

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

		Individual Period		Cumulative Period	
	Note	3 months ended		12 months ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
		RM'000	RM'000	RM'000	RM'000
Revenue	9	24,337	30,567	105,930	152,671
Cost of sales		(20,642)	(25,490)	(89,188)	(109,122)
Gross profit		3,695	5,077	16,742	43,549
Other items of income:					
– Interest income		517	304	1,648	1,011
– Other income		(239)	(184)	727	634
Operating expenses		(3,267)	(4,031)	(16,535)	(20,859)
Operating profit		706	1,166	2,582	24,335
Finance costs		(5)	(7)	(25)	(33)
Profit before taxation	9 & 19	701	1,159	2,557	24,302
Taxation	20	(349)	(336)	(1,980)	(3,889)
Profit for the period		352	823	577	20,413
Other comprehensive income/(loss), net of tax					
Foreign currency translation differences for foreign operations		(647)	665	3,257	(4,474)
Total comprehensive (loss)/income for the period		(295)	1,488	3,834	15,939

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

	Individual Period		Cumulative Period		
	3 months ended		12 months ended		
Note	31.12.2011	31.12.2010	31.12.2011	31.12.2010	
	RM'000	RM'000	RM'000	RM'000	
Profit attributable to:					
Owners of the Company	318	1,464	494	21,162	
Minority interests	34	(641)	83	(749)	
Profit for the period	352	823	577	20,413	
Total comprehensive (loss)/income attributable to:					
Owners of the Company	(329)	2,129	3,751	16,688	
Minority interests	34	(641)	83	(749)	
Total comprehensive (loss)/income for the period	(295)	1,488	3,834	15,939	
Earnings per share attributable to owners of the Company:					
- Basic	25	0.11	0.53	0.18	7.59
- Diluted	25	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 December 2011 - Unaudited

	Note	<u>Unaudited</u> As at 31.12.2011 RM'000	<u>Audited</u> As at 31.12.2010 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	93,581	97,004
Prepaid lease payments		3,872	3,978
Investment properties		23,956	23,956
Goodwill		4,932	4,932
		<hr/>	<hr/>
		126,341	129,870
		<hr/>	<hr/>
Current assets			
Inventories		15,687	20,495
Property development costs		62,114	62,021
Trade and other receivables		34,492	44,349
Tax recoverable		2,851	3,190
Deposits with licensed banks		72,341	46,493
Cash and bank balances		8,968	20,244
		<hr/>	<hr/>
		196,453	196,792
		<hr/>	<hr/>
TOTAL ASSETS	9	<u>322,794</u>	<u>326,662</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		139,357	139,357
Share premium		1,281	1,281
Treasury shares		(947)	-
Revaluation reserve		572	572
Currency translation reserve		405	(2,852)
Retained profits		134,144	137,550
		<hr/>	<hr/>
		274,812	275,908
Minority interests		<hr/>	<hr/>
		2,449	2,366
		<hr/>	<hr/>
Total equity		<u>277,261</u>	<u>278,274</u>
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HIL INDUSTRIES BERHAD

(Company No: 8812-M)

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

	Note	<u>Unaudited</u> As at 31.12.2011 RM'000	<u>Audited</u> As at 31.12.2010 RM'000
Non-current liabilities			
Borrowings	22	-	182
Deferred tax liabilities		23,224	22,627
		<hr/>	<hr/>
		23,224	22,809
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		21,600	25,094
Borrowings	22	182	210
Provision for taxation		527	275
		<hr/>	<hr/>
		22,309	25,579
		<hr/>	<hr/>
Total liabilities		45,533	48,388
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		322,794	326,662
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share attributable to owners of the Company (RM)		0.99	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 31 December 2011 - Unaudited

Note	Attributable to shareholders of the Company							Minority interests	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		
At 1 January 2010	139,357	1,281	-	572	1,622	123,182	266,014	3,219	269,233
Total comprehensive (loss)/income for the year	-	-	-	-	(4,474)	21,162	16,688	(749)	15,939
Transactions with owners:									
- Dividends on ordinary shares	-	-	-	-	-	(6,794)	(6,794)	(104)	(6,898)
At 31 December 2010	139,357	1,281	-	572	(2,852)	137,550	275,908	2,366	278,274

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 2011 - Unaudited (Continued)

Note	Attributable to shareholders of the Company							Minority interests	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		
At 1 January 2011	139,357	1,281	-	572	(2,852)	137,550	275,908	2,366	278,274
Total comprehensive income for the year	-	-	-	-	3,257	494	3,751	83	3,834
Transactions with owners:									
- Purchase of treasury shares	-	-	(947)	-	-	-	(947)	-	(947)
- Dividends on ordinary shares	8	-	-	-	-	(3,900)	(3,900)	-	(3,900)
At 31 December 2011	139,357	1,281	(947)	572	405	134,144	274,812	2,449	277,261

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 31 December 2011 - Unaudited

	Cumulative Period	
	12 months ended	
	31.12.2011	31.12.2010
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	2,557	24,302
Adjustments for non-cash items	9,271	11,053
Operating profit before working capital changes	11,828	35,355
Working capital changes		
Inventories	4,808	1,132
Property development costs	(93)	(88)
Receivables, deposits and prepayments	9,857	23,417
Payables and accruals	(3,494)	(10,665)
Cash generated from operations	22,906	49,151
Interest paid	(25)	(33)
Interest received	1,648	1,011
Tax paid	(1,064)	(3,520)
Tax recovered	274	286
Net cash from operating activities	23,739	46,895
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,119)	(12,962)
Proceeds from disposal of property, plant and equipment	219	231
Net cash used in investing activities	(5,900)	(12,731)

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement of Cash Flows For The Financial Year Ended 31 December 2011 - Unaudited (Continued)

	Cumulative Period	
	12 months ended	
	31.12.2011	31.12.2010
	RM'000	RM'000
Cash flows from financing activities		
Hire purchase principal repayments	(210)	(283)
Dividends paid to ordinary shareholders	(3,900)	(6,794)
Dividends paid by a subsidiary company to minority shareholders	-	(104)
Purchase of treasury shares	(947)	-
Net cash used in financing activities	(5,057)	(7,181)
Net increase in cash and cash equivalents	12,782	26,983
Cash and cash equivalents at beginning of the financial year	66,737	42,548
Effects of foreign exchange rate changes	1,790	(2,794)
Cash and cash equivalents at end of the financial year	81,309	66,737
Cash and cash equivalents comprise:		
Deposits with licensed banks	72,341	46,493
Cash and bank balances	8,968	20,244
	81,309	66,737

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 Condensed Consolidated Interim Financial Statements

In compliance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting

Hil Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2012.

1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and 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.

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:

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
Amendments to FRS 132 Financial Instruments: Presentation
Additional Exemptions for First-time Adopters (Amendments to FRS 1)

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting

2. Changes in Accounting Policies (Continued)

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)

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.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Financial Reporting Standard ("FRS") 134, Interim Financial Reporting

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 2011, the Company paid a first and final dividend of 3.76% or 1.88 sen per ordinary share of RM0.50 each less income tax at 25% amounting to RM3,900,398 in respect of the financial year ended 31 December 2010.

9. Operating Segments

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

	Cumulative Period	
	12 months ended	
	31.12.2011	31.12.2010
	RM'000	RM'000
Segment Revenue		
Revenue from:		
Manufacturing	104,733	151,613
Property development and management	1,501	1,362
Trading, services and others	-	-
Total revenue including inter-segment revenue	106,234	152,975
Elimination of inter-segment revenue	(304)	(304)
Revenue from external customers	105,930	152,671

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting

9. Operating Segments (Continued)

	Cumulative Period	
	12 months ended	
	31.12.2011	31.12.2010
	RM'000	RM'000
Segment Results (External)		
Results from:		
Manufacturing	1,862	23,835
Property development and management	703	476
Trading, services and others	(8)	(9)
Profit before tax	2,557	24,302
Segment Assets		
Segment assets of:		
Manufacturing	204,489	209,949
Property development and management	110,231	108,572
Trading, services and others	290	18
Unallocated assets	7,784	8,123
Total consolidated assets	322,794	326,662

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Financial Reporting Standard ("FRS") 134, Interim Financial Reporting

10. Property, Plant and Equipment

(a) Acquisitions and disposals

During the financial year ended 31 December 2011, the Group acquired items of property, plant and equipment with a cost of RM6,119,000 (financial year ended 31 December 2010: RM12,962,000). Items of property, plant and equipment with a net book value of RM287,000 were disposed of during the financial year ended 31 December 2011 (financial year ended 31 December 2010: RM Nil), resulting in a loss on disposal of RM68,000 (financial year ended 31 December 2010: gain on disposal of RM231,000).

(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 2010.

14. Capital Commitments

There were no capital commitments as at 31 December 2011.

HIL INDUSTRIES BERHAD

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Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

15. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM105.930 million and RM2.557 million respectively.

This represented a decrease of RM46.741 million in revenue or 30.62% of the revenue for the same period in the previous financial year ended 31 December 2010.

For the cumulative twelve months ended 31 December 2011, the decrease in profit before tax was RM21.745 million or 89.48% 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, and decrease in revenue from our overseas subsidiary.

The performance of the respective operating segments for the financial year ended 31 December 2011 as compared to the previous financial year is analysed as follows:

a) Manufacturing segment

The manufacturing segment registered a decrease in revenue and profit before tax for the current financial year ended 31 December 2011 of 30.92% and 92.19% as compared to the revenue and profit before tax in the previous financial year ended 31 December 2010. The performance of our overseas subsidiary was affected by the slowdown in demand for the information technology industry's products.

b) Property development and management segment

Profit before tax from this segment registered an increase of 47.69% mainly due to the renting out of vacant shoplots in the current financial year.

c) Trading, services and others segment

This segment is not active.

16. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM24.337 million and RM0.701 million respectively compared to revenue of RM27.030 million and profit before tax of RM1.489 million for the immediate preceding quarter ended 30 September 2011. This was mainly attributed to the decline in sales to the electrical and electronic sector in Malaysia due to the flood situation in Thailand.

HIL INDUSTRIES BERHAD

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Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Current Year Prospects

The global economic outlook will likely be impacted negatively by the uncertainty arising from the Eurozone debt crisis and the continuing weak US economy.

The outlook for manufacturing in Malaysia is expected to remain stable and with the expected launch of Proton's new "Global Car" in the second quarter of 2012, earnings from the Group's automotive division (*part of the manufacturing segment*) is expected to be good. However, there are still the unresolved issues and problems caused by the recent change in Bank Negara's ruling with respect to car loan qualifications.

The management will endeavour to improve the results of the Group's overseas subsidiary.

For the property segment, the demand for rented properties is expected to remain positive.

Given the uncertainty and currently weak economic situation, the Board is cautious but still optimistic that the Group will be able to produce satisfactory results

18. Profit Forecast or Profit Guarantee

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

19. Profit before taxation

	Current Quarter	Year-To- Date
	3 months ended	12 months ended
	31.12.2011	31.12.2011
	RM'000	RM'000
Profit before taxation is arrived at after charging:		
Depreciation and amortisation	2,703	10,826
Finance cost - interest expense	5	25
Inventories written off	-	444
Net foreign exchange losses/(gains):		
– Realised	433	418
– Unrealised	575	529

HIL INDUSTRIES BERHAD

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Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

20. Taxation

	Individual Period		Cumulative Period	
	3 months ended		months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
- Malaysian income tax	72	423	1,327	1,791
- Foreign tax	-	(317)	-	1,329
- Deferred tax	294	202	597	741
	366	308	1,924	3,861
In respect of prior financial years:				
- Malaysian income tax	-	28	-	28
- Foreign tax	(17)	-	56	-
	(17)	28	56	28
	349	336	1,980	3,889

The effective tax rate for the current quarter and 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.

21. Status of Corporate Proposals

There were no corporate proposals announced.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

22. Borrowings

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Non-current		
– Secured	-	182
Current		
– Secured	182	210
	<hr/>	<hr/>
	182	392
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23. Material Litigation

As at the reporting date, there was no material litigation against the Group.

24. Dividend

No dividend has been declared for the financial year ended 31 December 2011.

HIL INDUSTRIES BERHAD

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Notes To The Condensed Consolidated Interim Financial Statements (Continued)

In compliance with Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

25. 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 31.12.2011	31.12.2010	12 months ended 31.12.2011	31.12.2010
Profit for the period attributable to owners of the Company (RM'000)	318	1,464	494	21,162
Weighted average number of ordinary shares in issue ('000)	276,617	278,714	277,545	278,714
Basic earnings per share (sen)	0.11	0.53	0.18	7.59

(b) Diluted earnings per share

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

26. 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 31.12.2011 RM'000	As at 31.12.2010 RM'000
Realised and unrealised profits/(losses) of the Company and its subsidiaries:		
- Realised	174,577	177,928
- Unrealised	(8,590)	(8,651)
	<hr/>	<hr/>
Less: Consolidation adjustments	165,987 (31,843)	169,277 (31,727)
	<hr/>	<hr/>
Total retained profits	134,144	137,550