

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2017 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		6 months ended	
		30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Revenue	9	22,488	23,381	43,407	45,702
Cost of sales		(17,429)	(17,651)	(33,624)	(33,167)
Gross profit		5,059	5,730	9,783	12,535
Other items of income:					
– Interest income		1,333	1,008	2,876	1,944
– Other income		281	387	58	(983)
Operating expenses		(3,915)	(2,787)	(6,709)	(5,603)
Operating profit		2,758	4,338	6,008	7,893
Finance costs		(11)	(18)	(24)	(36)
Profit before taxation	9 & 19	2,747	4,320	5,984	7,857
Taxation	20	(1,205)	(1,313)	(2,431)	(2,693)
Profit for the period		1,542	3,007	3,553	5,164
Other comprehensive profit, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations		(232)	(91)	(338)	(2,087)
Total comprehensive income for the period		1,310	2,916	3,215	3,077

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2017 - Unaudited (Continued)

		Individual Period		Cumulative Period	
	Note	3 months ended		6 months ended	
		30.6.2017	30.6.2016	30.6.2017	30.6.2016
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		1,571	3,008	3,608	5,154
Non-controlling interests		(29)	(1)	(55)	10
Profit for the period					
		1,542	3,007	3,553	5,164
Total comprehensive profit attributable to:					
Owners of the Company		1,339	2,917	3,270	3,067
Non-controlling interests		(29)	(1)	(55)	10
Total comprehensive income for the period					
		1,310	2,916	3,215	3,077
Earnings per share attributable to owners of the Company:					
- Basic	25	0.57	1.09	1.30	1.86
- Diluted	25	N/A	N/A	N/A	N/A

Notes:

“N/A” – Not applicable

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 June 2017 - Unaudited

	Note	<u>Unaudited</u> As at 30.6.2017 RM'000	<u>Audited</u> As at 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	56,143	60,261
Investment properties		23,546	23,578
Other investments		2,209	202
Goodwill		4,932	4,932
		<hr/>	<hr/>
		86,830	88,973
		<hr/>	<hr/>
Current assets			
Inventories		14,603	14,800
Property development costs		69,392	70,564
Trade and other receivables		31,813	30,544
Accrued billings		5,505	7,906
Prepaid expenses		1,590	1,111
Tax recoverable		30	30
Deposits with licensed banks		141,602	137,709
Cash and bank balances		18,133	14,829
		<hr/>	<hr/>
		282,668	277,493
		<hr/>	<hr/>
TOTAL ASSETS	9	<hr/> <hr/> 369,498	<hr/> <hr/> 366,466
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		139,357	139,357
Share premium		1,281	1,281
Treasury shares		(947)	(947)
Capital reserve		308	308
Currency translation reserve		4,868	5,206
Retained profits		175,003	175,544
		<hr/>	<hr/>
		319,870	320,749
Non-controlling interests		<hr/> 853	<hr/> 908
		<hr/>	<hr/>
Total equity		<hr/> 320,723	<hr/> 321,657

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 June 2017 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 30.6.2017 RM'000	<u>Audited</u> As at 31.12.2016 RM'000
Non-current liabilities			
Finance lease liabilities	22	547	713
Deferred tax liabilities		20,784	21,288
		<hr/>	<hr/>
		21,331	22,001
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		19,156	21,114
Finance lease liabilities	22	362	407
Bank overdraft	22	1,936	
Provision for taxation		1,841	1,287
Dividends payable		4,149	-
		<hr/>	<hr/>
		27,444	22,808
		<hr/>	<hr/>
Total liabilities		48,775	44,809
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		369,498	366,466
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to owners of the Company (RM)		1.16	1.16
		<hr/> <hr/>	<hr/> <hr/>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 June 2017 - Unaudited

Note	Attributable to shareholders of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000			
Unaudited									
At 1 January 2017	139,357	1,281	(947)	308	5,206	175,544	320,749	908	321,657
Total comprehensive (loss)/income for the period	-	-	-	-	(338)	3,608	3,270	(55)	3,215
<u>Transactions with owners:</u>									
Dividends on ordinary shares	-	-	-	-	-	(4,149)	(4,149)	-	(4,149)
At 30 June 2017	139,357	1,281	(947)	308	4,868	175,003	319,870	853	320,723

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 June 2017 - Unaudited (Continued)

Note	Attributable to shareholders of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000			
At 1 January 2016	139,357	1,281	(947)	308	5,993	162,991	308,983	1,634	310,617
Total comprehensive income for the period	-	-	-	-	(2,087)	5,154	3,067	10	3,077
At 30 June 2016	139,357	1,281	(947)	308	3,906	168,145	312,050	1,644	313,694

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 June 2017 - Unaudited

	Cumulative Period	
	6 months ended	
	30.6.2017	30.6.2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	5,984	7,857
Adjustments for non-cash items	1,380	2,876
Operating profit before working capital changes	7,364	10,733
Working capital changes		
Inventories	197	63
Property development costs	1,172	(4,394)
Receivables, deposits and prepayments	653	17,063
Payables and accruals	(1,958)	5,179
Cash generated from operations	7,428	28,644
Interest paid	(24)	(36)
Interest received	2,876	1,944
Income tax paid	(2,443)	(2,873)
Income tax recovered	62	-
Net cash from operating activities	7,899	27,679
Cash flows from investing activities		
Purchase of property, plant and equipment	(176)	(794)
Proceeds from disposal of property, plant and equipment	1	-
Purchase of other investments	(2,007)	(4)
Net cash used in investing activities	(2,182)	(798)

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 June 2017 - Unaudited (Continued)

	Cumulative Period	
	6 months ended	
	30.6.2017	30.6.2016
	RM'000	RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	(212)	(227)
Net cash used in financing activities	(212)	(227)
Net increase in cash and cash equivalents	5,505	26,654
Cash and cash equivalents at beginning of the financial period	152,538	131,482
Effects of foreign exchange rate changes	(244)	(1,447)
Cash and cash equivalents at end of the financial period	157,799	156,689
Cash and cash equivalents comprise:		
Deposits with licensed banks	141,602	90,974
Cash and bank balances	18,133	67,942
Bank overdrafts	(1,936)	(2,227)
	157,799	156,689

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

Hil Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 August 2017.

1. Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (“MASB”). These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2016, except for the adoption of Amendments to Standards and Issue Committee (IC) interpretations effective as of 1 January 2017.

2.1 Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2017.

Amendments to MFRS 12	Disclosure of Interest in Other Entities (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 107	Statement of Cash Flows - Disclosure initiative
Amendments to MFRS 112	Income taxes - Recognition of Deferred Tax Asset for Unrealised Losses

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

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting

2. Significant Accounting Policies (Continued)

2.2 Standard issued but not yet effective

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

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 2	Share-based payments - Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 128	Investment in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 140	Investment Properties - Transfers of Investment Property

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
---------	---------------------

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, other than for MFRS 9 Financial Instruments and MFRS 16 Leases. The Group will assess the financial implications of MFRS 9 and MFRS 16 when full standard is issued.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not qualified.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

4. Comments about Seasonal or Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors during the quarter under review.

5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date.

6. Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period-to-date.

8. Dividends Paid

During the Company's 47th Annual General Meeting held on 15 June 2017, the shareholders of the Company had approved the payment of a first and final single tier dividend in respect of the financial year ended 31 December 2016 of 3% or 1.5 sen per ordinary share, amounting to RM4,149,258. The dividend was paid on 18 August 2017.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

9. Operating Segments

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

	Cumulative Period	
	6 months ended	
	30.6.2017 RM’000	30.6.2016 RM’000
Segment Revenue		
Revenue from:		
Manufacturing	32,409	30,202
Property development and management	11,171	15,694
	<hr/>	<hr/>
Total revenue including inter-segment revenue	43,580	45,896
Elimination of inter-segment revenue	(173)	(194)
	<hr/>	<hr/>
Revenue from external customers	43,407	45,702
	<hr/> <hr/>	<hr/> <hr/>
Segment Results (External)		
Results from:		
Manufacturing	(3,290)	(2,668)
Property development and management	6,425	8,619
Trading, services and others	(3)	(2)
	<hr/>	<hr/>
Interest income	3,132	5,949
Finance costs	2,876	1,944
	(24)	(36)
	<hr/>	<hr/>
Profit before tax	5,984	7,857
Taxation	(2,431)	(2,693)
	<hr/>	<hr/>
Profit after tax	3,553	5,164
	<hr/> <hr/>	<hr/> <hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting

9. Operating Segments (Continued)

	Cumulative Period	
	6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000
Segment Assets		
Segment assets of:		
Manufacturing	204,489	194,845
Property development and management	160,033	167,731
Trading, services and others	14	14
	<hr/>	<hr/>
Unallocated assets	364,536	362,590
	4,962	4,968
	<hr/>	<hr/>
Total consolidated assets	369,498	367,558
	<hr/> <hr/>	<hr/> <hr/>

The Group's revenue for the six months ended 30 June 2017 based on geographical location is presented as follows:

	Cumulative Period	
	6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000
Location:		
Hong Kong	517	-
Malaysia	36,795	42,384
People's Republic of China	4,857	3,318
Taiwan	77	-
Thailand	1,161	-
	<hr/>	<hr/>
Total revenue	43,407	45,702
	<hr/> <hr/>	<hr/> <hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting

10. Property, Plant and Equipment

Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RM176,000 (six months ended 30 June 2016: RM794,000). Items of property, plant and equipment with a net book value of RM1,000 were disposed during the six months ended 30 June 2017 (six months ended 30 June 2016: RM Nil), resulting in a gain on disposal of RM Nil (six months ended 30 June 2016: gain on disposal of RM Nil).

Valuation

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

11. Subsequent Events

There were no material events subsequent to the end of the financial period-to-date except as disclosed in Note 21.

12. Changes in Composition of the Group

There were no changes in the composition of the Group in the current financial period-to-date.

13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2016.

14. Capital Commitments

Capital commitments not provided for in the interim financial report as at 30 June 2017 were as follows:

	RM'000
Approved and contracted for:	
- Proposed acquisition (Note 21)	71,000
- Property, plant and equipment	845
	<hr/>
	71,845
	<hr/> <hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM43.407 million and RM5.984 million respectively.

This represented a decrease of RM2.295 million in revenue or 5.02% of the revenue for the same period in the previous financial year ended 31 December 2016. The decrease in revenue was mainly due to lower revenue recognition from our property division subsequent to the completion of our two projects at Bukit Kemuning, namely Kemuning Greenhills and Kemuning Hijauan in 2016.

For the cumulative six months ended 30 June 2017, the decrease in the results for the financial period-to-date was RM1.873 million or 23.84% of the results for the same period in the previous financial year ended 31 December 2016. The decrease was mainly from the corresponding drop in revenue as explained above.

The performance of the respective operating segments for the financial period-to-date as compared to the corresponding financial period-to-date in the preceding financial year is analysed as follows:

a) Manufacturing segment

The manufacturing segment registered an increase in revenue and decrease in results for the current financial period-to-date of 7.31% and 19.82% respectively as compared to the revenue and results in the corresponding financial period-to-date in the preceding financial year. The increase in revenue was mainly from our overseas subsidiary for this quarter. The decrease in results was mainly from our local operations subsequent to the drop in the automotive industry volume.

b) Property development and management segment

The property development and management segment registered a decrease in revenue and results for the current financial period-to-date of 28.82% and 17.99% as compared to the results in the corresponding financial period-to-date in the preceding financial year. The decrease in revenue and results are mainly due to the lower revenue recognition subsequent to the completion of our two projects as mentioned above. Currently, the revenue for this segment is mainly contributed from on-going project, namely Quadz @ Kemuning Greenhills in Bukit Kemuning. This project will be completed in the subsequent quarter.

c) Trading, services and others segment

This segment is not active.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

16. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM22.488 million and RM2.747 million respectively compared to revenue of RM20.919 million and profit before tax of RM3.237 million for the immediate preceding quarter ended 31 March 2017. The higher revenue in this second quarter was mainly contributed from our overseas subsidiary. Our overseas subsidiary has secured several new projects and some of it have begun production. The decrease in results are mainly due from additional cost incurred during the initial stage of mass production. Besides, the general lower volume for the local automotive industry and the end of life of certain of our parts which contributed higher profit margin previously had also affected the results of this quarter.

17. Current Year Prospects

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

As for the property division, revenue will be mainly from on-going project, namely Quadz @ Kemuning Greenhills in Bukit Kemuning. We plan to launch Kemuning Hijauan III in the final quarter of 2017, which is the final phase of our sold out double-storey terraced houses in Bukit Kemuning. Beside, the group has recently entered into two conditional share sale agreements for acquiring companies with land which is ready for development. The management is cautiously optimistic that the property division will contribute satisfactorily to the group's performance as we are developing properties that are within the affordable range in the Shah Alam area.

18. Profit Forecast or Profit Guarantee

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

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

19. Profit before taxation

	<u>Current Quarter</u> 3 months ended 30.6.2017 RM'000	<u>Year-To- Date</u> 6 months ended 30.6.2017 RM'000
Profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment and investment properties	2,081	4,231
Interest expense	11	24
Interest income	(1,333)	(2,876)
Net foreign exchange gain:		
– Realised	42	(74)
– Unrealised	595	875

Other than the above items, there were no other income including investment income, provision for and write off of receivables and inventories, gain or loss on disposal of quoted and unquoted investment or properties, impairment of assets, gain or loss on derivatives and other exceptional items.

20. Taxation

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	3 months ended		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
– Malaysian income tax	1,449	1,534	2,935	3,427
– Deferred tax	(244)	(221)	(504)	(734)
	1,205	1,313	2,431	2,693

The effective tax rate for the current quarter and the financial period-to-date was higher than the statutory tax rate principally due to the losses of certain subsidiary companies which cannot be set off against the taxable profits made by other subsidiary companies, and certain expenses which are not deductible for tax purposes.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

21. Status of Corporate Proposals

Save as disclosed below, there were no other corporate proposals that have been announced but not yet completed during the period under review:

- (a) **Proposed acquisition by AMJ Construction Sdn. Bhd. ("AMJC"), a wholly-owned subsidiary of Hil Industries Berhad ("HIL") through Satu Tunas Sdn. Bhd. and Hil Properties Sdn. Bhd., of 99% equity interest in A&M Concrete Products Sdn. Bhd. ("A&M Concrete") from Steven Junior Ng Kwee Leng and Malcolm Jeremy Ng Kwee Seng for a total purchase consideration of RM22,000,000; and**

Proposed acquisition by AMJC of the entire equity interest in Show Piece Sdn. Bhd. ("Show Piece"), which in turn holds 100% equity interest in Innocentral Sdn. Bhd., from Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock and Dato' Milton Norman Ng Kwee Leong for a purchase consideration of RM49,000,000.

(Collectively referred to as the "Proposed Acquisitions")

On 16 January 2017, Mercury Securities Sdn. Bhd. ("Mercury Securities"), on behalf of the Board of Directors of HIL announced that AMJC, a wholly-owned subsidiary of HIL through Satu Tunas Sdn. Bhd. and Hil Properties Sdn. Bhd., had on 16 January 2017, entered into the following agreements:

- (i) a conditional share sale agreement between AMJC and Steven Junior Ng Kwee Leng and Malcolm Jeremy Ng Kwee Seng (collectively, "A&M Concrete Vendor") for the Proposed Acquisitions of A&M Concrete ("A&M Concrete SSA") and;
- (ii) a conditional share sale agreement between AMJC and Tan Sri Dato' Ng Boon Thong @ Ng Thian Hock and Dato' Milton Norman Ng Kwee Leong (collectively, "Show Piece Vendors") for the Proposed Acquisition of Show Piece ("Show Piece SSA")

Please refer to the Company's announcement dated 16 January 2017 for further details on the individual owners and the said companies being the subject matter of the Proposed Acquisitions.

Pursuant to Paragraph 9.33(1)(a) of the Listing Requirements, the Company is required to submit the draft circular in relation to the Proposed Acquisitions to Bursa Securities no later than two (2) months from the date of the announcement. Mercury Securities, on behalf of the Board of HIL had then on 13 March 2017 announced that an application has been submitted to Bursa Securities to seek for an extension of time to 16 September 2017 to submit the draft circular. Subsequently on 20 March 2017, Mercury Securities, on behalf of the Board of HIL announced that Bursa Securities had, on 16 March 2017, resolved to grant the Company an extension of time until 16 September 2017 to submit the draft circular to Bursa Securities.

On 11 July 2017, Mercury Securities, on behalf of the Board, announce that the Independent Valuer has updated the valuation, with the material date of valuation being 10 April 2017. The updated valuation reports are dated 22 June 2017 and the market values remain as per our initial announcement.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

21. Status of Corporate Proposals (Continued)

- (b) **Proposed bonus issue of up to 55,742,828 new ordinary shares in Hil Industries Berhad ("HIL Shares") to be credited as fully paid-up, together with up to 55,742,828 free detachable warrants, on the basis of 1 bonus share together with 1 warrant for every 5 existing HIL shares held on an entitlement date to be determined later ("Proposed Bonus Issue of Shares with Warrants" or "Proposal")**

On 2 June 2017, Mercury Securities, on behalf of the Board, announced that the Company proposes to undertake the Proposed Bonus Issue of Shares with Warrants.

On 28 July 2017, Mercury Securities, on behalf of the Board, announced that the listing application in relation to the Proposal has been submitted to Bursa Securities.

On 4 August 2017, Mercury Securities, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 4 August 2017, approved the following:

- (i) admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Warrants;
- (ii) listing of and quotation for the Bonus Shares; and
- (iii) listing of and quotation for the new HIL Shares to be issued from the exercise of the Warrants,

on the Main Market of Bursa Securities, subject to the following conditions:

- (i) HIL and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue of Shares with Warrants
- (ii) HIL and Mercury Securities to inform Bursa Securities upon the completion of the Proposed Bonus Issue of Shares with Warrants
- (iii) HIL to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue of Shares with Warrants is completed
- (iv) HIL is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable
- (v) HIL and Mercury Securities are required to make the relevant announcements pursuant to Paragraphs 6.35(3) and 6.35(5) of the Listing Requirements in relation to the Proposed Bonus Issue of Shares with Warrants
- (vi) To incorporate the comments made in the circular to shareholders provided in the attachment of the Bursa Securities' letter of approval

For more information and the status of the corporate proposals, please refer to the Bursa announcements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

22. Borrowings

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
Non-current		
– Secured	547	713
Current		
– Secured	361	407
– Unsecured	1,936	-
	<hr/> 2,844	<hr/> 1,120
	<hr/> <hr/>	<hr/> <hr/>

The borrowings are all denominated in Ringgit Malaysia.

23. Material Litigation

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

24. Dividend

No dividend has been declared for the financial period ended 30 June 2017.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Unaudited Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

25. Earnings Per Share

(a) Basic earnings per share

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

	Individual Period		Cumulative Period	
	3 months ended		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Profit for the period attributable to owners of the Company (RM'000)	1,571	3,008	3,608	5,154
Weighted average number of ordinary shares in issue ('000)	276,617	276,617	276,617	276,617
Basic earnings per share (sen)	0.57	1.09	1.30	1.86

(b) Diluted earnings per share

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

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

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

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
Realised and unrealised profits of the Company and its subsidiaries:		
- Realised	203,128	202,089
- Unrealised	(6,496)	(4,862)
	196,632	197,227
Less: Consolidation adjustments	(21,629)	(21,683)
Total retained profits	175,003	175,544