

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Condensed Consolidated Income Statements For The Three Months Ended 31 March 2007 - Unaudited

		Individual Period		Cumulative Period	
	Note	3 months ended		3 months ended	
		31.3.2007	31.3.2006	31.3.2007	31.3.2006
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	9	14,008	20,924	14,008	20,924
Cost of sales		(11,563)	(16,764)	(11,563)	(16,764)
<b>Gross profit</b>		2,445	4,160	2,445	4,160
Other income		104	1,891	104	1,891
Operating expenses		(2,034)	(2,023)	(2,034)	(2,023)
<b>Operating profit</b>	9	515	4,028	515	4,028
Finance costs		(12)	(12)	(12)	(12)
<b>Profit before taxation</b>		503	4,016	503	4,016
Taxation	19	(278)	(735)	(278)	(735)
<b>Profit for the period</b>		225	3,281	225	3,281
<b>Attributable to:</b>					
Shareholders of the Company		203	3,315	203	3,315
Minority interest		22	(34)	22	(34)
<b>Profit for the period</b>		225	3,281	225	3,281
<b>Earnings per share attributable to shareholders of the Company:</b>					
– Basic earnings per share (sen)	27(a)	0.08	1.27	0.08	1.27
– Diluted earnings per share (sen)	27(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 2006 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 2007 - Unaudited

	Note	<u>Unaudited</u> As at 31.3.2007 RM'000	<u>Audited</u> As at 31.12.2006 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	95,692	95,078
Prepaid lease payments		26,643	26,734
Goodwill		853	853
		<hr/>	<hr/>
		123,188	122,665
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		9,819	9,726
Property development costs		56,370	61,610
Receivables, deposits and prepayments		32,311	33,766
Tax recoverable		2,908	2,907
Deposits with licensed banks		24,271	10,680
Cash and bank balances		1,998	14,047
		<hr/>	<hr/>
		127,677	132,736
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<u>250,865</u>	<u>255,401</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		130,847	130,847
Share premium		608	608
Treasury shares		(3,060)	-
Revaluation reserve		572	572
Currency translation reserve		(142)	(20)
Retained profits		52,016	51,813
		<hr/>	<hr/>
		180,841	183,820
<b>Minority interest</b>		<hr/>	<hr/>
		3,228	3,206
		<hr/>	<hr/>
<b>Total equity</b>		<u>184,069</u>	<u>187,026</u>

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Condensed Consolidated Balance Sheet As at 31 March 2007 - Unaudited (Continued)

		<u>Unaudited</u> As at 31.3.2007 RM'000	<u>Audited</u> As at 31.12.2006 RM'000
<b>Non-current liabilities</b>			
Borrowings	23	242	267
Deferred tax liabilities		22,431	22,311
		<hr/> 22,673	<hr/> 22,578
<b>Current liabilities</b>			
Payables and accruals		40,143	42,418
Borrowings	23	3,185	2,540
Provision for taxation		795	839
		<hr/> 44,123	<hr/> 45,797
<b>Total liabilities</b>		<hr/> 66,796	<hr/> 68,375
<b>TOTAL EQUITY AND LIABILITIES</b>		<hr/> <hr/> 250,865	<hr/> <hr/> 255,401

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 2007 - Unaudited

	Attributable to shareholders of the Company						Total	Minority interest	Total equity
	Share capital	Share premium	Revaluation reserve	Currency translation reserve	Negative goodwill on consolidation	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2006:</b>									
- as previously reported	130,847	608	572	-	1,400	41,313	174,740	3,229	177,969
- effect of adopting FRS 3	-	-	-	-	(1,400)	1,400	-	-	-
<b>- as restated</b>	130,847	608	572	-	-	42,713	174,740	3,229	177,969
Profit/(Loss) for the period	-	-	-	-	-	3,315	3,315	(34)	3,281
<b>At 31 March 2006</b>	130,847	608	572	-	-	46,028	178,055	3,195	181,250

## HIL INDUSTRIES BERHAD

(Company No: 8812-M)

### Condensed Consolidated Statement Of Changes In Equity For The Three Months Ended 31 March 2007 - Unaudited (Continued)

Note	Attributable to shareholders of the Company							Minority interest	Total equity
	Share capital	Share premium	Treasury shares	Revaluation reserve	Currency translation reserve	Retained profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>At 1 January 2007</b>	130,847	608	-	572	(20)	51,813	183,820	3,206	187,026
Group currency translation differences	-	-	-	-	(122)	-	(122)	-	(122)
Net losses not recognised in income statement	-	-	-	-	(122)	-	(122)	-	(122)
Profit for the period	-	-	-	-	-	203	203	22	225
Purchase of treasury shares	-	-	(3,060)	-	-	-	(3,060)	-	(3,060)
<b>At 31 March 2007</b>	130,847	608	(3,060)	572	(142)	52,016	180,841	3,228	184,069

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 2007 - Unaudited

	Cumulative Period	
	3 months ended 31.3.2007 RM'000	31.3.2006 RM'000
Net cash from operating activities	6,037	4,907
Net cash used in investing activities	(2,045)	5,680
Net cash used in financing activities	(3,081)	(23)
Net increase in cash and cash equivalents	911	10,564
Cash and cash equivalents at beginning of financial period	22,168	16,044
Currency translation differences	(11)	-
Cash and cash equivalents at end of financial period	23,068	26,608
Cash and cash equivalents comprise:		
Deposits with licensed banks	24,271	15,068
Cash and bank balances	1,998	11,653
Bank overdrafts	(3,094)	(10)
	23,175	26,711
Less: Deposits pledged to licensed bank	(107)	(103)
	23,068	26,608

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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) 134<sup>2004</sup>, *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 2006 annual financial statements, except for the accounting policy change as set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134<sup>2004</sup>, *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 2006. 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 2006.

The financial information relating to the financial year ended 31 December 2006 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.

### **2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2006 except for the adoption of FRS 124, *Related Party Disclosures*, which is effective for financial periods beginning on or after 1 October 2006.

The Group has applied this standard from the financial period beginning on 1 January 2007 and the adoption of FRS 124 does not have any significant financial impact on the Group.

### **3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2006 was not qualified.

# **HIL INDUSTRIES BERHAD**

(Company No: 8812-M)

## **Notes To The Interim Financial Report (Continued)**

### **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, except for the change in accounting policy as disclosed in Note 2.

### **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 except for the repurchase of its own shares (“treasury shares”).

In the financial year ended 31 December 2006, the shareholders of the Company gave their approval for the Company’s plan to repurchase its own ordinary shares. During the current quarter, the Company repurchased 6,632,400 of its issued ordinary shares from the open market at an average price of RM0.46 per share. The total consideration paid for the repurchase including transaction costs was RM3,060,000 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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

### **8. Dividends Paid**

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



# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 9. Segmental Information

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

	<b>Cumulative Period</b>	
	<b>3 months ended</b>	
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Segment Revenue</b>		
Revenue from:		
Manufacturing	13,487	15,567
Property development and management	574	5,452
Trading, services and others	-	-
Total revenue including inter-segment revenue	14,061	21,019
Elimination of inter-segment revenue	(53)	(95)
Revenue from external customers	14,008	20,924
<b>Segment Results (External)</b>		
Results from:		
Manufacturing	592	2,091
Property development and management	(88)	1,848
Trading, services and others	11	(36)
	515	3,903
Unallocated income	-	125
Operating profit	515	4,028

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 10. Property, Plant and Equipment

#### (a) *Acquisitions and disposals*

During the three months ended 31 March 2007, the Group acquired items of property, plant and equipment with a cost of RM2,044,000 (three months ended 31 March 2006: RM1,113,000). Items of property, plant and equipment with a net book value of RM Nil were disposed of during the three months ended 31 March 2007 (three months ended 31 March 2006: RM5,058,000), resulting in a gain on disposal of RM Nil (three months ended 31 March 2006: gain on disposal of RM1,735,000).

#### (b) *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 for the increase in issued and paid-up share capital due to the conversion of the 1999/2007 Warrants.

The Company increased its issued and paid-up ordinary share capital from 261,694,800 to 278,714,144 by the issue of 17,019,344 ordinary shares of RM0.50 each at par for cash, pursuant to the conversion of 17,019,344 Warrants 1999/2007 ("Warrants") at an exercise price of RM0.50 each. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

The remaining unexercised Warrants of 78,285,856 expired on 16 April 2007 and became null and void, and was removed from the official list of Bursa Securities with effect from 16 April 2007.

### 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 2006.

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 14. 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 2007 is as follows:

	<b>RM'000</b>
Authorised by the Directors and contracted for	1,505
Authorised by the Directors but not contracted for	-
	<hr/>
	1,505
	<hr/> <hr/>

### 15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM14.008 million and RM0.503 million respectively.

This represented a decrease of RM6.916 million in revenue or 33% lower than the revenue for the same period in the previous financial year. The decrease was primarily due to lower revenue generated by both the manufacturing division and the property development division.

For the cumulative three months ended 31 March 2007, the decrease in profit before tax was RM3.513 million or 87% lower than the profit for the same period in the previous financial year. The decrease in profit before tax was largely due to the lower revenue generated by the property development division.

### 16. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM14.008 million and RM0.503 million respectively compared to RM14.531 million and RM2.434 million respectively for the immediate preceding quarter. The decrease in profit before tax is mainly due to lower profit margin attributable to differences in sales mix and higher operating expenses as the Group undertakes its expansion plans in the setting up of new factories in Penang and China.

### 17. 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)

### 18. Profit Forecast or Profit Guarantee

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

### 19. Taxation

	<b>Current Quarter</b>	<b>Year-To- Date</b>
	<b>3 months ended 31.3.2007 RM'000</b>	<b>3 months ended 31.3.2007 RM'000</b>
Current tax - Malaysian Tax	158	158
Deferred tax	120	120
Total	278	278

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.

### 20. Sale of Unquoted Investments and Properties

There was no sale of unquoted investments and/or properties for the quarter under review and financial period to date.

### 21. 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)

### 22. 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 and were completed on 27 April 2007 and 3 April 2007 respectively, subsequent to the current quarter under review.

### 23. Borrowings

	As at 31.3.2007 RM’000	As at 31.12.2006 RM’000
<b>Non-current</b>		
– Secured	242	267
<b>Current</b>		
– Secured	91	87
– Unsecured	3,094	2,453
	3,185	2,540
	3,427	2,807

### 24. Off Balance Sheet Financial Instruments

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

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 25. Material Litigation

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

### 26. Dividend Payable

No dividend has been declared for the financial period ended 31 March 2007.

### 27. 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 31.3.2007	31.3.2006	3 months ended 31.3.2007	31.3.2006
Profit for the period (RM'000)	225	3,281	225	3,281
Less: Amount attributable to minority interest (RM'000)	(22)	34	(22)	34
Profit for the period attributable to shareholders of the Company (RM'000)	203	3,315	203	3,315
Weighted average number of ordinary shares in issue ('000)	261,695	261,695	261,695	261,695
Basic earnings per share (sen)	0.08	1.27	0.08	1.27

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 27. 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 31.3.2007	31.3.2006	3 months ended 31.3.2007	31.3.2006
Profit for the period (RM'000)	225	3,281	225	3,281
Less: Amount attributable to minority interest (RM'000)	(22)	34	(22)	34
Profit for the period attributable to shareholders of the Company (RM'000)	203	3,315	203	3,315
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

### 28. 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 30 May 2007.