

Hing Yiap Knitting Industries Berhad

(22414-V)

(Incorporated in Malaysia)

Introduction

The Board of Directors of Hing Yiap Knitting Industries Berhad is pleased to announce the financial results of the Group for the three (3) months period ended 30 September 2002.

This interim financial report is prepared in accordance with MASB 26, "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange.

This interim financial report is intended to provide an update on the latest complete set of annual financial statements, which was financial year ended 30 June 2002. **Accordingly, this interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2002.**

This report comprised the following:

- Condensed consolidated balance sheets
- Condensed statement of changes in equity
- Condensed income statements
- Condensed cash flow statement
- Explanatory notes

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Condensed Consolidated Balance Sheets
As at 30 September 2002

	30.9.2002	30.6.2002
	RM'000	RM'000
Non current assets		
Property, plant and equipment	21,677	21,502
Investment properties	3,310	3,310
Intangible assets	3,434	3,489
Deferred taxation	627	155
	<u>29,048</u>	<u>28,456</u>
Current assets		
Inventories	56,941	46,899
Receivables	28,094	21,989
Short term investment	166	166
Bank and cash balances	75	1,195
	<u>85,276</u>	<u>70,249</u>
Less: Current liabilities		
Payables	23,627	15,017
Hire purchase payables	1,063	966
Short term borrowings	22,214	16,776
Taxation	423	53
	<u>47,327</u>	<u>32,812</u>
Net current assets	37,949	37,437
Less: Non Current liabilities		
Hire purchase payables	1,122	938
Term loans	3,325	3,489
	<u>4,447</u>	<u>4,427</u>
	<u>62,550</u>	<u>61,466</u>
Capital and reserves		
Share capital	41,787	41,787
Reserves	20,763	19,679
Shareholders' funds	<u>62,550</u>	<u>61,466</u>
	RM	RM
Net tangible assets per share	<u>1.41</u>	<u>1.39</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the annual financial statements for the year ended 30 June 2002.

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Condensed Statement of Changes in Equity For the three (3) months period ended 30 September 2002

	Share capital RM'000	Share premium RM'000	Revaluation surplus RM'000	Retained profits RM'000	Total RM'000
At 30.6.2002 as previously reported	41,787	1,356	1,701	15,736	60,580
Prior period adjustments	-	-	(406)	1,292	886
At 30.6.2002 as restated	<u>41,787</u>	<u>1,356</u>	<u>1,295</u>	<u>17,028</u>	<u>61,466</u>
Profit after taxation	-	-	-	1,084	1,084
At 30.9.2002	<u>41,787</u>	<u>1,356</u>	<u>1,295</u>	<u>18,112</u>	<u>62,550</u>
		Note A	Note A		

Note A: The share premium and revaluation surplus are not distributable by way of cash dividends.

Note B: The Statement of Changes in Equity for the three (3) months period ended 30 September 2001 is not presented as this is the first period of implementation.

The Condensed Statement of Changes in Equity should be read in conjunction with the annual financial statements for the year ended 30 June 2002.

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Condensed Consolidated Income Statements For the three (3) months period ended 30 September 2002

	3 months ended 30.9.2002 RM'000	3 months ended 30.9.2001 RM'000	Year-to-date ended 30.9.2002 RM'000	Year-to-date ended 30.9.2001 RM'000
Revenue	24,123	22,642	24,123	22,642
Other operating income	141	86	141	86
Operating expenses	(22,261)	(22,637)	(22,261)	(22,637)
Profit from operations	<u>2,003</u>	<u>91</u>	<u>2,003</u>	<u>91</u>
Finance costs	(380)	(424)	(380)	(424)
Profit/(loss) before taxation	<u>1,623</u>	<u>(333)</u>	<u>1,623</u>	<u>(333)</u>
Taxation	(539)	(27)	(539)	(27)
Profit/(loss) after taxation	<u>1,084</u>	<u>(360)</u>	<u>1,084</u>	<u>(360)</u>
	sen	sen	sen	sen
Earnings/(loss) per share:				
- basic	<u>2.59</u>	<u>(0.89)</u>	<u>2.59</u>	<u>(0.89)</u>
- diluted	<u>2.59</u>	<u>(0.89)</u>	<u>2.59</u>	<u>(0.89)</u>

The Condensed Consolidated Income Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2002.

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Condensed Consolidated Cash Flow Statement
For the three (3) months period ended 30 September 2002

	30.9.2002 RM'000
Cash flow from operating activities	
Profit before tax	1,623
Adjustments for:	
Interest expenses	351
Interest income	(15)
Depreciation	607
Amortisation of intangible assets	56
(Profit)/loss on disposal of property, plant and equipment	(23)
Property, plant and equipment written-off	10
Unrealised gain on foreign exchange	(1)
	2,608
Operating profit before working capital changes	2,608
Net change in current assets	(16,666)
Net change in current liabilities	8,687
	(5,371)
Cash (absorbed by)/generated from operations	(5,371)
Tax paid	(100)
	(5,471)
Net cash (used in)/from operations	(5,471)
Cash flow from investing activities	
Purchase of property, plant and equipment	(278)
Sub-license fee paid	(75)
Interest received	15
Proceeds from disposal of property, plant and equipment	122
	(216)
Cash flow from financing activities	
Interest paid	(373)
Dividends paid	(2)
Net increase/(decrease) in bank borrowings and hire purchase obligations	1,526
	1,151
Net increase/(decrease) in cash and cash equivalents	(4,536)
Cash and cash equivalents at beginning of period	(408)
Cash and cash equivalents at end of period	(4,944)

Note: The Cash Flow Statement for the three (3) months period ended 30 September 2001 is not presented as this is the first period of implementation.

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual financial statements for the year ended 30 June 2002.

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Explanatory Notes

Explanatory notes pursuant to MASB 26, “Interim Financial Reporting”

1. Basis of preparation

This interim financial report is prepared in accordance with MASB 26, “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, and should be read in conjunction with the Company’s financial statements for the financial year ended 30 June 2002.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the financial year ended 30 June 2002, except for the adoption of new applicable approved accounting standard, MASB 25, “Income Taxes”.

Previously, deferred tax debits are not accounted for in the financial statements unless there is a reasonable expectation of their realisation. Following the implementation of MASB 25, such deferred tax debits are now recognised. Under the same accounting standard, deferred tax is required to be calculated on surpluses arising from revaluation of assets. The change in accounting policy has been applied retrospectively.

The change in accounting policy has the effect of increasing net profit for the period ended 30 September 2002 by RM 105,000. The other effects of the change in accounting policy are, as follows:

	As previously reported RM’000	Effect of change RM’000	As restated RM’000
At 30.6.2002			
Balance sheet			
Deferred tax assets/(liabilities)	(731)	886	155
Revaluation surplus	1,701	(406)	1,295
Retained profits	15,736	1,292	17,028
3 months period ended 30.9.2001			
Income statement			
Income tax	164	5	169
Deferred tax	-	(142)	(142)
Profit/(loss) after tax	(497)	(137)	(360)

2. Audit qualification in respect of the audit report of the Company for the preceding financial statements and current status of the matter(s) giving rise to the qualification

The audit report in respect of the financial statements of the Company for the financial year ended 30 June 2002 was not qualified.

3. Explanatory comments about the seasonality or cyclicity of interim operations

The Company's products are catered for the consumer market and business is influenced by the seasonality and cyclical effect of promotional sales and festive seasons. The Company's business for Quarters 2 and 3 are generally better than Quarters 1 and 4 due to the positive effect of festive sales such as Christmas, Hari Raya Puasa and Chinese New Year.

4. The nature and amount of items affecting assets, liabilities, equity, net income, or cash flow that are unusual because of their nature, size or incidence

Save for the information disclosed in this interim financial report, there are no unusual items affecting assets, liabilities, equity, net income or cash flow.

5. The nature and amount of material changes in estimates of amounts reported in prior interim periods of the current financial year or material changes in estimates of amounts reported in prior financial year

There are no material changes in estimates except for the effect of change in accounting for income taxes as disclosed in this interim financial report.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

The Company did not issue, cancel, repurchase, resell or repay any debt or equity securities during the reporting quarter.

7. The amount of dividends paid (aggregate or per share)

During the current reporting quarter, dividends paid by the Company, in respect of dividends proposed for the financial year ended 30 June 2001, amounted to RM 1,864.80.

8. Segmental reporting for business segment, being the Company's basis of segment reporting

	Manufac- turing RM'000	Trading RM'000	Elimina- tions RM'000	Group RM'000
3 months ended 30.9.2002				
Segment revenue				
External revenue	2,191	21,932	-	24,123
Intersegment revenue	21,745	1,021	(22,766)	-
Total revenue	<u>23,936</u>	<u>22,953</u>	<u>(22,766)</u>	<u>24,123</u>
Segment result	<u>936</u>	<u>2,076</u>	<u>(1,150)</u>	1,862
Unallocated income				141
Profit from operations				<u>2,003</u>
3 months ended 30.9.2001				
Segment revenue				
External revenue	4,031	18,610	-	22,641
Intersegment revenue	15,696	1,781	(17,477)	-
Total revenue	<u>19,727</u>	<u>20,391</u>	<u>(17,477)</u>	<u>22,641</u>
Segment result	<u>21</u>	<u>301</u>	<u>(317)</u>	5
Unallocated income				86
Profit from operations				<u>91</u>

9. Status of valuation of property, plant and equipment

The Company adopted the transitional provision of MASB 15, "Property, Plant and Equipment" whereby a valuation in respect of a freehold land and building that was revalued at RM 3.9 million on 7 October 1995 by a firm of independent professional appraisers has not been updated or amended from the value disclosed in the previous financial statements, save for depreciation charge determined since the financial year-end.

10. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

Save for the material subsequent events disclosed in this interim financial report, there are no events subsequent to the end of the interim period that have not been reflected in the financial statements for the current interim period.

11. Effect of changes in the composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings, and discontinuing operations

Save for the commencement of operations of Bumcity Sdn Bhd (formerly known as Netax Work Wear Sdn Bhd) during the current reporting period, the Company did not embark in any activity that may result in changes in its composition.

12. Changes in contingent liabilities or contingent assets since the last annual balance sheet date

The Company's contingent liabilities in respect of corporate guarantees granted to third parties for banking and financing facilities of the subsidiary companies increased from RM 29,578,268 as at 30 June 2002 to RM 29,714,416 as at 30 September 2002 due to additional hire purchase facilities granted to certain subsidiary companies.

Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements of the Kuala Lumpur Stock Exchange

13. Details of tax charge and an explanation of the variance between the effective and statutory tax rate for the current quarter and financial year-to-date

The tax charge comprised:

	3 months ended 30.9.2002 RM'000	3 months ended 30.9.2001 RM'000	Year-to-date ended 30.9.2002 RM'000	Year-to-date ended 30.9.2001 RM'000
Income tax	1,011	169	1,011	169
Deferred tax	(472)	(142)	(472)	(142)
	<u>539</u>	<u>27</u>	<u>539</u>	<u>27</u>

The effective tax rate for the periods presented above was higher than the statutory tax rate due to losses of certain subsidiary companies that are not available for set-off against taxable profits of profitable companies and certain expenses which are not deductible for tax purposes.

14. Profits or losses from the sale of unquoted investments and/or properties for the current quarter and financial year-to-date

The Company did not dispose any unquoted investments or properties during the current reporting period.

15. Details of purchase or disposal of quoted securities other than securities in existing subsidiary companies and associated companies

The Company did not purchase or dispose any quoted securities during the current reporting period.

16. Status, of not earlier than 7 days from the date of this report, of corporate proposals announced but not completed

On 16 October 2002, the Company announced a proposed new Employees' Share Option Scheme ("ESOS") for the eligible employees of the Company subject to the expiry of the existing ESOS which is scheduled to expire on 28 January 2003. The proposed ESOS is subject to the approvals of the shareholders at an Extraordinary General Meeting that will convene on 23 December 2002, the Securities Commission and the Kuala Lumpur Stock Exchange for the listing of and quotation for the new shares to be issued pursuant to the exercise of options granted under the proposed ESOS.

Application to the Securities Commission has been made, and its approval is pending.

17. Group borrowings and debt securities as at the end of the reporting period

Details of borrowings and debt securities as at the end of the reporting period were as follows:

	30.9.2002 RM'000
Short term borrowings	
<i>Secured</i>	
Term loans	726
<i>Unsecured</i>	
Bank overdrafts	5,019
Bankers' acceptances	16,368
Trust receipts	101
	21,488
Total short term borrowings	22,214
Long term borrowings	
<i>Secured</i>	
Term loans	3,325

The Company does not have any borrowings that are denominated in foreign currency.

18. Summary of balance sheet financial instruments, which is not earlier than 7 days from the date of this report

The Company has not entered into any arrangements involving financial instruments.

19. Changes in material litigation (including status of any pending material litigation) since the last annual balance sheet date, which is not earlier than 7 days from the date of this report

In the civil suit of Bontton Sdn Bhd and Diesel Marketing Sdn Bhd (wholly-owned subsidiary companies of the Company) ("plaintiffs") against Apcott PP (M) Sdn Bhd and DIESEL SPA ("defendants"), an injunction by consent order was successfully

granted in favour of the plaintiffs on 15 November 2002 and the first defendant was enjoined from selling goods under classes 18 and 25 for the “Diesel” trademark.

20. Material changes in the profit before taxation for the current quarter as compared with that of the immediate preceding quarter

Profit before tax for the quarter ended 30 September 2002 of RM 1.623 million was 62.3% higher than the pre-tax profit of RM 1.0 million recorded during the quarter ended 30 June 2002. Excluding the exceptional gain of RM 1.416 from the disposal of a loss-making subsidiary company and pre-tax loss of RM 70,000 from the said discontinued operations, the Company would have recorded a marginal pre-tax loss of RM 346,000 during the quarter ended 30 June 2002.

The marginal loss recorded during the immediate preceding quarter was expected as the retail business was generally weaker then as consumers were distracted by the World Cup matches. Consumer confidence improved during the current period and has translated into better performance. Revenue recorded during the current reporting quarter was RM 24.123 million as compared to RM 18.123 million (excluding revenue of RM 253,000 contributed by discontinued operations) recorded during the quarter ended 30 June 2002.

21. Review of performance

Revenue increased by 6.5% from RM 22.642 million recorded during the period ended 30 September 2001 to RM 24.123 million achieved during the current reporting quarter. Excluding the revenue of the preceding period in respect of discontinued operations of RM 834,000, revenue would have increased by approximately 10.6%.

The Company achieved a pre-tax profit of RM 1.623 million during the current period as compared to a pre-tax loss of RM 333,000 (inclusive of a loss of RM 178,000 from discontinued operations) recorded during the quarter ended 30 September 2001.

The better performance of the Company was achieved on an improving economic climate and benefits from aggressive sales and promotional activities undertaken.

22. Current year prospects

The results for the second quarter ending 31 December 2002 and third quarter ending 31 March 2003 are expected to be better than that achieved during the first quarter. The year-end Mega Carnival Sales, school holidays and major festivals of Hari Raya Puasa, Christmas and Chinese New Year are expected to contribute significantly to the Company’s business. In addition, Bumcity Sdn Bhd shall make its maiden contribution to the Company’s results in the second quarter, although it may not be significant contributor yet.

23. Status of profit forecast or profit guarantee

This is not applicable to the Company.

24. Dividends

The Directors do not recommend the payment of any dividends in respect of the current reporting quarter.

25. Basis and methods of calculating earnings per share

Basic earnings per share:

The basic earnings per share is calculated by dividing the profit or loss after taxation by the weighted average number of ordinary shares in issue during the period.

	30.9.2002	30.9.2001
Profit/(loss) after taxation (RM'000)	1,084	(360)
Weighted average number of ordinary shares in issue ('000)	41,787	40,432
Basic earnings/(loss) per share (sen)	<u>2.59</u>	<u>(0.89)</u>

Diluted earnings per share:

The diluted earnings per share is calculated by dividing the profit or loss after taxation by the weighted average number of ordinary shares that would be in issue at the end of the period had all the exercisable share options as at the end of the period under the ESOS been exercised.

	30.9.2002	30.9.2001
Profit/(loss) after taxation (RM'000)	1,084	(360)
Weighted average number of ordinary shares in issue ('000)	41,787	40,432
Adjustment for share options ('000)	<u>41</u>	<u>150</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>41,828</u>	<u>40,582</u>
Diluted earnings/(loss) per share (sen)	<u><u>2.59</u></u>	<u><u>(0.89)</u></u>

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
28 November 2002