

# **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 March 2005.

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 March 2005**

|                                | <b>31.3.2005</b> | <b>30.6.2004</b> |
|--------------------------------|------------------|------------------|
|                                | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Non current assets</b>      |                  |                  |
| Property, plant and equipment  | 26,114           | 26,583           |
| Investment properties          | 3,310            | 3,310            |
| Intangible assets              | 2,691            | 3,045            |
| Deferred tax assets            | 1,978            | 1,968            |
|                                | <u>34,093</u>    | <u>34,906</u>    |
| <b>Current assets</b>          |                  |                  |
| Inventories                    | 51,195           | 42,862           |
| Receivables                    | 27,774           | 24,653           |
| Short term investment          | 166              | 166              |
| Cash and bank balances         | 197              | 1,221            |
|                                | <u>79,332</u>    | <u>68,902</u>    |
| <b>Current liabilities</b>     |                  |                  |
| Payables                       | 24,178           | 16,495           |
| Hire purchase payables         | 1,957            | 2,408            |
| Short term borrowings          | 15,615           | 10,824           |
| Taxation                       | 252              | 220              |
|                                | <u>42,002</u>    | <u>29,947</u>    |
| <b>Net current assets</b>      | 37,330           | 38,955           |
| <b>Non current liabilities</b> |                  |                  |
| Hire purchase payables         | 1,251            | 2,307            |
| Term loans                     | 2,810            | 3,620            |
| Deferred tax liabilities       | 1,178            | 1,237            |
|                                | <u>5,239</u>     | <u>7,164</u>     |
|                                | <u>66,184</u>    | <u>66,697</u>    |
| <b>Capital and reserves</b>    |                  |                  |
| Share capital                  | 41,787           | 41,787           |
| Reserves                       | 24,397           | 24,910           |
| Shareholders' funds            | <u>66,184</u>    | <u>66,697</u>    |
|                                | RM               | RM               |
| Net tangible assets per share  | <u>1.519</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.

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

**Condensed Statements of Changes in Equity  
For the period ended 31 March 2005**

|  | <b>Share<br/>capital<br/>RM'000</b> | <b>Share<br/>premium<br/>RM'000</b> | <b>Revaluation<br/>reserve<br/>RM'000</b> | <b>Retained<br/>profits<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|-------------------------------------|-------------------------------------|---|--|-------------------------|
| At<br>30.6.2003,<br>as<br>previously<br>reported | 41,787                              | 1,356                               | 1,101                                     | 21,143                                 | 65,387                  |
| Prior period<br>adjustments<br>(Note A)          | -                                   | -                                   | -   | (258)                                  | (258)                   |
| At<br>30.6.2003,<br>as restated                  | 41,787                              | 1,356                               | 1,101                                     | 20,885                                 | 65,129                  |
| Profit after<br>taxation                         | -                                   | -                                   | -   | 3,705                                  | 3,705                   |
| Dividend   | -                                   | -                                   | -   | (1,053)                                | (1,053)                 |
| At<br>31.3.2004                                  | <u>41,787</u>                       | <u>1,356</u>                        | <u>1,101</u>                              | <u>23,537</u>                          | <u>67,781</u>           |
| At<br>30.6.2004                                  | 41,787                              | 1,356                               | 1,101                                     | 22,453                                 | 66,697                  |
| Profit after<br>taxation                         | -                                   | -                                   | -   | 540                                    | 540                     |
| Dividend   | -                                   | -                                   | -   | (1,053)                                | (1,053)                 |
| At<br>31.3.2005                                  | <u>41,787</u>                       | <u>1,356</u>                        | <u>1,101</u>                              | <u>21,940</u>                          | <u>66,184</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

(22414-V)  
(Incorporated in Malaysia)

### Condensed Consolidated Income Statements For the period ended 31 March 2005

|   | <b>3 months<br/>ended<br/>31.3.2005<br/>RM'000</b> | <b>3 months<br/>ended<br/>31.3.2004<br/>RM'000</b> | <b>Year-to-date<br/>ended<br/>31.3.2005<br/>RM'000</b> | <b>Year-to-date<br/>ended<br/>31.3.2004<br/>RM'000</b> |
|---|--|--|--|--|
| Revenue   | 32,445   | 30,844   | 102,407  | 98,852   |
| Other operating income  | 191  | 272  | 624  | 787  |
| Goodwill arising on acquisition of subsidiary companies written-off | -  | -  | -  | (28)   |
| Doubtful debts allowance (net of doubtful debts recovered)          | 1  | 1  | (2,874)  | 3  |
| Inventories writedowns  | (601)  | (303)  | (1,136)  | (1,021)  |
| Operating expenses  | (31,967)   | (31,157)   | (97,257)   | (90,916)   |
| Profit / (Loss) from operations                                     | <u>69</u>  | <u>(343)</u>                                       | <u>1,764</u>   | <u>7,677</u>   |
| Finance costs   | (296)  | (360)  | (911)  | (1,134)  |
| (Loss) / Profit before taxation                                     | <u>(227)</u>                                       | <u>(703)</u>                                       | <u>853</u>   | <u>6,543</u>   |
| Taxation  | 101  | 312  | (313)  | (2,838)  |
| (Loss) / Profit after taxation                                      | <u>(126)</u>                                       | <u>(391)</u>                                       | <u>540</u>   | <u>3,705</u>   |
|   | <b>sen</b>   | <b>sen</b>   | <b>sen</b>   | <b>sen</b>   |
| (Loss) / Earnings per share   | <u>(0.30)</u>                                      | <u>(0.94)</u>                                      | <u>1.29</u>  | <u>8.87</u>  |

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

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

**Condensed Consolidated Cash Flow Statements**  
**For the period ended 31 March 2005**

|  | <b>31.3.2005</b> | <b>31.3.2004</b> |
|--|------------------|------------------|
|  | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Cash flow from operating activities</b>                               |                  |                  |
| Profit before tax  | 853              | 6,543            |
| Adjustments for:   |                  |                  |
| Interest expenses  | 911              | 1,134            |
| Interest income  | (91)             | (92)             |
| Depreciation   | 2,839            | 2,219            |
| Amortisation of intangible assets  | 354              | 167              |
| Net profit on disposal of property, plant and equipment                  | (12)             | (5)              |
| Property, plant and equipment written-off and impaired                   | 1                | 1                |
| Goodwill arising on consolidation written-off                            | -                | 28               |
| Inventories writedowns   | 1,136            | 1,021            |
| Unrealised gain on foreign exchange                                      | (1)              | (1)              |
| Doubtful debts allowance, net of doubtful debts recovered                | 2,874            | (3)              |
|  | <hr/>            | <hr/>            |
| Operating profit before working capital changes                          | 8,864            | 11,012           |
| Net change in current assets   | (13,300)         | 624              |
| Net change in current liabilities  | 7,207            | 3,205            |
| Liabilities of subsidiary assumed upon acquisition                       | -                | (21)             |
| Cash generated from operations   | <hr/> 2,771      | <hr/> 14,820     |
| Tax paid   | (2,482)          | (2,799)          |
| Net cash generated from operating activities                             | <hr/> 289        | <hr/> 12,021     |
| <b>Cash flow from investing activities</b>                               |                  |                  |
| Purchase of property, plant and equipment                                | (2,026)          | (3,540)          |
| Sub-license fee paid   | -                | (75)             |
| Interest received  | 91               | 92               |
| 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/> (1,885)    | <hr/> (3,525)    |
| <b>Cash flow from financing activities</b>                               |                  |                  |
| Interest paid  | (940)            | (1,117)          |
| Dividends paid   | (577)            | (588)            |
| Net increase/(decrease) in bank borrowings and hire purchase obligations | 1,535            | (6,379)          |
| Net cash generated from/(used in) financing activities                   | <hr/> 18         | <hr/> (8,084)    |
| <b>Net (decrease) / increase in cash and cash equivalents</b>            | (1,578)          | 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/> (2,989)    | <hr/> (557)      |

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**  
(22414-V)  
(Incorporated in Malaysia)

**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<br/>reported</b> | <b>Adjustments</b> | <b>As restated</b> |
|---------------------------------|-----------------------------------|--------------------|--------------------|
| <b>3 months ended 31.3.2004</b> | <b>RM'000</b>                     | <b>RM'000</b>      | <b>RM'000</b>      |
| Operating expenses              | (31,086)                          | (71)               | (31,157)           |
| Loss from operations            | (272)                             | (71)               | (343)              |
| Finance costs                   | (403)                             | 43                 | (360)              |
| Loss before tax                 | (675)                             | (28)               | (703)              |
| Taxation                        | (315)                             | 627                | 312                |
| Loss after tax                  | (990)                             | 599                | (391)              |
|                                 | <b>sen</b>                        | <b>sen</b>         | <b>sen</b>         |
| Loss per share                  | (2.37)                            | 1.43               | (0.94)             |
|                                 |                                   |                    |                    |
| <b>9 months ended 31.3.2004</b> | <b>RM'000</b>                     | <b>RM'000</b>      | <b>RM'000</b>      |
| Operating expenses              | (90,723)                          | (193)              | (90,916)           |
| Profit from operations          | 7,870                             | (193)              | 7,677              |
| Finance costs                   | (1,234)                           | 100                | (1,134)            |
| Profit before tax               | 6,636                             | (93)               | 6,543              |
| Taxation                        | (2,243)                           | (595)              | (2,838)            |
| Profit after tax                | 4,393                             | (688)              | 3,705              |
|                                 | <b>sen</b>                        | <b>sen</b>         | <b>sen</b>         |
| Earnings per share              | 10.51                             | (1.64)             | 8.87               |

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 March 2005, dividends paid by the Company amounted to RM 577,128.12.

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

|                               | <b>Manufac-<br/>turing<br/>RM'000</b> | <b>Trading<br/>RM'000</b> | <b>Elimina-<br/>tions<br/>RM'000</b> | <b>Group<br/>RM'000</b> |
|-------------------------------|---------------------------------------|---------------------------|--------------------------------------|-------------------------|
| <b>Period ended 31.3.2005</b> |                                       |                           |                                      |                         |
| <b>Segment revenue</b>        |                                       |                           |                                      |                         |
| External revenue              | 1,376                                 | 101,031                   | -                                    | 102,407                 |
| Intersegment revenue          | 54,045                                | 4,169                     | (58,214)                             | -                       |
| Total revenue                 | <u>55,421</u>                         | <u>105,200</u>            | <u>(58,214)</u>                      | <u>102,407</u>          |
| <b>Segment result</b>         | <u>724</u>                            | <u>661</u>                | <u>(245)</u>                         | 1,140                   |
| Unallocated income            |                                       |                           |                                      | 624                     |
| Unallocated expense           |                                       |                           |                                      | -                       |
| Profit from operations        |                                       |                           |                                      | <u>1,764</u>            |
| <b>Period ended 31.3.2004</b> |                                       |                           |                                      |                         |
| <b>Segment revenue</b>        |                                       |                           |                                      |                         |
| External revenue              | 2,268                                 | 96,584                    | -                                    | 98,852                  |
| Intersegment revenue          | 46,430                                | 3,233                     | (49,663)                             | -                       |
| Total revenue                 | <u>48,698</u>                         | <u>99,817</u>             | <u>(49,663)</u>                      | <u>98,852</u>           |
| <b>Segment result</b>         | <u>2,582</u>                          | <u>3,770</u>              | <u>566</u>                           | 6,918                   |
| Unallocated income            |                                       |                           |                                      | 787                     |
| Unallocated expense           |                                       |                           |                                      | (28)                    |
| Profit from operations        |                                       |                           |                                      | <u>7,677</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 March 2005.

**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 35,813,138 as at 31 March 2005 due to repayment of hire purchase obligations.

**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 1.601 million or 5.19% to RM 32.445 million as compared to revenue of RM 30.844 million recorded during the quarter ended 31 March 2004. The Group's revenue improved on contribution from retail outlets operating under the "Bumcity" concept, revenue from the Group's new brand, "Union Bay" and general increase in revenue from the Group's other established brands.

The Group recorded a pre-tax loss of RM 0.227 million during the current quarter as compared to a pre-tax loss of RM 0.703 million recorded during the quarter ended 31 March 2004. The Group's established brands performed better in the current quarter despite operating in a competitive and adverse business condition.

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

Group revenue for the 9 months period ended 31 March 2005 increased by RM 3.555 million or 3.60% to RM 102.407 million as compared to revenue of RM 98.852 million recorded during the 9 months period ended 31 March 2004. 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 0.853 million during the current period as compared to a pre-tax profit of RM 6.543 million recorded during the same period ended 31 March 2004. The Group made doubtful debts allowance of RM 2.994 million on debts of certain departmental stores that are experiencing financial distress. 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.

**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 loss of RM 0.227 million for the quarter ended 31 March 2005 as compared to the pre-tax profit of RM 2.757 million recorded during the quarter ended 31 December 2004.

The quarter ended 31 December 2004 is an important period for the Group due to Hari Raya, Christmas and year-end festivity sales. The current quarter has less retail sales activity.

**15. Current year prospects**

The remaining 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<br/>ended<br/>31.3.2005<br/>RM’000</b> | <b>3 months<br/>ended<br/>31.3.2004<br/>RM’000</b> | <b>Year-to-date<br/>ended<br/>31.3.2005<br/>RM’000</b> | <b>Year-to-date<br/>ended<br/>31.3.2004<br/>RM’000</b> |
|--------------|--|--|--|--|
| Income tax   | (119)  | (368)  | 446  | 3,421  |
| Deferred tax | 18   | 56   | (68)   | (523)  |

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Over accrual<br>in respect of<br>prior years of<br>assessment | -     | -     | (65)  | (60)  |
| Under/(over)<br>accrual in<br>respect of<br>prior<br>quarters | -     | -     | -     | -     |
|   | ----- | ----- | ----- | ----- |
|   | (101) | (312) | 313   | 2,838 |
|   | ===== | ===== | ===== | ===== |

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>31.3.2005</b> |
|                              | <b>RM'000</b>    |
| <b>Short term borrowings</b> |                  |
| <b>Secured</b>               |                  |
| Term loans                   | 1,099            |

**Unsecured**

Bank overdrafts  
 Bankers' acceptances  
 Trust receipts

|        |
|--------|
| 3,186  |
| 11,330 |
| -      |
| 14,516 |

**Total short term borrowings****15,615****Long term borrowings****Secured**

Term loans

**2,810**

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<br/>31.3.2005</b> | <b>3months ended<br/>31.3.2004</b> | <b>Year-to-date ended<br/>31.3.2005</b> | <b>Year-to-date ended<br/>31.3.2004</b> |
|--------------------------------|-------------------------------------|------------------------------------|---|---|
| Profit after taxation (RM'000) | (126)                               | (391)                              | 540                                     | 3,705                                   |

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Weighted average number of ordinary shares in issue ('000) | 41,787 | 41,787 | 41,787 | 41,787 |
| Basic (loss)/earnings per share (sen)                      | (0.30) | (0.94) | 1.29   | 8.87   |

By order of the Board

Khoo Henn Kuan  
Chief Executive Officer

Kuala Lumpur  
26 May 2005