

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Income Statements For The Nine Months Ended 30 September 2008 - Unaudited

		Individual Period		Cumulative Period	
	Note	3 months ended		9 months ended	
		30.9.2008	30.9.2007	30.9.2008	30.9.2007
		RM'000	RM'000	RM'000	RM'000
Revenue	9	40,764	22,810	104,227	57,368
Cost of sales		(28,068)	(17,399)	(71,671)	(45,926)
Gross profit		12,696	5,411	32,556	11,442
Other income		2,089	319	4,342	880
Operating expenses		(5,294)	(2,761)	(10,764)	(9,939)
Operating profit	9	9,491	2,969	26,134	2,383
Finance costs		(19)	(11)	(61)	(35)
Profit before taxation		9,472	2,958	26,073	2,348
Taxation	19	(1,587)	(755)	(3,056)	(1,119)
Profit for the period		7,885	2,203	23,017	1,229
Attributable to:					
Shareholders of the Company		7,864	2,221	23,093	1,224
Minority interest		21	(18)	(76)	5
Profit for the period		7,885	2,203	23,017	1,229
Basic earnings per share attributable to shareholders of the Company	27	2.82	0.80	8.29	0.45

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 September 2008 - Unaudited

	Note	<u>Unaudited</u> As at 30.9.2008 RM'000	<u>Audited</u> As at 31.12.2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	116,736	116,506
Prepaid lease payments		4,217	4,297
Goodwill		4,932	4,932
		<hr/>	<hr/>
		125,885	125,735
		<hr/>	<hr/>
Current assets			
Inventories		18,549	13,095
Property development costs		61,834	61,713
Trade and other receivables		54,026	51,694
Tax recoverable		2,880	2,864
Deposits with licensed banks		25,949	24,657
Cash and bank balances		3,380	2,503
		<hr/>	<hr/>
		166,618	156,526
		<hr/>	<hr/>
TOTAL ASSETS		<hr/> <hr/> 292,503	<hr/> <hr/> 282,261
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		139,357	139,357
Share premium		1,281	1,281
Revaluation reserve		572	572
Currency translation reserve		2,416	-
Retained profits		82,664	59,571
		<hr/>	<hr/>
		226,290	200,781
Minority interest		<hr/> 3,126	<hr/> 3,202
Total equity		<hr/> 229,416	<hr/> 203,983

HIL INDUSTRIES BERHAD

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

	Note	<u>Unaudited</u> As at 30.9.2008 RM'000	<u>Audited</u> As at 31.12.2007 RM'000
Non-current liabilities			
Borrowings	23	749	963
Deferred tax liabilities		21,320	21,100
		<hr/>	<hr/>
		22,069	22,063
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		38,742	52,068
Borrowings	23	462	3,715
Provision for taxation		1,814	432
		<hr/>	<hr/>
		41,018	56,215
		<hr/>	<hr/>
Total liabilities		63,087	78,278
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		292,503	282,261
		<hr/>	<hr/>
Net assets per share attributable to shareholders of the Company (RM)		0.81	0.72
		<hr/>	<hr/>

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 Nine Months Ended 30 September 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	
At 1 January 2007	130,847	608	-	572	(20)	51,813	183,820	3,206	187,026
Group currency translation differences	-	-	-	-	55	-	55	-	55
Net gains not recognised in income statement	-	-	-	-	55	-	55	-	55
Profit for the period	-	-	-	-	-	1,224	1,224	5	1,229
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
At 30 September 2007	139,357	1,281	-	572	35	53,037	194,282	3,211	197,493

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Nine Months Ended 30 September 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	-	-	-	-	2,416	-	2,416	-	2,416
Net gains not recognised in income statement	-	-	-	-	2,416	-	2,416	-	2,416
Profit/(Loss) for the period	-	-	-	-	-	23,093	23,093	(76)	23,017
At 30 September 2008	139,357	1,281	-	572	2,416	82,664	226,290	3,126	229,416

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

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Condensed Consolidated Cash Flow Statement For The Nine Months Ended 30 September 2008 - Unaudited

	Cumulative Period	
	9 months ended	
	30.9.2008 RM'000	30.9.2007 RM'000
Net cash generated from/(used in) operating activities	7,135	(11,444)
Net cash (used in)/generated from investing activities	(1,330)	1,179
Net cash (used in)/generated from financing activities	(205)	9,118
Net increase/(decrease) in cash and cash equivalents	5,600	(1,147)
Cash and cash equivalents at beginning of financial period	23,611	22,168
Currency translation differences	(60)	52
Cash and cash equivalents at end of financial period	29,151	21,073
Cash and cash equivalents comprise:		
Deposits with licensed banks	25,949	22,292
Cash and bank balances	3,380	1,141
Bank overdrafts	(178)	(2,252)
	29,151	21,181
Less: Deposits pledged to licensed bank	-	(108)
	29,151	21,073

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

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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

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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

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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.

	Cumulative Period	
	9 months ended	
	30.9.2008	30.9.2007
	RM'000	RM'000
Segment Revenue		
Revenue from:		
Manufacturing	103,202	55,628
Property development and management	1,361	1,899
Trading, services and others	-	-
Total revenue including inter-segment revenue	104,563	57,527
Elimination of inter-segment revenue	(336)	(159)
Revenue from external customers	104,227	57,368

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

9. Segmental Information (Continued)

	Cumulative Period	
	9 months ended	
	30.9.2008	30.9.2007
	RM'000	RM'000
Segment Results (External)		
Results from:		
Manufacturing	22,550	3,096
Property development and management	3,585	(722)
Trading, services and others	(1)	9
Operating profit	26,134	2,383

10. Property, Plant and Equipment

(a) *Acquisitions and disposals*

During the nine months ended 30 September 2008, the Group acquired items of property, plant and equipment with a cost of RM9,697,000 (nine months ended 30 September 2007: RM12,357,000). Items of property, plant and equipment with a net book value of RM5,212,000 were disposed of during the nine months ended 30 September 2008 (nine months ended 30 September 2007: RM Nil), resulting in a gain on disposal of RM3,045,000 (nine months ended 30 September 2007: gain on disposal of RM115,000).

(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.

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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 September 2008 is as follows:

	RM'000
Authorised by the Directors and contracted for	974
Authorised by the Directors but not contracted for	-
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	974
	<hr/> <hr/>

15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM104.227 million and RM26.073 million respectively.

This represented an increase of RM46.859 million in revenue or 82% of 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 nine months ended 30 September 2008, the increase in profit before tax was RM23.725 million or 10.1 times the results for the same period in the previous financial year. The exceptional increase in profit before tax was predominantly attributable to higher revenue generated by the manufacturing division. This includes contribution from our new plant in Suzhou, China which has begun generating profits.

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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 RM40.764 million and RM9.472 million respectively compared to revenue of RM31.364 million and profit before tax of RM9.497 million for the immediate preceding quarter. Although we had an increase in revenue, comparatively, the results and the profit margin have reduced. This was very much due to higher raw material costs, including the cost of operations, which were fuelled by the increase in crude oil prices, petrol-related costs and electricity tariffs.

17. Current Year Prospects

The Board of Directors is optimistic that the Group will continue to achieve positive results for the remaining quarter of the current financial year barring any unforeseen circumstances. The Board wishes to caution that the Group's performance may be affected by the current world economic slowdown. Nevertheless, the Board will take all necessary measures to ensure the Group's good performance in the upcoming year.

18. Profit Forecast or Profit Guarantee

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

19. Taxation

	Current Quarter	Year-To- Date
	3 months ended 30.9.2008 RM'000	9 months ended 30.9.2008 RM'000
Current tax - Malaysian Tax	1,436	2,836
Deferred tax	151	220
Total	1,587	3,056

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.

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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 30.9.2008 RM'000	As at 31.12.2007 RM'000
Non-current		
– Secured	749	963
	<hr/>	
Current		
– Secured	284	275
– Unsecured	178	3,440
	<hr/>	
	462	3,715
	<hr/>	
	1,211	4,678
	<hr/> <hr/>	

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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 September 2008.

27. 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 30.9.2008	30.9.2007	9 months ended 30.9.2008	30.9.2007
Profit for the period attributable to shareholders of the Company (RM'000)	7,864	2,221	23,093	1,224
Weighted average number of ordinary shares in issue ('000)	278,714	278,714	278,714	272,507
Basic earnings per share (sen)	2.82	0.80	8.29	0.45

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 25 November 2008.