

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 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 Securities Berhad.

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 2004. Accordingly, this interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2004.

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 2004

	30.9.2004	30.6.2004
	RM'000	RM'000
Non current assets		
Property, plant and equipment	26,409	26,583
Investment properties	3,310	3,310
Intangible assets	2,989	3,045
Deferred tax assets	2,364	1,968
	<u>35,072</u>	<u>34,906</u>
Current assets		
Inventories	51,552	42,862
Receivables	26,509	24,653
Short term investment	166	166
Cash and bank balances	153	1,221
	<u>78,380</u>	<u>68,902</u>
Current liabilities		
Payables	24,683	16,495
Hire purchase payables	2,209	2,408
Short term borrowings	14,963	10,824
Taxation	45	220
	<u>41,900</u>	<u>29,947</u>
Net current assets	36,480	38,955
Non current liabilities		
Hire purchase payables	1,852	2,307
Term loans	3,359	3,620
Deferred tax liabilities	1,194	1,237
	<u>6,405</u>	<u>7,164</u>
	<u>65,147</u>	<u>66,697</u>
Capital and reserves		
Share capital	41,787	41,787
Reserves	23,360	24,910
Shareholders' funds	<u>65,147</u>	<u>66,697</u>
	RM	RM
Net tangible assets per share	<u>1.487</u>	<u>1.523</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the annual financial statements for the year ended 30 June 2004.

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Condensed Statements of Changes in Equity
For the period ended 30 September 2004

	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained profits RM'000	Total RM'000
At 30.6.2003, as previously reported	41,787	1,356	1,101	21,143	65,387
Prior period adjustments (Note A)	-	-	-	(258)	(258)
At 30.6.2003, as restated	41,787	1,356	1,101	20,885	65,129
Profit after taxation	-	-	-	931	931
Dividend	-	-	-	-	-
At 30.9.2003	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>21,816</u>	<u>66,060</u>
At 30.6.2004	41,787	1,356	1,101	22,453	66,697
(Loss)/profit after taxation	-	-	-	(1,550)	(1,550)
Dividend	-	-	-	-	-
At 30.9.2004	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>20,903</u>	<u>65,147</u>

Note A: Adjustments relating to provision for obligations in respect of short term employee benefits in the form of accumulated compensated absences, upon adoption of MASB 29 "Employee Benefits".

The Condensed Statements of Changes in Equity should be read in conjunction with the annual financial statements for the year ended 30 June 2004.

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Condensed Consolidated Income Statements For the period ended 30 September 2004

	3 months ended 30.9.2004 RM'000	3 months ended 30.9.2003 RM'000	Year-to-date ended 30.9.2004 RM'000	Year-to-date ended 30.9.2003 RM'000
Revenue	26,627	25,067	26,627	25,067
Other operating income	245	221	245	221
Goodwill arising on acquisition of subsidiary companies written-off	-	(20)	-	(20)
Doubtful debts recovered (net of doubtful debts allowance)	-	-	-	-
Inventories (writedowns) / recovered	(292)	(208)	(292)	(208)
Operating expenses	(27,958)	(23,015)	(27,958)	(23,015)
(Loss)/Profit from operations	(1,378)	2,045	(1,378)	2,045
Finance costs	(300)	(371)	(300)	(371)
(Loss)/Profit before taxation	(1,678)	1,674	(1,678)	1,674
Taxation	128	(743)	128	(743)
(Loss)/Profit after taxation	(1,550)	931	(1,550)	931
(Loss)/Earnings per share	sen (3.709)	sen 2.228	sen (3.709)	sen 2.228

The Condensed Consolidated Income Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2004.

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Condensed Consolidated Cash Flow Statements
For the period ended 30 September 2004

	30.9.2004	30.9.2003
	RM'000	RM'000
Cash flow from operating activities		
(Loss)/Profit before tax	(1,678)	1,674
Adjustments for:		
Interest expenses	300	371
Interest income	(27)	(35)
Depreciation	839	662
Amortisation of intangible assets	56	56
Net (profit)/loss on disposal of property, plant and equipment	(12)	-
Property, plant and equipment written-off and impaired	-	-
Goodwill arising on consolidation written-off	-	20
Inventories writedowns / (recovered)	292	208
Unrealised gain on foreign exchange	(1)	(1)
Doubtful debts recovered, net of allowance for doubtful debts	-	-
	<u>(231)</u>	<u>2,955</u>
Operating (loss)/profit before working capital changes		
Net change in current assets	(10,300)	(9,327)
Net change in current liabilities	8,193	7,441
Liabilities of subsidiary assumed upon acquisition	-	-
Cash (used in)/ generated from operations	<u>(2,338)</u>	<u>1,069</u>
Tax paid	(1,028)	(1,134)
Net cash (used in)/ generated from operating activities	<u>(3,366)</u>	<u>(65)</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(704)	(156)
Sub-license fee paid	-	(75)
Interest received	27	35
Proceeds from disposal of property, plant and equipment	50	-
	<u>(627)</u>	<u>(196)</u>
Net cash used in investing activities		
Cash flow from financing activities		
Interest paid	(296)	(369)
Dividends paid	(3)	(4)
Net increase/(decrease) in bank borrowings and hire purchase obligations	2,523	(1,787)
	<u>2,224</u>	<u>(2,160)</u>
Net cash generated from/(used in) financing activities		
Net (decrease)/increase in cash and cash equivalents	(1,769)	(2,421)
Cash and cash equivalents at beginning of period	(1,411)	(969)
Cash and cash equivalents at end of period	<u>(3,180)</u>	<u>(3,390)</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2004.

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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 Securities Berhad, and should be read in conjunction with the Company’s financial statements for the financial year ended 30 June 2004.

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 2004.

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 2004 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	Adjustments	As restated
3 months ended 30.9.2003	RM'000	RM'000	RM'000
Operating expenses	(22,947)	(68)	(23,015)
(Loss)/Profit from operations	2,113	(68)	2,045
Finance costs	(401)	30	(371)
(Loss)/Profit before tax	1,712	(38)	1,674
Taxation	(519)	(224)	(743)
(Loss)/Profit after tax	1,193	(262)	931
	sen	sen	sen
(Loss)/Earnings per share	2.855	(0.627)	2.228

The adjustments were made due to the following reasons:

- Restrospective adjustment for accumulated compensated absences, upon adoption of MASB 29 "Employee Benefits".
- Reclassification of a certain component of finance costs to reflect consistency with the presentation of the audited financial statements for the financial year ended 30 June 2004.
- Tax adjustment to reflect the effective tax charge for the financial year ended 30 June 2004.

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 2004, dividends paid by the Company amounted to RM 3,371.

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
Period ended 30.9.2004				
Segment revenue				
External revenue	174	26,453	-	26,627
Intersegment revenue	20,810	1,414	(22,224)	-
Total revenue	<u>20,984</u>	<u>27,867</u>	<u>(22,224)</u>	<u>26,627</u>
Segment result	<u>(390)</u>	<u>(227)</u>	<u>(1,006)</u>	<u>(1,623)</u>
Unallocated income				245
Unallocated expense				-
(Loss)/Profit from operations				<u>(1,378)</u>
Period 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>1,048</u>	<u>1,010</u>	<u>(213)</u>	<u>1,845</u>
Unallocated income				221
Unallocated expense				(21)
Profit from operations				<u>2,045</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 2004.

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

There were no changes to the composition of the Company during the financial period ended 30 September 2004.

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 reduced from RM 35,976,656 as at 30 June 2004 to RM 35,398,401 as at 30 September 2004 due to repayment of hire purchase obligations by the 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 and financial year-to-date

Group revenue for the current quarter increased by RM 1.560 million or 6.22% to RM 26.627 million as compared to revenue of RM 25.067 million recorded during the quarter ended 30 September 2003. The Group's revenue improved on contribution from new retail outlets operating under the "Bumcity" concept.

The Group incurred a pre-tax loss of RM 1.678 million during the current quarter as compared to a pre-tax profit of RM 1.674 million recorded during the quarter ended 30 September 2003. The losses were incurred mainly from the operations of the "Bumcity" specialty stores, pre-operating expenses incurred on the "Union Bay" brand and adverse business conditions that continue to affect the Group's established business.

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 1.678 million for the quarter ended 30 September 2004 as compared to the pre-tax loss of RM 1.947 million recorded during the quarter ended 30 June 2004.

The Group recorded lower losses during the current reporting quarter as a result of lower writedowns of inventories as the Group undergo a revamping and re-modelling exercise of the established brands.

15. Current year prospects

The new financial year will be a challenging one for the Group as the Group proceeds with the re-modelling and re-branding exercise. The positive outlook of the Malaysian economy will be a positive factor for the Group. The Group's new licensed brand "Union Bay", which was launched end-August, will be another avenue for the Group to generate revenue, although its contribution is not expected to be material.

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 30.9.2004 RM'000	3 months ended 30.9.2003 RM'000	Year-to-date ended 30.9.2004 RM'000	Year-to-date ended 30.9.2003 RM'000
Income tax	311	876	311	876
Deferred tax	(439)	(134)	(439)	(134)
Under/(over) accrual in respect of prior years of assessment	-	1	-	1
Under/(over) accrual in respect of prior quarters	-	-	-	-
	<u>(128)</u>	<u>743</u>	<u>(128)</u>	<u>743</u>

The effective tax rates for the reporting periods presented above are disproportionate to 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:

	30.9.2004 RM'000
Short term borrowings	
<i>Secured</i>	
Term loans	1,086
<i>Unsecured</i>	
Bank overdrafts	3,333
Bankers' acceptances	10,544
Trust receipts	-
	<u>13,877</u>
Total short term borrowings	<u>14,963</u>
Long term borrowings	
<i>Secured</i>	
Term loans	<u>3,359</u>

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

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

The Plaintiffs have filed their Reply and Defence to Counter-Claim of the Defendants. The matter is now pending the filing of the Reply to Defence to Counter-Claim by the Defendants. Thereafter pleadings will be deemed close and both parties will then proceed to discovery.

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 30.9.2004	3months ended 30.9.2003	Year-to-date ended 30.9.2004	Year-to-date ended 30.9.2003
(Loss)/profit after taxation (RM'000)	(1,550)	931	(1,550)	931
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic (loss) /earnings per share (sen)	(3.709)	2.228	(3.709)	2.228

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
30 November 2004