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 2005.

This interim financial report is prepared in accordance with Financial Reporting Standard 134 (formerly 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 June 2005

	30.6.2005 RM'000	30.6.2004 RM'000
Non-current assets		
Property, plant and equipment	25,043	26,583
Investment properties	3,310	3,310
Intangible assets	2,643	3,045
Deferred tax assets	2,576	1,968
	33,572	34,906
Current assets		
Inventories	55,845	42,862
Receivables	21,860	24,653
Short term investment	166	166
Cash and bank balances	814	1,221
	78,685	68,902
Current liabilities		
Payables	23,611	16,495
Hire purchase payables	1,920	2,408
Short term borrowings	20,632	10,824
Taxation	14	220
	46,177	29,947
Net current assets	32,508	38,955
Non-current liabilities		
Hire purchase payables	1,170	2,307
Term loans	2,099	3,620
Deferred tax liabilities	-	1,237
	3,269	7,164
	62,811	66,697
Capital and reserves		
Share capital	41,787	41,787
Reserves	21,024	24,910
Shareholders' funds	62,811	66,697
	RM	RM
Net tangible assets per share	1.440	1.523

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 June 2005

	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	-	-	-	2,621	2,621
Dividend	-	-	-	(1,053)	(1,053)
At 30.6.2004	41,787	1,356	1,101	22,453	66,697
At 30.6.2004	41,787	1,356	1,101	22,453	66,697
Loss after taxation	-	-	-	(2,833)	(2,833)
Dividend	-	-	-	(1,053)	(1,053)
At 30.6.2005	41,787	1,356	1,101	18,567	62,811

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 FRS 119 (formerly 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 30 June 2005

	3 months ended 30.6.2005 RM'000	3 months ended 30.6.2004 RM'000	Year-to-date ended 30.6.2005 RM'000	Year-to-date ended 30.6.2004 RM'000
Revenue	27,014	25,377	129,421	124,230
Other operating income	102	279	726	1,066
Goodwill arising on acquisition of subsidiaries written-off	-	-	-	(28)
Doubtful debts allowance (net of doubtful debts recovered)	-	-	(2,874)	3
Impairment losses of plant and equipment and intangible asset	(977)	-	(977)	-
Inventories writedowns	(4,682)	(1,527)	(5,818)	(2,548)
Operating expenses	(24,624)	(25,760)	(121,881)	(116,678)
(Loss) / Profit from operations	(3,167)	(1,631)	(1,403)	6,045
Finance costs	(322)	(316)	(1,233)	(1,449)
(Loss) / Profit before taxation	(3,489)	(1,947)	(2,636)	4,596
Taxation	116	862	(197)	(1,975)
(Loss) / Profit after taxation	(3,373)	(1,085)	(2,833)	2,621
	sen	**sen**	**sen**	**sen**
(Loss) / Earnings per share	(8.07)	(2.60)	(6.78)	6.27

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 June 2005

	30.6.2005 RM'000	30.6.2004 RM'000
Cash flow from operating activities		
(Loss) / Profit before tax	(2,636)	4,596
Adjustments for:		
Interest expenses	1,233	1,449
Interest income	(108)	(172)
Depreciation of property, plant and equipment	3,709	3,099
Amortisation of intangible assets	222	222
Net (profit)/loss on disposal of property, plant and equipment	(12)	18
Impairment losses of plant and equipment and intangible asset	977	-
Property, plant and equipment written-off	415	76
Goodwill arising on consolidation written-off	-	28
Inventories writedowns	5,818	2,548
Unrealised foreign exchange differences	14	(1)
Doubtful debts allowance, net of doubtful debts recovered	2,874	(3)
Operating profit before working capital changes	12,506	11,860
Net change in current assets	(17,897)	7,727
Net change in current liabilities	7,102	1,944
Cash generated from operations	1,711	21,531
Tax paid	(3,172)	(3,612)
Net cash (used in) / generated from operating activities	(1,461)	17,919
Cash flow from investing activities		
Purchase of property, plant and equipment	(2,569)	(4,393)
Sub-license fee paid	-	(75)
Interest received	108	172
Proceeds from disposal of property, plant and equipment	50	75
Acquisition of subsidiary, net of cash acquired	-	(7)
Net cash used in investing activities	(2,411)	(4,228)
Cash flow from financing activities		
Interest paid	(1,292)	(1,403)
Dividends paid	(1,055)	(1,055)
Net increase/(decrease) in bank borrowings and hire purchase obligations	5,993	(11,675)
Net cash generated from/(used in) financing activities	3,646	(14,133)
Net decrease in cash and cash equivalents	(226)	(442)
Cash and cash equivalents at beginning of period	(1,411)	(969)
Cash and cash equivalents at end of period	(1,637)	(1,411)

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 FRS 134 (formerly MASB 26), “Interim Financial Reporting”

1. Basis of preparation

This interim financial report is prepared in accordance with Financial Reporting Standard (“FRS”) 134 (formerly 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 Group and 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 Group and Company for the financial year ended 30 June 2004 was not qualified.

3. Explanatory comments about the seasonality or cyclicality of interim operations

The Group’s products are catered for the consumer market and business is influenced by the state of the Malaysian economy and 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 30.6.2004	**RM'000**	**RM'000**	**RM'000**
Revenue	25,355	22	25,377
Other operating income	229	50	279
Inventories writedowns	(444)	(1,083)	(1,527)
Operating expenses	(25,898)	138	(25,760)
Loss from operations	(758)	(873)	(1,631)
Finance costs	(351)	35	(316)
Loss before tax	(1,109)	(838)	(1,947)
Taxation	(43)	905	862
Loss after tax	(1,152)	67	(1,085)
	sen	**sen**	**sen**
Loss per share	(2.76)	0.16	(2.60)
12 months ended 30.6.2004	**RM'000**	**RM'000**	**RM'000**
Revenue	124,208	22	124,230
Other operating income	1,015	51	1,066
Inventories writedowns	(1,464)	(1,084)	(2,548)
Operating expenses	(116,621)	(57)	(116,678)
Profit from operations	7,113	(1,068)	6,045
Finance costs	(1,584)	135	(1,449)
Profit before tax	5,529	(933)	4,596
Taxation	(2,286)	311	(1,975)
Profit after tax	3,243	(622)	2,621
	sen	**sen**	**sen**
Earnings per share	7.76	(1.49)	6.27

The adjustments were made due to the following reasons:

- Restrospective adjustment for accumulated compensated absences, upon adoption of FRS 119 (formerly 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.
- Other audit adjustments effected in the financial statements between the announcement of the unaudited financial results on 26 August 2004 and audited financial statements dated 22 October 2004.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

The Group 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 2005, dividends paid by the Company amounted to RM 1,054,756.

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

	Manufac-turing RM'000	Trading RM'000	Elimina-tions RM'000	Group RM'000
Period ended 30.6.2005				
Segment revenue				
External revenue	1,412	128,009	-	129,421
Intersegment revenue	73,884	6,064	(79,948)	-
Total revenue	75,296	134,073	(79,948)	129,421
Segment result	(5,645)	(3,625)	7,141	(2,129)
Unallocated income				726
Unallocated expense				-
Loss from operations				(1,403)
Period ended 30.6.2004				
Segment revenue				
External revenue	2,995	121,235	-	124,230
Intersegment revenue	52,364	4,087	(56,451)	-
Total revenue	55,359	125,322	(56,451)	124,230
Segment result	3,350	480	1,149	4,979
Unallocated income				1,066
Unallocated expense				-
Profit from operations				6,045

9. Status of valuation of property, plant and equipment

The Group and Company adopted the transitional provision of FRS 116 (formerly 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 Group during the interim period, including business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings, and discontinuing operations

Save for the increase of RM 299,998 representing 299,998 ordinary shares of RM 1.00 each in a wholly-owned subsidiary, UBAY Marketing Sdn Bhd, which was fully subscribed by the Company, there were no changes to the composition of the Group during the financial period ended 30 June 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 subsidiaries reduced from RM 35,976,656 as at 30 June 2004 to RM 35,763,188 as at 30 June 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 1.637 million or 6.5% to RM 27.014 million as compared to revenue of RM 25.377 million recorded during the quarter ended 30 June 2004. The Group's revenue improved on revenue from the Group's new brand, "Union Bay" of RM 0.530 million and general increase in revenue from the Group's other established brands of RM 2.286 million. This increase is mitigated by a reduction in revenue of the manufacturing division by RM 0.724 million and "Bumcity" retailing division of RM 0.352 million.

The Group recorded a pre-tax loss of RM 3.489 million during the current quarter as compared to a pre-tax loss of RM 1.947 million recorded during the quarter ended 30 June 2004. The increased losses were attributable to the following:

- The Group has recognised impairment losses of RM 0.977 million on plant and equipment of two non-performing "Bumcity" outlets that have been identified for closure and "Vanity Fair" license fee that was previously recognised as an intangible asset.
- Increased inventories writedowns to RM 4.682 million for the current quarter, mainly on "Vanity Fair" inventories.

The Group's established brands operate in a competitive and challenging business climate.

Performance review for the financial year-to-date

Group revenue for the 12 months period ended 30 June 2005 increased by RM 5.191 million or 4.2 % to RM 129.421 million as compared to revenue of RM 124.230 million recorded during the 12 months period ended 30 June 2004. The Group's revenue improved generally on sales improvement from retail outlets operating under the "Bumcity" concept of RM 2.385 million, maiden revenue of RM 1.436 million from a new brand, "Union Bay" and general increase of RM 1.873 million from the Group's other established brands.

The Group recorded a pre-tax loss of RM 2.636 million during the current period as compared to a pre-tax profit of RM 4.596 million recorded during the same period ended 30 June 2004. The loss was attributable to the following:

- The Group provided for doubtful debts allowance (net of recovery) of RM 2.874 million on debts of certain departmental stores that are experiencing financial difficulties.
- Recognition of impairment losses of RM 0.977 million on plant and equipment of two non-performing "Bumcity" outlets that have been identified for closure and "Vanity Fair" license fee that was previously recognised as an intangible asset.
- Increased inventories writedowns to RM 5.818 million for the current period, mainly on "Vanity Fair" inventories.
- The Group also experienced increased losses from the operations of the "Bumcity" specialty stores and manufacturing division, pre-operating expenses incurred on the "Union Bay" brand and adverse business conditions that continue to affect certain of the Group's established brands.
- Higher oil prices caused the Group's operating costs to increase, consumer confidence to dip as inflation rises and the Government reducing petrol subsidy.

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 3.489 million for the quarter ended 30 June 2005 as compared to the pre-tax loss of RM 0.227 million recorded during the quarter ended 31 March 2005.

The increased losses were attributable to the following:

- Reduced sales and promotional activities during the current quarter as the current quarter does not have a major festival. The Group benefited from the Chinese New Year sales during the quarter ended 31 March 2005.
- Recognition of impairment losses of RM 0.977 million, details of which are explained in points 13 and 14.
- Increased inventories writedowns of RM 4.682 million for the current period as compared to a writedown of RM 0.601 million in the third quarter.

15. Current year prospects

The Group has embarked on a re-modelling and re-branding exercise during the financial year ended 30 June 2005. This internal exercise will continue into the next financial year. The positive effect of this exercise is already evident by the better performance of the established brands that have completed the re-modelling and re-branding exercise. As part of this exercise, the Group has also undertaken action to restructure its business with the view of consolidating the core business, increasing revenue and productivity and have identified certain non-performing units that will be phased-out.

The Malaysian economy is expected to moderate during the Group's new financial year. The Group will also be affected by the high oil costs, rising inflation rate which will affect consumer confidence and intense competition in the domestic market. Nevertheless, with the internal restructuring, the Group's performance is expected to show improvement in the forthcoming 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 30.6.2005 RM'000	3 months ended 30.6.2004 RM'000	Year-to-date ended 30.6.2005 RM'000	Year-to-date ended 30.6.2004 RM'000
Income tax	2,788	(1,018)	2,107	2,403

Deferred tax	(2,441)	156	(1,845)	(368)
Over accrual in respect of prior years of assessment	-	-	(65)	(60)
Under/(over) accrual in respect of prior quarters	(463)	-	-	-
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	(116)	(862)	197	1,975
	=====	=====	=====	=====

The effective tax rates for the reporting periods presented above are disproportionate to the statutory tax rate due to losses of certain subsidiaries that are not available for set-off against taxable profits of profitable companies, non-availability of tax deduction for certain expenses and non-recognition of deferred tax assets of certain loss-making subsidiaries.

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:

	30.6.2005 RM'000
Short term borrowings	
Secured	
Term loans	1,017

Unsecured	
Bank overdrafts	2,451
Bankers' acceptances	17,164
Trust receipts	-
	19,615
Total short term borrowings	**20,632**
Long term borrowings	
Secured	
Term loans	**2,099**

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

<u>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")</u>

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

Subject to the approval of shareholders in the forthcoming Annual General Meeting, the Directors recommend the payment of dividend of 1.5%, less income tax, for the year ended 30 June 2005. 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 30.6.2005	3months ended 30.6.2004	Year-to-date ended 30.6.2005	Year-to-date ended 30.6.2004
(Loss)/Profit after taxation (RM'000)	(3,373)	(1,085)	(2,833)	2,621
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic (loss)/earnings per share (sen)	(8.07)	(2.60)	(6.78)	6.27

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
30 August 2005