

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 six (6) months period ended 31 December 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 consolidated income statements
- Condensed consolidated cash flow statement
- Explanatory notes

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Condensed Consolidated Balance Sheets
As at 31 December 2002

	31.12.2002	30.6.2002
	RM'000	RM'000
Non current assets		
Property, plant and equipment	22,414	21,502
Investment properties	3,310	3,310
Intangible assets	3,378	3,489
Deferred tax assets	919	649
	<u>30,021</u>	<u>28,950</u>
Current assets		
Inventories	60,023	46,899
Receivables	38,392	21,989
Short term investment	166	166
Bank and cash balances	567	1,195
	<u>99,148</u>	<u>70,249</u>
Less: Current liabilities		
Payables	30,611	15,017
Hire purchase payables	1,393	966
Short term borrowings	25,397	16,776
Taxation	1,412	53
	<u>58,813</u>	<u>32,812</u>
Net current assets	40,335	37,437
Less: Non current liabilities		
Hire purchase payables	1,455	938
Term loans	3,138	3,489
Deferred taxation	315	688
	<u>4,908</u>	<u>5,115</u>
	<u>65,448</u>	<u>61,272</u>
Capital and reserves		
Share capital	41,787	41,787
Reserves	23,661	19,485
Shareholders' funds	<u>65,448</u>	<u>61,272</u>
	RM	RM
Net tangible assets per share	<u>1.48</u>	<u>1.38</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 six (6) months period ended 31 December 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	-	-	(600)	1,292	692
At 30.6.2002 as restated	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>17,028</u>	<u>61,272</u>
Profit after taxation	-	-	-	4,176	4,176
At 31.12.2002	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>21,204</u>	<u>65,448</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 six (6) months period ended 31 December 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 six (6) months period ended 31 December 2002

	3 months ended 31.12.2002 RM'000	3 months ended 31.12.2001 RM'000	Year-to-date ended 31.12.2002 RM'000	Year-to-date ended 31.12.2001 RM'000
Revenue	42,659	36,634	66,782	59,275
Other operating income	172	149	313	235
Debt waiver	(1,930)	0	(1,930)	0
Other operating expenses	(35,251)	(29,888)	(57,513)	(52,524)
Profit from operations	<u>5,650</u>	<u>6,895</u>	<u>7,652</u>	<u>6,986</u>
Finance costs	(457)	(456)	(836)	(880)
Profit/(loss) before taxation	<u>5,193</u>	<u>6,439</u>	<u>6,816</u>	<u>6,106</u>
Taxation	(2,053)	(2,160)	(2,640)	(2,048)
Profit/(loss) after taxation	<u>3,140</u>	<u>4,279</u>	<u>4,176</u>	<u>4,058</u>
	sen	sen	sen	sen
Earnings/(loss) per share:				
- basic	<u>7.514</u>	<u>10.582</u>	<u>9.994</u>	<u>10.036</u>
- diluted	<u>7.514</u>	<u>10.557</u>	<u>9.992</u>	<u>10.006</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 six (6) months period ended 31 December 2002

	31.12.2002 RM'000
Cash flow from operating activities	
Profit before tax	6,816
Adjustments for:	
Interest expenses	776
Interest income	(18)
Depreciation	1,228
Amortisation of intangible assets	111
(Profit)/loss on disposal of property, plant and equipment	(94)
Property, plant and equipment written-off	16
Inventories writedowns	816
Unrealised gain on foreign exchange	(1)
	9,650
Operating profit before working capital changes	9,650
Net change in current assets	(31,879)
Net change in current liabilities	15,673
	(6,556)
Cash (absorbed by)/generated from operations	(6,556)
Tax paid	(339)
	(6,895)
Net cash (used in)/from operations	(6,895)
Cash flow from investing activities	
Purchase of property, plant and equipment	(650)
Sub-license fee paid	(75)
Interest received	18
Proceeds from disposal of property, plant and equipment	192
	(515)
Cash flow from financing activities	
Interest paid	(825)
Dividends paid	(2)
Net increase/(decrease) in bank borrowings and hire purchase obligations	6,865
	6,038
Net increase/(decrease) in cash and cash equivalents	(1,372)
Cash and cash equivalents at beginning of period	(408)
Cash and cash equivalents at end of period	(1,780)

Note: The Cash Flow Statement for the six (6) months period ended 31 December 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/assets 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/assets 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 6 months period ended 31 December 2002 by RM 1,245,500. 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	0	649	649
Deferred tax liabilities	731	(43)	688
Revaluation surplus	1,701	(600)	1,101
Retained profits	15,736	1,292	17,028
6 months period ended 31.12.2001			
Income statement			
Income tax	2,965	(508)	2,457
Deferred tax	0	409	409
Profit/(loss) after tax	3,141	917	4,058

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 Group'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 Group'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

During the current reporting quarter, the Group effected the following transactions:

	RM'000
a) Writedown of inventories	816
b) Waiver of debts due from B.U.M. Marketing (Singapore) Pte Ltd upon settlement of the agreed sale and purchase consideration	1,930

	2,746
	=====

Save for the information disclosed in this interim financial report, there are no other 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 and overprovision of tax charge in respect of previous quarter of the current financial year, 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
6 months ended 31.12.2002				
Segment revenue				
External revenue	4,374	62,408	-	66,782
Intersegment revenue	48,174	2,298	(50,472)	-
Total revenue	<u>52,548</u>	<u>64,706</u>	<u>(50,472)</u>	<u>66,782</u>
Segment result	<u>953</u>	<u>9,128</u>	<u>(812)</u>	9,269
Unallocated income				313
Unallocated expense – debt waiver				(1,930)
Profit from operations				<u>7,652</u>
6 months ended 31.12.2001				
Segment revenue				
External revenue	6,994	52,281	-	59,275
Intersegment revenue	38,197	4,026	(42,223)	-
Total revenue	<u>45,191</u>	<u>56,307</u>	<u>(42,223)</u>	<u>59,275</u>
Segment result	<u>2,575</u>	<u>5,382</u>	<u>(1,206)</u>	6,751
Unallocated income				235
Profit from operations				<u>6,986</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 preceding reporting quarter of the current financial year, the Group 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 30,243,849 as at 31 December 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. Review of performance of the Company and principal subsidiaries, setting-out material factors affecting earnings and/or revenue of the Company and Group for the current quarter and financial year-to-date

Performance review for the quarter

Group revenue for the current quarter increased by RM 6.025 million or 16.45% to RM 42.659 million as compared to revenue of RM 36.634 million recorded during the quarter ended 31 December 2001. The new operational subsidiary company, Bumcity Sdn Bhd, made its maiden contribution to Group revenue of RM 2.741 million during the current quarter although its contribution to Group pre-tax profits was not significant.

The Group achieved a pre-tax profit of RM 5.193 million during the current quarter as compared to a pre-tax profit of RM 6.439 million recorded during the quarter ended 31 December 2001. Excluding the one-off debt waiver of RM 1.93 million, the Group would have recorded a pre-tax profit of RM 7.123 million for the current reporting quarter, an improvement of approximately 10.62%.

Performance review for the financial year-to-date

The Group registered revenue and pre-tax profit of RM 66.782 million and RM 6.816 million respectively, for the period ended 31 December 2002. These marked an improvement of approximately RM 7.507 million or 12.66% for revenue and RM 0.71 million or 11.63% for pre-tax profits over the preceding period ended 31 December 2001. Excluding the debt waiver, Group profit before tax would have improved by RM 2.640 million or 43.24%.

The better performance of the Group for the quarter and year-to-date in both revenue and pre-tax profits (excluding the debt waiver) were achieved on the back of a resilient economy, publicity generated by the Government to encourage domestic spending and benefits from aggressive sales and promotional activities undertaken by the Group.

14. 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 31 December 2002 of RM 5.193 million was RM 3.57 million higher than the pre-tax profit of RM 1.623 million recorded during the quarter ended 30 September 2002. Excluding the debt waiver, the increase would have been RM 5.5 million.

The second quarter marked the peak season for the Group's business. The Hari Raya Puasa and Christmas festivities, heavily promoted nation-wide Mega Carnival Sales and year-end sales are the main factors contributing to the better performance. Revenue recorded during the current reporting quarter was RM 42.659 million as compared to RM 24.123 million recorded during the quarter ended 30 September 2002.

15. Current year prospects

The results for the third quarter ending 31 March 2003 are not expected to be better than that achieved during the second quarter as the Chinese New Year festival marked the end of the peak season.

Save for any circumstances or events that are not within the control of the Group, the Group's results for the year ending 30 June 2003 are expected to be comparable to that achieved in the previous financial year.

16. Status of profit forecast or profit guarantee

This is not applicable to the Group.

17. 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 31.12.2002 RM'000	3 months ended 31.12.2001 RM'000	Year-to-date ended 31.12.2002 RM'000	Year-to-date ended 31.12.2001 RM'000
Income tax	2,272	2,592	3,282	2,457
Deferred tax	(171)	(432)	(642)	(409)
Overprovision in respect of preceding quarter	(48)	0	0	0
	<u>2,053</u>	<u>2,160</u>	<u>2,640</u>	<u>2,048</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, debt waiver of RM 1.9 million was not tax deductible and other certain expenses that are not deductible for tax purposes.

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

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

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

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

20. 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 Group subject to the expiry of the existing ESOS, which expired on 28 January 2003. The proposed ESOS was approved by the shareholders at an Extraordinary General Meeting that was held on 23 December 2002 and the Securities Commission on 22 January 2003.

Application to 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 is pending.

21. 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:

	31.12.2002
	RM'000
Short term borrowings	
<i>Secured</i>	
Term loans	736
<i>Unsecured</i>	
Bank overdrafts	2,347
Bankers' acceptances	21,448
Trust receipts	866
	24,661
Total short term borrowings	25,397
Long term borrowings	
<i>Secured</i>	
Term loans	3,138

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

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

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

23. 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.

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.

	3 months ended 31.12.2002	3 months ended 31.12.2001	Year-to-date ended 31.12.2002	Year-to-date ended 31.12.2001
Profit/(loss) after taxation (RM'000)	3,140	4,279	4,176	4,058
Weighted average number of ordinary shares in issue ('000)	41,787	40,436	41,787	40,436
Basic earnings/(loss) per share (sen)	7.514	10.582	9.994	10.036

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.

	3 months ended 31.12.2002	3 months ended 31.12.2001	Year-to-date ended 31.12.2002	Year-to-date ended 31.12.2001
Profit/(loss) after taxation (RM'000)	3,140	4,279	4,176	4,058
Weighted average number of ordinary shares in issue ('000)	41,787	40,436	41,787	40,436
Adjustment for share options (‘000)	(22)	97	7	120
Weighted average number of ordinary shares for diluted earnings per share ('000)	41,765	40,533	41,794	40,556
Diluted earnings/(loss) per share (sen)	7.514	10.557	9.992	10.006

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
24 February 2003