

## **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 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

**Hing Yiap Knitting Industries Berhad**  
(22414-V)  
(Incorporated in Malaysia)

**Condensed Consolidated Balance Sheets**  
**As at 31 December 2004**

	<b>31.12.2004</b>	<b>30.6.2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	26,564	26,583
Investment properties	3,310	3,310
Intangible assets	2,934	3,045
Deferred tax assets	2,045	1,968
	<u>34,853</u>	<u>34,906</u>
<b>Current assets</b>		
Inventories	54,220	42,862
Receivables	35,500	24,653
Short term investment	166	166
Cash and bank balances	516	1,221
	<u>90,402</u>	<u>68,902</u>
<b>Current liabilities</b>		
Payables	32,350	16,495
Hire purchase payables	2,025	2,408
Short term borrowings	17,103	10,824
Taxation	627	220
	<u>52,105</u>	<u>29,947</u>
<b>Net current assets</b>	38,297	38,955
<b>Non current liabilities</b>		
Hire purchase payables	1,487	2,307
Term loans	3,072	3,620
Deferred tax liabilities	1,227	1,237
	<u>5,786</u>	<u>7,164</u>
	<u>67,364</u>	<u>66,697</u>
<b>Capital and reserves</b>		
Share capital	41,787	41,787
Reserves	25,577	24,910
Shareholders' funds	<u>67,364</u>	<u>66,697</u>
	RM	RM
Net tangible assets per share	<u>1.542</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 31 December 2004**

	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Revaluation reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Total RM'000</b>
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	-	-	-	4,096	4,096
Dividend	-	-	-	-	-
At 31.12.2003	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>24,981</u>	<u>69,225</u>
At 30.6.2004	41,787	1,356	1,101	22,453	66,697
Profit after taxation	-	-	-	667	667
Dividend	-	-	-	-	-
At 31.12.2004	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>23,120</u>	<u>67,364</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.

## Hing Yiap Knitting Industries Berhad

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### Condensed Consolidated Income Statements For the period ended 31 December 2004

	<b>3 months ended 31.12.2004 RM'000</b>	<b>3 months ended 31.12.2003 RM'000</b>	<b>Year-to-date ended 31.12.2004 RM'000</b>	<b>Year-to-date ended 31.12.2003 RM'000</b>
Revenue	43,335	42,942	69,963	68,009
Other operating income	188	293	433	514
Goodwill arising on acquisition of subsidiary companies written-off	-	(8)	-	(28)
Doubtful debts allowance (net of doubtful debts recovered)	(2,875)	1	(2,875)	2
Inventories writedowns	(243)	(510)	(535)	(718)
Operating expenses	(37,334)	(36,743)	(65,292)	(59,759)
Profit from operations	<u>3,071</u>	<u>5,975</u>	<u>1,694</u>	<u>8,020</u>
Finance costs	(314)	(403)	(614)	(774)
Profit before taxation	<u>2,757</u>	<u>5,572</u>	<u>1,080</u>	<u>7,246</u>
Taxation	(541)	(2,406)	(413)	(3,150)
Profit after taxation	<u>2,216</u>	<u>3,166</u>	<u>667</u>	<u>4,096</u>
	<b>sen</b>	<b>sen</b>	<b>sen</b>	<b>sen</b>
Earnings per share	<u>5.303</u>	<u>7.577</u>	<u>1.596</u>	<u>9.802</u>

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 31 December 2004**

	<b>31.12.2004</b>	<b>31.12.2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	1,080	7,246
Adjustments for:		
Interest expenses	614	773
Interest income	(62)	(52)
Depreciation	1,731	1,401
Amortisation of intangible assets	111	111
Net profit on disposal of property, plant and equipment	(12)	(5)
Property, plant and equipment written-off and impaired	1	-
Goodwill arising on consolidation written-off	-	28
Inventories writedowns	535	718
Unrealised gain on foreign exchange	(1)	(1)
Doubtful debts allowance, net of doubtful debts recovered	2,875	(2)
	<hr/>	<hr/>
Operating profit before working capital changes	6,872	10,217
Net change in current assets	(23,731)	(17,561)
Net change in current liabilities	15,859	12,760
Liabilities of subsidiary assumed upon acquisition	-	(21)
Cash (used in)/ generated from operations	<hr/> (1,000)	<hr/> 5,395
Tax paid	(1,943)	(2,263)
Net cash (used in)/ generated from operating activities	<hr/> (2,943)	<hr/> 3,132
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(1,664)	(3,312)
Sub-license fee paid	-	(75)
Interest received	62	52
Proceeds from disposal of property, plant and equipment	50	5
Acquisition of subsidiary, net of cash acquired	-	(7)
Net cash used in investing activities	<hr/> (1,552)	<hr/> (3,337)
<b>Cash flow from financing activities</b>		
Interest paid	(648)	(744)
Dividends paid	(3)	(5)
Net increase/(decrease) in bank borrowings and hire purchase obligations	3,856	(458)
Net cash generated from/(used in) financing activities	<hr/> 3,205	<hr/> (1,207)
<b>Net decrease in cash and cash equivalents</b>	(1,290)	(1,412)
<b>Cash and cash equivalents at beginning of period</b>	(1,411)	(969)
<b>Cash and cash equivalents at end of period</b>	<hr/> (2,701)	<hr/> (2,381)

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

**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 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:

	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
<b>3 months ended 31.12.2003</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating expenses	(36,689)	(54)	(36,743)
Profit from operations	6,029	(54)	5,975
Finance costs	(430)	27	(403)
Profit before tax	5,599	(27)	5,572
Taxation	(1,409)	(997)	(2,406)
Profit after tax	4,190	(1,024)	3,166
	<b>sen</b>	<b>sen</b>	<b>sen</b>
Earnings per share	10.027	(2.450)	7.577
<b>6 months ended 31.12.2003</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating expenses	(59,636)	(123)	(59,759)
Profit from operations	8,143	(123)	8,020
Finance costs	(831)	57	(774)
Profit before tax	7,312	(66)	7,246
Taxation	(1,928)	(1,222)	(3,150)
Profit after tax	5,384	(1,288)	4,096
	<b>sen</b>	<b>sen</b>	<b>sen</b>
Earnings per share	12.884	(3.082)	9.802

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 31 December 2004, dividends paid by the Company amounted to RM 3,370.74.

## 8. Segmental reporting for business segment, being the Company's basis of segment reporting

	<b>Manufac- turing RM'000</b>	<b>Trading RM'000</b>	<b>Elimina- tions RM'000</b>	<b>Group RM'000</b>
<b>Period ended 31.12.2004</b>				
<b>Segment revenue</b>				
External revenue	883	69,080	-	69,963
Intersegment revenue	43,151	3,062	(46,213)	-
Total revenue	<u>44,034</u>	<u>72,142</u>	<u>(46,213)</u>	<u>69,963</u>
<b>Segment result</b>	<u>1,173</u>	<u>958</u>	<u>(870)</u>	1,261
Unallocated income				433
Unallocated expense				-
Profit from operations				<u>1,694</u>
<b>Period ended 31.12.2003</b>				
<b>Segment revenue</b>				
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>
<b>Segment result</b>	<u>1,306</u>	<u>6,504</u>	<u>(277)</u>	7,533
Unallocated income				515
Unallocated expense				(28)
Profit from operations				<u>8,020</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 31 December 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 increased from RM 35,976,656 as at 30 June 2004 to RM 36,044,288 as at 31 December 2004 due to new credit facilities granted by financial institutions to 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**

Group revenue for the current quarter increased by RM 0.393 million or 0.92% to RM 43.335 million as compared to revenue of RM 42.942 million recorded during the quarter ended 31 December 2003. The Group's revenue improved on contribution from retail outlets operating under the "Bumcity" concept and contribution from a new brand, "Union Bay".

The Group recorded a pre-tax profit of RM 2.757 million during the current quarter as compared to a pre-tax profit of RM 5.572 million recorded during the quarter ended 31 December 2003. The reduction was mainly due to net doubtful debts allowance of RM 2.875 million that were provided for in the current quarter on debts of certain departmental stores that are not likely to be collected. The Group also experienced losses 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 in the quarter.

#### **Performance review for the financial year-to-date**

Group revenue for the 6 months period ended 31 December 2004 increased by RM 1.954 million or 2.87% to RM 69.963 million as compared to revenue of RM 68.009 million recorded during the 6 months period ended 31 December 2003. The Group's revenue improved on contribution from retail outlets operating under the "Bumcity" concept and contribution from a new brand, "Union Bay".

The Group recorded a pre-tax profit of RM 1.080 million during the current period as compared to a pre-tax profit of RM 7.246 million recorded during the same period ended 31 December 2003. Factors which contributed to this reduction have been explained in the second paragraph of "Performance review for the quarter".

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

The Group recorded a pre-tax profit of RM 2.757 million for the quarter ended 31 December 2004 as compared to the pre-tax loss of RM 1.677 million recorded during the quarter ended 30 September 2004.

The quarter ended 31 December 2004 is an important period for the Group due to Hari Raya, Christmas and year-end festivity sales. Had the Group not affected by the non-collectibility of debts of RM 2.875 million, the Group would have achieved a pre-tax profit of RM 5.632 million in this reporting period.

#### **15. Current year prospects**

The remaining 6 months period of this financial year will be a challenging one for the Group as the Group continues 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.

#### **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:

	<b>3 months ended 31.12.2004 RM'000</b>	<b>3 months ended 31.12.2003 RM'000</b>	<b>Year-to-date ended 30.9.2004 RM'000</b>	<b>Year-to-date ended 30.9.2003 RM'000</b>
Income tax	1,442	2,914	565	3,790
Deferred tax	(221)	(446)	(87)	(580)

Over accrual in respect of prior years of assessment	(65)	(62)	(65)	(60)
Under/(over) accrual in respect of prior quarters	(615)	-	-	-
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	541	2,406	413	3,150
	=====	=====	=====	=====

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:

	<b>31.12.2004</b>
	<b>RM'000</b>
<b>Short term borrowings</b>	
<b>Secured</b>	
Term loans	1,101

**Unsecured**

Bank overdrafts  
 Bankers' acceptances  
 Trust receipts

3,217
12,785
-
16,002

**Total short term borrowings****17,103****Long term borrowings****Secured**

Term loans

**3,072**

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.

	<b>3 months ended 31.12.2004</b>	<b>3months ended 31.12.2003</b>	<b>Year-to-date ended 31.12.2004</b>	<b>Year-to-date ended 31.12.2003</b>
Profit after taxation (RM'000)	2,216	3,166	667	4,096

Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic earnings per share (sen)	5.303	7.577	1.596	9.802

By order of the Board

Khoo Henn Kuan  
Chief Executive Officer

Kuala Lumpur  
25 February 2005