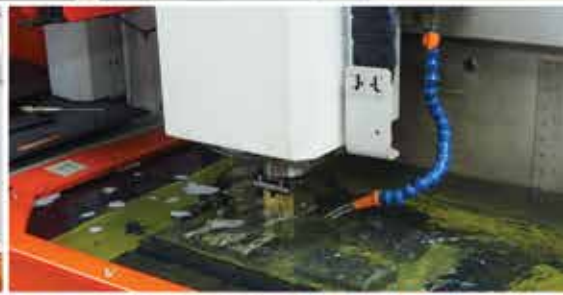




**HIL INDUSTRIES BERHAD**

(Company No: 8812-M)

**ONE STOP PLASTIC SOLUTIONS PROVIDER**



**DELIVERING AFFORDABLE DREAM HOMES**

Annual Report **2015**



---

**TABLE OF**

---

# Contents

---

<b>2</b> Notice of Annual General Meeting	<b>26</b> Statement on Risk Management and Internal Control	<b>40</b> Consolidated Statement of Changes in Equity
<b>6</b> Statement Accompanying Notice of Annual General Meeting	<b>28</b> Additional Compliance Information	<b>41</b> Company Statement of Changes in Equity
<b>7</b> Corporate Information	<b>29</b> Directors' Report	<b>42</b> Statements of Cash Flows
<b>8</b> Chairman's Statement	<b>33</b> Statement by Directors	<b>44</b> Notes to the Financial Statements
<b>10</b> Profile of Directors	<b>33</b> Statutory Declaration	<b>83</b> Analysis of Shareholdings
<b>12</b> Statement of Directors' Responsibilities	<b>34</b> Independent Auditors' Report	<b>85</b> Properties Owned by the Group
<b>13</b> Audit Committee Report	<b>36</b> Statements of Profit or Loss and Other Comprehensive Income	<b>Attached</b> Form of Proxy
<b>17</b> Statement on Corporate Governance	<b>38</b> Statements of Financial Position	

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Forty-Sixth Annual General Meeting ("46<sup>th</sup> AGM") of Hil Industries Berhad will be held at Amverton Cove Golf & Island Resort, PT673, Pulau Carey, Mukim Jugra, 42960 Daerah Kuala Langat, Selangor Darul Ehsan on 23<sup>rd</sup> June 2016 at 10.00 a.m. for transacting the following businesses:-

## As Ordinary business

- |                                                                                                                                                                                                                                             |                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.                                                                               | <b>Ordinary Resolution 1</b>                                                                 |
| 2. To approve a first and final single tier dividend of 1.5 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2015.                                                                                  | <b>Ordinary Resolution 2</b>                                                                 |
| 3. To re-elect the following Directors retiring in accordance with Section 129(6) of the Companies Act, 1965.<br><br>a) Dato' Setia Abdul Halim Bin Dato' Haji Abdul Rauf<br>b) Tan Sri Dato' Dr Sak Cheng Lum<br>c) Mat Ripen Bin Mat Elah | <b>Ordinary Resolution 3</b><br><b>Ordinary Resolution 4</b><br><b>Ordinary Resolution 5</b> |
| 4. To re-elect the following Director retiring in accordance with Article 102 of the Company's Articles of Association.<br><br>a) Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock                                                               | <b>Ordinary Resolution 6</b>                                                                 |
| 5. To approve the payment of Directors' Fees for the financial year ended 31 December 2015.                                                                                                                                                 | <b>Ordinary Resolution 7</b>                                                                 |
| 6. To reappoint Messrs Cheng & Co as Auditors of the Company and to authorise the Directors to fix their remuneration.                                                                                                                      | <b>Ordinary Resolution 8</b>                                                                 |

## As special business

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

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 7. (i) Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965<br><br>"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." | <b>Ordinary Resolution 9</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|

(ii) Proposed Renewal of Share Buy-Back Authority

**Ordinary Resolution 10**

"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."

## Notice of Annual General Meeting (Cont'd)

4

HIL Industries Berhad

(iii) Retention of Independent Non-Executive Director

"THAT subject to passing of Ordinary Resolution 4 above, approval be and is hereby given to Tan Sri Dato' Dr. Sak Cheng Lum, 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."

**Ordinary Resolution 11**

(iv) Retention of Independent Non-Executive Director

"THAT subject to passing of Ordinary Resolution 5 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."

**Ordinary Resolution 12**

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

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATE

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the Forty-Sixth Annual General Meeting of Hil Industries Berhad, a first and final single tier dividend of 1.5 sen per ordinary shares of RM0.50 each for the financial year ended 31 December 2015 will be paid on 18<sup>th</sup> August 2016 to Depositors whose names appear in the Record of Depositors on 25<sup>th</sup> July 2016. A Depositor shall qualify for entitlement only in respect of:

Shares transferred into the depositor's securities account before 4.00pm on 25<sup>th</sup> July 2016 in respect of ordinary transfers; and

Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis in accordance with the rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**BERNARD LIM BOON SIANG**

(MACS 01153)

Company Secretary

Shah Alam

29<sup>th</sup> April 2016

### 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 17<sup>th</sup> June 2016 will be entitled to attend and vote at the meeting.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 9 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 45<sup>th</sup> AGM held on 25<sup>th</sup> June 2015 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.

Ordinary Resolution 10 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 Statement dated 29<sup>th</sup> April 2016, which is sent out together with the Company's 2015 Annual Report.

Ordinary Resolution 11 and 12, if passed, will allow the Independent Non-Executive Director to be retained and continued to act as Independent Non-Executive Director to fulfil the requirements of Paragraph 3.04 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to be in line with the recommendations 3.2 and 3.3 of the Malaysian Code of Corporate Governance 2012. The details of justifications are set out in the page 21-22 of the Company's 2015 Annual Report.

# Statements Accompanying Notice of Annual General Meeting

Pursuant to paragraph 8.27(2) of the Bursa Securities Listing Requirements

6

HIL Industries Berhad

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

Date	Place
26-Feb-15	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
29-Apr-15	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
28-May-15	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
26-Aug-15	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
25-Nov-15	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
Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	3/5
Dato' Setia Abdul Halim Bin Dato' Haji Abdul Rauf	4/5
Dato' Milton Norman Ng Kwee Leong	4/5
Malcolm Jeremy Ng Kwee Seng	4/5
Tan Sri Dato' Dr. Sak Cheng Lum	5/5
Mat Ripen Bin Mat Elah	4/5
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:-

- Dato' Setia Abdul Halim Bin Dato' Haji Abdul Rauf
- Tan Sri Dato' Dr Sak Cheng Lum
- Mat Ripen Bin Mat Elah

- (b) Director standing for re-election retiring in accordance with Article 102 of the Company's Article of Association:-

- Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock

- (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

- Tan Sri Dato' Dr. Sak Cheng Lum
- 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

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

**Chairman**  
**Deputy Chairman**  
**Managing Director**  
**Executive Director**

## 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 & Issuing House Services Sdn. Bhd.  
Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.  
Tel : 03-2783 9299  
Fax : 03-2783 9222

## AUDITOR

Cheng & Co Chartered Accountants  
No. 8-2 & 10-2, 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  
3, Jalan Takal 15/21, Seksyen 15, 40000 Shah Alam, Selangor Darul Ehsan.

Public Bank Berhad  
2, Jalan Pahat G15/G, Komplek 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.

United Overseas Bank (M) Bhd  
2108, Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

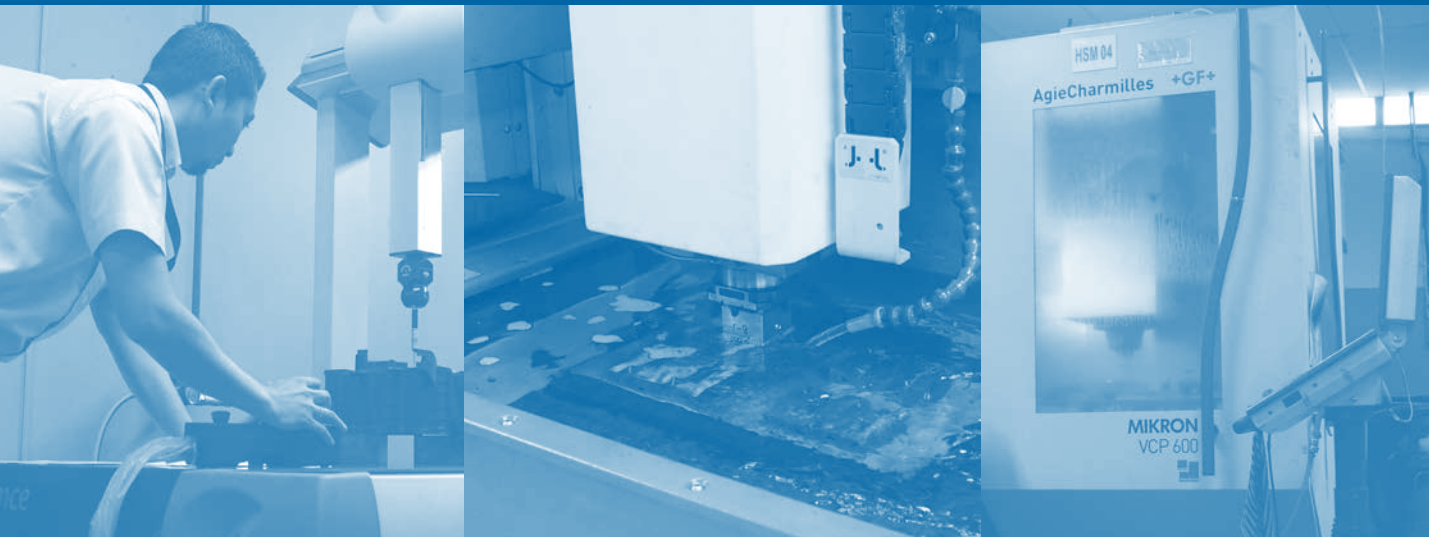
## STOCK EXCHANGE LISTING

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 31st December 2015.



## THE COMPANY & ITS PERFORMANCE HIGHLIGHTS

During the financial year under review, despite the challenging economic conditions, the Group recorded revenue of RM120.113 million and profit before tax of RM24.802 million compared to revenue of RM136.399 million and profit before tax of RM26.626 million respectively in the preceding financial year.

Segmentally, in line with our diversification plans, I am pleased to announce that the property division performance continues to be strong, and for the financial year under review, contributed RM16.581 million or 66.85% of the Group's profit before tax. This was mainly due to the successful and well received two property projects in Kota Kemuning Shah Alam, namely Kemuning Greenhills and Kemuning Hijauan 2.

For the manufacturing side, the group recorded revenue of RM84.509 million and profit before tax of RM8.227 million compared to revenue of RM107.636 million and profit before tax of RM13.081 million respectively in the preceding financial year. Whilst the local Malaysian operations remained relatively strong, the drop in revenue was largely caused by the performance of our overseas operations as a result of the weaker global sentiment especially in China.

For the period under review, the Group registered a basic earnings per share attributable to the shareholders of 6.22 sen, a decrease of 0.91 sen from the corresponding year, whilst net asset per share for the Group is RM1.10, an increase of RM0.06 compared to preceding financial year.

Our financial position remains strong with a net cash position of RM131.482 million, an increase of RM23.311 million. This will enable us to proceed with our expansion plans for our property division, to finance our ongoing projects as well as looking for opportunities to add more land bank for development.

### DIVIDENDS

The Board of Directors has recommended a first and final single tier dividend of 3% or 1.5 sen per ordinary shares of RM0.50 each in respect of the financial year ended 31st December 2015. The dividend payment is subject to the shareholders' approval at the forthcoming 46th Annual General Meeting.

### OUTLOOK

The implementation of Goods and Service Tax (GST) and the weakening in sentiment of the consumer market has had a spillover effect on the industry as consumer demand has slowed down. In view of the current outlook, sentiments are expected to remain weak in the first half of 2016 as it steadily improves towards the second half of the year.

The manufacturing division performance would be dependent on orders from existing customers and the expected gradual recovery of the global economy. The Group will continue its commitment to streamline its manufacturing process to achieve cost optimization for greater efficiency. At the same time, efforts are being increased to achieve continuous growth for our manufacturing division despite the challenging environment.

As for the property division, we remain cautious and anticipate a slowdown in the Malaysian property market in 2016. The demand for properties is expected to remain soft as a result of the various tightening measures imposed by Bank Negara Malaysia and uncertainties in the economy. Despite these challenges, the management is confident that the property division will contribute satisfactory to the Group's performance as we are developing landed houses that are within the affordable range in the Klang Valley, especially in the Shah Alam area. These projects include cluster semi-detached homes and link houses in the Kota Kemuning area which are expected to be launched in 2016. We anticipate that the response to these projects will be positive.

At the same time as mentioned above, with our current strong financial position, we will be looking at more opportunities for joint ventures and land acquisition which we believe would become more readily available at more attractive valuations in this current market condition.

Barring any unforeseen circumstances, the Board remains positive on the prospects of the Group to improve and grow progressively, both in the manufacturing sector and also the property division.

### APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to all valued and loyal shareholders, customers, suppliers, business partners, and bankers for their support and confidence in the Group.

My appreciation also goes to the Board of Directors of the Company and the management and staff of the Group for their dedication and continued commitment to improve the overall performance of the Group.

**Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock**  
Chairman

April 2016

# Profile of Directors

## **TAN SRI DATO' NG BOON THONG @ NG THIAN HOCK**

Executive Chairman

Malaysian, aged 68, was appointed to the Board on 7 February 2003 as an Executive Director and has been Executive Chairman since 4 July 2003. Tan Sri 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. Tan Sri Dato' Ng Thian Hock is also the Executive Chairman of A&M Realty Berhad.

Tan Sri Dato' Ng is a substantial shareholder of HIL. He is also the father of Dato' Milton Norman Ng Kwee Leong, the Managing Director and Malcolm Jeremy Ng Kwee Seng, the Executive Director of HIL. Tan Sri 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 78, 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.

## **DATO' MILTON NORMAN NG KWEE LEONG**

Managing Director

Malaysian, aged 45, was appointed to the Board on 3 July 1999 as Managing Director. He is a member of the Nomination Committee and Remuneration Committee.

Dato' Milton graduated with an Honours Degree in Law from the University of Western Australia in 1994. After graduating, he spent 9 months doing his pupillage 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.

Dato' Milton is a substantial shareholder of the Company by virtue of his parents' shareholdings. He is the son of Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock, the Chairman of HIL. He is also a Director in A&M Realty Berhad. Dato' Milton does not have any conflict of interest in the Company.

## Profile of Directors (Cont'd)

### **MALCOLM JEREMY NG KWEE SENG**

Executive Director

Malaysian, aged 30, 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 Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock, the Chairman of HIL and the youngest brother to Dato' 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 72, 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 an Independent Director of A&M Realty Berhad and Xinghe Holdings 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 76, 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 50, 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.

# Statements 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.

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 1<sup>st</sup> 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 1<sup>st</sup> 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.

## Audit Committee Report (cont'd)

### 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 held during the financial year ended 31st December 2015 are as follows:

Date	Place
26-Feb-15	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
29-Apr-15	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
28-May-15	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
26-Aug-15	Lot 3, Jalan Lada Sulah 16/11, Section 16, 40000 Shah Alam
25-Nov-15	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 31st December 2015 is as follows:

Name of Audit Committee	Number of Meetings Attended
Mat Ripen Bin Mat Elah	4/5
Tan Sri Dato' Dr. Sak Cheng Lum	5/5
Ooi Hock Guan	5/5

### Activities

The Audit Committee has undertaken the following activities during the financial year ended 31st December 2015:-

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.

## Audit Committee Report (cont'd)

### Internal Audit Function

The Internal audit functions have been outsourced to a professional firm reporting directly to the Audit Committee.

The primary role of the internal auditors is to inter-alia, assist the Audit Committee on an ongoing basis to:

1. Undertakes the internal audit of the Group's operating units; ascertaining the extent of the units compliance with the established internal control procedures, policies and statutory requirements; highlighting the weaknesses and recommending improvements to the existing systems of control;
2. Assist in reviewing the adequacy and effectiveness of the Group's processes for controlling its activities;
3. Provide independent, systematic and objective evaluation on the state of internal control within the Group; and
4. Perform such other functions as requested by the Audit Committee

The cost incurred for the internal audit function in respect of the financial year ended 31<sup>st</sup> December 2015 amounted to RM20,000.

# Statement on Corporate Governance

The Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or "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 MCCG 2012. 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.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in MCCG 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 is responsible for oversight of the Company. Key matters reserved for the Board's approval include the following:-

- Approval of financial results
- Declaration of dividend
- Annual business plan
- Acquisition or disposal of material fixed assets

To ensure the effective discharge of its function and responsibilities, 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 13 to 16 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.

The daily operations have been delegated to management. Management has been given the authority to decide on operation matters within certain set limits where quick decisions are important to the growth and success of the Group. Management is however accountable to the Board and must refer to the Board for decision where the matters are material and involves strategic decisions.

### **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;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management
- 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.

## Statement on Corporate Governance (Cont'd)

### 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 believes that human capital is the most important value to an organization. In retaining the best talents, the Company continually provides 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 provided at least three (3) days in advance 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 2015, 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**

The Board has established a Nomination Committee on 29 March 2002 as it recognises the importance of the roles the Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance which the Committee can assist the Board to discharge its fiduciary and leadership functions. The Nomination Committee comprises the following members:

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

The terms of reference of the Nomination Committee include:

- Annually review the required mix of skills and experience and other qualities, including core competencies which Non-Executive and Executive Directors should have;
- Assess on annual basis, the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director, including Independent Non-Executive Directors, as well as the Managing Director;
- Assess on annual basis, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. To retain as Independent Director, the Board must justify and seek shareholder's approval for a person who has served in that capacity for more than nine (9) years;
- 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;
- Recommends to the Board, Directors to fill the seats on Board Committees; and
- Carry out its responsibilities with the assistance and services of a company secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Main Marketing Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") or other regulatory requirements.

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.

The Nomination Committee held one (1) meeting during the financial year ended 31 December 2015. During the year under review, the Nomination Committee carried out its duties in accordance with its Terms of Reference. These include:

- Review and assess the effectiveness of the Board as a whole and the Audit Committee;
- Review and assess the mix of skills, experience and competencies of each individual Director;
- Review and recommendation to the Board, the re-election of the Directors who will be retiring at the forthcoming AGM of the Company;
- Review and recommendation to the Board, the re-appointment of the Directors who are over the age of seventy (70) years at the forthcoming AGM of the Company; and
- Review and recommendation to the Board, the retention of the Independent Non-Executive Directors in accordance with the MCCG 2012.

## Statement on Corporate Governance (Cont'd)

### 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. MCCG 2012, 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 respect of the appointment of Directors, the Company practices a clear and transparent nomination process which involves the following five (5) stages:

- Stage 1: Identification of candidates
- Stage 2: Evaluation of suitability of candidates
- Stage 3: Meeting up with candidates
- Stage 4: Final deliberation by the Nomination and Remuneration Committee
- Stage 5: Recommendation to the Board

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
Dato' 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.

## Statement on Corporate Governance (Cont'd)

The remuneration of Directors for the financial year ended 31 December 2015 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	841	-
EPF	116	-
Bonus	121	-

(ii) The number of Directors as at 31 December 2015 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	-
RM750,001 to RM800,000	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 MCGG 2012 states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, this do not preclude the Director from continuing to serve on the Board as an Independent Non-Executive Director, subject to strong justifications provided by the Board and approvals sought from shareholders. Rather than tenure of an Independent Non-Executive Director's service, the Board places greater emphasis on the Director's ability to exercise unbiased judgement and his contribution towards the effective functioning of the Board.

As at the date of this statement, Tan Sri Dato' Dr. Sak Cheng Lum and En Mat Ripen Bin Mat Elah has served tenure of nine (9) years and above. The Nominating and Remuneration Committees have assessed and are satisfied that the Directors:

- Are independent of the management and free from any business dealings or other relationship with the Group which may be perceived to materially interfere with their ability to exercise unfettered judgement and act in the best interest of the Group;
- Have committed sufficient time and exercised due care during their tenure, actively participating in board meetings and discussions;
- Are able to capitalize on their familiarity, insights and knowledge of the Group's operations and contribute positively towards deliberations and decision-makings of the Board;
- Have discharged their professional duties in good faith and in the best interest of the Group and shareholders; and
- Have vigilantly safeguarded the interest of minority shareholders, as well as stakeholders of the Group

## Statement on Corporate Governance (Cont'd)

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

Tan Sri Dato' Dr. Sak Cheung Lum and En Mat Ripen Bin Mat Elah have offered themselves for re-appointment as Directors of the Company at the forthcoming forty-sixth Annual General Meeting. The Board is satisfied with the skills, contribution and independent judgment that Tan Sri Dato' Dr. Sak Cheng Lum and En Mat Ripen Bin Mat Elah bring to the Board. In view thereof, the Board recommends and supports their retention as Independent Non-Executive Directors of the Company which is tabled for shareholders' approval at the forthcoming forty-sixth 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, Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock and the Managing Director, Dato' Milton Norman Ng Kwee Leong, to ensure there is a balance of power and authority.

MCCG 2012 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, Tan Sri 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.

As the Chairman has a significant relevant interest in the Company, he is well placed to act on behalf of shareholders and in their best interest. In view of that, the Board 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 11.

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.

En 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 2015, 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 external auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statement during the financial period under review. 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

The Board is committed to presenting a fair, balanced and comprehensive financial performance and prospects in all disclosures made to the shareholders and the general public. In addition to providing financial statements and annual report on an annual basis to the shareholders, the Company also presents the Group's financial results on quarterly basis via public announcements. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness.

Prior to the presentation of the Company's financial statements to the Board for approval and issuance to stakeholders, Audit Committee meetings were held to review the Company's financial statements in the presence of external auditors and the Group's Financial Controller. In preparing the financial statements for the financial year ended 31 December 2015, the Directors have:

- Adopted the relevant and appropriate accounting policies consistently;
- Made judgements and estimates that are reasonable and prudent;
- Adopted applicable accounting standards, subject to any material departures, if any, which will be disclosed and explained in the financial statements;
- Prepared the financial statements on the assumption that the Company and the Group will operate as a going concern; and
- Ensure proper keeping of accounting records with reasonable accuracy

The Directors are responsible for ensuring that the Company and the Group keep proper accounting records to enable the Company and the Group to disclose, with reasonable accuracy and without any material misstatement, the financial position, performance and cash flows of the Company and the Group as at 31 December 2015. With the assistance of Audit Committee, the Board will ensure that the preparation of fair presentation and disclosure in the financial statements are in accordance with the applicable Malaysia Financial Reporting Standards and the Companies Act, 1965.

The Board, through the Audit Committee, maintains a close and formal as well as transparent arrangement and relationship with the Company's external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. The Audit Committee meets the external auditors without the presence of the management twice during the year under review to further discuss on the Group's audit plans, audit findings and to exchange independent views on the matters which require their attention.

Annually, prior to the commencement of the audit engagement, the external auditors confirm to the Audit Committee on their independence.

## Statement on Corporate Governance (Cont'd)

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.

In assessing the adequacy and effectiveness of the system of internal control and accounting control procedures of the Group, the Audit Committee reports to the Board its activities, significant results, findings and the necessary recommendations or changes.

### **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. Based on the assessment for the year, the Board is satisfy with their performance, technical competency and fulfillment of criteria of independent in carry out their duties as the external auditors, although they have acted as the external auditors for the Company for 5 years. 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 26 to 27 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](http://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 Directors. Where appropriate, the Board will undertake to provide written answer to any questions that cannot be readily answered at the meeting.

# Statement on Risk Management and Internal Control

## INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies is to maintain a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets. Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Directors of a listed company are to include in its annual report a Statement on Risk Management and Internal Control. This Statement on Risk Management and Internal Control has been prepared in compliance with the Main Market Listing Requirements of Bursa Securities and in accordance with the guidance in the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Issuers ("Internal Control Guidelines").

### 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 inherent 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.

## Statement on Risk Management and Internal Control (Cont'd)

- 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 to 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:

- Production
- Repairs and maintenance
- Project management

The internal auditors also carried out follow up audits to ensure that the necessary corrective actions have been undertaken to address the control gaps noted.

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 2015.

## 2. WARRANTS

The Company does not issue any Warrants nor has any unexercised Warrants for the financial year ended 31 December 2015.

## 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 2015.

## 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 2015 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 2015.

## 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. 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 2015 or entered into since the end of the previous financial year.

# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## 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 have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit for the financial year	17,188,006	11,754,613
<u>Profit attributable to:</u>		
Owners of the Company	17,198,948	11,754,613
Non-controlling interests	(10,942)	-
	<u>17,188,006</u>	<u>11,754,613</u>

## DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single tier dividend of 3% or 1.5 sen per ordinary share of RM0.50 each amounting to RM4,149,258 in respect of the financial year ended 31 December 2014.

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2015, of 3% or 1.5 sen per ordinary share of RM0.50 each, amounting to a dividend payable of RM4,149,260 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2016.

## 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:

Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock  
Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf  
Dato' 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

## Directors' Report (Cont'd)

30

HIL Industries Berhad

### DIRECTORS (Cont'd)

In accordance with Article 102 of the Company's Articles of Association, Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf, Tan Sri Dato' Dr Sak Cheng Lum 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:

	At 1.1.2015	Number of ordinary shares of RM0.50 each in the Company		At 31.12.2015
		Additions	Disposals	
<u>Shareholdings in the name of the Director</u>				
Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	33,113,566	-	-	33,113,566
Dato' Milton Norman Ng Kwee Leong	6,668,300	-	-	6,668,300
Malcolm Jeremy Ng Kwee Seng	3,575,600	-	-	3,575,600
<u>Shareholdings in which the Director is deemed to have an interest</u>				
Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	173,708,974	-	-	173,708,974
Dato' Milton Norman Ng Kwee Leong	189,483,740	-	-	189,483,740
Malcolm Jeremy Ng Kwee Seng	189,483,740	-	-	189,483,740



### DIRECTORS' INTERESTS (Cont'd)

	Number of ordinary shares of RM1.00 each in Dalta Industries Sdn. Bhd. ("Dalta")			At 31.12.2015
	At 1.1.2015	Additions	Disposals	
<u>Shareholdings in the name of the Director</u>				
Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	7,000,000	-	-	7,000,000
<u>Shareholdings in which the Director is deemed to have an interest</u>				
Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	3,000,000	-	-	3,000,000

By virtue of their interests in shares in the Company, Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock, Dato' 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 financial position and statements of profit or loss and other comprehensive income 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.

## Directors' Report (Cont'd)

32

HIL Industries Berhad

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (Cont'd)

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 liabilities 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.

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 ability 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 Delta Industries Sdn. Bhd., a company incorporated in Malaysia, as the 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.

**DATO' MILTON NORMAN NG KWEE LEONG**  
Managing Director

**MALCOLM JEREMY NG KWEE SENG**  
Director

Shah Alam  
14 April 2016

# Statement by Directors

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

We, Dato' 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 Standards 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 2015 and of their financial performance and cash flows of the Group and of the Company for the financial year then-ended.

The supplementary information set out in Note 37 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with their resolution.  
14 April 2016

**DATO' MILTON NORMAN NG KWEE LEONG**  
Managing Director

**MALCOLM JEREMY NG KWEE SENG**  
Director

Shah Alam

# Statutory Declaration

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

I, Dato' 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 DATO' MILTON NORMAN NG )  
KWEE LEONG at Puchong in the State of )  
Selangor Darul Ehsan on )

Before me,

# Independent Auditors' Report

To the Members of HIL Industries Berhad (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hil Industries Berhad, which comprise the statements of financial position as of 31 December 2015 of the Group and of the Company, and the statements of comprehensive income, statements 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 information, as set out on pages 36 to 81.

### *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 requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *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 risks 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 entity'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 entity'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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements 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 following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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 all subsidiaries 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 subsidiaries 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 37 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the 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 of Bursa Malaysia Securities Berhad Listing Requirements, as issued by the 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

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

AF: 0886  
Chartered Accountants

Kuala Lumpur,  
Date:

#### YAP PENG BOON

2118/12/16 (J)  
Chartered Accountant

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2015

36

HIL Industries Berhad

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	4	<b>120,112,666</b>	136,398,598	<b>69,993,107</b>	77,155,476
Cost of sales		<b>(88,929,059)</b>	(101,605,735)	<b>(53,467,304)</b>	(60,021,011)
Gross profit		<b>31,183,607</b>	34,792,863	<b>16,525,803</b>	17,134,465
Other items of income:					
– Interest income	5	<b>4,026,676</b>	2,955,510	<b>2,995,780</b>	2,339,120
– Other income		<b>2,572,488</b>	908,650	<b>2,653,777</b>	1,049,825
Other items of expense:					
– Selling and marketing expenses		<b>(4,054,353)</b>	(3,287,724)	<b>(2,712,279)</b>	(2,748,507)
– Administrative expenses		<b>(8,845,045)</b>	(7,988,541)	<b>(4,692,620)</b>	(4,161,704)
– Other expenses		<b>(16,683)</b>	(710,212)	<b>326,128</b>	(223,130)
Operating profit		<b>24,866,690</b>	26,670,546	<b>15,096,589</b>	13,390,069
Finance costs	6	<b>(64,228)</b>	(44,803)	<b>(64,228)</b>	(44,803)
Profit before taxation	7	<b>24,802,462</b>	26,625,743	<b>15,032,361</b>	13,345,266
Taxation	11	<b>(7,614,456)</b>	(6,892,201)	<b>(3,277,748)</b>	(3,326,383)
Profit for the financial year		<b>17,188,006</b>	19,733,542	<b>11,754,613</b>	10,018,883
<u>Other comprehensive income, net of tax</u>					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations					
		<b>4,164,721</b>	1,044,250	-	-
Total comprehensive income for the financial year		<b>21,352,727</b>	20,777,792	<b>11,754,613</b>	10,018,883

## Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

Annual Report 2015

37

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<u>Profit attributable to:</u>					
Owners of the Company		17,198,948	19,718,270	11,754,613	10,018,883
Non-controlling interests		(10,942)	15,272	-	-
Profit for the financial year		<b>17,188,006</b>	19,733,542	<b>11,754,613</b>	10,018,883
<u>Total comprehensive income/(loss) attributable to:</u>					
Owners of the Company		21,363,669	20,762,520	11,754,613	10,018,883
Non-controlling interests		(10,942)	15,272	-	-
Total comprehensive income for the financial year		<b>21,352,727</b>	20,777,792	<b>11,754,613</b>	10,018,883
Basic earnings per share attributable to owners of the Company (sen)	10	<b>6.22</b>	7.13		

# Statements of Financial Position

As at 31 December 2015

38

HIL Industries Berhad

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment	12	68,968,477	74,941,027	51,080,328	55,700,968
Investment properties	13	23,640,527	23,703,566	-	-
Investments in subsidiary companies	14	-	-	40,667,869	40,667,869
Other investments	15	195,415	189,443	-	-
Goodwill	16	4,932,358	4,932,358	-	-
		<b>97,736,777</b>	103,766,394	<b>91,748,197</b>	96,368,837
<u>Current assets</u>					
Inventories	17	11,906,469	15,527,870	4,284,685	4,201,336
Property development costs	18	69,004,960	65,041,212	-	-
Accrued billings	19	10,017,750	9,374,189	-	-
Trade and other receivables	20	36,431,182	47,826,345	113,040,980	110,362,039
Prepaid expenses		867,411	1,567,241	570,794	694,929
Tax recoverable		33,974	58,630	-	-
Deposits with licensed banks	21	85,775,559	90,645,659	82,524,155	76,251,460
Cash and bank balances	22	45,706,371	17,525,067	5,670,157	1,349,264
		<b>259,743,676</b>	247,566,213	<b>206,090,771</b>	192,859,028
<b>TOTAL ASSETS</b>		<b>357,480,453</b>	351,332,607	<b>297,838,968</b>	289,227,865



## Statements of Financial Position (Cont'd)

Annual Report 2015

39

	Note	2015 RM	Group 2014 RM	2015 RM	Company 2014 RM
<b>EQUITY AND LIABILITIES</b>					
<u>Equity attributable to owners of the Company</u>					
Share capital	23	<b>139,357,072</b>	139,357,072	<b>139,357,072</b>	139,357,072
Share premium	23(b)	<b>1,280,872</b>	1,280,872	<b>1,280,872</b>	1,280,872
Treasury shares	23(c)	<b>(947,224)</b>	(947,224)	<b>(947,224)</b>	(947,224)
Capital reserve		<b>308,161</b>	308,161	-	-
Currency translation reserve	24	<b>5,993,201</b>	1,828,480	-	-
Retained profits	25	<b>162,991,027</b>	149,941,337	<b>119,256,273</b>	111,650,918
		<b>308,983,109</b>	291,768,698	<b>258,946,993</b>	251,341,638
Non-controlling interests		<b>1,634,290</b>	1,645,232	-	-
Total equity		<b>310,617,399</b>	293,413,930	<b>258,946,993</b>	251,341,638
<u>Non-current liabilities</u>					
Finance lease liabilities	26	<b>1,119,876</b>	904,440	<b>1,119,876</b>	904,440
Deferred tax liabilities	27	<b>22,455,232</b>	22,938,062	<b>7,291,829</b>	7,774,659
		<b>23,575,108</b>	23,842,502	<b>8,411,705</b>	8,679,099
<u>Current liabilities</u>					
Trade and other payables	28	<b>21,555,088</b>	32,071,082	<b>29,348,477</b>	28,156,016
Finance lease liabilities	26	<b>460,695</b>	307,678	<b>460,695</b>	307,678
Provision for taxation		<b>1,272,163</b>	1,697,415	<b>671,098</b>	743,434
		<b>23,287,946</b>	34,076,175	<b>30,480,270</b>	29,207,128
Total liabilities		<b>46,863,054</b>	57,918,677	<b>38,891,975</b>	37,886,227
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>357,480,453</b>	351,332,607	<b>297,838,968</b>	289,227,865

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

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2015

40

HIL Industries Berhad

	Attributable to owners of the Company									
	Share capital RM	Share premium RM	Treasury shares RM	Capital reserve RM	Currency translation reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM	
<b>At 1 January 2015</b>	139,357,072	1,280,872	(947,224)	308,161	1,828,480	149,941,337	291,768,698	1,645,232	293,413,930	
Total comprehensive income/(loss) for the financial year	-	-	-	-	4,164,721	17,198,948	21,363,669	(10,942)	21,352,727	
<u>Transactions with owners:</u>										
Dividends on ordinary shares	-	-	-	-	-	(4,149,258)	(4,149,258)	-	(4,149,258)	
At 31 December 2015	139,357,072	1,280,872	(947,224)	308,161	5,993,201	162,991,027	308,983,109	1,634,290	310,617,399	
<b>At 1 January 2014</b>	139,357,072	1,280,872	(947,224)	308,161	784,230	134,372,325	275,155,436	1,629,960	276,785,396	
Total comprehensive income for the financial year	-	-	-	-	1,044,250	19,718,270	20,762,520	15,272	20,777,792	
<u>Transactions with owners:</u>										
Dividends on ordinary shares	-	-	-	-	-	(4,149,258)	(4,149,258)	-	(4,149,258)	
At 31 December 2014	139,357,072	1,280,872	(947,224)	308,161	1,828,480	149,941,337	291,768,698	1,645,232	293,413,930	

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

# Company Statement of Changes in Equity

For the financial year ended 31 December 2015

Annual Report 2015

41

	Note	Non-distributable			Distributable	Total equity RM
		Share capital RM	Share premium RM	Treasury shares RM	Retained profits RM	
<b>At 1 January 2015</b>		139,357,072	1,280,872	(947,224)	111,650,918	251,341,638
Total comprehensive income for the financial year		-	-	-	11,754,613	11,754,613
<u>Transactions with owners:</u>						
Dividends on ordinary shares	30	-	-	-	(4,149,258)	(4,149,258)
<b>At 31 December 2015</b>		<u>139,357,072</u>	<u>1,280,872</u>	<u>(947,224)</u>	<u>119,256,273</u>	<u>258,946,993</u>
<b>At 1 January 2014</b>		139,357,072	1,280,872	(947,224)	105,781,293	245,472,013
Total comprehensive income for the financial year		-	-	-	10,018,883	10,018,883
<u>Transactions with owners:</u>						
Dividends on ordinary shares	30	-	-	-	(4,149,258)	(4,149,258)
<b>At 31 December 2014</b>		<u>139,357,072</u>	<u>1,280,872</u>	<u>(947,224)</u>	<u>111,650,918</u>	<u>251,341,638</u>

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

# Statements of Cash Flows

For the financial year ended 31 December 2015

42

HIL Industries Berhad

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>OPERATING ACTIVITIES</b>					
Profit before taxation		24,802,462	26,625,743	15,032,361	13,345,266
Adjustments for:					
Depreciation of property, plant and equipment		9,518,736	9,381,868	6,878,775	6,854,346
Depreciation of investment properties		63,039	63,039	-	-
Impairment loss on trade receivables		83,095	10,924	-	-
Interest expense		64,228	44,803	64,228	44,803
Interest income		(4,026,676)	(2,955,510)	(2,995,780)	(2,339,120)
Gain on disposal of property, plant and equipment		(79,450)	-	(50,000)	(40,000)
Net unrealised foreign exchange gains		(2,226,510)	(676,282)	(2,293,693)	(826,276)
Operating profit before working capital changes		28,231,914	32,494,585	16,635,891	17,039,019
Working capital changes:					
Inventories		3,621,401	(3,256,851)	(83,349)	(400,969)
Property development costs		(3,963,748)	(2,374,267)	-	-
Trade and other receivables		10,826,216	(16,087,848)	(2,760,470)	(3,902,030)
Prepaid expenses		699,830	(390,497)	124,135	(164,618)
Trade and other payables		(11,274,532)	10,381,861	1,192,461	(2,317,992)
Cash generated from operations carried forward		28,141,081	20,766,983	15,108,668	10,253,410
Interest paid		(64,228)	(44,803)	(64,228)	(44,803)
Interest received		4,026,676	2,955,510	2,995,780	2,339,120
Tax paid		(8,530,204)	(6,516,818)	(3,832,914)	(3,675,014)
Tax recovered		32,322	2,722,218	-	-
Net cash flow from operating activities		23,605,647	19,883,090	14,207,306	8,872,713
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	29	(1,536,273)	(3,374,240)	(1,522,135)	(573,718)
Proceeds from disposal of property, plant and equipment		117,495	-	50,000	40,000
Purchase of other investments		(5,972)	(5,332)	-	-
Net cash flow from investing activities		(1,424,750)	(3,379,572)	(1,472,135)	(533,718)

## Statements of Cash Flows (Cont'd)

Annual Report 2015

43

	Note	Group 2015 RM	2014 RM	Company 2015 RM	2014 RM
<b>FINANCING ACTIVITIES</b>					
Repayment of finance lease liabilities		(367,547)	(215,664)	(367,547)	(215,664)
Dividends paid on ordinary shares	30	(4,149,258)	(4,149,258)	(4,149,258)	(4,149,258)
Net cash flow from financing activities		(4,516,805)	(4,364,922)	(4,516,805)	(4,364,922)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>					
		17,664,092	12,138,596	8,218,366	3,974,073
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>					
		108,170,726	94,491,942	77,600,724	72,860,984
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>					
		5,647,112	1,540,188	2,375,222	765,667
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>					
	31	131,481,930	108,170,726	88,194,312	77,600,724

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

# Notes to the Financial Statements

For the financial year ended 31 December 2015

44

HIL Industries Berhad

## 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 principal place of business of the Company is located at 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 have been no significant changes 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 holding company.

The financial statements were authorised for issue by the Board of Directors on 14 April 2016.

## 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.

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous financial year, except in current financial year, the Group and the Company adopted all the new and revised standards which are effective for financial periods beginning on or after 1 January 2015. The adoption of these new and revised standards did not have any impact on the financial statements of the Group and of the Company.

As at the date of authorisation of these financial statements, the following new and revised standards 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:

#### Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities : Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture - Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual improvements to MFRSs 2012 - 2014 Cycle	

#### Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
--------	-----------------------

### 2. BASIS OF PREPARATION (Cont'd)

#### 2.1 Statement of compliance (Cont'd)

The initial application of the abovementioned standards are not expected to have any material impact to the financial statements of the Group and of the Company except as mentioned below:

##### MFRS 9, Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and of the Company's financial assets, but no impact on the classification and measurement of the Group's and of the Company financial liabilities.

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

#### 2.4 Use of judgements and estimates

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The Directors are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

##### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

##### a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 3 to 57 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment is disclosed in Note 12.

## Notes to the Financial Statements (Cont'd)

46

HIL Industries Berhad

### 2. BASIS OF PREPARATION (Cont'd)

#### 2.4 Use of judgements and estimates (Cont'd)

##### b) Revenue recognition of property development activities

The Group recognises property development revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant estimation is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the estimation, the Group evaluates by relying on past experience and the work of specialists. The carrying amount of property development costs is disclosed in Notes 18 and 19.

##### c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of loans and receivables is disclosed in Note 20.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 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.

The Company controls an investee if and only if the Company has all the following:

- Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.



### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 3.1 Basis of consolidation (Cont'd)

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest, and
- the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest

Gain or loss is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

#### 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 Company.

#### 3.3 Foreign currencies

##### a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

## Notes to the Financial Statements (Cont'd)

48

HIL Industries Berhad

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 3.3 Foreign currencies (Cont'd)

##### b) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified profit or loss.

#### 3.4 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any 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 recognised as expenses in profit or loss 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.

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 as follows:

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

The residual values, useful lives and depreciation methods are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 profit or loss in the financial year the asset is derecognised.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 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 profit or loss in the financial year of disposal or retirement.

#### 3.6 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstances is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

#### 3.7 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

#### 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.

## Notes to the Financial Statements (Cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 3.8 Impairment of non-financial assets (Cont'd)

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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 3.9 Financial assets (Cont'd)

##### 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.

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.

## Notes to the Financial Statements (Cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 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.

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 assets 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 other comprehensive income 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. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 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.

#### 3.12 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 profit or loss 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 profit or loss exceeds billings to purchasers, the balance is shown as accrued billings under current assets. Where billings to purchasers exceed revenue recognised in profit or loss, the balance is shown as progress billings under current liabilities.

#### 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.

## Notes to the Financial Statements (Cont'd)

54

HIL Industries Berhad

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 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 and other payables

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

#### 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 in the statements 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 (Cont'd)

#### 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.

#### 3.20 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.

## Notes to the Financial Statements (Cont'd)

56

HIL Industries Berhad

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 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 development projects

Revenue from property development projects and sale of development properties which are under development is recognised on the percentage of completion method, where the outcome of the development projects can be reliably estimated.

c) Revenue from property letting

Rental income from properties is recognised in profit or loss 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.

d) Interest income

Interest income is recognised using the effective interest method.

#### 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Sale of goods	84,508,713	107,636,342	69,993,107	77,155,476
Services rendered	76,181	82,056	-	-
Property development revenue	34,340,345	27,264,315	-	-
Rental income from land and buildings	1,187,427	1,415,885	-	-
	<b>120,112,666</b>	<b>136,398,598</b>	<b>69,993,107</b>	<b>77,155,476</b>

## Notes to the Financial Statements (Cont'd)

Annual Report 2015

57

### 5. INTEREST INCOME

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest income from loans and receivables	<b>4,026,676</b>	2,955,510	<b>2,995,780</b>	2,339,120

### 6. FINANCE COSTS

	Group and Company	
	2015 RM	2014 RM
Interest expense on:		
– Obligations under finance leases	<b>64,228</b>	44,803

### 7. PROFIT BEFORE TAXATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit before taxation is arrived at after charging/ (crediting):				
Employee benefits expense (Note 8)	<b>19,776,778</b>	23,090,116	<b>14,760,333</b>	14,609,718
Non-executive directors' remuneration (Note 9)	<b>2,000</b>	2,000	<b>2,000</b>	2,000
Auditors' remuneration				
– Audit fees to Cheng & Co	<b>58,300</b>	43,400	<b>30,000</b>	26,500
– Audit fees to other group auditors	<b>34,043</b>	32,866	-	-
Bad debts written off:				
– Receivables	<b>32,990</b>	-	-	-
Depreciation of property, plant and equipment (Note 12)	<b>9,518,736</b>	9,381,868	<b>6,878,775</b>	6,854,346
Depreciation of investment properties (Note 13)	<b>63,039</b>	63,039	-	-
Direct operating expenses arising from investment properties	<b>683,010</b>	681,860	-	-
Impairment loss on trade receivables (Note 20)	<b>83,095</b>	10,924	-	-
Gain on disposal of property, plant and equipment	<b>(79,450)</b>	-	<b>(50,000)</b>	(40,000)
Net foreign exchange gains				
– Realised	<b>(822,494)</b>	(74,140)	<b>(727,269)</b>	(65,509)
– Unrealised	<b>(2,226,510)</b>	(676,282)	<b>(2,293,693)</b>	(826,276)
Rental expense for land and buildings	<b>989,373</b>	872,442	<b>421,247</b>	420,347
Rental income from land and buildings	<b>(1,187,427)</b>	(1,415,885)	<b>(120,000)</b>	(120,000)

## Notes to the Financial Statements (Cont'd)

58

HIL Industries Berhad

### 8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries, bonuses and allowances	<b>16,985,126</b>	19,621,224	<b>12,878,942</b>	12,379,431
Contributions to defined contribution plans	<b>964,319</b>	1,007,351	<b>798,705</b>	817,831
Social security contributions	<b>589,133</b>	651,532	<b>75,389</b>	74,258
Other employee benefits	<b>1,238,200</b>	1,810,009	<b>1,007,297</b>	1,338,198
	<b>19,776,778</b>	23,090,116	<b>14,760,333</b>	14,609,718

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,080,696 (2014: RM1,080,696) and RM879,320 (2014: RM879,320) respectively as further disclosed in Note 9.

### 9. DIRECTORS' REMUNERATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Executive directors' remuneration (Note 8):				
– Non-fee emoluments	<b>1,080,696</b>	1,080,696	<b>879,320</b>	879,320
Non-executive directors' remuneration (Note 7):				
– Fees	<b>2,000</b>	2,000	<b>2,000</b>	2,000
Total directors' remuneration (Note 33)	<b>1,082,696</b>	1,082,696	<b>881,320</b>	881,320

### 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 number of ordinary shares in issue during the financial year.

	Group	
	2015	2014
Profit for the financial year attributable to owners of the Company (RM)	<b>17,198,948</b>	19,718,270
Number of ordinary shares in issue	<b>276,617,344</b>	276,617,344
Basic earnings per share (sen)	<b>6.22</b>	7.13

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	
	2015 RM	2014 RM	2015 RM	2014 RM
Current tax expense:				
- Malaysian income tax	8,186,492	7,188,134	3,847,002	3,625,481
- (Over)/Underprovision in previous financial years	(89,206)	3,639	(86,424)	-
	<b>8,097,286</b>	<b>7,191,773</b>	<b>3,760,578</b>	<b>3,625,481</b>
Deferred taxation (Note 27)				
- relating to origination and reversal of temporary differences	(480,958)	(326,522)	(480,958)	(326,522)
- (Over)/Underprovision in previous financial years	(1,872)	26,950	(1,872)	27,424
	<b>(482,830)</b>	<b>(299,572)</b>	<b>(482,830)</b>	<b>(299,098)</b>
Income tax expense recognised in profit or loss	<b>7,614,456</b>	<b>6,892,201</b>	<b>3,277,748</b>	<b>3,326,383</b>

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

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<u>Numerical reconciliation of effective income tax expense</u>				
Profit before taxation	<b>24,802,462</b>	26,625,743	<b>15,032,361</b>	13,345,266
Taxation at Malaysian statutory tax rate of 25%	<b>6,200,616</b>	6,656,436	<b>3,758,090</b>	3,336,317
Tax effects of:				
- income not subject to tax	(584,912)	(194,059)	(606,074)	(232,458)
- different tax rates of a foreign subsidiary company	290,085	(10,575)	-	-
- expenses not deductible for tax purposes	754,594	322,511	214,028	195,100
- utilisation of previously unrecognised tax losses	-	(49,878)	-	-
Deferred tax assets not recognised during the financial year	1,045,151	137,177	-	-
(Over)/Underprovision of deferred tax in previous financial years	(1,872)	26,950	(1,872)	27,424
(Over)/Underprovision of income tax in previous financial years	(89,206)	3,639	(86,424)	-
Income tax expense recognised in profit or loss	<b>7,614,456</b>	<b>6,892,201</b>	<b>3,277,748</b>	<b>3,326,383</b>

## Notes to the Financial Statements (Cont'd)

60

HIL Industries Berhad

### 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
<b>2015</b>						
<b>Net carrying amount</b>						
At 1 January 2015	4,136,968	3,552,905	20,682,388	44,423,712	2,145,054	74,941,027
Additions	-	-	-	1,193,089	1,079,184	2,272,273
Disposals	-	-	-	(17,292)	(20,753)	(38,045)
Depreciation charge	-	(106,271)	(621,024)	(7,856,035)	(935,406)	(9,518,736)
Currency translation differences	-	-	-	1,166,502	145,456	1,311,958
At 31 December 2015	<b>4,136,968</b>	<b>3,446,634</b>	<b>20,061,364</b>	<b>38,909,976</b>	<b>2,413,535</b>	<b>68,968,477</b>
<b>At 31 December 2015</b>						
Cost	4,136,968	5,887,188	31,051,177	125,857,921	22,142,918	189,076,172
Accumulated depreciation	-	(2,440,554)	(10,989,813)	(86,947,945)	(19,729,383)	(120,107,695)
Net carrying amount	<b>4,136,968</b>	<b>3,446,634</b>	<b>20,061,364</b>	<b>38,909,976</b>	<b>2,413,535</b>	<b>68,968,477</b>
<b>2014</b>						
<b>Net carrying amount</b>						
At 1 January 2014	4,136,968	3,659,177	21,303,411	48,668,270	2,265,138	80,032,964
Additions	-	-	-	3,138,929	869,311	4,008,240
Depreciation charge	-	(106,272)	(621,023)	(7,648,101)	(1,006,472)	(9,381,868)
Currency translation differences	-	-	-	264,614	17,077	281,691
At 31 December 2014	<b>4,136,968</b>	<b>3,552,905</b>	<b>20,682,388</b>	<b>44,423,712</b>	<b>2,145,054</b>	<b>74,941,027</b>
<b>At 31 December 2014</b>						
Cost	4,136,968	5,887,188	31,051,177	121,158,532	20,578,452	182,812,317
Accumulated depreciation	-	(2,334,283)	(10,368,789)	(76,734,820)	(18,433,398)	(107,871,290)
Net carrying amount	<b>4,136,968</b>	<b>3,552,905</b>	<b>20,682,388</b>	<b>44,423,712</b>	<b>2,145,054</b>	<b>74,941,027</b>

### 12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

#### COMPANY

	Buildings RM	Plant and machinery RM	Motor vehicles, equipment and furniture RM	Total RM
<b>2015</b>				
<b>Net carrying amount</b>				
At 1 January 2015	20,682,388	33,863,325	1,155,255	55,700,968
Additions	-	1,178,951	1,079,184	2,258,135
Depreciation charge	(621,024)	(5,494,559)	(763,192)	(6,878,775)
At 31 December 2015	<b>20,061,364</b>	<b>29,547,717</b>	<b>1,471,247</b>	<b>51,080,328</b>
<b>At 31 December 2015</b>				
Cost	31,051,177	89,128,848	16,296,245	136,476,270
Accumulated depreciation	(10,989,813)	(59,581,131)	(14,824,998)	(85,395,942)
Net carrying amount	<b>20,061,364</b>	<b>29,547,717</b>	<b>1,471,247</b>	<b>51,080,328</b>
<b>2014</b>				
<b>Net carrying amount</b>				
At 1 January 2014	21,303,411	38,911,927	1,132,258	61,347,596
Additions	-	429,550	778,168	1,207,718
Depreciation charge	(621,023)	(5,478,152)	(755,171)	(6,854,346)
At 31 December 2014	<b>20,682,388</b>	<b>33,863,325</b>	<b>1,155,255</b>	<b>55,700,968</b>
<b>At 31 December 2014</b>				
Cost	31,051,177	88,562,591	15,217,061	134,830,829
Accumulated depreciation	(10,368,789)	(54,699,266)	(14,061,806)	(79,129,861)
Net carrying amount	<b>20,682,388</b>	<b>33,863,325</b>	<b>1,155,255</b>	<b>55,700,968</b>

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

The motor vehicles held under finance leases at the reporting date of the Group and of the Company had a net carrying amount of RM1,097,384 (2014: RM802,350).

## Notes to the Financial Statements (Cont'd)

62

HIL Industries Berhad

### 13. INVESTMENT PROPERTIES

	Group	
	2015 RM	2014 RM
<b>Cost</b>		
At 1 January/31 December	<b>23,955,722</b>	23,955,722
<b>Accumulated depreciation</b>		
At 1 January	<b>252,156</b>	189,117
Depreciation for the financial year (Note 7)	<b>63,039</b>	63,039
At 31 December	<b>315,195</b>	252,156
Net carrying amount	<b>23,640,527</b>	23,703,566
Fair value of the freehold land and buildings	<b>41,180,000</b>	22,287,000

The estimation of the fair value was made based on the following key assumptions:

- the comparison of the Group's investment properties with similar property that was listed for sales within the same locality or other comparable localities; or
- enquiries from relevant property valuers and real estate agents on market conditions and changing market trends

### 14. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2015 RM	2014 RM
Unquoted shares:		
– At cost	<b>20,551,798</b>	20,551,798
– Capital contribution	<b>20,116,071</b>	20,116,071
	<b>40,667,869</b>	40,667,869

The subsidiary companies are as follows:

Name	Group's effective interest		Principal activities
	2015	2014	
Hil-Edrola (M) Sdn. Bhd. *	<b>100%</b>	100%	Developing and manufacturing of headlining for automotive industry
Hil Assembly Services Sdn. Bhd. *	<b>51%</b>	51%	Investment holding, manufacture and sale of industrial and domestic moulded plastic products, and sub-assembly of plastic-related products
Hil Automation Sdn. Bhd. *	<b>51%</b>	51%	Investment holding
Hil Automotive Components Sdn. Bhd. *	<b>100%</b>	100%	Dormant
Hil Properties Sdn. Bhd.	<b>100%</b>	100%	Investment holding and property development
Hil Sales & Marketing Sdn. Bhd. *	<b>100%</b>	100%	Sales and marketing



## 14. INVESTMENTS IN SUBSIDIARY COMPANIES (Cont'd)

Name	Group's effective interest		Principal activities
	2015	2014	
Hilgraphics Sdn. Bhd. *	100%	100%	Sub-assembly of plastic-related products
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. *	100%	80%	Mould making and precision metal stamping
Supreme Logic Sdn. Bhd. *	100%	100%	Property holding
<b>Subsidiary company of Hil Assembly Services Sdn. Bhd.</b>			
Antaforce Engineering Sdn. Bhd. *	41%	41%	Investment holding
<b>Subsidiary company of Hil Automation Sdn. Bhd.</b>			
Hil Technology Sdn. Bhd. *	41%	41%	Designing and assembling industrial machinery and equipment for the purpose of factory automation
<b>Subsidiary companies of Hil Properties Sdn. Bhd.</b>			
Pembinaan Laksamana Sdn. Bhd.	100%	100%	Property development and property management
Satu Tunas Sdn. Bhd.	100%	100%	Property investment and investment holding
Tunas Pasti Sdn. Bhd.	100%	100%	Housing development and investment holding
<b>Subsidiary company of Hil Sales &amp; Marketing Sdn. Bhd.</b>			
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
<b>Subsidiary company of Satu Tunas Sdn. Bhd.</b>			
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.

The Group does not have material non-controlling interests as at end of the reporting date.

## Notes to the Financial Statements (Cont'd)

64

HIL Industries Berhad

### 15. OTHER INVESTMENTS

	2015 RM	Group 2014 RM
<b>Available-for-sale financial assets</b>		
Unit trusts at fair value	195,415	189,443

### 16. GOODWILL

	2015 RM	Group 2014 RM
<b>Cost</b>		
At 1 January/31 December	4,932,358	4,932,358

#### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

No geographical segment of the goodwill allocation is prepared as the Group's activities are carried out predominantly in Malaysia.

A business segment-level summary of the goodwill allocation is analysed as follows:

	2015 RM	Group 2014 RM
Property development and management ("CGU")	4,932,358	4,932,358

#### Recoverable amount based on fair value less costs to sell

The recoverable amount of CGU is based on fair value less costs to sell. The fair value less costs to sell is based on observable market price for similar assets or observable market price for assets for different nature, condition or location which is adjusted to reflect the different nature, condition or location of assets.

### 17. INVENTORIES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>At cost</b>				
Raw materials	3,428,976	4,392,214	2,079,971	2,163,567
Work in progress	3,587,693	4,870,809	552,038	603,434
Finished goods	2,030,099	3,405,146	1,652,676	1,434,335
Completed properties held for sale	2,859,701	2,859,701	-	-
	<b>11,906,469</b>	<b>15,527,870</b>	<b>4,284,685</b>	<b>4,201,336</b>

### 18. PROPERTY DEVELOPMENT COSTS

	2015 RM	Group 2014 RM
<b>Property development costs</b>		
At 1 January		
- freehold land	58,602,825	50,497,684
- development costs	6,438,387	12,169,261
	<u>65,041,212</u>	<u>62,666,945</u>
<b>Costs incurred during the year</b>		
Development costs	21,846,627	17,036,524
	<u>21,846,627</u>	<u>17,036,524</u>
<b>Costs recognised in profit or loss</b>		
Recognised during the year	(17,882,879)	(14,662,257)
	<u>(17,882,879)</u>	<u>(14,662,257)</u>
Property development costs	<u>69,004,960</u>	65,041,212
<b>Analysed as follows:</b>		
- freehold land	58,602,825	50,497,684
- development costs	10,402,135	14,543,528
	<u>69,004,960</u>	<u>65,041,212</u>

### 19. ACCRUED BILLINGS

	2015 RM	Group 2014 RM
Revenue recognised in profit or loss to date	61,604,660	27,264,315
Progress billings to date	(51,586,910)	(17,890,126)
	<u>10,017,750</u>	<u>9,374,189</u>

## Notes to the Financial Statements (Cont'd)

66

HIL Industries Berhad

### 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Trade receivables</b>				
Third parties	19,277,935	30,423,328	15,146,032	16,974,922
Less: Allowance for impairment	(408,761)	(325,666)	(39,100)	(39,100)
	<b>18,869,174</b>	<b>30,097,662</b>	<b>15,106,932</b>	<b>16,935,822</b>
<b>Other receivables</b>				
Amount due from subsidiary companies (related parties)	-	-	81,861,452	76,810,280
Deposits	424,394	309,730	79,544	62,815
Other receivables	17,137,614	17,418,953	15,993,052	16,553,122
	<b>17,562,008</b>	<b>17,728,683</b>	<b>97,934,048</b>	<b>93,426,217</b>
Total trade and other receivables	<b>36,431,182</b>	<b>47,826,345</b>	<b>113,040,980</b>	<b>110,362,039</b>
Add: Cash and cash equivalents (Note 31)	<b>131,481,930</b>	<b>108,170,726</b>	<b>88,194,312</b>	<b>77,600,724</b>
Total loans and receivables	<b>167,913,112</b>	<b>155,997,071</b>	<b>201,235,292</b>	<b>187,962,763</b>

#### a) Trade receivables

The Group's normal trade credit terms range from 30 to 90 (2014: 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Neither past due nor impaired	7,152,404	9,562,398	6,183,645	6,102,892
1 to 30 days past due and not impaired	4,111,966	10,170,720	3,624,875	7,660,582
31 to 60 days past due and not impaired	2,591,986	3,488,634	2,325,832	1,522,187
61 to 90 days past due and not impaired	2,154,657	3,155,473	1,748,235	762,331
More than 90 days past due and not impaired	833,546	1,764,860	212,660	187,821
	<b>9,692,155</b>	<b>18,579,687</b>	<b>7,911,602</b>	<b>10,132,921</b>
Impaired	2,433,376	2,281,243	1,050,785	739,109
	<b>19,277,935</b>	<b>30,423,328</b>	<b>15,146,032</b>	<b>16,974,922</b>

### 20. TRADE AND OTHER RECEIVABLES (Cont'd)

#### a) Trade receivables (Cont'd)

##### 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 RM9,692,155 (2014: RM18,579,687) 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	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Collectively impaired</b>				
Trade receivables (nominal amounts)	2,433,376	2,281,243	1,050,785	739,109
Less: Allowance for impairment	(408,761)	(325,666)	(39,100)	(39,100)
	<b>2,024,615</b>	<b>1,955,577</b>	<b>1,011,685</b>	<b>700,009</b>

Movement in allowance accounts:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	325,666	380,802	39,100	105,160
Charge for the financial year (Note 7)	83,095	10,924	-	-
Written off	-	(66,060)	-	(66,060)
At 31 December	<b>408,761</b>	<b>325,666</b>	<b>39,100</b>	<b>39,100</b>

#### 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.

### 21. 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 4.30% (2014: 0.40% to 3.90%).

The maturity period of the deposits with licensed banks at the end of the financial year is within 12 (2014: 12) months.

## Notes to the Financial Statements (Cont'd)

68

HIL Industries Berhad

### 22. 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 RM31,931,536 (2014: RM10,797,615) that may only be used in accordance with the said Act.

### 23. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each		Amount	
	2015 RM	2014 RM	2015 RM	2014 RM
Authorised	<u>400,000,000</u>	400,000,000	<u>200,000,000</u>	200,000,000
Issued and fully paid	<u>278,714,144</u>	278,714,144	<u>139,357,072</u>	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's residual assets.

#### b) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

	Group and Company	
	2015 RM	2014 RM
At 1 January/31 December	<u>1,280,872</u>	1,280,872

#### c) 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 (2014: Nil) 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 (2014: RM Nil) 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.

### 24. CURRENCY TRANSLATION RESERVE

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

	2015 RM	Group 2014 RM
At 1 January	1,828,480	784,230
Foreign currency translation for the financial year	4,164,721	1,044,250
At 31 December	<u>5,993,201</u>	<u>1,828,480</u>

### 25. RETAINED PROFITS

Under the single tier tax system, tax on the Company's profit is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

### 26. FINANCE LEASE LIABILITIES

	Group and Company	
	2015 RM	2014 RM
<b>Future minimum lease payments:</b>		
- not later than one year	522,384	355,964
- later than one year and not later than five years	1,196,155	968,803
- later than five years	-	1,788
	<u>1,718,539</u>	<u>1,326,555</u>
Future interest charges	(137,968)	(114,437)
Present value of minimum lease payments	<u>1,580,571</u>	<u>1,212,118</u>
<b>Non-current</b>		
- later than one year and not later than five years	1,119,876	902,659
- later than five years	-	1,781
	<u>1,119,876</u>	<u>904,440</u>
<b>Current</b>		
- not later than one year	460,695	307,678
	<u>1,580,571</u>	<u>1,212,118</u>

The finance lease liabilities are subject to a fixed interest rate of 2.25% to 2.88% (2014: 2.30% to 2.88%) per annum.

## Notes to the Financial Statements (Cont'd)

70

HIL Industries Berhad

### 27. DEFERRED TAX LIABILITIES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	22,938,062	23,237,634	7,774,659	8,073,757
Recognised in profit or loss (Note 11)	(482,830)	(299,572)	(482,830)	(299,098)
At 31 December	22,455,232	22,938,062	7,291,829	7,774,659

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 are in respect of the following:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Tax effect of:				
- excess of capital allowances over the corresponding book depreciation	22,455,232	22,938,062	7,291,829	7,774,659

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

	Group	
	2015 RM	2014 RM
Unabsorbed capital allowances	246	15,616
Unutilised tax losses	42,030,906	29,155,011
	42,031,152	29,170,627

### 28. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Trade payables</b>				
Third parties	7,902,944	14,273,460	5,483,075	5,343,111
<b>Other payables</b>				
Amount due to subsidiary companies (related parties)	-	-	13,858,574	14,125,862
Accruals	4,712,329	5,384,347	4,365,046	4,851,572
Other payables	8,939,815	12,413,275	5,641,782	3,835,471
	13,652,144	17,797,622	23,865,402	22,812,905
Total trade and other payables	21,555,088	32,071,082	29,348,477	28,156,016
Add: Finance lease liabilities (Note 26)	1,580,571	1,212,118	1,580,571	1,212,118
Total financial liabilities carried at amortised cost	23,135,659	33,283,200	30,929,048	29,368,134



## Notes to the Financial Statements (Cont'd)

### 28. TRADE AND OTHER PAYABLES (Cont'd)

#### a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group are 30 to 90 (2014: 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 parties refers to subsidiaries of Delta.

### 29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cost of property, plant and equipment purchased (Note 12)	2,272,273	4,008,240	2,258,135	1,207,718
Less: Amount financed by finance lease creditors by finance lease creditors	(736,000)	(634,000)	(736,000)	(634,000)
Cash disbursed for purchase of property, plant and equipment	1,536,273	3,374,240	1,522,135	573,718

### 30. DIVIDENDS

	Group and Company	
	2015 RM	2014 RM
<b>Recognised during the financial year:</b>		
Dividends on ordinary shares:		
– First and final dividend for 2014: 3% or 1.50 sen single tier dividend per share (2013: 3% or 1.50 sen single tier dividend per share)	4,149,258	4,149,258

### 31. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deposits with licensed banks	85,775,559	90,645,659	82,524,155	76,251,460
Cash and bank balances	45,706,371	17,525,067	5,670,157	1,349,264
	131,481,930	108,170,726	88,194,312	77,600,724

## Notes to the Financial Statements (Cont'd)

72

HIL Industries Berhad

### 32. CAPITAL COMMITMENTS

	Company	
	2015 RM	2014 RM
Capital expenditure not provided for in the financial statements is as follows:		
Authorised by the Directors and contracted for	-	372,000

### 33. 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.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprises all the Directors of the Group.

The Company has a related party relationship with its subsidiary companies, related companies and key management personnel.

#### Significant related party transactions

	Company	
	2015 RM	2014 RM
<b>Transactions with subsidiaries of the Company</b>		
Sale of plant and equipment to subsidiaries	-	40,000
Purchase of goods from subsidiaries	251,141	484,465
Rental income of land and buildings from subsidiaries	120,000	120,000
Rental of land and buildings charged by subsidiaries	387,947	387,947
Advances from subsidiaries	-	2,705,000
Advances to subsidiaries	4,974,108	4,765,840

#### Compensation of key management personnel

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Directors' remuneration (Note 9):</b>				
Short-term employee benefits	967,160	967,160	787,240	787,240
Post-employment benefits:				
– Defined contribution plans	115,536	115,536	94,080	94,080
	<b>1,082,696</b>	<b>1,082,696</b>	<b>881,320</b>	<b>881,320</b>

### 34. 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 – General trading

#### 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

2015	Manufacturing RM	Property development and management RM	Trading, services and others RM	Group RM
<b>Sales</b>				
Total sales	84,508,713	35,991,900	-	120,500,613
Intersegment sales	-	(387,947)	-	(387,947)
External sales	84,508,713	35,603,953	-	120,112,666

## Notes to the Financial Statements (Cont'd)

74

HIL Industries Berhad

### 34. SEGMENT INFORMATION (Cont'd)

#### Business segments (Cont'd)

	Manufacturing RM	Property development and management RM	Trading, services and others RM	Group RM
<b>2015</b>				
<b>Results</b>				
Segment results (external)	8,290,736	16,580,963	(5,009)	24,866,690
Finance costs	(64,228)	-	-	(64,228)
Profit before taxation				24,802,462
Taxation				(7,614,456)
Profit for the financial year				<u>17,188,006</u>
<b>Other information</b>				
Segment assets	206,727,263	145,772,228	14,630	352,514,121
Unallocated assets				4,966,332
Total consolidated assets				<u>357,480,453</u>
Segment liabilities	21,402,260	1,730,006	3,393	23,135,659
Unallocated liabilities				23,727,395
Total consolidated liabilities				<u>46,863,054</u>
Capital expenditure	2,272,273	-	-	2,272,273
Depreciation	9,412,465	106,271	-	9,518,736
<b>2014</b>				
<b>Sales</b>				
Total sales	107,636,342	29,150,203	-	136,786,545
Intersegment sales	-	(387,947)	-	(387,947)
External sales	107,636,342	28,762,256	-	<u>136,398,598</u>
<b>Results</b>				
Segment results (external)	13,125,906	13,546,245	(1,605)	26,670,546
Finance costs	(44,803)	-	-	(44,803)
Profit before taxation				26,625,743
Taxation				(6,892,201)
Profit for the financial year				<u>19,733,542</u>

## 34. SEGMENT INFORMATION (Cont'd)

### Business segments (Cont'd)

2014	Manufacturing RM	Property development and management RM	Trading, services and others RM	Group RM
<b>Other information</b>				
Segment assets	212,211,908	134,116,071	13,640	346,341,619
Unallocated assets				4,990,988
Total consolidated assets				351,332,607
Segment liabilities	26,141,474	7,139,076	2,650	33,283,200
Unallocated liabilities				24,635,477
Total consolidated liabilities				57,918,677
Capital expenditure	4,008,240	-	-	4,008,240
Depreciation	9,275,596	106,272	-	9,381,868

### Geographical segments

2015	Malaysia RM	People's Republic of China RM	Consolidated RM
Revenue from external customers	108,215,757	11,896,909	120,112,666
Segment assets	320,830,698	31,683,423	352,514,121
Capital expenditure	2,258,135	14,138	2,272,273
<b>2014</b>			
Revenue from external customers	108,403,877	27,994,721	136,398,598
Segment assets	306,534,989	39,806,630	346,341,619
Capital expenditure	3,829,979	178,261	4,008,240

## Notes to the Financial Statements (Cont'd)

76

HIL Industries Berhad

### 35. 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.

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 statements 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:

	2015 RM	Group 2014 RM
Malaysia	13,352,640	14,924,572
People's Republic of China	3,297,053	12,953,609
Other countries	2,219,481	2,219,481
	<b>18,869,174</b>	<b>30,097,662</b>

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.

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### (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	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Fixed rate instruments</b>				
Financial assets	<b>85,775,559</b>	90,645,659	<b>82,524,155</b>	76,251,460
Financial liabilities	<b>(1,580,571)</b>	(1,212,118)	<b>(1,580,571)</b>	(1,212,118)
	<b>84,194,988</b>	89,433,541	<b>80,943,584</b>	75,039,342

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.

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 <i>In RM</i>	2015		2014	
	Denominated in USD	Denominated in RMB	Denominated in USD	Denominated in RMB
Trade and other receivables	<b>7,648,262</b>	1,289,574	<b>7,628,721</b>	7,628,721
Deposits with licensed banks	<b>8,095,764</b>	2,896,135	<b>5,966,157</b>	5,966,157
Cash and bank balances	<b>11,337,067</b>	1,434,228	<b>3,752,904</b>	3,752,904
Trade and other payables	<b>(493,465)</b>	(2,053,130)	<b>(2,020,477)</b>	(2,020,477)
Exposure in the statement of financial position	<b>26,587,628</b>	3,566,807	<b>15,327,305</b>	15,327,305

## Notes to the Financial Statements (Cont'd)

78

HIL Industries Berhad

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### (c) Foreign currency risk (Cont'd)

Company In RM	Denominated in USD	
	2015	2014
Trade and other receivables	4,351,209	2,506,261
Deposits with licensed banks	8,095,764	6,556,435
Cash and bank balances	4,834,399	1,411,501
Trade and other payables	(22,461)	(148,237)
Exposure in the statement of financial position	17,258,911	10,325,960

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

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity 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.

		2015		2014	
		Equity RM	Profit or loss RM	Equity RM	Profit or loss RM
<b>Group</b>					
USD/RM	- strengthened 10%	1,617,672	1,617,672	973,528	973,528
	- weakened 10%	(1,617,672)	(1,617,672)	(973,528)	(973,528)
USD/RMB	- strengthened 10%	705,976	705,976	760,353	760,353
	- weakened 10%	(705,976)	(705,976)	(760,353)	(760,353)
<b>Company</b>					
USD/RM	- strengthened 10%	1,617,672	1,617,672	973,528	973,528
	- weakened 10%	(1,617,672)	(1,617,672)	(973,528)	(973,528)

#### (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.



## 35. FINANCIAL INSTRUMENTS (Cont'd)

## (d) Liquidity risk (Cont'd)

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:

2015	Group	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year				> 5 years
					1 - 2 years	2-5 years	1 - 2 years	2-5 years	
	Finance lease liabilities	1,580,571	2.25% to 2.88%	1,718,539	447,849	748,306	-	-	-
	Trade and other payables	21,555,088		21,555,088	-	-	-	-	-
		<u>23,135,659</u>		<u>23,273,627</u>	<u>447,849</u>	<u>748,306</u>			
	<b>Company</b>								
	Finance lease liabilities	1,580,571	2.25% to 2.88%	1,718,539	447,849	748,306	-	-	-
	Trade and other payables	29,348,477		29,348,477	-	-	-	-	-
		<u>30,929,048</u>		<u>31,067,016</u>	<u>447,849</u>	<u>748,306</u>			
	<b>2014</b>								
	<b>Group</b>								
	Finance lease liabilities	1,212,118	2.30% to 2.88%	1,326,555	357,804	610,999	1,788	-	-
	Trade and other payables	32,071,082		32,071,082	-	-	-	-	-
		<u>33,283,200</u>		<u>33,397,637</u>	<u>357,804</u>	<u>610,999</u>	<u>1,788</u>		
	<b>Company</b>								
	Finance lease liabilities	1,212,118	2.30% to 2.88%	1,326,555	357,804	610,999	1,788	-	-
	Trade and other payables	28,156,016		28,156,016	-	-	-	-	-
		<u>29,368,134</u>		<u>29,482,571</u>	<u>357,804</u>	<u>610,999</u>	<u>1,788</u>		

## Notes to the Financial Statements (Cont'd)

80

HIL Industries Berhad

### 35. FINANCIAL INSTRUMENTS (Cont'd)

#### (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.

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

	2015		2014	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Group</b>				
<i>Financial Asset</i>				
Unit trusts	195,415	195,415	189,443	189,443
<i>Financial Liability</i>				
Finance lease creditors	1,580,571	1,492,490	1,212,118	1,140,256
<b>Company</b>				
<i>Financial Liability</i>				
Finance lease creditors	1,580,571	1,492,490	1,212,118	1,140,256

#### 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).

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
<b>2015</b>				
<i>Financial Assets</i>				
Investment in unit trusts	195,415	-	-	195,415
<i>Financial Liability</i>				
Finance lease creditors	-	-	1,492,490	1,492,490
<b>2014</b>				
<i>Financial Assets</i>				
Investment in unit trusts	189,443	-	-	189,443

## 35. FINANCIAL INSTRUMENTS (Cont'd)

## (e) Fair values (Cont'd)

## Fair value hierarchy (Cont'd)

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2014</b>				
<i>Financial Liability</i>				
Finance lease creditors	-	-	1,140,256	1,140,256
<b>Company</b>				
<b>2015</b>				
<i>Financial Liability</i>				
Finance lease creditors	-	-	1,492,490	1,492,490
<b>2014</b>				
<i>Financial Liability</i>				
Finance lease creditors	-	-	1,140,256	1,140,256

## 36. 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 2015 and 31 December 2014.

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 2015, the Group is in a net cash position.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Loans and borrowings	1,580,571	1,212,118	1,580,571	1,212,118
Less : Cash and cash equivalents	131,481,930	108,170,726	88,194,312	77,600,724
Net cash	129,901,359	106,958,608	86,613,741	76,388,606

## Notes to the Financial Statements (Cont'd)

82

HIL Industries Berhad

### 37. 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 2015 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained profits:				
- Realised	<b>199,932,490</b>	188,875,229	<b>124,254,409</b>	118,599,301
- Unrealised	<b>(5,065,319)</b>	(7,098,377)	<b>(4,998,136)</b>	(6,948,383)
	<b>194,867,171</b>	181,776,852	<b>119,256,273</b>	111,650,918
Less: Consolidation adjustments	<b>(31,876,144)</b>	(31,835,515)	-	-
Total retained profits	<b>162,991,027</b>	149,941,337	<b>119,256,273</b>	111,650,918

# Analysis of Shareholdings

As at 31 March 2016

Annual Report 2015

83

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	:	: 4,511

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

Shareholders	Direct Shareholdings	%	Indirect Shareholdings	%
Dalta Industries Sdn. Bhd.	149,089,554	53.90	96,220	0.03
Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	33,113,566	11.97	173,708,974	62.80

## ANALYSIS BY SIZE OF SHAREHOLDING AS AT 31 MARCH 2016

Size of Shareholding	No. of Shareholders	%	Shareholdings	%
1 - 99	876	19.42	44,536	0.02
100 - 1,000	716	15.87	569,366	0.20
1,001 - 10,000	2,241	49.68	9,755,339	3.53
10,001 - 100,000	615	13.63	16,892,788	6.11
100,001 to less than 5% of issued shares	60	1.33	80,559,595	29.12
5% and above of issued shares	3	0.07	168,795,720	61.02
Grand Total	4,511	100.00	276,617,344	100.00

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2016

No	Name	Shareholding	%
1	Dalta Industries Sdn. Bhd.	117,431,142	42.45
2	Dalta Industries Sdn. Bhd.	31,658,412	11.44
3	Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	19,706,166	7.12
4	Wilayah Sehati Sdn. Bhd.	12,241,100	4.43
5	Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	10,000,000	3.62
6	Dato' Milton Norman Ng Kwee Leong	6,277,928	2.27
7	Puan Sri Datin Catherine Yeoh Eng Neo	5,829,700	2.11
8	Golden Approval Sdn. Bhd.	5,108,100	1.85
9	Golden Approval Sdn. Bhd.	4,219,500	1.53
10	Malcolm Jeremy Ng Kwee Seng	3,575,600	1.29

## Analysis of Shareholdings (Cont'd)

84

HIL Industries Berhad

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 31MARCH 2016 (CONT'D)

No	Name	Shareholding	%
11	Dato' Ambrose Leonard Ng Kwee Heng	3,553,400	1.28
12	Steven Junior Ng Kwee Leng	3,191,500	1.15
13	Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	3,005,400	1.09
14	Permodalan Negeri Selangor Berhad	2,853,000	1.03
15	Pandang Usaha Sdn. Bhd.	2,158,971	0.78
16	Mujur Cemerlang Sdn. Bhd.	2,084,700	0.75
17	Lee Thian Lye	1,726,100	0.62
18	Koh Bee Lan	1,601,510	0.58
19	Puan Sri Datin Catherine Yeoh Eng Neo	1,354,700	0.49
20	Sim Sook Lye	918,285	0.33
21	Amal Restu Sdn. Bhd.	747,000	0.27
22	Liew Wai Kiat	734,180	0.27
23	Kenanga Nominees (Tempatan) Sdn. Bhd. pledged securities account for Wong Seng Chan (009)	700,000	0.25
24	Wong Seng Chan	600,000	0.22
25	Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	402,000	0.15
26	Maybank Securities Nominees (Tempatan) Sdn. Bhd. pledged securities account for Tan Sok Hui (REM116)	400,000	0.14
27	Dato' Milton Norman Ng Kwee Leong	390,372	0.14
28	Steven Junior Ng Kwee Leng	350,000	0.13
29	Chen Yin Khee	340,400	0.12
30	Tan Poh Har	326,888	0.12

### DIRECTORS' INTEREST IN SHARES OF THE COMPANY AND RELATED CORPORATIONS AS AT 31 MARCH 2016

	Direct Shareholdings	%	Indirect Shareholdings	%
Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock	33,113,566	11.97	173,708,974	62.80
Dato' Setia Abdul Halim bin Dato' Haji Abdul Rauf	-	-	-	-
Dato' Milton Norman Ng Kwee Leong	6,668,300	2.41	189,483,740	68.50
Malcolm Jeremy Ng Kwee Seng	3,575,600	1.29	189,483,740	68.50
Mat Ripen bin Mat Elah	-	-	-	-
Tan Sri Dato' Dr. Sak Cheng Lum	-	-	-	-
Ooi Hock Guan	-	-	-	-

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	Approximate 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	3,033
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	-	Factory	26 years	78,087	-	3,578
	2 Factory buildings	-	Factory	25 years	23,465	-	1,211
	3 Factory Buildings	-	Factory	23 years	21,993	-	1,059
Lot No 15825, Bukit Kemuning Mukim & Daerah of Klang Selangor Darul Ehsan	Factory buildings	-	Factory	18 years	117,552	-	8,565
Lot No 15830, Bukit Kemuning Mukim & Daerah of Klang Selangor Darul Ehsan	Warehouse	-	Storage	18 years	20,996	-	1,786
P.T. Nos 20989 - 21003 Mukim & Daerah of Klang Selangor Darul Ehsan	Commercial (15 units of double storey shophouse)	Freehold	Rental	24 years	24,746	05.12.1996	3,647
P.T. Nos 5655 – 5682 Mukim of Kapar ,District of Klang Selangor Darul Ehsan	Industrial (28 units of 1½ storey terrace factory)	Freehold	Rental	18 years	86,108	05.12.1996	11,799
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	18 years	82,444	05.12.1996	8,195
P.T. No 30946, Mukim 1, District of Seberang Prai Tengah, Pulau Pinang	Land	Leasehold 60 years (2049)	Factory	-	39,209	28.09.2006	414
Lot 476, Tingkat Perusahaan Empat Kawasan Perindustrian Prai, SPT Pulau Pinang	Factory buildings	-	Factory	9 years	35,968	-	4,090

This page has been intentionally left blank.



# Proxy Form



**HIL INDUSTRIES BERHAD**

(Company No. 8812-M)  
(Incorporated in Malaysia)

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-Sixth Annual General Meeting ("46<sup>th</sup> 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 23<sup>rd</sup> June 2016 at 10.00 a.m. or at any adjournment thereof.

	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	Adoption of the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon		
Ordinary Resolution 2	To approve a first and final single tier dividend of 1.5 sen per ordinary shares of RM0.50 each in respect of the financial year ended 31 December 2015		
Ordinary Resolution 3	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 4	Re-election of Tan Sri Dato' Dr Sak Cheng Lum who retiring in accordance with Section 129(6) of the Companies Act, 1965		
Ordinary Resolution 5	Re-election of Mat Ripen bin Mat Elah who retiring in accordance with Section 129(6) of the Companies Act, 1965		
Ordinary Resolution 6	Re-election of Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock who retiring in accordance with Article 102 of the Company's Articles of Association		
Ordinary Resolution 7	Approval of Directors' Fees for the financial year ended 31 December 2015		
Ordinary Resolution 8	To reappoint Messrs Cheng & Co as Auditors of the Company and to authorise the Directors to fix their remuneration		
Ordinary Resolution 9	Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965		
Ordinary Resolution 10	Proposed Renewal of Share Buy-Back Authority		
Ordinary Resolution 11	Retention of Independent Non-Executive Director Tan Sri Dato' Dr. Sak Cheng Lum		
Ordinary Resolution 12	Retention of Independent Non-Executive Director Mat Ripen Bin Mat Elah		

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 \_\_\_\_\_ 2016

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 17<sup>th</sup> June 2016 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

[www.hil.com.my](http://www.hil.com.my)

**HIL INDUSTRIES BERHAD**

(Company No: 8812-M)

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

