

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 nine (9) months period ended 31 March 2003.

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

Hing Yiap Knitting Industries Berhad
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Condensed Consolidated Balance Sheets
As at 31 March 2003

| | 31.3.2003 | 30.6.2002 |
|--------------------------------------|------------------|------------------|
| | RM'000 | RM'000 |
| Non current assets | | |
| Property, plant and equipment | 21,582 | 21,502 |
| Investment properties | 3,310 | 3,310 |
| Intangible assets | 3,323 | 3,489 |
| Deferred tax assets | 963 | 649 |
| | <u>29,178</u> | <u>28,950</u> |
| Current assets | | |
| Inventories | 53,995 | 46,899 |
| Receivables | 29,661 | 21,989 |
| Short term investment | 166 | 166 |
| Bank and cash balances | 121 | 1,195 |
| | <u>83,943</u> | <u>70,249</u> |
| Less: Current liabilities | | |
| Payables | 19,406 | 15,017 |
| Hire purchase payables | 1,556 | 966 |
| Short term borrowings | 21,731 | 16,776 |
| Taxation | 987 | 53 |
| | <u>43,680</u> | <u>32,812</u> |
| Net current assets | 40,263 | 37,437 |
| Less: Non current liabilities | | |
| Hire purchase payables | 1,535 | 938 |
| Term loans | 2,947 | 3,489 |
| Deferred taxation | 418 | 688 |
| | <u>4,900</u> | <u>5,115</u> |
| | <u>64,541</u> | <u>61,272</u> |
| Capital and reserves | | |
| Share capital | 41,787 | 41,787 |
| Reserves | 22,754 | 19,485 |
| Shareholders' funds | <u>64,541</u> | <u>61,272</u> |
| | RM | RM |
| Net tangible assets per share | <u>1.47</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 nine (9) months period ended 31 March 2003

| | 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 | - | - | - | 3,269 | 3,269 |
| At 31.3.2003 | <u>41,787</u> | <u>1,356</u> | <u>1,101</u> | <u>20,297</u> | <u>64,541</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 nine (9) months period ended 31 March 2002 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.

Hing Yiap Knitting Industries Berhad

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Condensed Consolidated Income Statements For the nine (9) months period ended 31 March 2003

| | 3 months ended 31.3.2003 RM'000 | 3 months ended 31.3.2002 RM'000 | Year-to- date ended 31.3.2003 RM'000 | Year-to- date ended 31.3.2002 RM'000 |
|--|--|--|---|---|
| Revenue | 28,181 | 25,629 | 94,963 | 84,904 |
| Other operating income | 168 | 38 | 481 | 273 |
| Debt waiver | 0 | 0 | (1,930) | 0 |
| Impairment of leasehold land | (900) | 0 | (900) | 0 |
| Doubtful debts recovered (net of doubt debts allowance) | 460 | 0 | 460 | 0 |
| Inventories writedowns | (252) | 0 | (1,068) | 0 |
| Other operating expenses | (26,973) | (23,988) | (83,670) | (76,512) |
| Profit from operations | <u>684</u> | <u>1,679</u> | <u>8,336</u> | <u>8,665</u> |
| Finance costs | (435) | (417) | (1,271) | (1,298) |
| Profit/(loss) before taxation | <u>249</u> | <u>1,262</u> | <u>7,065</u> | <u>7,367</u> |
| Taxation | (151) | (199) | (2,742) | (2,246) |
| Profit/(loss) after taxation | <u><u>98</u></u> | <u><u>1,063</u></u> | <u><u>4,323</u></u> | <u><u>5,121</u></u> |

| | 3 months ended 31.3.2003 | 3 months ended 31.3.2002 | Year-to- date ended 31.3.2003 | Year-to- date ended 31.3.2002 |
|-------------------------------|---|---|--|--|
| | sen | sen | sen | sen |
| Earnings/(loss) per share: | | | | |
| - basic | <u>0.234</u> | <u>2.603</u> | <u>10.343</u> | <u>12.538</u> |
| - diluted | <u>0.234</u> | <u>2.592</u> | <u>10.343</u> | <u>12.509</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 nine (9) months period ended 31 March 2003

| | 31.3.2003 RM'000 |
|--|-----------------------------------|
| Cash flow from operating activities | |
| Profit before tax | 7,065 |
| Adjustments for: | |
| Interest expenses | 1,179 |
| Interest income | 19 |
| Depreciation | 1,920 |
| Amortisation of intangible assets | 167 |
| Net (profit)/loss on disposal of property, plant and equipment | (120) |
| Property, plant and equipment written-off | 26 |
| Property, plant and equipment impaired | 900 |
| Net allowance for doubtful debts and debt waiver | 1,471 |
| Inventories writedowns | 1,068 |
| Unrealised gain on foreign exchange | (1) |
| | 13,694 |
| Operating profit before working capital changes | 13,694 |
| Net change in current assets | (18,750) |
| Net change in current liabilities | 4,030 |
| | (1,026) |
| Cash (absorbed by)/generated from operations | (1,026) |
| Tax paid | (926) |
| | (1,952) |
| Net cash (used in)/from operations | (1,952) |
| Cash flow from investing activities | |
| Purchase of property, plant and equipment | (765) |
| Sub-license fee paid | (75) |
| Interest received | (19) |
| Proceeds from disposal of property, plant and equipment | 218 |
| | (641) |
| Cash flow from financing activities | |
| Interest paid | (1,203) |
| Dividends paid | (618) |
| Net increase/(decrease) in bank borrowings and hire purchase obligations | 1,739 |
| | (82) |

| | 31.3.2003 RM'000 |
|---|-----------------------------------|
| Net increase/(decrease) in cash and cash equivalents | (2,675) |
| Cash and cash equivalents at beginning of period | <u>(408)</u> |
| Cash and cash equivalents at end of period | <u><u>(3,083)</u></u> |

Note: The Cash Flow Statement for the nine (9) months period ended 31 March 2002 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.

Hing Yiap Knitting Industries Berhad

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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.

Save for the application of new applicable approved accounting standards that took effect during the financial period, 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.

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, “Income Taxes”, 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 9 months period ended 31 March 2003 by RM 1,207,200. 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 |
| 9 months period ended 31.3.2002 | | | |
| Income statement | | | |
| Income tax | 3,479 | (514) | 2,965 |
| Deferred tax | 0 | (494) | (494) |
| Profit/(loss) after tax | 4,113 | 1,008 | 5,121 |

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

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 deferred tax and under accruals 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 nine (9) months period ended 31 March 2003, dividends paid by the Company, in respect of dividends proposed for the financial years ended 30 June 2001 and 30 June 2002, amounted to RM 618,000.

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 |
|-----------------------------------|---------------------------------------|---------------------------|--------------------------------------|-------------------------|
| 9 months ended 31.3.2003 | | | | |
| Segment revenue | | | | |
| External revenue | 5,468 | 89,495 | | 94,963 |
| Intersegment revenue | 59,680 | 2,738 | (62,418) | 0 |
| Total revenue | <u>65,148</u> | <u>92,233</u> | <u>(62,418)</u> | <u>94,963</u> |
| Segment result | <u>2,913</u> | <u>7,428</u> | <u>(556)</u> | 9,785 |
| Unallocated income | | | | 481 |
| Unallocated expense – debt waiver | | | | (1,930) |
| Profit from operations | | | | <u>8,336</u> |
| 9 months ended 31.3.2002 | | | | |
| Segment revenue | | | | |
| External revenue | 7,887 | 77,017 | | 84,904 |
| Intersegment revenue | 44,206 | 4,444 | (48,650) | 0 |
| Total revenue | <u>52,093</u> | <u>81,461</u> | <u>(48,650)</u> | <u>84,904</u> |
| Segment result | <u>1,330</u> | <u>7,791</u> | <u>(729)</u> | 8,392 |
| Unallocated income | | | | 273 |
| Profit from operations | | | | <u>8,665</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 ended 30 June 2002.

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 World Sdn Bhd) during the nine (9) months period ended 31 March 2003, 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 29,578,000 as at 30 June 2002 to RM 30,508,000 as at 31 March 2003 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 2.552 million or 9.96% to RM 28.181 million as compared to revenue of RM 25.629 million recorded during the quarter ended 31 March 2002. The Group's products continued to receive favourable response from the consumers. The Group's new operating unit, Bumcity Sdn Bhd, contributed approximately RM 1.73 million to Group revenue during the current quarter.

The Group achieved a pre-tax profit of RM 0.249 million during the current quarter as compared to a pre-tax profit of RM 1.262 million recorded during the quarter ended 31 March 2002. The Group management has taken the opportunity to review the quality of the Group's assets during the current reporting quarter and this review has culminated in the recognition of impairment in the value of leasehold land by RM 0.9 million, further writedown of inventories of RM 0.25 million and recovery of approximately RM 0.46 million in doubtful debts. Excluding these items, the Group would have achieved a pre-tax profit of RM 0.942 million for the quarter

ended 31 March 2003. The Group's results were also affected by higher operational costs.

Performance review for the financial year-to-date

The Group registered revenue and pre-tax profit of RM 94.963 million and RM 7.065 million respectively, for the period ended 31 March 2003. This marked an improvement of approximately RM 10.059 million or 11.85% for revenue. Pre-tax profits, however, reduced by RM 0.3 million or 4.10% over the preceding period ended 31 March 2002. Excluding the debt waiver as announced previously and the current review of the quality of the Group's assets, Group profit before tax would have improved by RM 3.136 million or 42.57%.

On the back of uncertain economic conditions resulting from a slowing US and global economy and the war in Iraq, which in turn affects consumer confidence, the performance of the Group was achieved on the back of a resilient domestic 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 March 2003 of RM 0.249 million was RM 4.944 million lower than the pre-tax profit of RM 5.193 million recorded during the quarter ended 31 December 2002.

The early part of the third quarter marked the end of the festive season in the country. Revenue recorded in the third quarter was RM 28.181 million as compared to RM 42.659 million achieved during the second quarter. As explained in preceding paragraphs, management had undertaken a review of the quality of the Group's assets during the current reporting quarter and the additional charge to the income statement was approximately RM 0.693 million.

15. Current year prospects

The results for the final quarter ending 30 June 2003 is traditionally not as robust as that of the past two quarters in the absence of major festivals. The current year final quarter will also be affected by the economic implications of the Severe Acute Respiratory Syndrome ("SARS"). The government has announced a stimulus package to mitigate the negative impact of a slowing economy and the effect of this initiative may be felt by the Group in the first quarter of the financial year ending 30 June 2004.

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 31.3.2003 RM'000 | 3 months ended 31.3.2002 RM'000 | Year-to-date ended 31.3.2003 RM'000 | Year-to-date ended 31.12.2002 RM'000 |
|---|--|--|--|---|
| Income tax | 51 | 508 | 3,678 | 2,965 |
| Deferred tax | 58 | (85) | (584) | (495) |
| Over accrual in respect of prior years of assessment | (352) | (224) | (352) | (224) |
| Under accrual in respect of preceding quarters | 394 | 0 | 0 | 0 |
| | 151 | 199 | 2,742 | 2,246 |

The effective tax rates for the periods presented above are 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 non-availability of tax deduction for debt waiver of RM 1.9 million, impairment charges of RM 0.9 million and other certain expenses.

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.

The ESOS has not been implemented yet.

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 are as follows:

| | 31.3.2003 |
|------------------------------------|------------------|
| | RM'000 |
| Short term borrowings | |
| Secured | |
| Term loans | 746 |
| Unsecured | |
| Bank overdrafts | 3,204 |
| Bankers' acceptances | 17,781 |
| Trust receipts | 0 |
| | 20,985 |
| Total short term borrowings | 21,731 |
| Long term borrowings | |
| Secured | |
| Term loans | 2,947 |

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

- (i) In the civil suit D2-22-58-2002 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 S.p.A ("Defendants"), the Plaintiffs filed an Amended Writ and Statement of Claim including a claim for Rectification of the Register of Trade Marks to expunge Diesel S.p.A.'s registrations for the mark "DIESEL" and vary Diesel S.p.A.'s registrations for the "DIESEL and Red Indian Device" by removing the word "DIESEL" therefrom. On 15 November 2002 an interim injunction was entered by the Plaintiffs against Apcott PP (M) Sdn Bhd. Pursuant to the interim injunction, Apcott PP (M) Sdn Bhd is restrained until the disposal of the main suit from importing, distributing, selling or otherwise dealing in the course of trade with bags in Class 18 bearing the mark "DIESEL". Apcott PP (M) Sdn Bhd has also given the Court an undertaking that they have never dealt with wearing apparel bearing the mark "DIESEL" and will not do so pending the disposal of the main suit. Apcott PP (M) Sdn Bhd has filed a Defence and Counter-Claim. The Counter-Claim is based on alleged infringement of Diesel S.p.A.'s "DIESEL" mark by the Plaintiffs and claims for damages. Diesel S.p.A. has not yet filed their Defence. Once Diesel S.p.A. files their Defence, the Plaintiffs will file their Reply and

Defence to Counter-Claim against both Defendants and proceed to set the matter down for trial.

- (ii) In the three (3) civil suits of Bontton Sdn Bhd and Diesel Marketing Sdn Bhd (“Plaintiffs”) against F.O.S. Clothing Co. Sdn Bhd, Popular Gateway Sdn Bhd and Orifocus Sdn Bhd (“Defendants”), all three Defendants have filed their Defence and Counter-Claim. The Counter-Claim is to expunge the Plaintiffs' trade mark registration for the mark "DIESEL" in Class 25. The Plaintiffs have filed their Reply and Defence to Counter-Claim. On 18 March 2003 the Plaintiffs entered an interim injunction against each of the three Defendants which restrains each of the three Defendants until the final disposal of the main suit from importing, distributing, selling or otherwise dealing in the course of trade with wearing apparel bearing the mark "DIESEL". On 19 May 2003, upon the Plaintiffs' application, all three (3) suits have been consolidated to proceed as one (1) suit. The Plaintiffs will now apply to set the matter down for trial.

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 31.3.2003 | 3 months ended 31.3.2002 | Year-to-date ended 31.3.2003 | Year-to-date ended 31.3.2002 |
|--|---|---|---|---|
| Profit/(loss) after taxation (RM'000) | 98 | 1,063 | 4,323 | 5,121 |
| Weighted average number of ordinary shares in issue ('000) | 41,787 | 40,845 | 41,787 | 40,845 |
| Basic earnings/(loss) per share (sen) | 0.234 | 2.603 | 10.343 | 12.538 |

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 (which expired on 28 January 2003) been exercised.

| | 3 months ended 31.3.2003 | 3 months ended 31.3.2002 | Year-to-date ended 31.3.2003 | Year-to-date ended 31.3.2002 |
|--|---|---|---|---|
| Profit/(loss) after taxation (RM'000) | 98 | 1,063 | 4,323 | 5,121 |
| Weighted average number of ordinary shares in issue ('000) | 41,787 | 40,845 | 41,787 | 40,845 |
| Adjustment for share options (‘000) | 0 | 158 | 0 | 94 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | 41,787 | 41,003 | 41,787 | 40,939 |
| Diluted earnings/(loss) per share (sen) | 0.234 | 2.592 | 10.343 | 12.509 |

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
28 May 2003