

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Income Statements For The Financial Year Ended 31 December 2008 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		12 months ended	
		31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
Revenue	9	38,888	40,692	143,115	98,060
Cost of sales		(28,124)	(29,953)	(99,795)	(75,879)
Gross profit		10,764	10,739	43,320	22,181
Other income		183	169	4,525	1,049
Operating expenses		(5,129)	(3,144)	(15,893)	(13,083)
Operating profit	9	5,818	7,764	31,952	10,147
Finance costs		(18)	(18)	(79)	(53)
Profit before taxation		5,800	7,746	31,873	10,094
Taxation	19	(1,392)	(1,221)	(4,448)	(2,340)
Profit for the period		4,408	6,525	27,425	7,754
Attributable to:					
Shareholders of the Company		4,314	6,534	27,407	7,758
Minority interest		94	(9)	18	(4)
Profit for the period		4,408	6,525	27,425	7,754
Basic earnings per share attributable to shareholders of the Company	27	1.55	2.34	9.83	2.83

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 31 December 2008 - Unaudited

	Note	<u>Unaudited</u> As at 31.12.2008 RM'000	<u>Audited</u> As at 31.12.2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	118,045	116,506
Prepaid lease payments		4,191	4,297
Goodwill		4,932	4,932
		<hr/>	<hr/>
		127,168	125,735
		<hr/>	<hr/>
Current assets			
Inventories		20,973	13,095
Property development costs		61,836	61,713
Trade and other receivables		57,875	51,694
Tax recoverable		2,872	2,864
Deposits with licensed banks		19,180	24,657
Cash and bank balances		5,414	2,503
		<hr/>	<hr/>
		168,150	156,526
		<hr/>	<hr/>
TOTAL ASSETS		<u>295,318</u>	<u>282,261</u>
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		2,502	-
Retained profits		86,978	59,571
		<hr/>	<hr/>
		230,690	200,781
Minority interest		<hr/>	<hr/>
		3,220	3,202
		<hr/>	<hr/>
Total equity		<u>233,910</u>	<u>203,983</u>
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HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Balance Sheet As at 31 December 2008 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 31.12.2008 RM'000	<u>Audited</u> As at 31.12.2007 RM'000
Non-current liabilities			
Borrowings	23	676	963
Deferred tax liabilities		21,535	21,100
		<hr/>	<hr/>
		22,211	22,063
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		37,247	52,068
Borrowings	23	1,278	3,715
Provision for taxation		672	432
		<hr/>	<hr/>
		39,197	56,215
		<hr/>	<hr/>
Total liabilities		61,408	78,278
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		295,318	282,261
		<hr/>	<hr/>
Net assets per share attributable to shareholders of the Company		0.83	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 Financial Year Ended 31 December 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	
Audited									
At 1 January 2007	130,847	608	-	572	(20)	51,813	183,820	3,206	187,026
Group currency translation differences	-	-	-	-	20	-	20	-	20
Net gains not recognised in income statement	-	-	-	-	20	-	20	-	20
Profit/(Loss) for the year	-	-	-	-	-	7,758	7,758	(4)	7,754
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 31 December 2007	139,357	1,281	-	572	-	59,571	200,781	3,202	203,983

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 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	
Unaudited									
At 1 January 2008	139,357	1,281	-	572	-	59,571	200,781	3,202	203,983
Group currency translation differences	-	-	-	-	2,502	-	2,502	-	2,502
Net gains not recognised in income statement	-	-	-	-	2,502	-	2,502	-	2,502
Profit for the year	-	-	-	-	-	27,407	27,407	18	27,425
At 31 December 2008	139,357	1,281	-	572	2,502	86,978	230,690	3,220	233,910

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 Financial Year Ended 31 December 2008 - Unaudited

	Cumulative Period	
	12 months ended 31.12.2008 RM'000	31.12.2007 RM'000
Net cash generated from operating activities	5,272	6,494
Net cash used in investing activities	(4,956)	(14,145)
Net cash (used in)/generated from financing activities	(275)	9,013
Net increase in cash and cash equivalents	41	1,362
Cash and cash equivalents at beginning of financial period	23,611	22,168
Currency translation differences	(49)	81
Cash and cash equivalents at end of financial period	23,603	23,611
Cash and cash equivalents comprise:		
Deposits with licensed banks	19,180	24,657
Cash and bank balances	5,414	2,503
Bank overdrafts	(991)	(3,440)
	23,603	23,720
Less: Deposits pledged to licensed bank	-	(109)
	23,603	23,611

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 effective for the financial period beginning on 1 January 2008:

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	
	12 months ended	
	31.12.2008	31.12.2007
	RM'000	RM'000
Segment Revenue		
Revenue from:		
Manufacturing	141,809	84,004
Property development and management	1,754	14,268
Trading, services and others	-	-
Total revenue including inter-segment revenue	143,563	98,272
Elimination of inter-segment revenue	(448)	(212)
Revenue from external customers	143,115	98,060

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

9. Segmental Information (Continued)

	Cumulative Period	
	12 months ended	
	31.12.2008	31.12.2007
	RM'000	RM'000
Segment Results (External)		
Results from:		
Manufacturing	28,043	8,519
Property development and management	3,923	1,628
Trading, services and others	(14)	-
Operating profit	31,952	10,147

10. Property, Plant and Equipment

(a) *Acquisitions and disposals*

During the financial year ended 31 December 2008, the Group acquired items of property, plant and equipment with a cost of RM13,320,000 (financial year ended 31 December 2007: RM28,504,000). Items of property, plant and equipment with a net book value of RM5,212,000 were disposed of during the financial year ended 31 December 2008 (financial year ended 31 December 2007: RM Nil), resulting in a gain on disposal of RM3,045,000 (financial year ended 31 December 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.

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 31 December 2008 is as follows:

	RM'000
Authorised by the Directors and contracted for	5,712
Authorised by the Directors but not contracted for	-
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	5,712
	<hr/> <hr/>

15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM143.115 million and RM31.873 million respectively.

This represented an increase of RM45.055 million in revenue or 46% 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 twelve months ended 31 December 2008, the increase in profit before tax was RM21.779 million or 2.2 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 RM38.888 million and RM5.800 million respectively compared to revenue of RM40.764 million and profit before tax of RM9.472 million for the immediate preceding quarter. The decrease in profit before tax was predominantly attributable to a combination of lower revenue and higher operating costs generated by the manufacturing divisions.

17. Current Year Prospects

The Board of Directors is optimistic that the Group will continue to achieve reasonably satisfactory results. However, the Board wishes to caution the likely effects arising from the current world economic slowdown which may hinder the needed positive results for 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 31.12.2008 RM'000	12 months ended 31.12.2008 RM'000
Current tax - Malaysian Tax	1,178	4,014
Deferred tax	214	434
Total	1,392	4,448

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 31.12.2008 RM'000	As at 31.12.2007 RM'000
Non-current		
– Secured	676	963
	<hr/>	
Current		
– Secured	287	275
– Unsecured	991	3,440
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	1,278	3,715
	<hr/>	
	1,954	4,678
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HIL INDUSTRIES BERHAD

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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 year ended 31 December 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 31.12.2008	31.12.2007	12 months ended 31.12.2008	31.12.2007
Profit for the period attributable to shareholders of the Company (RM'000)	4,314	6,534	27,407	7,758
Weighted average number of ordinary shares in issue ('000)	278,714	278,714	278,714	274,072
Basic earnings per share (sen)	1.55	2.34	9.83	2.83

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 February 2009.