

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 31 December 2010 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		12 months ended	
		31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Revenue	9	30,040	49,752	152,144	161,832
Cost of sales		(25,080)	(34,516)	(108,712)	(107,962)
Gross profit		4,960	15,236	43,432	53,870
Other income		1,083	(384)	2,608	1,076
Operating expenses		(4,891)	(4,287)	(21,719)	(16,594)
Operating profit	9	1,152	10,565	24,321	38,352
Finance costs		(7)	(10)	(33)	(45)
Profit before taxation		1,145	10,555	24,288	38,307
Taxation	19	(454)	(69)	(4,007)	(2,419)
Profit for the period		691	10,486	20,281	35,888
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		665	(643)	(4,474)	(881)
Total comprehensive income for the period		1,356	9,843	15,807	35,007

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 31 December 2010 - Unaudited (Continued)

	Individual Period		Cumulative Period		
	3 months ended		12 months ended		
Note	31.12.2010	31.12.2009	31.12.2010	31.12.2009	
	RM'000	RM'000	RM'000	RM'000	
Profit/(Loss) attributable to:					
Owners of the Company	1,331	10,334	21,029	35,887	
Minority interests	(640)	152	(748)	1	
Profit for the period	691	10,486	20,281	35,888	
Total comprehensive income attributable to:					
Owners of the Company	1,996	9,691	16,555	35,006	
Minority interests	(640)	152	(748)	1	
Total comprehensive income for the period	1,356	9,843	15,807	35,007	
Earnings per share					
attributable to owners of the Company:					
- Basic	27	0.48	3.71	7.55	12.88
- 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 31 December 2010 - Unaudited

	Note	Unaudited As at 31.12.2010 RM'000	Audited As at 31.12.2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	97,004	96,452
Prepaid lease payments		3,978	4,084
Investment properties		23,956	23,956
Goodwill		4,932	4,932
		<hr/>	<hr/>
		129,870	129,424
		<hr/>	<hr/>
Current assets			
Inventories		20,495	21,628
Property development costs		62,018	61,932
Trade and other receivables		48,123	69,191
Tax recoverable		3,191	3,052
Deposits with licensed banks		43,695	35,524
Cash and bank balances		19,725	7,024
		<hr/>	<hr/>
		197,247	198,351
		<hr/>	<hr/>
TOTAL ASSETS		327,117	327,775
		<hr/> <hr/>	<hr/> <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		(2,852)	1,622
Retained profits		137,416	123,181
		<hr/>	<hr/>
		275,774	266,013
Minority interests		2,367	3,219
		<hr/>	<hr/>
Total equity		278,141	269,232
		<hr/>	<hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 31 December 2010 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 31.12.2010 RM'000	<u>Audited</u> As at 31.12.2009 RM'000
Non-current liabilities			
Borrowings	23	182	392
Deferred tax liabilities		22,743	21,887
		<hr/>	<hr/>
		22,925	22,279
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		25,563	35,758
Borrowings	23	210	284
Provision for taxation		278	222
		<hr/>	<hr/>
		26,051	36,264
		<hr/>	<hr/>
Total liabilities		48,976	58,543
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		327,117	327,775
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Net assets per share attributable to owners of the Company (RM)		0.99	0.95
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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

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 2010 - Unaudited

Note	Attributable to shareholders of the Company						Minority interests	Total equity
	Share capital	Share premium	Revaluation reserve	Currency translation reserve	Retained profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<u>Audited</u>								
At 1 January 2009	139,357	1,281	572	2,503	87,294	231,007	3,218	234,225
Total comprehensive income for the year	-	-	-	(881)	35,887	35,006	1	35,007
At 31 December 2009	139,357	1,281	572	1,622	123,181	266,013	3,219	269,232
<u>Unaudited</u>								
At 1 January 2010	139,357	1,281	572	1,622	123,181	266,013	3,219	269,232
Total comprehensive income for the year	-	-	-	(4,474)	21,029	16,555	(748)	15,807
Dividends to owners of the Company	-	-	-	-	(6,794)	(6,794)	-	(6,794)
Dividends declared by a subsidiary company	-	-	-	-	-	-	(104)	(104)
At 31 December 2010	139,357	1,281	572	(2,852)	137,416	275,774	2,367	278,141

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.

HIL INDUSTRIES BERHAD

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Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 31 December 2010 - Unaudited

	Cumulative Period	
	12 months ended 31.12.2010 RM'000	31.12.2009 RM'000
Net cash generated from operating activities	43,382	28,673
Net cash used in investing activities	(12,732)	(11,990)
Net cash used in financing activities	(7,182)	(333)
Net increase in cash and cash equivalents	23,468	16,350
Cash and cash equivalents at beginning of financial year	42,548	26,665
Effects of foreign exchange rate changes	(2,596)	(467)
Cash and cash equivalents at end of financial year	63,420	42,548
Cash and cash equivalents comprise:		
Deposits with licensed banks	43,695	35,524
Cash and bank balances	19,725	7,024
	63,420	42,548

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

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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 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

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

2. Changes in Accounting Policies (Continued)

Improvements to FRSs 2009	Improvements 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)

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.

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

On 18 August 2010, the Company paid a first and final dividend of 6.50% or 3.25 sen per ordinary share of RM0.50 each less income tax at 25% amounting to RM6,794,000 in respect of the financial year ended 31 December 2009.

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Notes To The Interim Financial Report (Continued)

9. Operating Segments

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

	Cumulative Period	
	12 months ended	
	31.12.2010	31.12.2009
	RM'000	RM'000
Segment Revenue		
Revenue from:		
Manufacturing	151,087	160,149
Property development and management	1,361	1,987
Trading, services and others	-	-
Total revenue including inter-segment revenue	152,448	162,136
Elimination of inter-segment revenue	(304)	(304)
Revenue from external customers	152,144	161,832
Segment Results (External)		
Results from:		
Manufacturing	23,018	37,405
Property development and management	471	827
Trading, services and others	832	120
Operating profit	24,321	38,352

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Notes To The Interim Financial Report (Continued)

10. Property, Plant and Equipment

(a) Acquisitions and disposals

During the financial year ended 31 December 2010, the Group acquired items of property, plant and equipment with a cost of RM12,962,000 (financial year ended 31 December 2009: RM12,701,000). Items of property, plant and equipment with a net book value of RM Nil were disposed of during the financial year ended 31 December 2010 (financial year ended 31 December 2009: RM Nil), resulting in a gain on disposal of RM230,000 (financial year ended 31 December 2009: 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.

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 31 December 2010 is as follows:

	RM'000
Authorised by the Directors and contracted for	1,169
Authorised by the Directors but not contracted for	-
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	1,169
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Notes To The Interim Financial Report (Continued)

15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM152.144 million and RM24.288 million respectively.

This represented a decrease of RM9.688 million in revenue or 5.99% of the revenue for the same period in the previous financial year ended 31 December 2009.

For the cumulative twelve months ended 31 December 2010, the decrease in profit before tax was RM14.019 million or 36.60% of the results for the same period in the previous financial year ended 31 December 2009. The decrease in revenue and profit before tax was due to various factors arising from decrease in orders, changes in the product mix from the electrical and engineering sector, foreign exchange losses incurred, and increase in staff costs and overheads.

16. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM30.040 million and RM1.145 million respectively compared to revenue of RM35.499 million and profit before tax of RM4.864 million for the immediate preceding quarter ended 30 September 2010. The decrease in profit before tax was mainly attributed to the decrease in orders from the IT industry for this quarter as a result of the softening and uncertainty of the global economic situation.

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.

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Notes To The Interim Financial Report (Continued)

19. Taxation

	Current Quarter	Year-To- Date
	3 months ended 31.12.2010 RM'000	12 months ended 31.12.2010 RM'000
Current tax:		
– Malaysian	454	1,822
– Overseas	(317)	1,329
	137	3,151
Deferred tax	317	856
Total	454	4,007

The effective tax rate for the current quarter was higher than the statutory tax rate principally due to losses of certain subsidiary companies which cannot be set off against the taxable profits made by other subsidiary companies, and certain expenses which are not deductible for tax purposes.

The effective tax rate for the financial period-to-date was lower than the statutory tax rate principally due to certain income not subject to tax, and income from the foreign subsidiary being subject to tax at a rate lower than Malaysian tax rate.

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.

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Notes To The Interim Financial Report (Continued)

22. Status of Corporate Proposals

There were no corporate proposals announced.

23. Borrowings

	As at 31.12.2010 RM'000	As at 31.12.2009 RM'000
Non-current		
– Secured	182	392
	<hr/>	
Current		
– Secured	210	284
– Unsecured	-	-
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	210	284
	<hr/>	
	392	676
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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.

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Notes To The Interim Financial Report (Continued)

26. Dividend

The Board of Directors has proposed a first and final dividend of 3.76% or 1.88 sen per ordinary share of RM0.50 each, less income tax at 25% (2009: 6.50% or 3.25 sen per ordinary share of RM0.50 each, less income tax at 25%) in respect of the financial year ended 31 December 2010, which is subject to shareholders' approval at the forthcoming Annual General Meeting. The entitlement and payment dates have yet to be fixed and will be announced later.

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 31.12.2010	31.12.2009	12 months ended 31.12.2010	31.12.2009
Profit for the period attributable to owners of the Company (RM'000)	1,331	10,334	21,029	35,887
Weighted average number of ordinary shares in issue ('000)	278,714	278,714	278,714	278,714
Basic earnings per share (sen)	0.48	3.71	7.55	12.88

(b) Diluted earnings per share

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

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 February 2011.