

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 unaudited financial results of the Group for the financial period ended 30 September 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 2003. **Accordingly, this interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2003.**

This report comprised the following:

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

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Condensed Consolidated Balance Sheets
As at 30 September 2003

	30.9.2003	30.6.2003
	RM'000	RM'000
Non current assets		
Property, plant and equipment	21,859	21,161
Investment properties	3,310	3,310
Intangible assets	3,212	3,267
Deferred tax assets	884	842
	<u>29,265</u>	<u>28,580</u>
Current assets		
Inventories	58,462	53,106
Receivables	27,435	23,165
Short term investment	166	166
Bank and cash balances	175	1,687
	<u>86,238</u>	<u>78,124</u>
Less: Current liabilities		
Payables	21,331	13,986
Hire purchase payables	1,794	1,501
Short term borrowings	20,899	21,163
Taxation	245	204
	<u>44,269</u>	<u>36,854</u>
Net current assets	41,969	41,270
Less: Non current liabilities		
Hire purchase payables	1,643	1,171
Term loans	2,551	2,727
Deferred taxation	460	565
	<u>4,654</u>	<u>4,463</u>
	<u>66,580</u>	<u>65,387</u>
Capital and reserves		
Share capital	41,787	41,787
Reserves	24,793	23,600
Shareholders' funds	<u>66,580</u>	<u>65,387</u>
	RM	RM
Net tangible assets per share	<u>1.52</u>	<u>1.49</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the annual financial statements for the year ended 30 June 2003.

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Condensed Statements of Changes in Equity
For the three (3) months period ended 30 September 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 (Note B)	-	-	(600)	1,292	692
At 30.6.2002, as restated	41,787	1,356	1,101	17,028	61,272
Profit after taxation	-	-	-	959	959
At 30.9.2002	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>17,987</u>	<u>62,231</u>
		Note A	Note A		
At 30.6.2003	41,787	1,356	1,101	21,143	65,387
Profit after taxation	-	-	-	1,193	1,193
At 30.9.2003	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>22,336</u>	<u>66,580</u>
		Note A	Note A		

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

Note B: Adjustments relating to deferred taxation upon adoption of MASB 25 "Income Taxes".

The Condensed Statements of Changes in Equity should be read in conjunction with the annual financial statements for the year ended 30 June 2003.

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Condensed Consolidated Income Statements
For the three (3) months period ended 30 September 2003

	3 months ended 30.9.2003 RM'000	3 months ended 30.9.2002 RM'000	Year-to-date ended 30.9.2003 RM'000	Year-to-date ended 30.9.2002 RM'000
Revenue	25,067	24,123	25,067	24,123
Other operating income	221	141	221	141
Goodwill arising on acquisition of subsidiary company written-off	(20)	-	(20)	-
Inventories writedowns	(208)	-	(208)	-
Other operating expenses	(22,947)	(22,261)	(22,947)	(22,261)
Profit from operations	2,113	2,003	2,113	2,003
Finance costs	(401)	(380)	(401)	(380)
Profit before taxation	1,712	1,623	1,712	1,623
Taxation	(519)	(664)	(519)	(664)
Profit after taxation	1,193	959	1,193	959
Earnings per share	sen 2.855	sen 2.295	sen 2.855	sen 2.295

The Condensed Consolidated Income Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2003.

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Condensed Consolidated Cash Flow Statements
For the three (3) months period ended 30 September 2003

	30.9.2003	30.9.2002
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	1,712	1,623
Adjustments for:		
Interest expenses	371	351
Interest income	(35)	(15)
Depreciation	662	607
Amortisation of intangible assets	56	56
Profit on disposal of property, plant and equipment	-	(23)
Property, plant and equipment written-off	-	10
Goodwill arising on consolidation written-off	20	-
Inventories writedowns	208	-
Unrealised gain on foreign exchange	(1)	(1)
Operating profit before working capital changes	<u>2,993</u>	<u>2,608</u>
Net change in current assets	(9,327)	(16,666)
Net change in current liabilities	7,403	8,687
Cash generated from/(absorbed by) operations	<u>1,069</u>	<u>(5,371)</u>
Tax paid	(1,134)	(100)
Net cash used in operations	<u>(65)</u>	<u>(5,471)</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(156)	(278)
Sub-license fee paid	(75)	(75)
Interest received	35	15
Proceeds from disposal of property, plant and equipment	-	122
	<u>(196)</u>	<u>(216)</u>
Cash flow from financing activities		
Interest paid	(369)	(373)
Dividends paid	(4)	(2)
Net (decrease)/increase in bank borrowings and hire purchase obligations	(1,787)	1,526
	<u>(2,160)</u>	<u>1,151</u>
Net decrease in cash and cash equivalents	(2,421)	(4,536)
Cash and cash equivalents at beginning of period	(969)	(408)
Cash and cash equivalents at end of period	<u><u>(3,390)</u></u>	<u><u>(4,944)</u></u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2003.

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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 2003.

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 2003.

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 2003 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, save for those 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 financial period ended 30 September 2003, dividends paid by the Company amounted to RM 4,419.52.

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 30.9.2003				
Segment revenue				
External revenue	1,115	23,952	-	25,067
Intersegment revenue	18,656	859	(19,515)	-
Total revenue	<u>19,771</u>	<u>24,811</u>	<u>(19,515)</u>	<u>25,067</u>
Segment result	<u>1,064</u>	<u>1,062</u>	<u>(213)</u>	1,913
Unallocated income				221
Unallocated expense				(21)
Profit from operations				<u>2,113</u>
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>

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 2003.

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.

On 21 August 2003, the Company entered into a Sale and Purchase Agreement with Lim Eng Kiat, Lim Eng Sing, Lim Kian Kiong and Lim Kian Wah for the acquisition of a piece of freehold land and building held under title no. H.S.(D) 87324, Lot no. 48, Mukim Batu, District of Kuala Lumpur, State of Federal Territory for a total cash consideration of RM 2,500,000. This acquisition has been completed subsequent to 30 September 2003.

On 7 November 2003, the Company acquired the entire interest in a shelf company, Ubay Marketing Sdn Bhd (formerly known as Boceli Corporation Sdn Bhd) for a cash consideration of RM 7,100. The new subsidiary company has not commenced operations yet.

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 acquisition of the entire interest in B.U.M. Holdings (M) Sdn Bhd during the current reporting quarter, 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 30,996,992 as at 30 June 2003 to RM 31,679,921 as at 30 September 2003 due to additional hire purchase and other credit 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 and financial year-to-date

Group revenue for the current quarter increased by RM 0.944 million or 3.91% to RM 25.067 million as compared to revenue of RM 24.123 million recorded during the quarter ended 30 September 2002. The Group revenue improved on contribution from new retail outlets operating under the “Bumcity” concept.

The Group achieved a pre-tax profit of RM 1.712 million during the current quarter as compared to a pre-tax profit of RM 1.623 million recorded during the quarter ended 30 September 2002. The improvement was achieved on the back of increased sales of merchandise with better margins, and improvement in inventory and other cost management.

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 30 September 2003 of RM 1.712 million was RM 0.621 million higher than the pre-tax profit of RM 1.091 million record during the quarter ended 30 June 2003.

The Company benefited from improvement in the retail environment by selling merchandise with better margins and the positive impact of the nationwide Mega Carnival Sales held in August 2003.

15. Current year prospects

The “Bumcity” outlets will provide an additional revenue stream to the Group. It is expected that at least six (6) of such outlets will be opened by the end of the financial year. The improving economy will be positive to the retail business and the Group is poised to benefit from the improving consumer confidence .

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 2004 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 30.9.2003 RM'000	3 months ended 30.9.2002 RM'000	Year-to-date ended 30.9.2003 RM'000	Year-to-date ended 30.9.2002 RM'000
Income tax	665	727	665	727
Deferred tax	(148)	(63)	(148)	(63)
Under/(over) accrual in respect of prior years of assessment	2	-	2	-
	<u>519</u>	<u>664</u>	<u>519</u>	<u>664</u>

The effective tax rates for the periods presented above are higher than the statutory tax rate due to losses of a certain subsidiary company that are not available for set-off against taxable profits of profitable companies and non-availability of tax deduction for 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

The Company has no pending corporate proposals.

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:

	30.9.2003
	RM'000
Short term borrowings	
Secured	
Term loans	771
Unsecured	
Bank overdrafts	3,565
Bankers' acceptances	16,111
Trust receipts	452
	20,128
Total short term borrowings	20,899
Long term borrowings	
Secured	
Term loans	2,551

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) Suit No. D2-22-58-2002 between Bontton Sdn Bhd and Diesel Marketing Sdn Bhd (the Plaintiffs) against Apcott PP (M) Sdn Bhd ("Apcott") and Diesel S.p.A.

The Plaintiffs will file their Reply and Defence to Counter-Claim filed by Apcott, after which the matter will be set down for trial.

- (ii) Suits by Bontton Sdn Bhd and Diesel Marketing Sdn Bhd (the Plaintiffs) against F.O.S. Clothing Co. Sdn Bhd, Orifocus Sdn Bhd and Popular Gateway Sdn Bhd

The pre-trial case management on 17 November 2003 has been adjourned to 4 March 2004.

24. Dividends

The Directors do not recommend the payment of any dividend for 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 30.9.2003	3 months ended 30.9.2002	Year-to-date ended 30.9.2003	Year-to-date ended 30.9.2002
Profit/(loss) after taxation (RM'000)	1,193	959	1,193	959
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic earnings/(loss) per share (sen)	2.855	2.295	2.855	2.295

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
21 November 2003