

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Income Statements For The Three Months Ended 31 March 2006 - Unaudited

		Individual Period		Cumulative Period	
	Note	3 months ended		3 months ended	
		31.3.2006	31.3.2005	31.3.2006	31.3.2005
		RM'000	RM'000	RM'000	RM'000
Revenue	10	20,924	14,539	20,924	14,539
Cost of sales		(16,764)	(11,434)	(16,764)	(11,434)
Gross profit		4,160	3,105	4,160	3,105
Other income		1,891	64	1,891	64
Operating expenses		(2,023)	(1,343)	(2,023)	(1,343)
Profit from operations	10	4,028	1,826	4,028	1,826
Finance costs		(12)	(11)	(12)	(11)
Profit before taxation		4,016	1,815	4,016	1,815
Taxation	20	(735)	(480)	(735)	(480)
Profit for the period		3,281	1,335	3,281	1,335
Attributable to:					
Shareholders of the Company		3,315	1,276	3,315	1,276
Minority interest		(34)	59	(34)	59
Profit for the period		3,281	1,335	3,281	1,335
Earnings per share attributable to shareholders of the Company:					
– Basic earnings per share (sen)	28(a)	1.27	0.49	1.27	0.49
– Diluted earnings per share (sen)	28(b)	N/A	N/A	N/A	N/A

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Balance Sheet As at 31 March 2006 - Unaudited

	Note	As at 31.3.2006 RM'000	As at 31.12.2005 RM'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	81,281	86,375
Interest in leasehold land held for own use under an operating lease		26,477	26,566
		<hr/>	<hr/>
		107,758	112,941
		<hr/>	<hr/>
Current assets			
Inventories		8,674	9,168
Property development costs		62,909	62,892
Receivables, deposits and prepayments		29,350	30,298
Tax recoverable		2,969	2,965
Deposits with licensed banks		15,068	7,591
Cash and bank balances		11,653	10,097
		<hr/>	<hr/>
		130,623	123,011
		<hr/>	<hr/>
TOTAL ASSETS		<hr/> <hr/>	<hr/> <hr/>
		238,381	235,952
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		130,847	130,847
Share premium		608	608
Revaluation reserve		572	572
Negative goodwill on consolidation		-	1,400
Retained profits		46,028	41,313
		<hr/>	<hr/>
		178,055	174,740
Minority interest		<hr/>	<hr/>
		3,195	3,229
		<hr/>	<hr/>
Total equity		<hr/>	<hr/>
		181,250	177,969

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Balance Sheet As at 31 March 2006 - Unaudited (Continued)

	Note	As at 31.3.2006 RM'000	As at 31.12.2005 RM'000 (restated)
Non-current liabilities			
Borrowings	24	333	354
Deferred tax liabilities		21,853	21,646
		<hr/>	<hr/>
		22,186	22,000
		<hr/>	<hr/>
Current liabilities			
Payables and accruals		34,117	33,808
Borrowings	24	94	1,624
Provision for taxation		734	551
		<hr/>	<hr/>
		34,945	35,983
		<hr/>	<hr/>
Total liabilities		57,131	57,983
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		238,381	235,952
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The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 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 Three Months Ended 31 March 2006 - Unaudited

Note	Attributable to shareholders of the Company					Total RM'000	Minority interest RM'000	Total equity RM'000
	Share capital	Share premium	Revaluation reserve	Negative goodwill on consolidation	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000			
At 1 January 2005	130,847	608	572	678	28,465	161,170	3,675	164,845
Profit for the financial period	-	-	-	-	1,276	1,276	59	1,335
At 31 March 2005	130,847	608	572	678	29,741	162,446	3,734	166,180

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Three Months Ended 31 March 2006 - Unaudited (Continued)

Note	Attributable to shareholders of the Company					Total RM'000	Minority interest RM'000	Total equity RM'000
	Share capital	Share premium	Revaluation reserve	Negative goodwill on consolidation	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000			
At 1 January 2006:								
- as previously reported	130,847	608	572	1,400	41,313	174,740	3,229	177,969
- effect of adopting FRS 3	2(a) -	-	-	(1,400)	1,400	-	-	-
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- as restated after opening balance adjustment	130,847	608	572	-	42,713	174,740	3,229	177,969
Profit for the financial period	-	-	-	-	3,315	3,315	(34)	3,281
<hr/>								
At 31 March 2006	130,847	608	572	-	46,028	178,055	3,195	181,250
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The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Cash Flow Statement For The Three Months Ended 31 March 2006 - Unaudited

	Cumulative Period	
	3 months ended 31.3.2006 RM'000	31.3.2005 RM'000
Net cash from operating activities	4,907	5,323
Net cash used in investing activities	5,680	(2,195)
Net cash used in financing activities	(23)	(11)
Net increase in cash and cash equivalents	10,564	3,117
Cash and cash equivalents at beginning of financial period	16,044	7,480
Cash and cash equivalents at end of financial period	26,608	10,597
Cash and cash equivalents comprise:		
Deposits with licensed banks	15,068	5,985
Cash and bank balances	11,653	7,800
Bank overdraft	(10)	(3,087)
	26,711	10,698
Less: Deposits pledged to licensed bank	(103)	(101)
	26,608	10,597

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report

1. Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134₂₀₀₄, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134₂₀₀₄, *Interim Financial Reporting*, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

The financial information relating to the financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements other than those that have been restated as a result of the change in accounting policies.

2. Changes in Accounting Policies

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issues Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2006, including early adoption of FRS 117, *Leases*, issued by the MASB in 2006 effective for annual periods beginning on or after 1 October 2006, on the basis of FRSs currently in issue.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this interim financial report.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

2. Changes in Accounting Policies (Continued)

(a) *Negative goodwill on consolidation (FRS 3, Business Combinations)*

Under the new FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill on consolidation"), after reassessment, is now recognised immediately in profit or loss. Prior to 1 January 2006, negative goodwill on consolidation was reflected as a line item under equity. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM1,400,000 was derecognised with a corresponding increase in retained profits.

(b) *Leasehold land held for own use (FRS 117, Leases)*

In prior financial years, the leasehold interest in land held for own use classified as property, plant and equipment, was stated at cost or revalued amounts less accumulated depreciation.

With the adoption of FRS 117 from 1 January 2006, the leasehold interest in the land held for own use is accounted for as being held under an operating lease. Where the leasehold land had been previously revalued, the Group retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments as allowed by FRS 117.67A. The prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

(c) *Changes in presentation (FRS 101, Presentation of Financial Statements and FRS 127, Consolidated and Separate Financial Statements) - Minority interest*

In prior years, minority interest at the balance sheet date was presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interest in the results of the Group for the financial year was also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2006, in order to comply with FRS 101 and FRS 127, minority interest at the balance sheet date is presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interest in the results of the Group for the period is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period.

The presentation of minority interest in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

3. Comparatives

The following comparative amounts have been restated due to the adoption of the revised FRS 117:

	Previously stated RM'000	FRS 117 (Note 2(b)) RM'000	Restated RM'000
<i>As at 31 December 2005</i>			
Property, plant and equipment	112,941	(26,566)	86,375
Interest in leasehold land held for own use under an operating lease	-	26,566	26,566

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2005 was not qualified.

5. 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.

6. 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, except for the changes in accounting policies as disclosed in Note 2.

7. Changes in Estimates

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

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

8. Debt and Equity Securities

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

As at 31 March 2006, there were 95,305,200 warrants in issue. Each warrant is exercisable into one Hil Industries Berhad ordinary share at an exercise price of RM0.50. The warrants expire on the market day immediately preceding 16 April 2007.

9. Dividends Paid

No dividend was paid in the current financial period-to-date.

10. Segmental Information

The Company's primary format for reporting segment information is business segments.

	Cumulative Period	
	3 months ended 31.3.2006 RM'000	31.3.2005 RM'000
Segment revenue		
Revenue from:		
Manufacturing	15,567	13,002
Property development and management	5,452	1,633
Trading, services and others	-	-
Total revenue including inter-segment sales	21,019	14,635
Elimination of inter-segment sales	(95)	(96)
Revenue from external customers	20,924	14,539

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

10. Segmental Information (Continued)

	Cumulative Period	
	3 months ended	
	31.3.2006	31.3.2005
	RM'000	RM'000
Segment results (external)		
Results from:		
Manufacturing	2,091	2,030
Property development and management	1,848	(224)
Trading, services and others	(36)	(47)
	<hr/>	<hr/>
Unallocated income	3,903	1,759
	125	67
	<hr/>	<hr/>
Profit from operations	4,028	1,826
	<hr/> <hr/>	<hr/> <hr/>

11. Property, Plant and Equipment

(a) *Acquisitions and disposals*

During the three months ended 31 March 2006, the Group acquired items of property, plant and equipment with a cost of RM1,113,000 (three months ended 31 March 2005: RM2,262,000). Items of property, plant and equipment with a net book value of RM5,058,000 were disposed of during the three months ended 31 March 2006 (three months ended 31 March 2005: RM Nil), resulting in a gain on disposal of RM1,735,000 (three months ended 31 March 2005: RM Nil).

(b) *Valuation*

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

12. Post Balance Sheet Events

There are no material events after the period end that have not been reflected in the financial statements for the financial period ended 31 March 2006.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

13. Changes in Composition of the Group

On 15 March 2006, Hil Industries Berhad acquired 100% equity interest in Hil Sales & Marketing Sdn. Bhd. from Hil Properties Sdn. Bhd.

14. 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 2005.

15. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial report as at 31 March 2006 is as follows:

	RM'000
Authorised by the Directors and contracted for	7,458
Authorised by the Directors but not contracted for	-
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	7,458
	<hr/> <hr/>

16. Performance Review

The revenue and profit before tax recorded by the Group for the current quarter was RM20.924 million and RM4.016 million respectively.

This represents an increase of RM6.385 million in revenue or 44% higher than the revenue of the previous year's corresponding quarter. The increase was primarily due to higher revenue generated by both the manufacturing division and the property development division.

Excluding the RM1.735 million gain on disposal of land, the Group profit before tax in the current quarter increased by RM0.466 million or 26% which is lower than the growth in revenue owing to differences in sales mix.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

17. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM20.924 million and RM4.016 million respectively compared to RM21.766 million and RM4.768 million respectively for the immediate preceding quarter. The lower profit before tax was mainly attributable to differences in sales mix.

18. Current Year Prospects

The Board of Directors is optimistic that the Group will continue to achieve positive results for the coming year barring any unforeseen circumstances.

19. Profit Forecast or Profit Guarantee

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

20. Taxation

	Current Quarter	Year-To- Date
	3 months ended 31.3.2006 RM'000	3 months ended 31.3.2006 RM'000
Current tax - Malaysian Tax	528	528
Deferred tax	207	207
Total	735	735

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate principally due to certain income not subject to tax.

21. Sale of Unquoted Investments and Properties

There was no sale of unquoted investments and properties except for the disposal of a piece of land on 5 January 2006 which resulted in a profit on disposal of RM1,421,000 net of Real Property Gains Tax (RPGT).

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

22. Quoted Securities

There was no purchase or disposal of quoted securities for the quarter under review and financial period-to-date.

23. Status of Corporate Proposals

The following are the status of corporate proposals completed and/or outstanding as at the date of this interim financial report:

- (a) Proposed disposal of 2 ordinary shares of RM1.00 each representing the entire equity interest in T.G. Industrial Park Sdn. Bhd., a wholly-owned subsidiary company, to Pembinaan Kesentosaan Sdn. Bhd. for a total cash consideration of RM8,933,000 (“Proposed Disposal of TGIP Shares”); and
- (b) Proposed disposal of 5 ordinary shares of RM1.00 each representing the entire equity interest in Tour Haven Sdn. Bhd., a wholly-owned subsidiary company, to Pembinaan Kesentosaan Sdn. Bhd. for a total cash consideration of RM3,490,000 (“Proposed Disposal of TH Shares”).

The Proposed Disposal of TGIP Shares and the Proposed Disposal of TH Shares were approved by the Company’s shareholders on 12 May 2005.

- (c) On 10 April 2006, the Company announced that it proposed to transfer the listing of and quotation for its entire issued and paid up share capital from the Second Board to the Main Board of Bursa Malaysia Securities Berhad. Approval from the Securities Commission is still pending as at the date of this report.

24. Borrowings

	As at 31.3.2006 RM'000	As at 31.12.2005 RM'000
Current		
Secured	84	83
Unsecured	10	1,541
	<hr/> 94	<hr/> 1,624
Non-current		
Secured	333	354
	<hr/> 427	<hr/> 1,978

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

25. Off Balance Sheet Financial Instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

26. Material Litigation

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

27. Dividend Payable

No dividend has been declared for the financial period ended 31 March 2006.

28. Earnings Per Share

(a) Basic earnings per share

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

	Individual Period		Cumulative Period	
	3 months ended 31.3.2006	31.3.2005	3 months ended 31.3.2006	31.3.2005
Profit for the period (RM'000)	3,281	1,335	3,281	1,335
Less: Amount attributable to minority interest (RM'000)	34	(59)	34	(59)
Profit for the period attributable to shareholders of the Company (RM'000)	3,315	1,276	3,315	1,276
Weighted average number of ordinary shares in issue ('000)	261,695	261,695	261,695	261,695
Basic earnings per share (sen)	1.27	0.49	1.27	0.49

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

28. Earnings Per Share (Continued)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. the warrants.

	Individual Period		Cumulative Period	
	3 months ended 31.3.2006	31.3.2005	3 months ended 31.3.2006	31.3.2005
Profit for the period (RM'000)	3,281	1,335	3,281	1,335
Less: Amount attributable to minority interest (RM'000)	34	(59)	34	(59)
Profit for the period attributable to shareholders of the Company (RM'000)	3,315	1,276	3,315	1,276
Weighted average number of ordinary shares in issue ('000)	261,695	261,695	261,695	261,695
Add: Effect of dilution ('000)	-	-	-	-
	261,695	261,695	261,695	261,695
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 May 2006.