

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

| | Note | Individual Period | | Cumulative Period | |
|--|--------|---------------------|---------------------|---------------------|---------------------|
| | | 3 months ended | | 9 months ended | |
| | | 30.9.2017 RM'000 | 30.9.2016 RM'000 | 30.9.2017 RM'000 | 30.9.2016 RM'000 |
| Revenue | 9 | 29,457 | 24,189 | 72,864 | 69,891 |
| Cost of sales | | (18,376) | (16,794) | (52,000) | (49,961) |
| Gross profit | | 11,081 | 7,395 | 20,864 | 19,930 |
| Other items of income: | | | | | |
| – Interest income | | 1,245 | 907 | 4,121 | 2,851 |
| – Other income | | 161 | 1,036 | 219 | 53 |
| Operating expenses | | (3,701) | (2,765) | (10,410) | (8,368) |
| Operating profit | | 8,786 | 6,573 | 14,794 | 14,466 |
| Finance costs | | (10) | (15) | (34) | (51) |
| Profit before taxation | 9 & 19 | 8,776 | 6,558 | 14,760 | 14,415 |
| Taxation | 20 | (2,445) | (1,789) | (4,876) | (4,482) |
| Profit for the period | | 6,331 | 4,769 | 9,884 | 9,933 |
| Other comprehensive profit, net of tax | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Foreign currency translation differences for foreign operations | | (32) | 529 | (370) | (1,558) |
| Total comprehensive income for the period | | 6,299 | 5,298 | 9,514 | 8,375 |

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

| | | Individual Period | | Cumulative Period | |
|--|------|-------------------|-----------|-------------------|-----------|
| | Note | 3 months ended | | 9 months ended | |
| | | 30.9.2017 | 30.9.2016 | 30.9.2017 | 30.9.2016 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 6,356 | 4,487 | 9,964 | 9,641 |
| Non-controlling interests | | (25) | 282 | (80) | 292 |
| Profit for the period | | | | | |
| | | 6,331 | 4,769 | 9,884 | 9,933 |
| Total comprehensive profit attributable to: | | | | | |
| Owners of the Company | | 6,324 | 5,016 | 9,594 | 8,083 |
| Non-controlling interests | | (25) | 282 | (80) | 292 |
| Total comprehensive income for the period | | | | | |
| | | 6,299 | 5,298 | 9,514 | 8,375 |
| Earnings per share attributable to owners of the Company: | | | | | |
| - Basic | 25 | 1.91 | 1.35 | 3.00 | 2.90 |
| - 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 September 2017 - Unaudited

| | Note | <u>Unaudited</u> As at 30.9.2017 RM'000 | <u>Audited</u> As at 31.12.2016 RM'000 |
|---|------|--|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 54,778 | 60,261 |
| Investment properties | | 23,530 | 23,578 |
| Other investments | | 2,974 | 202 |
| Goodwill | | 4,932 | 4,932 |
| | | <hr/> | <hr/> |
| | | 86,214 | 88,973 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Inventories | | 14,881 | 14,800 |
| Property development costs | | 69,565 | 70,564 |
| Trade and other receivables | | 38,990 | 30,544 |
| Accrued billings | | 7,915 | 7,906 |
| Prepaid expenses | | 2,238 | 1,111 |
| Tax recoverable | | 28 | 30 |
| Deposits with licensed banks | | 129,879 | 137,709 |
| Cash and bank balances | | 23,185 | 14,829 |
| | | <hr/> | <hr/> |
| | | 286,681 | 277,493 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS | 9 | <u>372,895</u> | <u>366,466</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 139,357 | 139,357 |
| Share premium | | 1,281 | 1,281 |
| Treasury shares | | (947) | (947) |
| Capital reserve | | 308 | 308 |
| Currency translation reserve | | 4,836 | 5,206 |
| Retained profits | | 181,359 | 175,544 |
| | | <hr/> | <hr/> |
| | | 326,194 | 320,749 |
| Non-controlling interests | | <hr/> | <hr/> |
| | | 828 | 908 |
| | | <hr/> | <hr/> |
| Total equity | | <u>327,022</u> | <u>321,657</u> |
| | | <hr/> | <hr/> |

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

| | Note | <u>Unaudited</u> As at 30.9.2017 RM'000 | <u>Audited</u> As at 31.12.2016 RM'000 |
|---|------|--|---|
| Non-current liabilities | | | |
| Finance lease liabilities | 22 | 463 | 713 |
| Deferred tax liabilities | | 20,582 | 21,288 |
| | | <hr/> | <hr/> |
| | | 21,045 | 22,001 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Trade and other payables | | 22,066 | 21,114 |
| Finance lease liabilities | 22 | 346 | 407 |
| Bank overdraft | 22 | 840 | - |
| Provision for taxation | | 1,576 | 1,287 |
| | | <hr/> | <hr/> |
| | | 24,828 | 22,808 |
| | | <hr/> | <hr/> |
| Total liabilities | | 45,873 | 44,809 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY AND LIABILITIES | | 372,895 | 366,466 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Net assets per share | | | |
| attributable to owners of the Company (RM) | | 1.18 | 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 September 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 | | | |
| 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 | - | - | - | - | (370) | 9,964 | 9,594 | (80) | 9,514 |
| <u>Transactions with owners:</u> | | | | | | | | | |
| Dividends on ordinary shares | - | - | - | - | - | (4,149) | (4,149) | - | (4,149) |
| At 30 September 2017 | 139,357 | 1,281 | (947) | 308 | 4,836 | 181,359 | 326,194 | 828 | 327,022 |

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 September 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 | - | - | - | - | (1,558) | 9,641 | 8,083 | 292 | 8,375 |
| <u>Transactions with owners:</u> | | | | | | | | | |
| Increase/(Decrease) in equity interest in subsidiary company | - | - | - | - | - | 604 | 604 | (564) | 40 |
| Dividends on ordinary shares | - | - | - | - | - | (4,149) | (4,149) | - | (4,149) |
| At 30 September 2016 | 139,357 | 1,281 | (947) | 308 | 4,435 | 169,087 | 313,521 | 1,362 | 314,883 |

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 September 2017 - Unaudited

| | Cumulative Period | |
|---|---------------------|---------------------|
| | 9 months ended | |
| | 30.9.2017 RM'000 | 30.9.2016 RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 14,760 | 14,415 |
| Adjustments for non-cash items | 2,140 | 4,352 |
| Operating profit before working capital changes | 16,900 | 18,767 |
| Working capital changes | | |
| Inventories | (81) | (672) |
| Property development costs | 999 | (4,243) |
| Receivables, deposits and prepayments | (9,582) | 16,400 |
| Payables and accruals | 952 | 1,185 |
| Cash generated from operations | 9,188 | 31,437 |
| Interest paid | (34) | (51) |
| Interest received | 4,121 | 2,851 |
| Income tax paid | (5,353) | (5,533) |
| Income tax recovered | 62 | - |
| Net cash from operating activities | 7,984 | 28,704 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (842) | (837) |
| Proceeds from disposal of property, plant and equipment | 46 | - |
| Proceeds from issue of ordinary share | - | 40 |
| Purchase of other investments | (2,772) | (5) |
| Net cash used in investing activities | (3,568) | (802) |

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

| | Cumulative Period | |
|---|-------------------|----------------|
| | 9 months ended | |
| | 30.9.2017 | 30.9.2016 |
| | RM'000 | RM'000 |
| Cash flows from financing activities | | |
| Repayment of finance lease liabilities | (312) | (344) |
| Dividends paid on ordinary shares | (4,149) | (4,149) |
| Net cash used in financing activities | (4,461) | (4,493) |
| Net (decrease)/increase in cash and cash equivalents | (45) | 23,409 |
| Cash and cash equivalents at beginning of the financial period | 152,538 | 131,482 |
| Effects of foreign exchange rate changes | (269) | (1,075) |
| Cash and cash equivalents at end of the financial period | 152,224 | 153,816 |
| Cash and cash equivalents comprise: | | |
| Deposits with licensed banks | 129,879 | 109,363 |
| Cash and bank balances | 23,185 | 45,398 |
| Bank overdrafts | (840) | (945) |
| | 152,224 | 153,816 |

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 22 November 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”).

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. The Group's revenue for the nine months ended 30 September 2017 based on geographical location

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

On 18 August 2017, 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 2016.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

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

9. Operating Segments

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

| | Cumulative Period | |
|---|--------------------------|------------------|
| | 9 months ended | |
| | 30.9.2017 | 30.9.2016 |
| | RM’000 | RM’000 |
| Segment Revenue | | |
| Revenue from: | | |
| Manufacturing | 50,501 | 43,945 |
| Property development and management | 22,654 | 26,237 |
| | <hr/> | <hr/> |
| Total revenue including inter-segment revenue | 73,155 | 70,182 |
| Elimination of inter-segment revenue | (291) | (291) |
| | <hr/> | <hr/> |
| Revenue from external customers | 72,864 | 69,891 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Segment Results (External) | | |
| Results from: | | |
| Manufacturing | (4,263) | (2,142) |
| Property development and management | 14,940 | 13,759 |
| Trading, services and others | (3) | (2) |
| | <hr/> | <hr/> |
| Interest income | 10,673 | 11,615 |
| Finance costs | 4,121 | 2,851 |
| | (34) | (51) |
| | <hr/> | <hr/> |
| Profit before tax | 14,760 | 14,415 |
| Taxation | (4,876) | (4,482) |
| | <hr/> | <hr/> |
| Profit after tax | 9,884 | 9,933 |
| | <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 | |
|-------------------------------------|-------------------|-------------|
| | 9 months ended | |
| | 30.9.2017 | 30.9.2016 |
| | RM'000 | RM'000 |
| Segment Assets | | |
| Segment assets of: | | |
| Manufacturing | 200,523 | 189,632 |
| Property development and management | 167,398 | 167,868 |
| Trading, services and others | 14 | 14 |
| | <hr/> | <hr/> |
| | 367,935 | 357,514 |
| Unallocated assets | 4,960 | 4,969 |
| | <hr/> | <hr/> |
| Total consolidated assets | 372,895 | 362,483 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | Cumulative Period | |
|----------------------------|-------------------|-------------|
| | 9 months ended | |
| | 30.9.2017 | 30.9.2016 |
| | RM'000 | RM'000 |
| Location: | | |
| Hong Kong | 1,617 | - |
| Malaysia | 60,114 | 64,775 |
| People's Republic of China | 7,432 | 5,116 |
| Taiwan | 135 | - |
| Thailand | 3,566 | - |
| | <hr/> | <hr/> |
| Total revenue | 72,864 | 69,891 |
| | <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 nine months ended 30 September 2017, the Group acquired items of property, plant and equipment with a cost of RM842,000 (nine months ended 30 September 2016: RM837,000). Items of property, plant and equipment with a net book value of RM14,000 were disposed during the nine months ended 30 September 2017 (nine months ended 30 September 2016: RM Nil), resulting in a gain on disposal of RM32,000 (nine months ended 30 September 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 September 2017 were as follows:

| | RM'000 |
|----------------------------------|---------------|
| Approved and contracted for: | |
| - Proposed acquisition (Note 21) | 63,900 |
| - Property, plant and equipment | 1,670 |
| | <hr/> |
| | 65,570 |
| | <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 RM72.864 million and RM14.760 million respectively.

This represented an increase of RM2.973 million in revenue or 4.25% of the revenue for the same period in the previous financial year ended 31 December 2016. The increase in revenue was mainly due to higher sales from our overseas subsidiary subsequent to the introduction of some new projects.

For the cumulative nine months ended 30 September 2017, the increase in the results for the financial period-to-date was RM0.345 million or 2.39% of the results for the same period in the previous financial year ended 31 December 2016.

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 overall manufacturing segment registered an increase in revenue of 14.92% and a decrease in results of 73.9% for Msia and decrease in loss of 31.62% for China, for the current financial period-to-date 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 contributed from our overseas subsidiary subsequent to the introduction of some new projects. The decrease in results was mainly from our local operations subsequent to the drop in the automotive industry volume while the fixed overhead remain unchanged. Higher foreign currency exchange loss subsequent to the strengthening of Ringgit Malaysia against USD has affected our results.

b) Property development and management segment

The property development and management segment registered a slight decrease in revenue and increase in results for the current financial period-to-date of 13.66% and 3.79% respectively as compared to the results in the corresponding financial period-to-date in the preceding financial year. The decrease in revenue is mainly due to the lesser sales for recognition as only one on-going project namely Quadz @ Kemuning Greenhills in Bukit Kemuning (30/9/2016: 2 projects, namely Kemuning Greenhills and Kemuning Hijauan). The increase in results are mainly due to higher profit recognition subsequent to the completion of Quadz @ Kemuning Greenhills.

c) Trading, services and others segment

This segment is not active.

HIL INDUSTRIES BERHAD

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

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

16. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM29.457 million and RM8.776 million respectively compared to revenue of RM22.488 million and profit before tax of RM2.747 million for the immediate preceding quarter ended 30 June 2017. The higher revenue in this third quarter was mainly contributed from our property division subsequent to the higher revenue recognition upon completion of the project, namely Quadz @ Kemuning Greenhills.

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. The manufacturing division is expected to improve domestically with the expected good response to the launch of the new Myvi as we have secured quite a number of components for this new project. We are also continuously looking for new business opportunities and will intensify efforts to streamline our manufacturing process to achieve cost optimization through greater efficiency.

As for the property division, revenue is expected to be affected subsequent to the completion of the Quadz @ Kemuning Greenhills. In order to overcome this, the group 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 also entered into two conditional share sale agreements for acquiring companies with land which is ready for development. Please refer to notes 21 for further information on the proposed acquisition. 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</u> <u>Quarter</u> <u>3 months</u> <u>ended</u> <u>30.9.2017</u> <u>RM'000</u> | <u>Year-To-</u> <u>Date</u> <u>9 months</u> <u>ended</u> <u>30.9.2017</u> <u>RM'000</u> |
|---|--|--|
| Profit before taxation is arrived at after charging: | | |
| Depreciation of property, plant and equipment and investment properties | 2,027 | 6,258 |
| Interest expense | 10 | 34 |
| Interest income | (1,245) | (4,121) |
| Net foreign exchange gain: | | |
| – Realised | 74 | - |
| – Unrealised | 415 | 1,290 |

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.

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

20. Taxation

| | Individual Period | | Cumulative Period | |
|---------------------------------------|-------------------|-----------|-------------------|-----------|
| | 3 months ended | | 9 months ended | |
| | 30.9.2017 | 30.9.2016 | 30.9.2017 | 30.9.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| In respect of current financial year: | | | | |
| – Malaysian income tax | 2,647 | 2,003 | 5,582 | 5,430 |
| – Deferred tax | (202) | (218) | (706) | (952) |
| | 2,445 | 1,785 | 4,876 | 4,478 |
| In respect of prior financial years: | | | | |
| – Malaysian income tax | - | 4 | - | 4 |
| | - | 4 | - | 4 |
| | 2,445 | 1,789 | 4,876 | 4,482 |

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.

On 14 September 2017, Mercury Securities, on behalf of the Board, announce that AMJC, A&M Concrete Vendors and Show Piece Vendors had mutually agreed on 13 September 2017 to extend the cut-off date from 16 September 2017 to 16 December 2017 to comply with the Conditions Precedent of the A&M Concrete SSA and Show Piece SSA respectively.

The Proposed Acquisitions have not been completed as at the date of this report.

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 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

The approval of Bursa Securities for the Proposal is subject to conditions set out in its letter.

On 13 September 2017, the shareholders had approved the abovementioned Proposal in an Extraordinary General Meeting.

On 5 October 2017, Mercury Securities, on behalf of the Board, announced that the Board had resolved to fix the exercise price for the Warrants at RM1.08 per Warrant. It was further announced that the book closing date for entitled shareholders will be on 20 October 2017.

On 1 November 2017, Mercury Securities, on behalf of the Board, announced that the Proposal was completed following the listing of and quotation for 55,323,468 Bonus Shares and 55,323,468 Warrants on the Main Market of Bursa Malaysia Securities Berhad on the said date.

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 30.9.2017 RM'000 | As at 31.12.2016 RM'000 |
|--------------------|------------------------------|-------------------------------|
| Non-current | | |
| – Secured | 463 | 713 |
| Current | | |
| – Secured | 345 | 407 |
| – Unsecured | 840 | - |
| | <hr/> 1,648 | <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 September 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 | | 9 months ended | |
| | 30.9.2017 | 30.9.2016 | 30.9.2017 | 30.9.2016 |
| Profit for the period attributable to owners of the Company (RM'000) | 6,356 | 4,487 | 9,964 | 9,641 |
| Weighted average number of ordinary shares in issue ('000)* | 331,941 | 331,941 | 331,941 | 331,941 |
| Basic earnings per share (sen) | 1.91 | 1.35 | 3.00 | 2.90 |

* Inclusive of Bonus Shares issued on 26 October 2017, in accordance with MFRS 133 Earnings per Share.

(b) Diluted earnings per share

Diluted earnings per share is not applicable for the financial period as the unexercised warrants issued during the current financial period is anti-dilutive in nature. This is due to the company's share price is below the exercise price.

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 30.9.2017 RM'000 | As at 31.12.2016 RM'000 |
|--|------------------------------|-------------------------------|
| Realised and unrealised profits of the Company and its subsidiaries: | | |
| - Realised | 209,672 | 202,089 |
| - Unrealised | (6,709) | (4,862) |
| | 202,963 | 197,227 |
| Less: Consolidation adjustments | (21,604) | (21,683) |
| Total retained profits | 181,359 | 175,544 |