

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 31 March 2011 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		3 months ended	
		31.3.2011 RM'000	31.3.2010 RM'000	31.3.2011 RM'000	31.3.2010 RM'000
Revenue	9	27,820	46,346	27,820	46,346
Cost of sales		(22,230)	(30,385)	(22,230)	(30,385)
Gross profit		5,590	15,961	5,590	15,961
Other income		474	343	474	343
Operating expenses		(4,969)	(5,382)	(4,969)	(5,382)
Operating profit		1,095	10,922	1,095	10,922
Finance costs		(7)	(9)	(7)	(9)
Profit before taxation	9	1,088	10,913	1,088	10,913
Taxation	19	(970)	(1,775)	(970)	(1,775)
Profit for the period		118	9,138	118	9,138
Other comprehensive loss, net of tax					
Foreign currency translation differences for foreign operations		(600)	(2,718)	(600)	(2,718)
Total comprehensive (loss)/income for the period		(482)	6,420	(482)	6,420

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 31 March 2011 - Unaudited (Continued)

	Note	Individual Period		Cumulative Period	
		3 months ended		3 months ended	
		31.3.2011 RM'000	31.3.2010 RM'000	31.3.2011 RM'000	31.3.2010 RM'000
Profit/(Loss) attributable to:					
Owners of the Company		223	9,188	223	9,188
Minority interests		(105)	(50)	(105)	(50)
Profit for the period					
		118	9,138	118	9,138
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(377)	6,470	(377)	6,470
Minority interests		(105)	(50)	(105)	(50)
Total comprehensive (loss)/income for the period					
		(482)	6,420	(482)	6,420
Earnings per share attributable to owners of the Company:					
- Basic	27	0.08	3.30	0.08	3.30
- 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 2010 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 March 2011 - Unaudited

	Note	<u>Unaudited</u> As at 31.3.2011 RM'000	<u>Audited</u> As at 31.12.2010 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	96,206	97,004
Prepaid lease payments		3,951	3,978
Investment properties		23,956	23,956
Goodwill		4,932	4,932
		<hr/>	<hr/>
		129,045	129,870
		<hr/>	<hr/>
Current assets			
Inventories		18,879	20,495
Property development costs		62,030	62,021
Trade and other receivables		43,675	44,349
Tax recoverable		3,117	3,190
Deposits with licensed banks		55,594	46,493
Cash and bank balances		10,884	20,244
		<hr/>	<hr/>
		194,179	196,792
		<hr/>	<hr/>
TOTAL ASSETS		323,224	326,662
		<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		(3,452)	(2,852)
Retained profits		137,773	137,550
		<hr/>	<hr/>
		275,531	275,908
Minority interests		2,261	2,366
		<hr/>	<hr/>
Total equity		277,792	278,274
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HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 31 March 2011 - Unaudited (Continued)

	Note	Unaudited As at 31.3.2011 RM'000	Audited As at 31.12.2010 RM'000
Non-current liabilities			
Borrowings	23	137	182
Deferred tax liabilities		22,666	22,627
		<hr/>	<hr/>
		22,803	22,809
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		21,411	25,094
Borrowings	23	361	210
Provision for taxation		857	275
		<hr/>	<hr/>
		22,629	25,579
		<hr/>	<hr/>
Total liabilities		45,432	48,388
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		323,224	326,662
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to owners of the Company (RM)		0.99	0.99
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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 2010 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 March 2011 - 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		
At 1 January 2010	139,357	1,281	572	1,622	123,181	266,013	3,219	269,232
Total comprehensive income/(loss) for the period	-	-	-	(2,718)	9,188	6,470	(50)	6,420
At 31 March 2010	139,357	1,281	572	(1,096)	132,369	272,483	3,169	275,652
At 1 January 2011	139,357	1,281	572	(2,852)	137,550	275,908	2,366	278,274
Total comprehensive income/(loss) for the period	-	-	-	(600)	223	(377)	(105)	(482)
At 31 March 2011	139,357	1,281	572	(3,452)	137,773	275,531	2,261	277,792

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 March 2011 - Unaudited

	Cumulative Period	
	3 months ended 31.3.2011 RM'000	31.3.2010 RM'000
Net cash generated from operating activities	2,024	9,253
Net cash used in investing activities	(2,024)	(2,575)
Net cash used in financing activities	(52)	(74)
Net (decrease)/increase in cash and cash equivalents	(52)	6,604
Cash and cash equivalents at beginning of financial period	66,736	42,548
Effects of foreign exchange rate changes	(364)	(1,532)
Cash and cash equivalents at end of financial period	66,320	47,620
Cash and cash equivalents comprise:		
Deposits with licensed banks	55,594	38,812
Cash and bank balances	10,884	8,808
Bank overdrafts	(158)	-
	66,320	47,620

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2010 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 2010. 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 2010.

The financial information relating to the financial year ended 31 December 2010 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 2010 except for the adoption of the following new Financial Reporting Standards ("FRS") and IC Interpretations as disclosed below:

Effective for financial periods beginning on or after 1 July 2010

FRS 1 First-time Adoption of Financial Reporting Standards (revised)
FRS 3 Business Combinations (revised)
FRS 127 Consolidated and Separate Financial Statements (revised)
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
IC Interpretation 12 Service Concession Arrangements
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17 Distributions of Non-cash Assets to Owners
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

2. Changes in Accounting Policies (Continued)

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132 Financial Instruments: Presentation

Effective for financial periods beginning on or after 1 January 2011

Additional Exemptions for First-time Adopters (Amendments to FRS 1)

Amendments to FRS 1 Limited Exemption from Comparative FRS 7

Disclosures for First-time Adopters

Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)

Amendments to FRS 7 Improving Disclosures about Financial Instruments

Improvements to FRSs issued in 2010

IC Interpretation 4 Determining whether an Arrangement contains a Lease

IC Interpretation 18 Transfers of Assets from Customers

The adoption of the above does not have any significant financial impact to the Group's results.

The Group has not adopted the following new Financial Reporting Standards ("FRS") and IC Interpretations that have been issued but not yet effective.

Effective for financial periods beginning on or after 1 July 2011

Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Effective for financial periods beginning on or after 1 January 2012

FRS 124 Related Party Disclosures (revised)

IC Interpretation 15 Agreements for the Construction of Real Estate

HIL INDUSTRIES BERHAD

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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 2010 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

No dividend was paid by the Company during the financial period ended 31 March 2011.

HIL INDUSTRIES BERHAD

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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	
	3 months ended	
	31.3.2011 RM'000	31.3.2010 RM'000
Segment Revenue		
Revenue from:		
Manufacturing	27,605	46,032
Property development and management	291	390
Trading, services and others	-	-
Total revenue including inter-segment revenue	27,896	46,422
Elimination of inter-segment revenue	(76)	(76)
Revenue from external customers	27,820	46,346
Segment Results (External)		
Results from:		
Manufacturing	1,077	10,764
Property development and management	15	149
Trading, services and others	(4)	-
Profit before tax	1,088	10,913
Segment Assets		
Segment assets of:		
Manufacturing	206,213	222,364
Property development and management	108,711	108,568
Trading, services and others	251	14
Unallocated assets	315,175	330,946
	8,049	7,794
Total consolidated assets	323,224	338,740

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

10. Property, Plant and Equipment

(a) Acquisitions and disposals

During the three months ended 31 March 2011, the Group acquired items of property, plant and equipment with a cost of RM2,080,000 (three months ended 31 March 2010: RM2,575,000). Items of property, plant and equipment with a net book value of RM Nil were disposed of during the three months ended 31 March 2011 (three months ended 31 March 2010: RM Nil), resulting in a gain on disposal of RM56,000 (three months ended 31 March 2010: 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.

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 2010.

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 March 2011 is as follows:

	RM'000
Authorised by the Directors and contracted for	47
Authorised by the Directors but not contracted for	-
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	47
	<hr/> <hr/>

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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 RM27.820 million and RM1.088 million respectively.

This represented a decrease of RM18.526 million in revenue or 39.97% of the revenue for the same period in the previous financial year ended 31 December 2010.

For the cumulative three months ended 31 March 2011, the decrease in profit before tax was RM9.825 million or 90.03% of the results for the same period in the previous financial year ended 31 December 2010. The decrease in revenue and profit before tax was due to various factors arising from further decrease in orders, changes in the product mix from the electrical and electronic 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 RM27.820 million and RM1.088 million respectively compared to revenue of RM30.040 million and profit before tax of RM1.145 million for the immediate preceding quarter ended 31 December 2010. The decrease in profit before tax was mainly attributed to further 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 31.3.2011 RM'000	3 months ended 31.3.2011 RM'000
Current tax:		
– Malaysian	858	858
– Overseas	73	73
	<hr/>	<hr/>
Deferred tax	931	931
	39	39
	<hr/>	<hr/>
Total	970	970
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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.

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.

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Notes To The Interim Financial Report (Continued)

23. Borrowings

	As at 31.3.2011 RM'000	As at 31.12.2010 RM'000
Non-current		
– Secured	137	182
	<hr/>	
Current		
– Secured	203	210
– Unsecured	158	-
	<hr/>	
	361	210
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	498	392
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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.

26. Dividend

No dividend has been declared for the financial period ended 31 March 2011.

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Notes To The Interim Financial Report (Continued)

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 31.3.2011	31.3.2010	3 months ended 31.3.2011	31.3.2010
Profit for the period attributable to owners of the Company (RM'000)	223	9,188	223	9,188
Weighted average number of ordinary shares in issue ('000)	278,714	278,714	278,714	278,714
Basic earnings per share (sen)	0.08	3.30	0.08	3.30

(b) Diluted earnings per share

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

28. Breakdown of retained profits into realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at the reporting date, into realised and unrealised profits or losses, is as follows:

	As at 31.3.2011 RM'000	As at 31.12.2010 RM'000
Realised and unrealised profits/(losses) of the Company and its subsidiaries:		
- Realised	176,919	177,928
- Unrealised	(7,486)	(8,651)
	169,433	169,277
Less: Consolidation adjustments	(31,660)	(31,727)
Total retained profits	137,773	137,550

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(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

29. 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 27 May 2011.