

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2011 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		6 months ended	
		30.6.2011 RM'000	30.6.2010 RM'000	30.6.2011 RM'000	30.6.2010 RM'000
Revenue	9	26,743	40,259	54,563	86,605
Cost of sales		(24,000)	(27,567)	(46,230)	(57,952)
Gross profit		2,743	12,692	8,333	28,653
Other income		510	232	984	575
Operating expenses		(3,968)	(5,549)	(8,937)	(10,931)
Operating (loss)/profit		(715)	7,375	380	18,297
Finance costs		(6)	(9)	(13)	(18)
(Loss)/Profit before taxation	9	(721)	7,366	367	18,279
Taxation	19	(415)	(1,187)	(1,385)	(2,962)
(Loss)/Profit for the period		(1,136)	6,179	(1,018)	15,317
Other comprehensive income/(loss), net of tax					
Foreign currency translation differences for foreign operations		717	58	117	(2,660)
Total comprehensive (loss)/income for the period		(419)	6,237	(901)	12,657

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statements of Comprehensive Income For The Financial Year Ended 30 June 2011 - Unaudited (Continued)

	Individual Period		Cumulative Period		
	3 months ended		6 months ended		
Note	30.6.2011	30.6.2010	30.6.2011	30.6.2010	
	RM'000	RM'000	RM'000	RM'000	
(Loss)/Profit attributable to:					
Owners of the Company	(1,287)	6,271	(1,064)	15,459	
Minority interests	151	(92)	46	(142)	
(Loss)/Profit for the period	(1,136)	6,179	(1,018)	15,317	
Total comprehensive					
(loss)/income attributable to:					
Owners of the Company	(570)	6,329	(947)	12,799	
Minority interests	151	(92)	46	(142)	
Total comprehensive	(419)	6,237	(901)	12,657	
Earnings per share					
attributable to owners of the Company:					
- Basic	28	(0.46)	2.25	(0.38)	5.55
- Diluted	28	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 30 June 2011 - Unaudited

	Note	<u>Unaudited</u> As at 30.6.2011 RM'000	<u>Audited</u> As at 31.12.2010 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	94,586	97,004
Prepaid lease payments		3,925	3,978
Investment properties		23,956	23,956
Goodwill		4,932	4,932
		<hr/>	<hr/>
		127,399	129,870
		<hr/>	<hr/>
Current assets			
Inventories		15,719	20,495
Property development costs		62,104	62,021
Trade and other receivables		41,524	44,349
Tax recoverable		2,883	3,190
Deposits with licensed banks		60,531	46,493
Cash and bank balances		11,440	20,244
		<hr/>	<hr/>
		194,201	196,792
		<hr/>	<hr/>
TOTAL ASSETS		<hr/> <hr/> 321,600	<hr/> <hr/> 326,662
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		139,357	139,357
Share premium		1,281	1,281
Treasury shares		(945)	-
Revaluation reserve		572	572
Currency translation reserve		(2,735)	(2,852)
Retained profits		136,486	137,550
		<hr/>	<hr/>
		274,016	275,908
Minority interests		<hr/> 2,412	<hr/> 2,366
Total equity		<hr/> 276,428	<hr/> 278,274

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Financial Position As at 30 June 2011 - Unaudited (Continued)

	Note	<u>Unaudited</u> As at 30.6.2011 RM'000	<u>Audited</u> As at 31.12.2010 RM'000
Non-current liabilities			
Borrowings	23	73	182
Deferred tax liabilities		22,728	22,627
		<hr/>	<hr/>
		22,801	22,809
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		20,366	25,094
Borrowings	23	1,067	210
Provision for taxation		938	275
		<hr/>	<hr/>
		22,371	25,579
		<hr/>	<hr/>
Total liabilities		45,172	48,388
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		321,600	326,662
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to owners of the Company (RM)		0.98	0.99
		<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 2010 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 30 June 2011 - Unaudited

Note	Attributable to shareholders of the Company							Total	Minority interests	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			
At 1 January 2010	139,357	1,281	-	572	1,622	123,181	266,013	3,219	269,232	
Total comprehensive (loss)/income for the period	-	-	-	-	(2,660)	15,459	12,799	(142)	12,657	
Transactions with owners:										
- Dividends on ordinary shares	-	-	-	-	-	(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	
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	-	-	-	-	117	(1,064)	(947)	46	(901)	
Transactions with owners:										
- Purchase of treasury shares	-	-	(945)	-	-	-	(945)	-	(945)	
At 30 June 2011	139,357	1,281	(945)	572	(2,735)	136,486	274,016	2,412	276,428	

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

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 30 June 2011 - Unaudited

	Cumulative Period	
	6 months ended 30.6.2011 RM'000	30.6.2010 RM'000
Net cash generated from operating activities	7,948	20,544
Net cash used in investing activities	(2,964)	(6,038)
Net cash used in financing activities	(1,049)	(149)
Net increase in cash and cash equivalents	3,935	14,357
Cash and cash equivalents at beginning of financial period	66,736	42,548
Effects of foreign exchange rate changes	448	(1,476)
Cash and cash equivalents at end of financial period	71,119	55,429
Cash and cash equivalents comprise:		
Deposits with licensed banks	60,531	44,407
Cash and bank balances	11,440	11,022
Bank overdrafts	(852)	-
	71,119	55,429

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

(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 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

(Company No: 8812-M)

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 30 June 2011.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

9. Operating Segments

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

	Cumulative Period	
	6 months ended	
	30.6.2011 RM'000	30.6.2010 RM'000
Segment Revenue		
Revenue from:		
Manufacturing	54,076	86,045
Property development and management	639	712
Trading, services and others	-	-
Total revenue including inter-segment revenue	54,715	86,757
Elimination of inter-segment revenue	(152)	(152)
Revenue from external customers	54,563	86,605
Segment Results (External)		
Results from:		
Manufacturing	229	18,028
Property development and management	140	253
Trading, services and others	(2)	(2)
Profit before tax	367	18,279
Segment Assets		
Segment assets of:		
Manufacturing	204,634	221,992
Property development and management	108,898	108,454
Trading, services and others	253	13
Unallocated assets	313,785	330,459
	7,815	7,806
Total consolidated assets	321,600	338,265

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

10. Property, Plant and Equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with a cost of RM3,057,000 (six months ended 30 June 2010: RM6,038,000). Items of property, plant and equipment with a net book value of RM Nil were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RM Nil), resulting in a gain on disposal of RM93,000 (six months ended 30 June 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 30 June 2011 is as follows:

	RM'000
Authorised by the Directors and contracted for	1,425
Authorised by the Directors but not contracted for	-
	<hr/>
	1,425
	<hr/> <hr/>

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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 RM54.563 million and RM0.367 million respectively.

This represented a decrease of RM32.042 million in revenue or 37.00% of the revenue for the same period in the previous financial year ended 31 December 2010.

For the cumulative six months ended 30 June 2011, the decrease in profit before tax was RM17.912 million or 97.99% 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 mainly due to foreign exchange losses, increase in staff costs and overheads from our overseas subsidiary, and also various factors arising from decrease in orders.

16. Variation of Results Against Preceding Quarter

The revenue and loss before tax for the current quarter were RM26.743 million and RM0.721 million respectively compared to revenue of RM27.820 million and profit before tax of RM1.088 million for the immediate preceding quarter ended 31 March 2011. The significant decrease in the results for the current quarter 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

Given the tough economic situation, the Board of Directors is optimistic that the Group will be able to pull through this trying time.

18. Profit Forecast or Profit Guarantee

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

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

19. Taxation

	Current Quarter	Year-To- Date
	3 months ended 30.6.2011 RM'000	6 months ended 30.6.2011 RM'000
Current tax:		
– Malaysian	353	1,211
– Overseas	-	73
	353	1,284
Deferred tax	62	101
Total	415	1,385

The effective tax rate for the current quarter and for the financial period-to-date was higher than the statutory tax rate principally due to the 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.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

23. Borrowings

	As at 30.6.2011 RM'000	As at 31.12.2010 RM'000
Non-current		
– Secured	73	182
	<hr/>	
Current		
– Secured	215	210
– Unsecured	852	-
	<hr/>	
	1,067	210
	<hr/>	
	1,140	392
	<hr/> <hr/>	

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 2011.

27. Inventories

During the six months ended 30 June 2011, inventories amounting to RM444,393 were written off because they had reached the end of their product life cycle.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

28. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the (loss)/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 30.6.2011	30.6.2010	6 months ended 30.6.2011	30.6.2010
(Loss)/Profit for the period attributable to owners of the Company (RM'000)	(1,287)	6,271	(1,064)	15,459
Weighted average number of ordinary shares in issue ('000)	278,714	278,714	278,714	278,714
Basic earnings per share (sen)	(0.46)	2.25	(0.38)	5.55

(b) Diluted earnings per share

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

29. 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 30.6.2011 RM'000	As at 31.12.2010 RM'000
Realised and unrealised profits/(losses) of the Company and its subsidiaries:		
- Realised	175,927	177,928
- Unrealised	(7,656)	(8,651)
	168,271	169,277
Less: Consolidation adjustments	(31,785)	(31,727)
Total retained profits	136,486	137,550

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

30. 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 23 August 2011.