609,561	3,288,835	97,452,540
At 31 December 2011						
Cost	4,136,968	527,188	27,018,362	118,802,844	18,728,761	169,214,123
Valuation	-	5,360,000	4,032,815	-	-	9,392,815
Accumulated depreciation	-	(2,015,470)	(8,505,719)	(55,193,283)	(15,439,926)	(81,154,398)
Net book value	4,136,968	3,871,718	22,545,458	63,609,561	3,288,835	97,452,540

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Buildings RM	Plant and machinery RM	Motor vehicles, equipment and furniture RM	Total RM
2012				
Net book value				
At 1 January 2012	22,545,458	45,878,820	1,534,745	69,959,023
Additions	-	3,479,103	1,567,917	5,047,020
Disposals	-	(26,345)	(30,000)	(56,345)
Depreciation charge	(621,023)	(5,807,583)	(1,056,577)	(7,485,183)
At 31 December 2012	21,924,435	43,523,995	2,016,085	67,464,515
At 31 December 2012				
Cost	27,018,362	89,453,088	14,772,301	131,243,751
Valuation	4,032,815	-	-	4,032,815
Accumulated depreciation	(9,126,742)	(45,929,093)	(12,756,216)	(67,812,051)
Net book value	21,924,435	43,523,995	2,016,085	67,464,515

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	Buildings RM	Plant and machinery RM	Motor vehicles, equipment and furniture RM	Total RM
2011				
Net book value				
At 1 January 2011	23,166,481	43,837,912	1,544,954	68,549,347
Additions	-	8,016,403	963,070	8,979,473
Disposals	-	(286,883)	-	(286,883)
Depreciation charge	(621,023)	(5,688,612)	(973,279)	(7,282,914)
At 31 December 2011	22,545,458	45,878,820	1,534,745	69,959,023
At 31 December 2011				
Cost	27,018,362	86,825,756	13,967,540	127,811,658
Valuation	4,032,815	-	-	4,032,815
Accumulated depreciation	(8,505,719)	(40,946,936)	(12,432,795)	(61,885,450)
Net book value	22,545,458	45,878,820	1,534,745	69,959,023

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The buildings of the Company are located on its subsidiary companies' land.

The leasehold land and certain buildings were revalued by the Directors in 1992 based on market value determined by the Government's valuers and approved by the Capital Issues Committee in connection with the Company's listing exercise. The valuations have not been updated since then as the Directors have not adopted a policy of regular revaluation. In accordance with the transitional provisions of International Accounting Standard No. 16 (Revised), Property, Plant and Equipment, these properties continue to be stated on the basis of their 1992 valuations.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net book values of revalued land and buildings, had these assets been carried at cost less accumulated depreciation:				
- Leasehold land	652,890	671,412	-	-
- Buildings	22,251,560	22,884,164	22,251,560	22,884,164

The motor vehicles held under finance leases at the reporting date had a carrying amount of RM970,659 (2011: RM Nil).

13. INVESTMENT PROPERTIES

	Group	
	2012 RM	2011 RM
Cost		
At 1 January/31 December	23,955,722	23,955,722
Accumulated depreciation		
At 1 January	63,039	-
Depreciation for the financial year (Note 7)	63,039	63,039
At 31 December	126,078	63,039
Carrying amount	23,829,644	23,892,683
Fair value of the freehold land and buildings (Based on the Directors' appraisal)	22,287,000	22,287,000

14. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2012 RM	2011 RM
Unquoted shares:		
- At 1992 valuation	5,181,704	5,181,704
- At cost	15,370,094	14,943,494
- Capital contribution	20,116,071	20,116,071
	40,667,869	40,241,269

14. INVESTMENTS IN SUBSIDIARY COMPANIES (Continued)

The unquoted shares in a subsidiary company were revalued by the Directors in 1992 in conjunction with the Directors' valuation of property, plant and equipment and the leasehold land based on market value determined by the Government's valuers and approved by the Capital Issues Committee in connection with the Company's listing exercise as disclosed in Note 12. It was not the intention of the Directors then to adopt a policy for revaluation of its long term investments in subsidiary companies at regular intervals. Accordingly, the Company continues to state its investment in unquoted shares of a subsidiary company at its 1992 valuation.

The subsidiary companies are as follows:

Name	Group's effective interest		Principal activities
	2012	2011	
Hil-Edrola (M) Sdn. Bhd. * (Formerly known as HCY Precision Mould & Die Sdn. Bhd.)	100%	100%	Developing and manufacturing of headlining for automotive industry
Hil Assembly Services Sdn. Bhd. *	51%	51%	Investment holding, manufacture and sale of industrial and domestic moulded plastic products, and sub-assembly of plastic-related products
Hil Automation Sdn. Bhd. *	51%	51%	Investment holding
Hil Automotive Components Sdn. Bhd. *	100%	100%	Dormant
Hil Properties Sdn. Bhd.	100%	100%	Investment holding and property development
Hil Sales & Marketing Sdn. Bhd. *	100%	100%	Sales and marketing
Hilgraphics Sdn. Bhd. *	100%	100%	Sub-assembly of plastic-related products

14. INVESTMENTS IN SUBSIDIARY COMPANIES (Continued)

Name	Group's effective interest 2012	Group's effective interest 2011	Principal activities
Iziba Sdn. Bhd. *	100%	100%	Property holding
Nada Mestika Sdn. Bhd.	100%	100%	Investment holding and property holding
Sedar Makmur Sdn. Bhd.	100%	100%	Property management
Hil Industries Automotive (M) Sdn. Bhd. * (Formerly known as Solsius Technology Sdn. Bhd.)	100%	80%	Mould making and precision metal stamping
Supreme Logic Sdn. Bhd. *	100%	100%	Property holding
Subsidiary company of Hil Assembly Services Sdn. Bhd.			
Antaforce Engineering Sdn. Bhd. *	41%	41%	Investment holding
Subsidiary company of Hil Automation Sdn. Bhd.			
Hil Technology Sdn. Bhd. *	41%	41%	Designing and assembling industrial machinery and equipment for the purpose of factory automation
Subsidiary companies of Hil Properties Sdn. Bhd.			
Pembinaan Laksamana Sdn. Bhd.	100%	100%	Property development and property management
Satu Tunas Sdn. Bhd.	100%	100%	Property investment and investment holding

14. INVESTMENTS IN SUBSIDIARY COMPANIES (Continued)

Name	Group's effective interest 2012	Group's effective interest 2011	Principal activities
Tunas Pasti Sdn. Bhd.	100%	100%	Housing development and investment holding
Subsidiary company of Hil Sales & Marketing Sdn. Bhd.			
Hil Precision Plastic Technology (Suzhou) Co., Ltd. *	100%	100%	Researching, designing, manufacturing and selling any kind of precision moulds and relevant plastic products, and providing relevant services
Subsidiary company of Satu Tunas Sdn. Bhd.			
AMJ Construction Sdn. Bhd.	100%	100%	Property development and investment holding

* Audited by a firm other than Cheng & Co

All the subsidiary companies listed above are incorporated in Malaysia except for Hil Precision Plastic Technology (Suzhou) Co., Ltd., which is incorporated in the People's Republic of China.

15. OTHER INVESTMENTS

	Group	
	2012 RM	2011 RM
Available-for-sale financial assets		
Unit trusts at fair value	179,141	174,194

16. GOODWILL

	Group	
	2012 RM	2011 RM
Cost		
At 1 January/31 December	4,932,358	4,932,358

17. INVENTORIES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At cost				
Raw materials	2,824,414	3,381,836	1,429,734	1,995,488
Work in progress	2,840,568	5,693,073	620,579	606,171
Finished goods	1,608,321	3,752,381	1,472,591	1,964,804
Completed properties held for sale	2,859,701	2,859,701	-	-
	10,133,004	15,686,991	3,522,904	4,566,463

18. PROPERTY DEVELOPMENT COSTS

	Group	
	2012 RM	2011 RM
At 1 January:		
- freehold land	50,497,684	50,497,684
- development costs	11,616,619	11,523,176
	62,114,303	62,020,860
Development costs incurred during the financial year	85,818	93,444
At 31 December	62,200,121	62,114,304
Analysed as follows:		
- freehold land	50,497,684	50,497,684
- development costs	11,702,437	11,616,620
	62,200,121	62,114,304

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade receivables				
Third parties	18,660,452	20,397,481	12,364,797	13,261,322
Amount due from subsidiary companies (related parties)	-	-	105,000	-
Less: Allowance for impairment	(555,841)	(568,699)	(298,498)	(312,789)
	18,104,611	19,828,782	12,171,299	12,948,533
Other receivables				
Amount due from subsidiary companies (related parties)	-	-	73,673,465	72,458,283
Deposits	1,141,761	304,695	62,715	64,815
Other receivables	14,395,558	12,465,949	12,652,957	9,806,277
	15,537,319	12,770,644	86,389,137	82,329,375
Total trade and other receivables	33,641,930	32,599,426	98,560,436	95,277,908
Add: Cash and cash equivalents (Note 29)	83,013,225	81,316,699	62,277,076	57,180,556
Total loans and receivables	116,655,155	113,916,125	160,837,512	152,458,464

19. TRADE AND OTHER RECEIVABLES (Continued)

a) Trade receivables

The Group's normal trade credit terms range from 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Neither past due nor impaired	5,440,338	13,391,361	3,723,366	11,586,094
1 to 30 days past due not impaired	6,294,539	2,099,911	5,306,338	677,282
31 to 60 days past due not impaired	2,845,100	1,888,847	1,773,136	367,500
61 to 90 days past due not impaired	962,557	1,684,905	352,627	157,788
More than 90 days past due not impaired	1,156,814	-	635,385	-
	11,259,010	5,673,663	8,067,486	1,202,570
Impaired	1,961,104	1,332,457	573,945	472,658
	18,660,452	20,397,481	12,364,797	13,261,322

19. TRADE AND OTHER RECEIVABLES (Continued)

a) Trade receivables (Continued)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group ' s trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM11,259,010 (2011: RM5,673,663) that are past due at the reporting date but not impaired.

At the reporting date, the receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Collectively impaired				
Trade receivables (nominal amounts)	1,961,104	1,332,457	573,945	472,658
Less: Allowance for impairment	(555,841)	(568,699)	(298,498)	(312,789)
	1,405,263	763,758	275,447	159,869

19. TRADE AND OTHER RECEIVABLES (Continued)

a) Trade receivables (Continued)

Movement in allowance accounts:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	568,699	549,766	312,789	312,789
Charge for the financial year (Note 7)	1,433	18,933	-	-
Written off	(14,291)	-	(14,291)	-
At 31 December	555,841	568,699	298,498	312,789

b) Amount due from subsidiary companies

The amount due from subsidiary companies reflected in other receivables is interest free, unsecured, has no fixed terms of repayment and management expects the debts to be recovered within the next 12 months.

20. DEPOSITS WITH LICENSED BANKS

The effective interest rate for deposits with licensed banks at the end of the financial year ranges from 0.30% to 3.50% (2011: 0.35% to 3.50%).

The maturity period of the deposits with licensed banks at the end of the financial year is within 12 months (2011: within 12 months).

21. CASH AND BANK BALANCES

Cash and bank balances of the Group at the balance sheet date include bank balances held under Housing Development Accounts (opened and maintained under Section 7A of the Housing Development (Control and Licensing) Act 1966) amounting to RM575 (2011: RM624) that may only be used in accordance with the said Act.

22. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2012	2011	2012 RM	2011 RM
Authorised	400,000,000	400,000,000	200,000,000	200,000,000
Issued and fully paid	278,714,144	278,714,144	139,357,072	139,357,072

a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

22. SHARE CAPITAL (Continued)

b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired Nil (2011: 2,096,800) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM Nil (2011: RM947,224) and this was presented as a component within the shareholders' equity.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

23. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient tax credits in the tax exempt account and in the Section 108 balance to pay franked dividends amounting to approximately RM76,150,000 out of its retained profits. If the balance of the retained profits of RM22,266,445 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

24. FINANCE LEASE LIABILITIES

	Group and Company	
	2012 RM	2011 RM
Future minimum lease payments:		
- not later than one year	215,652	185,250
- later than one year and not later than five years	788,073	-
- later than five years	83,490	-
	1,087,215	185,250
Future interest charges	(118,450)	(3,356)
Present value of minimum lease payments	968,765	181,894
Non-current		
- later than one year and not later than five years	713,157	-
- later than five years	80,625	-
	793,782	-
Current		
- not later than one year	174,983	181,894
	968,765	181,894

The finance lease liabilities are subject to a fixed interest rate of 2.23% to 2.88% (2011: 2.23%) per annum.

25. DEFERRED TAX LIABILITIES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	23,224,372	22,627,394	8,060,969	7,463,991
Recognised in income statement (Note 11)	134,702	596,978	134,702	596,978
At 31 December	23,359,074	23,224,372	8,195,671	8,060,969

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

The recognised deferred tax liabilities/(assets) are in respect of the following:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax effect of:				
- excess of capital allowances over the corresponding book depreciation	8,198,383	8,063,939	8,195,671	8,060,969
- the difference between fair value of land and their carrying values	15,163,403	15,163,403	-	-
- unabsorbed capital allowances	(1,980)	(1,980)	-	-
- unutilised tax losses	(732)	(990)	-	-
Net	23,359,074	23,224,372	8,195,671	8,060,969

25. DEFERRED TAX LIABILITIES (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2012 RM	2011 RM
Temporary differences arising from excess of book depreciation over capital allowances	-	3,005
Unabsorbed capital allowances	4,771	4,771
Unutilised tax losses	21,450,352	11,098,305
	21,455,123	11,106,081

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables				
Third parties	7,419,994	9,820,593	4,354,648	6,535,685
Amount due to subsidiary company	-	-	-	148,345
	7,419,994	9,820,593	4,354,648	6,684,030

26. TRADE AND OTHER PAYABLES (Continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables				
Amount due to subsidiary companies (related parties)	-	-	15,648,347	11,093,480
Accruals	4,897,414	8,365,671	4,044,587	7,237,087
Other payables	2,720,119	3,071,115	1,494,381	2,471,575
	7,617,533	11,436,786	21,187,315	20,802,142
Total trade and other payables	15,037,527	21,257,379	25,541,963	27,486,172
Add: Finance lease liabilities (Note 24)	968,765	181,894	968,765	181,894
Total financial liabilities carried at amortised cost	16,006,292	21,439,273	26,510,728	27,668,066

a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group are 30 to 90 days.

b) Amount due to related parties

The amount due to all related parties are interest free, unsecured, have no fixed terms of repayment and management expects the debts to be repaid within the next 12 months.

The related company refers to a subsidiary of Dalta.

27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cost of property, plant and equipment purchased	3,742,532	5,998,853	5,047,020	8,979,473
Less: Amount financed by hire purchase	(1,044,600)	-	(1,044,600)	-
Cash disbursed for purchase of property, plant and equipment	2,697,932	5,998,853	4,002,420	8,979,473

28. DIVIDENDS

	Group and Company	
	2012 RM	2011 RM
<u>Recognised during the financial year:</u>		
Dividends on ordinary shares:		
– Final dividend for 2011: Nil % per share (2010: 3.76% or 1.88 sen per share) less income tax at 25%	-	3,900,398

29. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits with licensed banks	76,137,444	72,851,542	61,374,887	54,118,083
Cash and bank balances	6,875,781	8,465,157	902,189	3,062,473
	83,013,225	81,316,699	62,277,076	57,180,556

30. RELATED PARTY DISCLOSURES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Transactions with subsidiaries of HIB				
Sale of goods to subsidiaries	-	-	81,782	215,372
Purchase of plant and equipment from subsidiaries	-	-	1,819,630	3,190,702
Purchase of goods from subsidiaries	-	-	703,959	936,632

30. RELATED PARTY DISCLOSURES (Continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Rental income of land and and buildings from subsidiaries	-	-	225,000	120,000
Rental of land and buildings charged by subsidiaries	-	-	325,247	387,947
Advances from subsidiaries	-	-	(467,880)	1,872,101
Advances to subsidiaries	-	-	7,511,412	8,787,468

Compensation of key management personnel

Key management personnel comprises all the Directors of the Group having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The compensation paid to key management personnel during the financial year was as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors' remuneration (Note 9):				
Short-term employee benefits	968,880	1,049,980	787,240	883,140
Post-employment benefits: – Defined contribution plans	115,728	125,280	94,080	105,408
	1,084,608	1,175,260	881,320	988,548

31. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Intersegment pricing is based on arm's length transactions under terms not materially different from transactions with unrelated parties. These transfers are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses and related liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Manufacturing	–	Manufacture and sale of industrial and domestic moulded plastic products
Property development and management	–	Development of residential, commercial and light industrial properties, and letting out of properties and provision of property management services
Trading, services and others	–	General trading

31. SEGMENT INFORMATION (Continued)

Geographical segments

The manufacturing segment operates in two principal geographical areas, Malaysia and the People's Republic of China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Business segments

2012	Manufac-turing RM	Property develop-ment and management RM	Trading, services and others RM	Group RM
Sales				
Total sales	78,156,333	1,901,384	-	80,057,717
Intersegment sales	-	(325,247)	-	(325,247)
External sales	78,156,333	1,576,137	-	79,732,470

31. SEGMENT INFORMATION (Continued)

2012	Manufacturing RM	Property development and management RM	Trading, services and others RM	Group RM
Results				
Segment results (external)	(1,112,044)	838,566	880,397	606,919
Finance costs	(34,045)	-	-	(34,045)
Profit before taxation				572,874
Taxation				(3,648,670)
Loss for the financial year				(3,075,796)
Other information				
Segment assets	192,370,579	111,072,889	261,484	303,704,952
Unallocated assets				7,723,617
Total consolidated assets				311,428,569
Segment liabilities	15,398,731	604,461	3,100	16,006,292
Unallocated liabilities				23,884,408
Total consolidated liabilities				39,890,700
Capital expenditure	3,742,532	-	-	3,742,532
Depreciation	10,496,050	113,544	-	10,609,594

31. SEGMENT INFORMATION (Continued)

2011	Manufacturing RM	Property development and management RM	Trading, services and others RM	Group RM
Sales				
Total sales	105,336,250	1,500,625	-	106,836,875
Intersegment sales	-	(387,947)	-	(387,947)
External sales	105,336,250	1,112,678	-	106,448,928
Results				
Segment results (external)	2,020,101	556,640	(7,743)	2,568,998
Finance costs	(24,528)	-	-	(24,528)
Profit before taxation				2,544,470
Taxation				(1,979,074)
Profit for the financial year				565,396

31. SEGMENT INFORMATION (Continued)

2011	Manufacturing RM	Property development and management RM	Trading, services and others RM	Group RM
Other information				
Segment assets	204,200,911	110,167,628	289,679	314,658,218
Unallocated assets				7,784,092
Total consolidated assets				322,442,310
Segment liabilities	20,884,852	549,921	4,500	21,439,273
Unallocated liabilities				23,750,712
Total consolidated liabilities				45,189,985
Capital expenditure	5,998,853	-	-	5,998,853
Depreciation	10,712,809	113,548	-	10,826,357

31. SEGMENT INFORMATION (Continued)

Geographical segments

	Malaysia RM	People's Republic of China RM	Consolidated RM
2012			
Revenue from external customers	64,805,880	14,926,590	79,732,470
Segment assets	267,615,679	36,089,273	303,704,952
Capital expenditure	3,713,658	28,874	3,742,532
2011			
Revenue from external customers	78,401,226	28,047,702	106,448,928
Segment assets	263,052,212	51,606,006	314,658,218
Capital expenditure	5,788,771	210,082	5,998,853

32. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's and of the Company's business. Financial risk and management policies of the Group and of the Company are summarised below.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies.

32. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the reporting date, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographical region was:

	Group	
	2012 RM	2011 RM
Malaysia	11,296,262	13,064,085
People’s Republic of China	5,812,907	6,642,893
Other countries	995,442	121,804
	18,104,611	19,828,782

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the results of the subsidiary companies regularly. At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and there was no indication that the loans and advances to the subsidiary companies are not recoverable.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate risk

The Group's short term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed rate instruments				
Financial assets	76,137,444	72,851,542	61,374,887	54,118,083
Financial liabilities	(968,765)	(181,894)	(968,765)	(181,894)
	75,168,679	72,669,648	60,406,122	53,936,189

The Group's and the Company's income and operating cash flows are independent of changes in market interest rates. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and Renminbi ("RMB").

The Group and the Company ensure that net exposure to foreign currency risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances. The Group and the Company do not transact in derivative instruments.

32. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency risk (Continued)

The Group's and the Company's exposure to foreign currency risk based on carrying amounts as at the end of the reporting period was:

Group	2012		2011	
	Denominated in		*Denominated in*	
In RM	USD	RMB	USD	RMB
Trade and other receivables	6,739,524	1,060,923	6,959,143	564,140
Deposits with licensed banks	10,438,479	1,012,050	7,868,937	6,151,546
Cash and bank balances	4,269,607	1,071,889	1,260,891	3,393,769
Trade and other payables	(1,008,432)	(1,937,418)	(1,635,796)	(2,473,394)
Exposure in the statement of financial position	20,439,178	1,207,444	14,453,175	7,636,061

Company	*Denominated in USD*	
In RM	2012	2011
Trade and other receivables	978,451	387,353
Deposits with licensed banks	10,438,479	7,868,937
Cash and bank balances	381,061	214,540
Trade and other payables	(26,895)	(560,124)
Exposure in the statement of financial position	11,771,096	7,910,706

The Group is also exposed to currency translation risk arising from its investment in the foreign subsidiary company.

32. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the senstitivity of the Group's and the Company's equity and post-tax profit or loss to a reasonably possible change in the USD and RMB against the respective functional currencies of the Group entities, with all other variables held constant.

		2012		2011	
		Equity RM	Profit or loss RM	Equity RM	Profit or loss RM
Group					
USD/RM	- strengthened 10%	1,153,321	1,153,321	795,390	795,390
	- weakened 10%	(1,153,321)	(1,153,321)	(795,390)	(795,390)
USD/RMB	- strengthened 10%	758,457	758,457	572,466	572,466
	- weakened 10%	(758,457)	(758,457)	(572,466)	(572,466)
RMB/RM	- strengthened 10%	2,024,575	120,744	4,263,466	763,606
	- weakened 10%	(2,024,575)	(120,744)	(4,263,466)	(763,606)
Company					
USD/RM	- strengthened 10%	1,153,321	1,153,321	795,390	795,390
	- weakened 10%	(1,153,321)	(1,153,321)	(795,390)	(795,390)

32. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2012	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2-5 years	> 5 years
Group							
Non-derivative financial liabilities							
Finance lease liabilities	968,765	2.23% to 2.88%	1,087,215	215,652	215,652	572,421	83,490
Trade and other payables	15,037,527		15,037,527	15,037,527	-	-	-

32. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk (Continued)

2012	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2-5 years	> 5 years
Company							
Non-derivative financial liabilities							
Finance lease liabilities	968,765	2.23% to 2.88%	1,087,215	215,652	215,652	572,421	83,490
Trade and other payables	25,541,963		25,541,963	25,541,963	-	-	-
2011							
Group							
Non-derivative financial liabilities							
Finance lease liabilities	181,894	2.23%	185,250	185,250	-	-	-
Trade and other payables	21,257,379		21,257,379	21,257,379	-	-	-

32. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk (Continued)

2011	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2-5 years	> 5 years
Company							
Non-derivative financial liabilities							
Finance lease liabilities	181,894	2.23%	185,250	185,250	-	-	-
Trade and other payables	27,486,172		27,486,172	27,486,172	-	-	-

(e) Fair values

The carrying amounts of cash and cash equivalents, short term receivables and payables and borrowings approximate fair values due to the relatively short term nature of these financial instruments.

32. FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

The fair values of other financial assets, together with the carrying amounts shown in the statement of financial position, are as follows:

	2012		2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Unit trusts	179,141	179,141	174,194	174,194

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

32. FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

Fair value hierarchy (Continued)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2012				
Financial assets				
Investment in unit trusts	-	179,141	-	179,141
2011				
Financial assets				
Investment in unit trusts	-	174,194	-	174,194

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2012 and 31 December 2011.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group monitors capital using a gearing ratio which is net debt divided by total equity. The Group's policy to keep the gearing ratio at manageable levels. As at 31 December 2012, the Group is in a net cash position.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Loans and borrowings	968,765	181,894	968,765	181,894
Less : Cash and cash equivalents	83,013,225	81,316,699	62,277,076	57,180,556
Net cash	82,044,460	81,134,805	61,308,311	56,998,662

34. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group and of the Company as at 31 December 2012 into realised and unrealised profits or losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits:				
- Realised	171,898,803	175,137,342	106,710,124	100,026,161
- Unrealised	(8,276,640)	(8,590,076)	(8,293,679)	(8,059,455)
	163,622,163	166,547,266	98,416,445	91,966,706
Less: Consolidation adjustments	(32,036,820)	(31,842,535)	-	-
Total retained profits	131,585,343	134,704,731	98,416,445	91,966,706

35. EXPLANATION OF TRANSITION TO MFRSs

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Group and of the Company for the financial year endd 31 December 2012, in preparing the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position as at 1 January 2011 (the Group and the Company's date of transition to MFRSs).

35. EXPLANATION OF TRANSITION TO MFRSs (Continued)

The effect of transition from FRS to MFRS on the statement of financial position and and statement of changes in equity of the Group are as follows :

Reconciliation of Statement of Financial Position as at 31 December 2011

	As Previously Reported	Effect of transition to MFRS	As restated
Group			
Revaluation reserve	572,385	(572,385)	-
Retained profits	134,132,346	572,385	134,704,731
Company			
Revaluation reserve	536,000	(536,000)	-
Retained profits	91,430,706	536,000	91,966,706

Reconciliation of Statement of Financial Position as at 1 January 2011

Group			
Revaluation reserve	572,385	(572,385)	-
Retained profits	137,549,687	572,385	138,122,072
Company			
Revaluation reserve	536,000	(536,000)	-
Retained profits	83,409,834	536,000	83,945,834

The above election did not have any impact on the financial performance of the Group.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved for issue in accordance with a resolution of the Board of Directors on 24 April 2013.

Analysis of Shareholders as at 03 May 2013

Class of Securities : Ordinary Shares of RM0.50 each

Authorised Share Capital : RM200,000,000.00 comprising of 400,000,000 ordinary shares of RM0.50 each

Issued and Fully Paid up Capital : RM139,357,072 comprising of 278,714,144 ordinary shares of RM0.50 each

Voting Rights : Every member present in person or by proxy or represented by attorney shall have one vote and upon a poll, every such member shall have one vote for every share held by him

No. of Shareholders : 5,102

List of Substantial Shareholders as at 03 May 2013

Shareholders	Direct Shareholdings	%	Indirect Shareholdings	%
Dalta Industries Sdn. Bhd.	149,089,554	53.90	96,220	0.04
Dato' Ng Boon Thong @ Ng Thian Hock	33,113,566	11.97	171,349,474	61.95

Analysis by Size of Shareholding as at 03 May 2013

Size of Shareholding	No. of Shareholders	%	Shareholdings	%
1 - 99	852	16.70	43,707	0.01
100 – 1,000	789	15.47	630,516	0.23
1,001 – 10,000	2,593	50.82	11,430,140	4.13
10,001 – 100,000	777	15.23	21,790,661	7.88
100,001 to less than 5% of issued shares	88	1.72	73,935,566	26.73
5% and above of issued shares	3	0.06	168,786,754	61.02
Grand Total	5,102	100.00	276,617,344	100.00

List of Thirty (30) Largest Shareholders as at 03 May 2013

No	Name	Shareholding	%
1	Dalta Industries Sdn. Bhd.	117,431,142	42.45
2	Dalta Industries Sdn. Bhd.	31,658,412	11.44
3	Ng Boon Thong @ Ng Thian Hock	19,697,200	7.12
4	Ng Boon Thong @ Ng Thian Hock	10,000,000	3.62
5	Permodalan Negeri Selangor Berhad	6,292,800	2.27
6	Catherine Yeoh Eng Neo	5,470,200	1.98
7	Milton Norman Ng Kwee Leong	5,027,600	1.82
8	Lim Kian Wat	4,790,700	1.73
9	Yong Chai Lee	4,000,000	1.45
10	Malcolm Jeremy Ng Kwee Seng	3,075,600	1.11
11	Ambrose Leonard Ng Kwee Heng	3,053,400	1.10
12	Ng Boon Thong @ Ng Thian Hock	3,005,400	1.09
13	Steven Junior Ng Kwee Leng	2,691,500	0.97
14	Pandang Usaha Sdn. Bhd.	2,158,971	0.78
15	Catherine Yeoh Eng Neo	1,354,700	0.49
16	Koh Bee Lan	1,177,410	0.43
17	Ng Hin Seong	950,000	0.34
18	AMSEC Nominees (Tempatan) Sdn. Bhd. pledged securities account for Yeoh Soh Cheng	904,000	0.33
19	Citigroup Nominees (Asing) Sdn. Bhd. UBS AG for New Harbour Asia Fund (Master) Limited	824,900	0.30
20	Liew Wai Kiat	792,880	0.29
21	Milton Norman Ng Kwee Leong	750,328	0.27
22	Mujur Cemerlang Sdn. Bhd.	652,100	0.24
23	TA Nominees (Asing) Sdn. Bhd. pledged securities account for Charles Ross Mckinnon	507,500	0.18
24	Kenanga Nominees (Tempatan) Sdn. Bhd. pledged securities account for Jasmine Lim Li Chen @ Lim LaiCheng	500,000	0.18
25	Kenanga Nominees (Tempatan) Sdn. Bhd. pledged securities account for Lim Hooi Kiang	500,000	0.18
26	Pankajkumar A/L Shantilal	471,700	0.17
27	Haslina Binti Zainuddin	460,000	0.17
28	Kenanga Nominees (Tempatan) Sdn. Bhd. pledged securities account for Sarojini A/P Sivanandam	454,000	0.16
29	Sim Sook Lye	450,985	0.16
30	Chen Yin Khee	435,400	0.16

Directors' Interest in Shares of the Company and Related Corporations as at 03 May 2013

	Direct Shareholdings	%	Indirect Shareholdings	%
Dato' Ng Boon Thong @ Ng Thian Hock	33,113,566	11.97	171,349,474	61.95
Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf	-	-	-	-
Milton Norman Ng Kwee Leong	6,168,300	2.23	189,124,240	68.37
Malcolm Jeremy Ng Kwee Seng	3,075,600	1.11	189,124,240	68.37
Mat Ripen bin Mat Elah	-	-	-	-
Tan Sri Dato' Dr. Sak Cheng Lum	-	-	-	-
Ooi Hock Guan	-	-	-	-

* Negligible

In addition to the above, there is no indirect interest of Directors' in the shares of any subsidiary companies i.e. deemed to have an interest in shares in the subsidiary companies to extent that the Company as an interest.

Properties Owned by the Group

Location	Description	Tenure (Year of Expiry)	Existing Use	Aproximate Age of Building	Land Area /Built up Area (SQ FT)	Date of Acquisition	Net Book Value (RM'000)
Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam Selangor Darul Ehsan	Land	Leasehold 60 years (2049)	Factory	-	294,457	21.08.1989	3,315
Lot Nos 15825 & 15830 Bukit Kemuning Mukim & Daerah of Klang Selangor Darul Ehsan	Land	Freehold	Factory & Warehouse	-	173,325	15.12.1994	4,137
Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam Selangor Darul Ehsan	1 Factory buildings 2 Factory buildings 3 Factory Buildings	- - -	Factory Factory Factory	23 years 22 years 20 years	78,087 23,465 21,993	- - -	3,949 1,333 1,161
Lot No 15825, Bukit Kemuning Mukim & Daerah of Klang Selangor Darul Ehsan	Factory buildings	-	Factory	15 years	117,552	-	9,275
Lot No 15830, Bukit Kemuning Mukim & Daerah of Klang Selangor Darul Ehsan	Warehouse	-	Storage	15 years	20,996	-	1,926
P.T. Nos 20989 - 21003 Mukim & Daerah of Klang Selangor Darul Ehsan	Commercial (15 units of double storey shophouse)	Freehold	Rental	21 years	24,746	05.12.1996	3,650
P.T. Nos 5655 – 5682 Mukim of Kapar ,District of Klang Selangor Darul Ehsan	Industrial (28 units of 1½ storey terrace factory)	Freehold	Rental	15 years	86,108	05.12.1996	11,997
P.T. Nos 5443, 5444, 5446, 5447, 5470 – 5474, Mukim of Kapar, District of Klang Selangor Darul Ehsan	Industrial (9 units of 1½ storey terrace factory)	Freehold	Rental	15 years	82,444	05.12.1996	8,309
P.T. No 30946, Mukim 1, District of Seberang Prai Tengah, Pulau Pinang	Land	Leasehold 60 years (2049)	Factory	-	39,209	28.09.2006	451
Lot 476, Tingkat Perusahaan Empat Kawasan Perindustrian Prai, SPT Pulau Pinang	Factory buildings	-	Factory	6 year	35,968	-	4,281

HIL INDUSTRIES BERHAD
(Company No: 8812-M)
(Incorporated in Malaysia)

Form of Proxy

Number of Shares Held	
CDS account No.	

I/We____ (Name of shareholder as per NRIC/ID, in capital letters)

NRIC No./ID No./Company No.____(new) ______________________________(old) of

____ (full address) being a member

of HIL INDUSTRIES BERHAD ("HIB" or "the Company"), hereby appoint____

____

(Name of proxy as per NRIC/ID, in capital letters) NRIC No./ID No. _______________________________ (new) ___________________ (old)

or failing whom, ____

(name of proxy as per NRIC/ID, in capital letters) NRIC No./ID No. ________________________________ (new) ___________________ (old) or failing whom, the Chairman of the meeting as my/our proxy to vote for me/our behalf at the Forty-Third Annual General Meeting ("43rd AGM") of the Company to be held at Amverton Cove Golf & Island Resort, PT673, Pulau Carey, Mukim Jugra, 42960 Daerah Kuala Langat, Selangor Darul Ehsan on 27 June 2013 at 10.00 a.m. or at any adjournment thereof.

	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	Adoption of the Audited Accounts for the financial year ended 31 December 2012		
Ordinary Resolution 2	Re-election of Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf who retiring in accordance with Section 129(6) of the Companies Act,1965		
Ordinary Resolution 3	Re-election of Mat Ripen bin Mat Elah who retiring in accordance with Section 129(6) of the Companies Act,1965		
Ordinary Resolution 4	Re-election of Dato' Ng Boon Thong @ Ng Thian Hock who retiring in accordance with Article 102 of the Company's Articles of Association		
Ordinary Resolution 5	Re-election of Tan Sri Dato' Dr Sak Cheng Lum who retiring in accordance with Article 102 of the Company's Articles of Association		
Ordinary Resolution 6	Approval of Directors' Fees for the financial year ended 31 December 2012		
Ordinary Resolution 7	To reappoint Messrs Cheng & Co as Auditors of the Company and to authorise the Directors to fix their remuneration		
Ordinary Resolution 8	Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965		
Ordinary Resolution 9	Proposed Renewal of Share Buy-Back Authority		
Ordinary Resolution 10	Retention of Independent Non-Executive Director Mat Ripen Bin Mat Elah		
Special Resolution 1	Proposed Amendments to the Articles of Association of the Company		

Please indicate with an "X" in the appropriate spaces provided how you wish your vote to be cast. If you do not do so, your proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Dated this ____day of_____________________2013 Telephone No:________________________

____
Signature of member(s)/Seal of Shareholders

NOTES:
1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hands of its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
6. Only members whose names appear in the Record of Depositors as at 21 June 2013 will be entitled to attend and vote at the meeting.
7. Any alteration made on this form should be initialled by the person who signs it.

AFFIX
STAMP
HERE

The Company Secretary

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Lot 3, Jalan Lada Sulah 16/11
Section 16, 40000 Shah Alam
Selangor Darul Ehsan

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HIL INDUSTRIES BERHAD
(Company No: 8812-M)

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