

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Income Statements For The Six Months Ended 30 June 2007 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		6 months ended	
		30.6.2007 RM'000	30.6.2006 RM'000	30.6.2007 RM'000	30.6.2006 RM'000
Revenue	9	20,550	19,773	34,558	40,697
Cost of sales		(16,964)	(17,281)	(28,527)	(34,045)
Gross profit		3,586	2,492	6,031	6,652
Other income		457	171	561	2,062
Operating expenses		(5,144)	(1,519)	(7,178)	(3,542)
Operating (loss)/profit	9	(1,101)	1,144	(586)	5,172
Finance costs		(12)	(13)	(24)	(25)
(Loss)/Profit before taxation		(1,113)	1,131	(610)	5,147
Taxation	20	(86)	(501)	(364)	(1,236)
(Loss)/Profit for the period		(1,199)	630	(974)	3,911
Attributable to:					
Shareholders of the Company		(1,200)	723	(997)	4,038
Minority interest		1	(93)	23	(127)
(Loss)/Profit for the period		(1,199)	630	(974)	3,911
Basic earnings per share attributable to shareholders of the Company	28	(0.43)	0.28	(0.37)	1.54

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 30 June 2007 - Unaudited

	Note	<u>Unaudited</u> As at 30.6.2007 RM'000	<u>Audited</u> As at 31.12.2006 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	96,011	95,078
Prepaid lease payments		4,353	26,734
Goodwill	12	4,932	853
		<hr/>	<hr/>
		105,296	122,665
		<hr/>	<hr/>
Current assets			
Inventories		9,993	9,726
Property development costs		51,832	61,610
Receivables, deposits and prepayments		41,284	33,766
Tax recoverable		2,911	2,907
Deposits with licensed banks		19,930	10,680
Cash and bank balances		23,706	14,047
		<hr/>	<hr/>
		149,656	132,736
		<hr/>	<hr/>
TOTAL ASSETS		<u>254,952</u>	<u>255,401</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		139,357	130,847
Share premium		1,281	608
Treasury shares		-	-
Revaluation reserve		572	572
Currency translation reserve		(1)	(20)
Retained profits		50,816	51,813
		<hr/>	<hr/>
		192,025	183,820
Minority interest		<hr/>	<hr/>
		3,229	3,206
		<hr/>	<hr/>
Total equity		<u>195,254</u>	<u>187,026</u>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Balance Sheet As at 30 June 2007 - Unaudited (Continued)

		<u>Unaudited</u> As at 30.6.2007 RM'000	<u>Audited</u> As at 31.12.2006 RM'000
Non-current liabilities			
Borrowings	24	223	267
Deferred tax liabilities		20,277	22,311
		<hr/> 20,500	<hr/> 22,578
Current liabilities			
Payables and accruals		34,077	42,418
Borrowings	24	4,247	2,540
Provision for taxation		874	839
		<hr/> 39,198	<hr/> 45,797
Total liabilities		<hr/> 59,698	<hr/> 68,375
TOTAL EQUITY AND LIABILITIES		<hr/> <hr/> 254,952	<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 Six Months Ended 30 June 2007 - Unaudited

	Attributable to shareholders of the Company						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	
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	-	-	-	-	(1,400)	1,400	-	-	-
- as restated	130,847	608	572	-	-	42,713	174,740	3,229	177,969
Profit/(Loss) for the period	-	-	-	-	-	4,038	4,038	(127)	3,911
Dividend paid by a subsidiary company	-	-	-	-	-	-	-	(20)	(20)
At 30 June 2006	130,847	608	572	-	-	46,751	178,778	3,082	181,860

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Six Months Ended 30 June 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			
At 1 January 2007	130,847	608	-	572	(20)	51,813	183,820	3,206	187,026	
Group currency translation differences	-	-	-	-	19	-	19	-	19	
Net gains not recognised in income statement	-	-	-	-	19	-	19	-	19	
(Loss)/Profit for the period	-	-	-	-	-	(997)	(997)	23	(974)	
Issue of shares arising from conversion of warrants	7	8,510	-	-	-	-	8,510	-	8,510	
Treasury shares:										
Purchased	7	-	-	(3,726)	-	-	(3,726)	-	(3,726)	
Sold	7	-	673	3,726	-	-	4,399	-	4,399	
At 30 June 2007		139,357	1,281	-	572	(1)	50,816	192,025	3,229	195,254

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 Six Months Ended 30 June 2007 - Unaudited

	Cumulative Period	
	30.6.2007 RM'000	30.6.2006 RM'000
Net cash from operating activities	(71)	14,751
Net cash used in investing activities	8,136	3,610
Net cash used in financing activities	9,141	(61)
Net increase in cash and cash equivalents	17,206	18,300
Cash and cash equivalents at beginning of financial period	22,168	16,044
Currency translation differences	(3)	-
Cash and cash equivalents at end of financial period	39,371	34,344
Cash and cash equivalents comprise:		
Deposits with licensed banks	19,930	17,169
Cash and bank balances	23,706	17,279
Bank overdrafts	(4,158)	-
Less: Deposits pledged to licensed bank	39,478 (107)	34,448 (104)
	39,371	34,344

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) 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 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 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 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 following:

- During the three months ended 30 June 2007, 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 issued during the quarter ranked 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.
- 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 six months ended 30 June 2007, the Company repurchased 7,968,900 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 RM3,726,000 and this was financed by internally generated funds. As at 30 June 2007, all the treasury shares of 7,968,900 had been sold in the open market at an average price of RM0.56 per share and the total consideration received from the sale after transaction costs amounted to RM4,399,000.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

8. Dividends Paid

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

9. Segmental Information

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

	Cumulative Period	
	6 months ended	
	30.6.2007	30.6.2006
	RM'000	RM'000
Segment Revenue		
Revenue from:		
Manufacturing	33,188	30,357
Property development and management	1,476	10,531
Trading, services and others	-	-
	<hr/>	<hr/>
Total revenue including inter-segment revenue	34,664	40,888
Elimination of inter-segment revenue	(106)	(191)
	<hr/>	<hr/>
Revenue from external customers	34,558	40,697
	<hr/> <hr/>	<hr/> <hr/>
Segment Results (External)		
Results from:		
Manufacturing	22	2,840
Property development and management	(618)	2,090
Trading, services and others	10	(65)
	<hr/>	<hr/>
Unallocated income	(586)	4,865
	<hr/>	<hr/>
Operating (loss)/profit	-	307
	<hr/> <hr/>	<hr/> <hr/>
	(586)	5,172

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 six months ended 30 June 2007, the Group acquired items of property, plant and equipment with a cost of RM4,284,000 (six months ended 30 June 2006: RM3,183,000). Items of property, plant and equipment with a net book value of RM Nil were disposed of during the six months ended 30 June 2007 (six months ended 30 June 2006: RM5,058,000), resulting in a gain on disposal of RM Nil (six months ended 30 June 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.

12. Goodwill

	Year-To- Date
	6 months ended 30.6.2007 RM'000
<u>Cost</u>	
At 1 January 2007	853
Additions	4,079
At 30 June 2007	4,932

The positive goodwill of Pembinaan Laksamana Sdn. Bhd. ("PLSB") and the negative goodwill of T.G. Industrial Park Sdn. Bhd. ("TGIP") and Tour Haven Sdn. Bhd. ("TH") was offset when they were acquired. However, the disposal of TGIP and TH has resulted in the positive goodwill of PLSB surfacing. The positive goodwill was never recognised as a deduction from equity and in accordance with FRS 3, the positive goodwill shall be recognised as asset and shall be tested for impairment annually.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

13. Changes in Composition of the Group

Disposal of subsidiary companies

As disclosed in Note 23, the Group completed its disposal of its 100% equity interest in T.G. Industrial Park Sdn. Bhd. (“TGIP”) and its 100% equity interest in Tour Haven Sdn. Bhd. (“TH”) during the current financial period-to-date.

The disposals had the following effects on the financial position of the Group as at the end of the financial period-to-date:

	RM'000
Prepaid lease payments	22,265
Other receivables and deposits	976
Cash and bank balances	3
Other payables and accruals	(4,033)
Deferred tax liabilities	(2,059)
	<hr/>
Net assets disposed of	17,152
Attributable negative goodwill	(4,079)
	<hr/>
Total disposal proceeds settled by cash	13,073
	<hr/>
	(12,423)
	<hr/>
Loss on disposal to the Group	650
	<hr/> <hr/>
<u>Cash inflow arising on disposals:</u>	
Cash consideration	12,423
Cash and cash equivalents of subsidiary companies disposed of	(3)
	<hr/>
Net cash inflow of the Group	12,420
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HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

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 2006.

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 2007 is as follows:

	RM'000
Authorised by the Directors and contracted for	551
Authorised by the Directors but not contracted for	-
	<hr/>
	551
	<hr/> <hr/>

16. Performance Review

The revenue and loss before tax recorded by the Group for the financial period-to-date was RM34.558 million and RM0.61 million respectively.

This represented a decrease of RM6.139 million in revenue or 15% lower than the revenue for the same period in the previous financial year. The decrease was primarily due to lower revenue generated by the property development division.

For the cumulative six months ended 30 June 2007, the increase in loss before tax was RM5.757 million or 112% lower than the profit for the same period in the previous financial year. The increase in loss before tax was largely due to losses arising from the disposal of subsidiary companies in the property development division together with the lower revenue generated by that division. In addition, the profit from manufacturing division reduced significantly due to the higher initial operating expenses incurred by the new start-up in Suzhou, China.

17. Variation of Results Against Preceding Quarter

The revenue and loss before tax for the current quarter were RM20.550 million and RM1.113 million respectively compared to revenue of RM14.008 million and profit before tax of RM0.503 million for the immediate preceding quarter. The loss before tax for the current quarter was largely due to losses arising from the disposal of subsidiary companies in the property development division. For the manufacturing division, despite the increase in revenue, the profit before tax was offset by the higher initial operating expenses incurred by the new start-up in Suzhou, China.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

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 30.6.2007 RM'000	6 months ended 30.6.2007 RM'000
Current tax - Malaysian Tax	181	339
Deferred tax	(95)	25
Total	86	364

The effective tax rate for the current quarter and for 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 losses arising from the disposal of subsidiary companies and certain expenses which are not deductible for tax purposes.

21. 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.

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 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.

24. Borrowings

	As at 30.6.2007 RM’000	As at 31.12.2006 RM’000
Non-current		
– Secured	223	267
	<hr/>	
Current		
– Secured	89	87
– Unsecured	4,158	2,453
	<hr/>	
	4,247	2,540
	<hr/>	
	4,470	2,807
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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 30 June 2007.

28. Earnings Per Share

Basic earnings per share is calculated by dividing the (loss)/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 30.6.2007	30.6.2006	6 months ended 30.6.2007	30.6.2006
(Loss)/Profit for the period (RM'000)	(1,199)	630	(974)	3,911
Less: Amount attributable to minority interest (RM'000)	(1)	93	(23)	127
(Loss)/Profit for the period attributable to shareholders of the Company (RM'000)	(1,200)	723	(997)	4,038
Weighted average number of ordinary shares in issue ('000)	276,926	261,695	269,352	261,695
Basic earnings per share (sen)	(0.43)	0.28	(0.37)	1.54

Diluted earnings per share is no longer calculated as there are no dilutive potential ordinary shares pursuant to the expiry of the Warrants as disclosed in Note 7.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

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 2007.