

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2010 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		6 months ended	
		30.6.2010	30.6.2009	30.6.2010	30.6.2009
		RM'000	RM'000	RM'000	RM'000
Revenue	9	40,259	43,293	86,605	69,733
Cost of sales		(27,567)	(28,406)	(57,952)	(46,158)
Gross profit		12,692	14,887	28,653	23,575
Other income		232	108	575	1,220
Operating expenses		(5,549)	(4,287)	(10,931)	(7,735)
Operating profit	9	7,375	10,708	18,297	17,060
Finance costs		(9)	(11)	(18)	(24)
Profit before taxation		7,366	10,697	18,279	17,036
Taxation	19	(1,187)	(1,161)	(2,962)	(1,775)
Profit for the period		6,179	9,536	15,317	15,261
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		58	(1,325)	(2,660)	402
Total comprehensive income for the period		6,237	8,211	12,657	15,663

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2010 - Unaudited (Continued)

	Individual Period		Cumulative Period		
	3 months ended		6 months ended		
Note	30.6.2010	30.6.2009	30.6.2010	30.6.2009	
	RM'000	RM'000	RM'000	RM'000	
Profit/(Loss) attributable to:					
Owners of the Company	6,271	9,701	15,459	15,423	
Minority interests	(92)	(165)	(142)	(162)	
Profit for the period	6,179	9,536	15,317	15,261	
Total comprehensive income attributable to:					
Owners of the Company	6,329	8,376	12,799	15,825	
Minority interests	(92)	(165)	(142)	(162)	
Total comprehensive income for the period	6,237	8,211	12,657	15,663	
Earnings per share					
attributable to owners of the Company:					
- Basic	27	2.25	3.48	5.55	5.53
- Diluted	27	N/A	N/A	N/A	N/A

Notes:

“N/A” – Not applicable

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 June 2010 - Unaudited

	Note	<u>Unaudited</u> As at 30.6.2010 RM'000	<u>Audited</u> As at 31.12.2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	96,065	96,452
Prepaid lease payments		4,031	4,084
Investment properties		23,956	23,956
Goodwill		4,932	4,932
		<hr/>	<hr/>
		128,984	129,424
		<hr/>	<hr/>
Current assets			
Inventories		23,391	21,628
Property development costs		62,012	61,932
Trade and other receivables		65,576	69,191
Tax recoverable		2,873	3,052
Deposits with licensed banks		44,407	35,524
Cash and bank balances		11,022	7,024
		<hr/>	<hr/>
		209,281	198,351
		<hr/>	<hr/>
TOTAL ASSETS		<hr/> 338,265 <hr/>	<hr/> 327,775 <hr/>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		139,357	139,357
Share premium		1,281	1,281
Revaluation reserve		572	572
Currency translation reserve		(1,038)	1,622
Retained profits		131,846	123,181
		<hr/>	<hr/>
		272,018	266,013
Minority interests		<hr/> 3,077 <hr/>	<hr/> 3,219 <hr/>
Total equity		<hr/> 275,095 <hr/>	<hr/> 269,232 <hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 June 2010 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 30.6.2010 RM'000	<u>Audited</u> As at 31.12.2009 RM'000
Non-current liabilities			
Borrowings	23	322	392
Deferred tax liabilities		22,028	21,887
		<hr/>	<hr/>
		22,350	22,279
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		32,375	35,758
Borrowings	23	205	284
Provision for taxation		1,446	222
Dividends payable		6,794	-
		<hr/>	<hr/>
		40,820	36,264
		<hr/>	<hr/>
Total liabilities		63,170	58,543
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		338,265	327,775
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to owners of the Company (RM)		0.98	0.95
		<hr/> <hr/>	<hr/> <hr/>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim

HIL INDUSTRIES BERHAD

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Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 30 June 2010 - Unaudited

	Attributable to shareholders of the Company							Total equity RM'000
	Share capital	Share premium	Revaluation reserve	Currency translation reserve	Retained profits	Total	Minority interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009	139,357	1,281	572	2,502	87,295	231,007	3,218	234,225
Total comprehensive income for the period	-	-	-	402	15,423	15,825	(162)	15,663
At 30 June 2009	139,357	1,281	572	2,904	102,718	246,832	3,056	249,888
At 1 January 2010	139,357	1,281	572	1,622	123,181	266,013	3,219	269,232
Total comprehensive income for the period	-	-	-	(2,660)	15,459	12,799	(142)	12,657
Dividends to owners of the Company	-	-	-	-	(6,794)	(6,794)	-	(6,794)
At 30 June 2010	139,357	1,281	572	(1,038)	131,846	272,018	3,077	275,095

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 June 2010 - Unaudited

	Cumulative Period	
	30.6.2010 RM'000	30.6.2009 RM'000
Net cash generated from operating activities	20,544	8,327
Net cash used in investing activities	(6,038)	(3,029)
Net cash used in financing activities	(149)	(142)
Net increase in cash and cash equivalents	14,357	5,156
Cash and cash equivalents at beginning of financial period	42,548	26,665
Effects of foreign exchange rate changes	(1,476)	19
Cash and cash equivalents at end of financial period	55,429	31,840
Cash and cash equivalents comprise:		
Deposits with licensed banks	44,407	25,824
Cash and bank balances	11,022	6,016
	55,429	31,840

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 2009 annual financial statements, except for the accounting policy changes 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 2009. 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 2009.

The financial information relating to the financial year ended 31 December 2009 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 2009 except for the adoption of the following new Financial Reporting Standards ("FRS") and Interpretations, and amendments to certain Standards and Interpretations effective 1 January 2010 as disclosed below:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

2. Changes in Accounting Policies (Continued)

Improvement to FRSs 2009	Improvement to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above does not have any significant impact to the Group except as described below:

(a) FRS 7: Financial Instruments: Disclosures

The adoption of FRS 7 requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures have been made in these interim financial statements.

(b) FRS 101: Presentation of Financial Statements (revised)

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been represented so that it is in conformity with the revised standard. The change only affects presentation aspects.

(c) Improvement to FRSs (2009) - FRS 117: Leases

FRS 117 clarifies on the classification of leases of land and buildings. The Group reassessed the classification of a leasehold land as a finance lease or an operating lease based on the extent of risks and rewards associated with the land. The Group has determined that leasehold land of the Group is in substance an operating lease. The amendments did not have any impact on the financial position and results of the Group.

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Notes To The Interim Financial Report (Continued)

2. Changes in Accounting Policies (Continued)

The following revised FRSs and Interpretations, and amendments to certain Standards and Interpretations have been issued by the MASB and are effective for annual periods commencing on or after 1 July 2010. They have yet to be adopted as they are not yet effective for the current quarter ended 31 March 2010 and current financial year ending 31 December 2010:

FRS 1	FRS 1 First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

The Group will adopt the above pronouncements at the beginning of 1 January 2011. The adoption of these new pronouncements in the next financial year is not expected to result in any significant impact in the accounting policies 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 2009 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.

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 by the Company during the financial period ended 30 June 2010.

9. Operating Segments

Segment information is presented in respect of the Group's business segments.

	Cumulative Period	
	6 months ended 30.6.2010 RM'000	30.6.2009 RM'000
Segment Revenue		
Revenue from:		
Manufacturing	86,045	68,759
Property development and management	712	1,126
Trading, services and others	-	-
Total revenue including inter-segment revenue	86,757	69,885
Elimination of inter-segment revenue	(152)	(152)
Revenue from external customers	86,605	69,733

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Notes To The Interim Financial Report (Continued)

9. Operating Segments (Continued)

	Cumulative Period	
	6 months ended	
	30.6.2010	30.6.2009
	RM'000	RM'000
Segment Results (External)		
Results from:		
Manufacturing	18,046	16,447
Property development and management	253	616
Trading, services and others	(2)	(3)
Operating profit	18,297	17,060

10. Property, Plant and Equipment

(a) *Acquisitions and disposals*

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with a cost of RM6,038,000 (six months ended 30 June 2009: RM3,038,000). There were no disposals during the six months ended 30 June 2010. Items of property, plant and equipment with a net book value of RM Nil were disposed of during the six months ended 30 June 2009, resulting in a gain on disposal of RM9,000.

(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 2009.

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 2010 is as follows:

	RM'000
Authorised by the Directors and contracted for	3,326
Authorised by the Directors but not contracted for	-
	<hr/>
	3,326
	<hr/> <hr/>

15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM86.605 million and RM18.279 million respectively.

This represented an increase of RM16.872 million in revenue or 24.20% of the revenue for the same period in the previous financial year.

For the cumulative six months ended 30 June 2010, the increase in profit before tax was RM1.243 million or 7.30% of the results for the same period in the previous financial year ended 31 December 2009. The increase in revenue and profit before tax is mainly due to the continued good performance of our overseas subsidiary company.

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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 RM40.259 million and RM7.366 million respectively compared to revenue of RM46.346 million and profit before tax of RM10.913 million for the immediate preceding quarter ended 31 March 2010. The slight decrease in profit before tax was mainly due to a slight decrease in orders from the IT industry for this quarter due to the slight softening and uncertainty of the economic situation in the world.

17. Current Year Prospects

The Board of Directors is optimistic that the Group will continue to achieve satisfactory results, barring any unforeseen drastic changes in the world economy.

18. Profit Forecast or Profit Guarantee

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

19. Taxation

	Current Quarter	Year-To- Date
	3 months ended 30.6.2010 RM'000	6 months ended 30.6.2010 RM'000
Current tax:		
– Malaysian	600	1,449
– Overseas	475	1,372
	1,075	2,821
Deferred tax	112	141
Total	1,187	2,962

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 30.6.2010 RM'000	As at 31.12.2009 RM'000
Non-current		
– Secured	322	392
	<hr/>	
Current		
– Secured	205	284
– Unsecured	-	-
	<hr/>	
	205	284
	<hr/>	
	527	676
	<hr/> <hr/>	

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

No dividend has been declared for the financial period ended 30 June 2010.

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 30.6.2010	30.6.2009	6 months ended 30.6.2010	30.6.2009
Profit for the period attributable to owners of the Company (RM'000)	6,271	9,701	15,459	15,423
Weighted average number of ordinary shares in issue ('000)	278,714	278,714	278,714	278,714
Basic earnings per share (sen)	2.25	3.48	5.55	5.53

(b) Diluted earnings per share

Diluted earnings per share is not disclosed as it is not applicable.

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

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 2010.