

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Income Statements For The Financial Year Ended 31 December 2006 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		12 months ended	
		31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Revenue	10	14,531	21,196	86,060	71,934
Cost of sales		(10,154)	(15,153)	(69,448)	(51,601)
Gross profit		4,377	6,043	16,612	20,333
Other income		194	99	2,451	413
Operating expenses		(2,124)	(1,370)	(7,933)	(5,699)
Profit from operations	10	2,447	4,772	11,130	15,047
Finance costs		(13)	(11)	(50)	(38)
Profit before taxation		2,434	4,761	11,080	15,009
Taxation	20	(357)	(320)	(2,159)	(1,885)
Profit after taxation		2,077	4,441	8,921	13,124
Pre-acquisition (profit)/loss		-	(5)	-	118
Profit for the period		2,077	4,436	8,921	13,242
Attributable to:					
Shareholders of the Company		1,872	4,315	8,924	12,848
Minority interest		205	121	(3)	394
Profit for the period		2,077	4,436	8,921	13,242
Earnings per share attributable to shareholders of the Company:					
- Basic earnings per share (sen)	28(a)	0.72	1.65	3.41	4.91
- 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 December 2006 - Unaudited

	Note	<u>Unaudited</u> As at 31.12.2006 RM'000	<u>Audited</u> As at 31.12.2005 RM'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	95,069	86,375
Interest in leasehold land held for own use under an operating lease		26,732	26,566
Goodwill		853	-
		<hr/>	<hr/>
		122,654	112,941
		<hr/>	<hr/>
Current assets			
Inventories		9,651	9,168
Property development costs		52,790	62,892
Receivables, deposits and prepayments		33,643	30,298
Tax recoverable		2,915	2,965
Deposits with licensed banks		10,681	7,591
Cash and bank balances		13,670	10,097
		<hr/>	<hr/>
		123,350	123,011
		<hr/>	<hr/>
TOTAL ASSETS		246,004	235,952
		<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		130,847	130,847
Share premium		608	608
Revaluation reserve		572	572
Foreign currency translation reserve		(29)	-
Negative goodwill on consolidation		-	1,400
Retained profits		51,637	41,313
		<hr/>	<hr/>
		183,635	174,740
Minority interest		3,206	3,229
		<hr/>	<hr/>
Total equity		186,841	177,969
		<hr/>	<hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

	Note	Unaudited As at 31.12.2006 RM'000	Audited As at 31.12.2005 RM'000 (restated)
Non-current liabilities			
Borrowings	24	267	354
Deferred tax liabilities		22,337	21,646
		<hr/>	<hr/>
		22,604	22,000
		<hr/>	<hr/>
Current liabilities			
Payables and accruals		33,632	33,808
Borrowings	24	2,162	1,624
Provision for taxation		765	551
		<hr/>	<hr/>
		36,559	35,983
		<hr/>	<hr/>
Total liabilities		59,163	57,983
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		246,004	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 Financial Year Ended 31 December 2006 - Unaudited

Note	Attributable to shareholders of the Company					Retained profits	Total	Minority interest	Total equity
	Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	Negative goodwill on consolidation				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Audited</u>									
At 1 January 2005	130,847	608	572	-	678	28,465	161,170	3,675	164,845
Profit for the year	-	-	-	-	-	12,848	12,848	394	13,242
Negative goodwill on consolidation arising from the increase in equity interest in a subsidiary company	-	-	-	-	722	-	722	-	722
Dilution of interest in a subsidiary company	-	-	-	-	-	-	-	(840)	(840)
At 31 December 2005	130,847	608	572	-	1,400	41,313	174,740	3,229	177,969

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 2006 - Unaudited (Continued)

Note	Attributable to shareholders of the Company					Retained profits	Total	Minority interest	Total equity
	Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	Negative goodwill on consolidation				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unaudited									
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 year	-	-	-	-	-	8,924	8,924	(3)	8,921
Dividend paid by a subsidiary company to minority shareholders	-	-	-	-	-	-	-	(20)	(20)
Group foreign currency translation differences	-	-	-	(29)	-	-	(29)	-	(29)
At 31 December 2006	130,847	608	572	(29)	-	51,637	183,635	3,206	186,841

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 Financial Year Ended 31 December 2006 - Unaudited

	<u>Unaudited</u>	<u>Audited</u>
	<u>Cumulative Period</u>	
	<u>12 months ended</u>	
	<u>31.12.2006</u>	<u>31.12.2005</u>
	<u>RM'000</u>	<u>RM'000</u>
Net cash from operating activities	18,907	15,508
Net cash used in investing activities	(12,707)	(6,892)
Net cash used in financing activities	(104)	(52)
Net increase in cash and cash equivalents	6,096	8,564
Cash and cash equivalents at beginning of financial period	16,044	7,480
Effect of foreign exchange rates changes	30	-
Cash and cash equivalents at end of financial period	22,170	16,044
Cash and cash equivalents comprise:		
Deposits with licensed banks	10,681	7,591
Cash and bank balances	13,670	10,097
Bank overdraft	(2,076)	(1,541)
	22,275	16,147
Less: Deposits pledged to licensed bank	(105)	(103)
	22,170	16,044

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 31 December 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	
	12 months ended 31.12.2006	31.12.2005
	RM'000	RM'000
Segment revenue		
Revenue from:		
Manufacturing	64,565	61,024
Property development and management	21,834	11,290
Trading, services and others	-	1
	<hr/>	<hr/>
Total revenue including inter-segment revenue	86,399	72,315
Elimination of inter-segment revenue	(339)	(381)
	<hr/>	<hr/>
Revenue from external customers	86,060	71,934
	<hr/> <hr/>	<hr/> <hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

10. Segmental Information (Continued)

	Cumulative Period	
	12 months ended	
	31.12.2006	31.12.2005
	RM'000	RM'000
Segment results (external)		
Results from:		
Manufacturing	7,796	14,955
Property development and management	2,919	(113)
Trading, services and others	(299)	(135)
	<hr/>	<hr/>
Unallocated income	10,416	14,707
	714	340
	<hr/>	<hr/>
Profit from operations	11,130	15,047
	<hr/> <hr/>	<hr/> <hr/>

11. Property, Plant and Equipment

(a) *Acquisitions and disposals*

During the twelve months ended 31 December 2006, the Group acquired items of property, plant and equipment with a cost of RM18,665,000 (twelve months ended 31 December 2005: RM7,794,000). Items of property, plant and equipment with a net book value of RM5,058,000 were disposed of during the twelve months ended 31 December 2006 (twelve months ended 31 December 2005: RM62,000), resulting in a gain on disposal of RM1,735,000 (twelve months ended 31 December 2005: gain on disposal of RM52,000).

(b) *Valuation*

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

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

12. Post Balance Sheet Events

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

13. Changes in Composition of the Group

(a) Acquisition of Hil Sales & Marketing Sdn. Bhd.

On 15 March 2006, Hil Industries Berhad acquired 100% equity interest in Hil Sales & Marketing Sdn. Bhd. from Hil Properties Sdn. Bhd. This has no impact on the Group as this is a change in ownership within the Group.

(b) Acquisition of Supreme Logic Sdn. Bhd.

On 28 September 2006, the Group acquired 100% equity interest in Supreme Logic Sdn. Bhd. from the vendors for a total consideration of RM0.835 million. The cost of acquisition was satisfied by cash.

The acquired subsidiary company has contributed the following results to the Group:

	Current Quarter	Year-To- Date
	3 months ended 31.12.2006 RM'000	12 months ended 31.12.2006 RM'000
Revenue	-	-
Loss before taxation	(6)	(6)

If the acquisition had occurred on 1 January 2006, the Group revenue and loss for the period from 1 January 2006 to 31 December 2006 would have been RM Nil and RM9,000 respectively.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

13. Changes in Composition of the Group (Continued)

(b) Acquisition of Supreme Logic Sdn. Bhd. (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair Value RM'000	Acquiree's Carrying Amount RM'000
Property	527	527
Cash balance	-	-
Other payables	(545)	(545)
	<hr/>	<hr/>
Group's share of net liabilities / Total net liabilities	(18)	(18)
Goodwill arising on acquisition	853	<u>853</u>
	<hr/>	<hr/>
	835	<u>835</u>

The cash outflow on acquisition is as follows:

	12 months ended 31.12.2006 RM'000
Cash outflow of the Company (Purchase consideration satisfied by cash)	835
Less: Cash and cash equivalents of subsidiary company acquired	<u>-</u>
	<hr/>
Net cash outflow of the Group	<u>835</u>

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.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

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 December 2006 is as follows:

	RM'000
Authorised by the Directors and contracted for	924
Authorised by the Directors but not contracted for	-
	<hr/>
	924
	<hr/> <hr/>

16. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM86.060 million and RM11.080 million respectively.

This represented an increase of RM14.126 million in revenue or 20% 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 twelve months ended 31 December 2006, the decrease in profit before tax was RM3.929 million or 26% lower than the profit for the same period in the previous financial year. Profit before tax showed a decrease in spite of an increase in revenue owing primarily to differences in sales mix and higher raw material costs.

17. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM14.531 million and RM2.434 million respectively compared to RM30.832 million and RM3.561 million respectively for the immediate preceding quarter. The decrease in revenue and profit before tax was predominantly attributable to lower revenue generated by the property development division.

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.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

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 31.12.2006 RM'000	12 months ended 31.12.2006 RM'000
Current tax - Malaysian Tax	316	1,468
Deferred tax	41	691
Total	357	2,159

The effective tax rate for the current quarter and for the financial year ended 31 December 2006 was 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).

22. Quoted Securities

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

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

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. The Company’s shares were transferred to the Main Board of Bursa Malaysia Securities Berhad on 21 September 2006.

24. Borrowings

	As at 31.12.2006 RM’000	As at 31.12.2005 RM’000
Current		
– Secured	86	83
– Unsecured	2,076	1,541
	<hr/> 2,162	<hr/> 1,624
Non-current		
– Secured	267	354
	<hr/> 2,429	<hr/> 1,978
	<hr/> <hr/>	<hr/> <hr/>

HIL INDUSTRIES BERHAD

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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 year ended 31 December 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 31.12.2006	31.12.2005	12 months ended 31.12.2006	31.12.2005
Profit for the period (RM'000)	2,077	4,436	8,921	13,242
Less: Amount attributable to minority interest (RM'000)	(205)	(121)	3	(394)
Profit for the period attributable to shareholders of the Company (RM'000)	1,872	4,315	8,924	12,848
Weighted average number of ordinary shares in issue ('000)	261,695	261,695	261,695	261,695
Basic earnings per share (sen)	0.72	1.65	3.41	4.91

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 31.12.2006	31.12.2005	12 months ended 31.12.2006	31.12.2005
Profit for the period (RM'000)	2,077	4,436	8,921	13,242
Less: Amount attributable to minority interest (RM'000)	(205)	(121)	3	(394)
Profit for the period attributable to shareholders of the Company (RM'000)	1,872	4,315	8,924	12,848
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 23 February 2007.