

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Condensed Consolidated Income Statements For The Six Months Ended 30 June 2008 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		6 months ended	
		30.6.2008 RM'000	30.6.2007 RM'000	30.6.2008 RM'000	30.6.2007 RM'000
<b>Revenue</b>	9	31,364	20,550	63,463	34,558
Cost of sales		(21,342)	(16,964)	(43,603)	(28,527)
<b>Gross profit</b>		10,022	3,586	19,860	6,031
Other income		1,989	457	2,253	561
Operating expenses		(2,493)	(5,144)	(5,470)	(7,178)
<b>Operating profit/(loss)</b>	9	9,518	(1,101)	16,643	(586)
Finance costs		(21)	(12)	(42)	(24)
<b>Profit/(Loss) before taxation</b>		9,497	(1,113)	16,601	(610)
Taxation	19	(929)	(86)	(1,469)	(364)
<b>Profit/(Loss) for the period</b>		8,568	(1,199)	15,132	(974)
<b>Attributable to:</b>					
Shareholders of the Company		8,588	(1,200)	15,229	(997)
Minority interest		(20)	1	(97)	23
<b>Profit/(Loss) for the period</b>		8,568	(1,199)	15,132	(974)
<b>Basic earnings per share attributable to shareholders of the Company</b>	27	3.08	(0.43)	5.46	(0.37)

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 2008 - Unaudited

	Note	<u>Unaudited</u> As at 30.6.2008 RM'000	<u>Audited</u> As at 31.12.2007 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	118,132	116,506
Prepaid lease payments		4,244	4,297
Goodwill		4,932	4,932
		<hr/>	<hr/>
		127,308	125,735
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		16,116	13,095
Property development costs		61,814	61,713
Trade and other receivables		49,884	51,694
Tax recoverable		2,862	2,864
Deposits with licensed banks		24,584	24,657
Cash and bank balances		2,224	2,503
		<hr/>	<hr/>
		157,484	156,526
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>284,792</b>	<b>282,261</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		139,357	139,357
Share premium		1,281	1,281
Revaluation reserve		572	572
Currency translation reserve		812	-
Retained profits		74,800	59,571
		<hr/>	<hr/>
		216,822	200,781
<b>Minority interest</b>		<b>3,105</b>	<b>3,202</b>
		<hr/>	<hr/>
<b>Total equity</b>		<b>219,927</b>	<b>203,983</b>
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# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Condensed Consolidated Balance Sheet As at 30 June 2008 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 30.6.2008 RM'000	<u>Audited</u> As at 31.12.2007 RM'000
<b>Non-current liabilities</b>			
Borrowings	23	848	963
Deferred tax liabilities		21,169	21,100
		<hr/>	<hr/>
		22,017	22,063
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables		36,210	52,068
Borrowings	23	5,291	3,715
Provision for taxation		1,347	432
		<hr/>	<hr/>
		42,848	56,215
		<hr/>	<hr/>
<b>Total liabilities</b>		64,865	78,278
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		284,792	282,261
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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 2007 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 2008 - Unaudited

	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	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	-	-	-	-	19	-	19	-	19
Net gains not recognised in income statement	-	-	-	-	19	-	19	-	19
(Loss)/Profit for the period	-	-	-	-	-	(997)	(997)	23	(974)
Issue of ordinary shares arising from conversion of warrants	8,510	-	-	-	-	-	8,510	-	8,510
Treasury shares:									
- Purchased	-	-	(3,726)	-	-	-	(3,726)	-	(3,726)
- Sold	-	673	3,726	-	-	-	4,399	-	4,399
<b>At 30 June 2007</b>	139,357	1,281	-	572	(1)	50,816	192,025	3,229	195,254

## HIL INDUSTRIES BERHAD

(Company No: 8812-M)

### Condensed Consolidated Statement Of Changes In Equity For The Six Months Ended 30 June 2008 - Unaudited (Continued)

	Attributable to shareholders of the Company						Minority interest	Total equity	
	Share capital	Share premium	Treasury shares	Revaluation reserve	Currency translation reserve	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2008	139,357	1,281	-	572	-	59,571	200,781	3,202	203,983
Group currency translation differences	-	-	-	-	812	-	812	-	812
Net gains not recognised in income statement	-	-	-	-	812	-	812	-	812
Profit/(Loss) for the period	-	-	-	-	-	15,229	15,229	(97)	15,132
<b>At 30 June 2008</b>	<b>139,357</b>	<b>1,281</b>	<b>-</b>	<b>572</b>	<b>812</b>	<b>74,800</b>	<b>216,822</b>	<b>3,105</b>	<b>219,927</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 2008 - Unaudited

	Cumulative Period	
	6 months ended	
	30.6.2008 RM'000	30.6.2007 RM'000
Net cash generated from/(used in) operating activities	1,612	(71)
Net cash (used in)/generated from investing activities	(3,027)	8,136
Net cash (used in)/generated from financing activities	(109)	9,141
Net (decrease)/increase in cash and cash equivalents	(1,524)	17,206
Cash and cash equivalents at beginning of financial period	23,611	22,168
Currency translation differences	(289)	(3)
Cash and cash equivalents at end of financial period	21,798	39,371
<b>Cash and cash equivalents comprise:</b>		
Deposits with licensed banks	24,584	19,930
Cash and bank balances	2,224	23,706
Bank overdrafts	(5,010)	(4,158)
	21,798	39,478
Less: Deposits pledged to licensed bank	-	(107)
	21,798	39,371

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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, *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 2007 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 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 2007. 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 2007.

The financial information relating to the financial year ended 31 December 2007 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 2007 except for the adoption of the following amendments to Financial Reporting Standards ("FRSs") and Interpretations which are relevant to the Group effective for financial periods beginning on or after 1 July 2007:

Amendment to FRS 107:	Cash Flow Statements
Amendment to FRS 111:	Construction Contracts
Amendment to FRS 112:	Income Taxes
Amendment to FRS 118:	Revenue
Amendment to FRS 120:	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 121:	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
Amendment to FRS 134:	Interim Financial Reporting
Amendment to FRS 137:	Provisions, Contingent Liabilities and Contingent Assets

# **HIL INDUSTRIES BERHAD**

(Company No: 8812-M)

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

### **2. Changes in Accounting Policies (Continued)**

IC Interpretation 1:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6:	Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7:	Applying the Restatement Approach under FRS 129 – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8:	Scope of FRS 2

The adoption of the amendments to FRSs and Interpretations above does not have any significant impact on the financial statements of the Group.

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

The auditors' report on the financial statements for the financial year ended 31 December 2007 was not qualified.

### **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 as disclosed in Note 2.



# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 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.

### 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.

	<b>Cumulative Period</b>	
	<b>6 months ended</b>	
	<b>30.6.2008</b>	<b>30.6.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Segment Revenue</b>		
Revenue from:		
Manufacturing	62,764	33,188
Property development and management	877	1,476
Trading, services and others	-	-
Total revenue including inter-segment revenue	63,641	34,664
Elimination of inter-segment revenue	(178)	(106)
Revenue from external customers	63,463	34,558

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 9. Segmental Information (Continued)

	Cumulative Period	
	6 months ended	
	30.6.2008	30.6.2007
	RM'000	RM'000
<b>Segment Results (External)</b>		
Results from:		
Manufacturing	14,503	22
Property development and management	2,193	(618)
Trading, services and others	(53)	10
Operating profit/(loss)	16,643	(586)

### 10. Property, Plant and Equipment

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

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment with a cost of RM8,074,000 (six months ended 30 June 2007: RM4,284,000). Items of property, plant and equipment with a net book value of RM3,121,000 were disposed of during the six months ended 30 June 2008 (six months ended 30 June 2007: RM Nil), resulting in a gain on disposal of RM1,817,000 (six months ended 30 June 2007: gain on disposal of RM Nil).

#### (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.

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 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 2007.

### 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 30 June 2008 is as follows:

	<b>RM'000</b>
Authorised by the Directors and contracted for	185
Authorised by the Directors but not contracted for	-
	<hr/>
	185
	<hr/> <hr/>

### 15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM63.463 million and RM16.601 million respectively.

This represented an increase of RM28.905 million in revenue or 84% higher than the revenue for the same period in the previous financial year. The revenue increase was attributable to the continued good performance maintained since the 2nd half of 2007 by the manufacturing division.

For the cumulative six months ended 30 June 2008, the increase in profit before tax was RM17.211 million or 2,821% higher than the results for the same period in the previous financial year. The exceptionally high increase in profit before tax was predominantly attributable to higher revenue generated by the manufacturing division and as we continue to strive for further cost efficiency. This includes contribution from our new plant in Suzhou, China which has begun generating profits.

# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 16. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM31.364 million and RM9.497 million respectively compared to revenue of RM32.099 million and profit before tax of RM7.104 million for the immediate preceding quarter. The much improved results in the current quarter was mainly attributable to the outstanding performance by the manufacturing division and the sale of land by the property division.

### 17. Current Year Prospects

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

### 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 30.6.2008 RM'000</b>	<b>6 months ended 30.6.2008 RM'000</b>
Current tax - Malaysian Tax	734	1,400
Deferred tax	195	69
Total	929	1,469

The effective tax rate for the current quarter and for the financial period-to-date 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)

### 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.

### 22. Status of Corporate Proposals

There were no corporate proposals announced.

### 23. Borrowings

	As at 30.6.2008 RM'000	As at 31.12.2007 RM'000
<b>Non-current</b>		
– Secured	848	963
	<hr/>	
<b>Current</b>		
– Secured	281	275
– Unsecured	5,010	3,440
	<hr/>	
	5,291	3,715
	<hr/>	
	6,139	4,678
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# HIL INDUSTRIES BERHAD

(Company No: 8812-M)

## Notes To The Interim Financial Report (Continued)

### 24. Off Balance Sheet Financial Instruments

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

### 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 30 June 2008.

### 27. Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit/(loss) 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 30.6.2008	30.6.2007	6 months ended 30.6.2008	30.6.2007
Profit/(Loss) for the period attributable to shareholders of the Company (RM'000)	8,588	(1,200)	15,229	(997)
Weighted average number of ordinary shares in issue ('000)	278,714	276,926	278,714	269,352
Basic earnings per share (sen)	3.08	(0.43)	5.46	(0.37)

### 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 26 August 2008.