

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Income Statements For The Six Months Ended 30 June 2006 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		6 months ended	
		30.6.2006 RM'000	30.6.2005 RM'000	30.6.2006 RM'000	30.6.2005 RM'000
Revenue	10	19,773	14,450	40,697	28,989
Cost of sales		(17,281)	(9,872)	(34,045)	(21,306)
Gross profit		2,492	4,578	6,652	7,683
Other income		171	140	2,062	207
Operating expenses		(1,519)	(1,549)	(3,542)	(2,895)
Profit from operations	10	1,144	3,169	5,172	4,995
Finance costs		(13)	(8)	(25)	(19)
Profit before taxation		1,131	3,161	5,147	4,976
Taxation	20	(501)	(465)	(1,236)	(945)
Profit after taxation		630	2,696	3,911	4,031
Pre-acquisition loss		-	123	-	123
Profit for the period		630	2,819	3,911	4,154
Attributable to:					
Shareholders of the Company		723	2,795	4,038	4,071
Minority interest		(93)	24	(127)	83
Profit for the period		630	2,819	3,911	4,154
Earnings per share attributable to shareholders of the Company:					
– Basic earnings per share (sen)	28(a)	0.28	1.07	1.54	1.56
– 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 30 June 2006 - Unaudited

	Note	As at 30.6.2006 RM'000	As at 31.12.2005 RM'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	82,123	86,375
Interest in leasehold land held for own use under an operating lease		26,426	26,566
		<hr/>	<hr/>
		108,549	112,941
		<hr/>	<hr/>
Current assets			
Inventories		7,609	9,168
Property development costs		62,913	62,892
Receivables, deposits and prepayments		29,349	30,298
Tax recoverable		3,006	2,965
Deposits with licensed banks		17,169	7,591
Cash and bank balances		17,279	10,097
		<hr/>	<hr/>
		137,325	123,011
		<hr/>	<hr/>
TOTAL ASSETS		<u>245,874</u>	<u>235,952</u>
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		46,751	41,313
		<hr/>	<hr/>
		178,778	174,740
Minority interest		3,082	3,229
		<hr/>	<hr/>
Total equity		<u>181,860</u>	<u>177,969</u>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Balance Sheet As at 30 June 2006 - Unaudited (Continued)

	Note	As at 30.6.2006 RM'000	As at 31.12.2005 RM'000 (restated)
Non-current liabilities			
Borrowings	24	312	354
Deferred tax liabilities		22,103	21,646
		<hr/>	<hr/>
		22,415	22,000
		<hr/>	<hr/>
Current liabilities			
Payables and accruals		40,737	33,808
Borrowings	24	84	1,624
Provision for taxation		778	551
		<hr/>	<hr/>
		41,599	35,983
		<hr/>	<hr/>
Total liabilities		64,014	57,983
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		245,874	235,952
		<hr/> <hr/>	<hr/> <hr/>

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 Six Months Ended 30 June 2006 - Unaudited

Note	Attributable to shareholders of the Company					Total	Minority interest	Total equity
	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 period	-	-	-	-	4,071	4,071	83	4,154
Negative goodwill on consolidation arising from the increase in equity interest in a subsidiary company	-	-	-	717	-	717	-	717
Dilution of interest in a subsidiary company	-	-	-	-	-	-	(839)	(839)
At 30 June 2005	130,847	608	572	1,395	32,536	165,958	2,919	168,877

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Six Months Ended 30 June 2006 - Unaudited (Continued)

Note	Attributable to shareholders of the Company						Minority interest	Total equity
	Share capital	Share premium	Revaluation reserve	Negative goodwill on consolidation	Retained profits	Total		
	RM'000	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	-	-	-
- as restated after opening balance adjustment								
Profit/(Loss) for the period	-	-	-	-	4,038	4,038	(127)	3,911
Dividend paid by a subsidiary company to minority interest	-	-	-	-	-	-	(20)	(20)
At 30 June 2006								
	130,847	608	572	-	46,751	178,778	3,082	181,860

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 Six Months Ended 30 June 2006 - Unaudited

	Cumulative Period	
	6 months ended 30.6.2006 RM'000	30.6.2005 RM'000
Net cash from operating activities	14,751	8,491
Net cash used in investing activities	3,610	(2,650)
Net cash used in financing activities	(61)	(19)
Net increase in cash and cash equivalents	18,300	5,822
Cash and cash equivalents at beginning of financial period	16,044	7,480
Cash and cash equivalents at end of financial period	34,344	13,302
Cash and cash equivalents comprise:		
Deposits with licensed banks	17,169	5,764
Cash and bank balances	17,279	10,140
Bank overdraft	-	(2,501)
	34,448	13,403
Less: Deposits pledged to licensed bank	(104)	(101)
	34,344	13,302

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

(Company No: 8812-M)

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

(Company No: 8812-M)

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 30 June 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	
	30.6.2006 RM'000	30.6.2005 RM'000
Segment revenue		
Revenue from:		
Manufacturing	30,357	27,165
Property development and management	10,531	2,015
Trading, services and others	-	-
Total revenue including inter-segment revenue	40,888	29,180
Elimination of inter-segment revenue	(191)	(191)
Revenue from external customers	40,697	28,989

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

10. Segmental Information (Continued)

	Cumulative Period	
	6 months ended	
	30.6.2006	30.6.2005
	RM'000	RM'000
Segment results (external)		
Results from:		
Manufacturing	2,840	5,421
Property development and management	2,090	(507)
Trading, services and others	(65)	(72)
	<hr/>	<hr/>
Unallocated income	4,865	4,842
	307	153
	<hr/>	<hr/>
Profit from operations	5,172	4,995
	<hr/> <hr/>	<hr/> <hr/>

11. Property, Plant and Equipment

(a) *Acquisitions and disposals*

During the six months ended 30 June 2006, the Group acquired items of property, plant and equipment with a cost of RM3,183,000 (six months ended 30 June 2005: RM2,917,000). Items of property, plant and equipment with a net book value of RM5,058,000 were disposed of during the six months ended 30 June 2006 (six months ended 30 June 2005: RM62,000), resulting in a gain on disposal of RM1,735,000 (six months ended 30 June 2005: RM52,000).

(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 30 June 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 30 June 2006 is as follows:

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

16. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM40.697 million and RM5.147 million respectively.

This represented an increase of RM11.708 million in revenue or 40% higher than the revenue for the same period in the previous financial year. The increase was primarily due to higher revenue generated by both the manufacturing division and the property development division.

For the cumulative six months ended 30 June 2006, the increase in profit before tax was RM0.171 million or 3% higher than the profit for the same period in the previous financial year. This increase was lower than the growth in revenue owing primarily to differences in sales mix and higher raw material costs as a result of rising crude oil prices.

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 RM19.773 million and RM1.131 million respectively compared to RM20.924 million and RM4.016 million respectively for the immediate preceding quarter. The lower profit before tax was mainly attributable to differences in sales mix and higher raw material prices.

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 30.6.2006 RM'000	6 months ended 30.6.2006 RM'000
Current tax - Malaysian Tax	251	779
Deferred tax	250	457
Total	501	1,236

The effective tax rate for the current quarter 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.

The effective tax rate for the financial period ended 30 June 2006 was lower than the statutory tax rate principally due to certain income not subject to tax.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

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).

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 and Bursa Malaysia Securities Berhad was obtained on 17 July 2006 and 8 August 2006 respectively.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

24. Borrowings

	As at 30.6.2006 RM'000	As at 31.12.2005 RM'000
Current		
– Secured	84	83
– Unsecured	-	1,541
	<hr/> 84	<hr/> 1,624
Non-current		
– Secured	312	354
	<hr/> 396	<hr/> 1,978
	<hr/> <hr/>	<hr/> <hr/>

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 30 June 2006.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

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 30.6.2006	30.6.2005	6 months ended 30.6.2006	30.6.2005
Profit for the period (RM'000)	630	2,819	3,911	4,154
Less: Amount attributable to minority interest (RM'000)	93	(24)	127	(83)
Profit for the period attributable to shareholders of the Company (RM'000)	723	2,795	4,038	4,071
Weighted average number of ordinary shares in issue ('000)	261,695	261,695	261,695	261,695
Basic earnings per share (sen)	0.28	1.07	1.54	1.56

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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 30.6.2006	30.6.2005	6 months ended 30.6.2006	30.6.2005
Profit for the period (RM'000)	630	2,819	3,911	4,154
Less: Amount attributable to minority interest (RM'000)	93	(24)	127	(83)
Profit for the period attributable to shareholders of the Company (RM'000)	723	2,795	4,038	4,071
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 29 August 2006.