

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 31 December 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 31 December 2003

	31.12.2003	30.6.2003
	RM'000	RM'000
Non current assets		
Property, plant and equipment	25,295	21,161
Investment properties	3,310	3,310
Intangible assets	3,156	3,267
Deferred tax assets	998	842
	<u>32,759</u>	<u>28,580</u>
Current assets		
Inventories	55,835	53,106
Receivables	37,990	23,165
Short term investment	166	166
Bank and cash balances	525	1,687
	<u>94,516</u>	<u>78,124</u>
Less: Current liabilities		
Payables	26,599	13,986
Hire purchase payables	1,928	1,501
Short term borrowings	20,450	21,163
Taxation	957	204
	<u>49,934</u>	<u>36,854</u>
Net current assets	44,582	41,270
Less: Non current liabilities		
Hire purchase payables	2,019	1,171
Term loans	4,181	2,727
Deferred taxation	370	565
	<u>6,570</u>	<u>4,463</u>
	<u>70,771</u>	<u>65,387</u>
Capital and reserves		
Share capital	41,787	41,787
Reserves	28,984	23,600
Shareholders' funds	<u>70,771</u>	<u>65,387</u>
	RM	RM
Net tangible assets per share	<u>1.62</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 six (6) months period ended 31 December 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	-	-	-	4,026	4,026
At 31.12.2002	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>21,054</u>	<u>65,298</u>
		Note A	Note A		
At 30.6.2003	41,787	1,356	1,101	21,143	65,387
Profit after taxation	-	-	-	5,384	5,384
At 31.12.2003	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>26,527</u>	<u>70,771</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 six (6) months period ended 31 December 2003

	3 months ended 31.12.2003 RM'000	3 months ended 31.12.2002 RM'000	Year-to-date ended 31.12.2003 RM'000	Year-to-date ended 31.12.2002 RM'000
Revenue	42,942	42,659	68,009	66,782
Other operating income	293	172	514	313
Goodwill arising on acquisition of subsidiary companies written-off	(8)	-	(28)	-
Debt waiver	-	(1,930)	-	(1,930)
Inventories writedowns	(510)	(816)	(718)	(816)
Other operating expenses	(36,688)	(34,435)	(59,634)	(56,696)
Profit from operations	<u>6,029</u>	<u>5,650</u>	<u>8,143</u>	<u>7,653</u>
Finance costs	(430)	(457)	(831)	(837)
Profit before taxation	<u>5,599</u>	<u>5,193</u>	<u>7,312</u>	<u>6,816</u>
Taxation	(1,409)	(2,126)	(1,928)	(2,790)
Profit after taxation	<u><u>4,190</u></u>	<u><u>3,067</u></u>	<u><u>5,384</u></u>	<u><u>4,026</u></u>
Earnings per share	<u><u>sen</u></u> 10.027	<u><u>sen</u></u> 7.339	<u><u>sen</u></u> 12.884	<u><u>sen</u></u> 9.634

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 six (6) months period ended 31 December 2003

	31.12.2003	31.12.2002
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	7,312	6,816
Adjustments for:		
Interest expenses	773	776
Interest income	(52)	(18)
Depreciation	1,401	1,228
Amortisation of intangible assets	111	111
Profit on disposal of property, plant and equipment	(5)	(94)
Property, plant and equipment written-off	-	16
Goodwill arising on consolidation written-off	28	-
Inventories writedowns	718	816
Unrealised gain on foreign exchange	(1)	(1)
Operating profit before working capital changes	10,285	9,650
Net change in current assets	(17,563)	(31,879)
Net change in current liabilities	12,694	15,673
Liabilities of subsidiary assumed upon acquisition	(21)	-
Cash generated from/ (absorbed by) operations	5,395	(6,556)
Tax paid	(2,263)	(339)
Net cash generated from/(used in) operations	3,132	(6,895)
Cash flow from investing activities		
Purchase of property, plant and equipment	(3,312)	(650)
Sub-license fee paid	(75)	(75)
Interest received	52	18
Proceeds from disposal of property, plant and equipment	5	192
Acquisition of subsidiary, net of cash acquired	(7)	-
	(3,337)	(515)
Cash flow from financing activities		
Interest paid	(744)	(825)
Dividends paid	(5)	(2)
Net (decrease)/increase in bank borrowings and hire purchase obligations	(458)	6,865
	(1,207)	6,038
Net decrease in cash and cash equivalents	(1,412)	(1,372)
Cash and cash equivalents at beginning of period	(969)	(408)
Cash and cash equivalents at end of period	(2,381)	(1,780)

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

Save for those disclosed below and in this interim financial report, there are no other material changes in estimates:

	As previously reported	Changes in estimate	As amended
3 months ended 31.12. 2002	RM'000	RM'000	RM'000
Taxation	2,053	73	2,126
Profit after tax	3,140	(73)	3,067
	sen	sen	sen
Earnings per share			
- basic	7.514	(0.175)	7.339
- diluted	7.514	(7.514)	-
Year-to-date ended 31.12.2002	RM'000	RM'000	RM'000
Taxation	2,640	150	2,790
Profit after tax	4,176	(150)	4,026
	sen	sen	sen
Earnings per share			
- basic	9.994	(0.360)	9.634
- diluted	9.992	(9.992)	-

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 31 December 2003, dividends paid by the Company amounted to RM 4,758.20.

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 31.12.2003				
Segment revenue				
External revenue	1,238	66,771	-	68,009
Intersegment revenue	38,153	2,400	(40,553)	-
Total revenue	<u>39,391</u>	<u>69,171</u>	<u>(40,553)</u>	<u>68,009</u>
Segment result	<u>1,337</u>	<u>6,595</u>	<u>(276)</u>	7,656
Unallocated income				515
Unallocated expense				(28)
Profit from operations				<u>8,143</u>
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>954</u>	<u>9,128</u>	<u>(812)</u>	9,270
Unallocated income				313
Unallocated expense – debt waiver				(1,930)
Profit from operations				<u>7,653</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 6 February 2004, a wholly-owned subsidiary company, Bumcity Sdn Bhd increased its issued and fully-paid share capital from 250,000 ordinary shares of

RM 1.00 each to 500,000 ordinary shares of RM 1.00 each. The new shares were fully subscribed by Hing Yiap Knitting Industries Berhad.

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 on 28 August 2003 and Ubay Marketing Sdn Bhd (formerly known as Boceli Corporation Sdn Bhd) on 7 November 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 30,996,992 as at 30 June 2003 to RM 32,410,650 as at 31 December 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

Group revenue for the current quarter increased by RM 0.283 million or 0.66% to RM 42.942 million as compared to revenue of RM 42.659 million recorded during the quarter ended 31 December 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 5.599 million during the current quarter as compared to a pre-tax profit of RM 5.193 million recorded during the quarter ended 31 December 2002. The improvement of 7.82% was achieved on the back of increased sales of merchandise with better margins, improvement in inventory and other cost management and absence of one-off debt waiver of RM 1.93 million incurred during the quarter ended 31 December 2002.

Performance review for the financial year-to-date

Group revenue for the six months period ended 31 December 2003 increased by RM 1.227 million or 1.84% to RM 68.009 million as compared to revenue of RM 66.782 million achieved during the six months period ended 31 December 2002. The new retail outlets operating under the "Bumcity" concept contributed to the improvement in revenue.

Group pre-tax profit improved by RM 0.496 million or 7.28% to RM 7.312 million as compared to RM 6.816 million achieved in the comparative six months. Improvement in inventory and other cost management, sale of merchandise with better margins and absence of one-off debt waiver of RM 1.93 million incurred during the quarter ended 31 December 2002, contributed to this improvement.

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 2003 of RM 5.599 million was RM 3.887 million higher than the pre-tax profit of RM 1.712 million recorded during the quarter ended 30 September 2003.

The Company benefited from the year-end festive sales and improvement in the retail environment.

15. Current year prospects

The “Bumcity” outlets will provide an additional revenue stream to the Group. 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:

	6 months ended 31.12.2003 RM’000	6 months ended 31.12.2002 RM’000	Year-to-date ended 31.12.2003 RM’000	Year-to-date ended 31.12.2002 RM’000
Income tax	1,792	2,327	2,340	3,054
Deferred tax	(269)	(201)	(352)	(264)
Under/(over) accrual in respect of prior years of assessment	(62)	-	(60)	-

Under/(over) accrual in respect of prior quarter	(52)	-	-	-
	1,409	2,126	1,928	2,790

The effective tax rates for the quarter and six months period ended 31 December 2002 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:

	31.12.2003
	RM'000
Short term borrowings	
Secured	
Term loans	1,064
Unsecured	
Bank overdrafts	2,907
Bankers' acceptances	16,479
Trust receipts	-
	19,386
Total short term borrowings	20,450
Long term borrowings	
Secured	
Term loans	4,181

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 have filed 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.

	6 months ended 31.12.2003	6months ended 31.12.2002	Year-to-date ended 31.12.2003	Year-to-date ended 31.12.2002
Profit/(loss) after taxation (RM'000)	4,190	3,067	5,384	4,026
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787

Basic earnings/(loss) per share (sen)	10.027	7.339	12.884	9.634
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By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
25 February 2004