

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 June 2004.

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

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 June 2004

	30.6.2004	30.6.2003
	RM'000	RM'000
Non current assets		
Property, plant and equipment	26,583	21,161
Investment properties	3,310	3,310
Intangible assets	3,045	3,267
Deferred tax assets	1,067	842
	<u>34,005</u>	<u>28,580</u>
Current assets		
Inventories	43,679	53,106
Receivables	24,046	23,165
Short term investment	166	166
Bank and cash balances	1,221	1,687
	<u>69,112</u>	<u>78,124</u>
Less: Current liabilities		
Payables	15,591	13,986
Hire purchase payables	2,408	1,501
Short term borrowings	10,824	21,163
Taxation	220	204
	<u>29,043</u>	<u>36,854</u>
Net current assets	40,069	41,270
Less: Non current liabilities		
Hire purchase payables	2,307	1,171
Term loans	3,620	2,727
Deferred taxation	570	565
	<u>6,497</u>	<u>4,463</u>
	<u>67,577</u>	<u>65,387</u>
Capital and reserves		
Share capital	41,787	41,787
Reserves	25,790	23,600
Shareholders' funds	<u>67,577</u>	<u>65,387</u>
	RM	RM
Net tangible assets per share	<u>1.54</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 year ended 30 June 2004

	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	-	-	-	5,168	5,168
Dividend	-	-	-	(1,053)	(1,053)
At 30.6.2003	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>21,143</u>	<u>65,387</u>
		Note A	Note A		
At 30.6.2003	41,787	1,356	1,101	21,143	65,387
Profit after taxation	-	-	-	3,243	3,243
Dividend	-	-	-	(1,053)	(1,053)
At 30.6.2004	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>23,333</u>	<u>67,577</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 year ended 30 June 2004

	3 months ended 30.6.2004 RM'000	3 months ended 30.6.2003 RM'000	Year-to-date ended 30.6.2004 RM'000	Year-to-date ended 30.6.2003 RM'000
Revenue	25,355	20,378	124,208	115,341
Other operating income	229	170	1,015	650
Goodwill arising on acquisition of subsidiary companies written-off	-	-	(28)	-
Doubtful debts recovered (net of doubtful debts allowance)	-	-	3	460
Inventories (writedowns) / recovered	(444)	305	(1,464)	(763)
Other operating expenses	(25,898)	(19,362)	(116,621)	(105,862)
(Loss)/Profit from operations	(758)	1,491	7,113	9,826
Finance costs	(351)	(400)	(1,584)	(1,671)
(Loss)/Profit before taxation	(1,109)	1,091	5,529	8,155
Taxation	(43)	(447)	(2,286)	(2,987)
(Loss)/Profit after taxation	(1,152)	644	3,243	5,168
(Loss)/Earnings per share	(2.757)	1.541	7.761	12.367

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 year ended 30 June 2004

	30.6.2004	30.6.2003
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	5,529	8,155
Adjustments for:		
Interest expenses	1,449	1,563
Interest income	(121)	(31)
Depreciation	3,099	2,503
Amortisation of intangible assets	222	222
Net loss/(profit) on disposal of property, plant and equipment	18	(146)
Property, plant and equipment written-off and impaired	76	1,033
Goodwill arising on consolidation written-off	28	-
Inventories writedowns / (recovered)	1,458	763
Unrealised gain on foreign exchange	(1)	(1)
Doubtful debts recovered, net of allowance for doubtful debts and debt waiver	(3)	1,471
	<u>11,754</u>	<u>15,532</u>
Operating profit before working capital changes	11,754	15,532
Net change in current assets	8,167	(11,118)
Net change in current liabilities	1,682	(956)
Liabilities of subsidiary assumed upon acquisition	(21)	-
Cash generated from/(absorbed by) operations	<u>21,582</u>	<u>3,458</u>
Tax paid	(3,612)	(1,636)
Net cash generated from/(used in) operations	<u>17,970</u>	<u>1,822</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(4,393)	(1,034)
Sub-license fee paid	(75)	(75)
Interest received	121	31
Proceeds from disposal of property, plant and equipment	75	245
Acquisition of subsidiary, net of cash acquired	(7)	-
Net cash used in investing activities	<u>(4,279)</u>	<u>(833)</u>
Cash flow from financing activities		
Interest paid	(1,403)	(1,578)
Dividends paid	(1,055)	(1,051)
Net (decrease)/increase in bank borrowings and hire purchase obligations	(11,675)	1,079
Net cash used in financing activities	<u>(14,133)</u>	<u>(1,550)</u>
Net (decrease)/increase in cash and cash equivalents	(442)	(561)
Cash and cash equivalents at beginning of period	(969)	(408)
Cash and cash equivalents at end of period	<u>(1,411)</u>	<u>(969)</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 Bursa Malaysia, 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 30.6.2003	RM'000	RM'000	RM'000
Taxation	574	(127)	447
Profit after tax	517	127	644
	sen	sen	sen
Earnings per share			
- basic	1.237	0.304	1.541
- diluted	1.237	(1.237)	-
Year-to-date ended 30.6.2003	RM'000	RM'000	RM'000
Taxation	3,316	(329)	2,987
Profit after tax	4,839	329	5,168
	sen	sen	sen
Earnings per share			
- basic	11.580	0.787	12.367
- diluted	11.580	(11.580)	-

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 June 2004, dividends paid by the Company amounted to RM 1,054,610.

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
Year ended 30.6.2004				
Segment revenue				
External revenue	2,995	121,213	-	124,208
Intersegment revenue	52,364	4,087	(56,451)	-
Total revenue	<u>55,359</u>	<u>125,300</u>	<u>(56,451)</u>	<u>124,208</u>
Segment result	<u>3,494</u>	<u>1,727</u>	<u>877</u>	6,098
Unallocated income				1,015
Unallocated expense				-
Profit from operations				<u>7,113</u>
Year ended 30.6.2003				
Segment revenue				
External revenue	6,588	108,753	-	115,341
Intersegment revenue	67,464	3,026	(70,490)	-
Total revenue	<u>74,052</u>	<u>111,779</u>	<u>(70,490)</u>	<u>115,341</u>
Segment result	<u>3,552</u>	<u>7,532</u>	<u>22</u>	11,106
Unallocated income				650
Unallocated expense				(1,930)
Profit from operations				<u>9,826</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.

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.

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.

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 35,976,656 as at 30 June 2004 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 Bursa Malaysia

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 4.977 million or 24.42% to RM 25.355 million as compared to revenue of RM 20.378 million recorded during the quarter ended 30 June 2003. The Group revenue improved on contribution from new retail outlets operating under the "Bumcity" concept.

The Group incurred a pre-tax loss of RM 1.109 million during the current quarter as compared to a pre-tax profit of RM 1.091 million recorded during the quarter ended 30 June 2003. The losses were incurred mainly from the operations of the "Bumcity" specialty stores and adverse business conditions that affected the Group's established business.

Performance review for the financial year-to-date

Group revenue for the year ended 30 June 2004 increased by RM 8.867 million or 7.69% to RM 124.208 million as compared to revenue of RM 115.341 million achieved during the year ended 30 June 2003. The new retail outlets operating under the "Bumcity" concept contributed to the improvement in revenue.

Group pre-tax profit decreased by RM 2.626 million or 32.20% to RM 5.529 million as compared to RM 8.155 million achieved in the comparative financial year. The reduction in earnings were mainly due to the losses incurred in the operations of the "Bumcity" specialty stores and the lower than expected performance of the Group's brands which arisen from strong competition and uncertain retail environment.

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

The Group incurred a pre-tax loss of RM 1.109 million for the quarter ended 30 June 2004 as compared to the pre-tax loss of RM 0.675 million recorded during the quarter ended 31 March 2004.

The Group benefited from the year-end festive sales whilst the retail environment turned lacklustre after the Chinese New Year festival.

15. Current year prospects

The "Bumcity" outlets will provide an additional revenue stream to the Group. However this new concept is expected to face challenges in the new financial year to turn around. Opportunities, which are synergistic to the Group's business, have been identified to broaden the Group's revenue base in the near future. 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 earnings for the year ending 30 June 2005 are expected to be comparable to the results achieved during the current 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 30.6.2004 RM'000	3 months ended 30.6.2003 RM'000	Year-to-date ended 30.6.2004 RM'000	Year-to-date ended 30.6.2003 RM'000
Income tax	514	489	2,566	3,654
Deferred tax	(44)	(42)	(220)	(316)
Under/(over) accrual in respect of	-	-	(60)	(351)

prior years of
assessment

Under/(over)
accrual in
respect of
prior
quarters

(427)	-	-	-
<u>43</u>	<u>447</u>	<u>2,286</u>	<u>2,987</u>

The effective tax rates for the reporting 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 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:

	30.6.2004 RM'000
Short term borrowings	
Secured	
Term loans	1,074
Unsecured	
Bank overdrafts	2,632
Bankers' acceptances	7,118
Trust receipts	-
	<u>9,750</u>

Total short term borrowings	10,824
	<hr/> <hr/>
Long term borrowings	
Secured	
Term loans	3,620
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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 of both Apcott and Diesel S.p.A. The matter is now pending the filing of the Reply to Defence to Counter-Claim by both Defendants. Thereafter pleadings will be deemed close and both parties will then proceed to discovery.

- (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 matter has been settled by entering consent judgement against the Defendants on 16 March 2004, the terms of which include an injunction restraining the Defendants from selling articles of clothing which infringe the Plaintiff's trade mark, with costs of RM 40,000.

24. Dividends

Subject to the approval of shareholders in the forthcoming annual general meeting, the Directors recommend the payment of dividend of 3.5%, less income tax for the year ended 30 June 2004. The payment date for this dividend and the date of the annual general meeting will be announced at a later date.

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 30.6.2004	3 months ended 30.6.2003	Year-to-date ended 30.6.2004	Year-to-date ended 30.6.2003
(Loss)/profit after taxation (RM'000)	(1,152)	644	3,243	5,168
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic (loss) /earnings per share (sen)	(2.757)	1.541	7.761	12.367

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
26 August 2004