



The Hing Yiap Group

## **Hing Yiap Knitting Industries Berhad (22414-V)**

(Incorporated in Malaysia)  
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### **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 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 2005. Accordingly, this interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2005.

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 2005**

	30.9.2005 RM'000	30.6.2005 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	24,457	25,043
Investment properties	3,310	3,310
Intangible assets	2,595	2,643
Deferred tax assets	1,443	899
	<u>31,805</u>	<u>31,895</u>
<b>Current assets</b>		
Inventories	71,200	57,322
Receivables	27,619	22,404
Short term investment	166	166
Cash and bank balances	107	814
	<u>99,092</u>	<u>80,706</u>
<b>Current liabilities</b>		
Payables	31,847	23,810
Hire purchase payables	1,814	1,920
Short term borrowings	30,992	20,632
Taxation	208	-
	<u>64,861</u>	<u>46,362</u>
<b>Net current assets</b>	34,231	34,344
<b>Non-current liabilities</b>		
Hire purchase payables	756	1,170
Term loans	1,937	2,099
Deferred tax liabilities	-	-
	<u>2,693</u>	<u>3,269</u>
	<u>63,343</u>	<u>62,970</u>
<b>Capital and reserves</b>		
Share capital	41,787	41,787
Reserves	21,556	21,183
Shareholders' funds	<u>63,343</u>	<u>62,970</u>
	RM	RM
Net tangible assets per share	<u>1.45</u>	<u>1.44</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the annual financial statements for the year ended 30 June 2005.

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**Condensed Statements of Changes in Equity**  
**For the period ended 30 September 2005**

	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained profits RM'000	Total RM'000
At 30.6.2004	41,787	1,356	1,101	22,453	66,697
Loss after taxation	-	-	-	(3,967)	(3,967)
Dividend	-	-	-	-	-
At 30.9.2004	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>18,486</u>	<u>62,730</u>
At 30.6.2005	41,787	1,356	1,101	18,726	62,970
Profit after taxation	-	-	-	373	373
Dividend	-	-	-	-	-
At 30.9.2005	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>19,099</u>	<u>63,343</u>

The Condensed Statements of Changes in Equity should be read in conjunction with the annual financial statements for the year ended 30 June 2005.

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**Condensed Consolidated Income Statements**  
**For the period ended 30 September 2005**

	<b>3 months ended 30.9.2005 RM'000</b>	<b>3 months ended 30.9.2004 RM'000</b>	<b>Year-to-date ended 30.9.2005 RM'000</b>	<b>Year-to-date ended 30.9.2004 RM'000</b>
Revenue	30,734	26,627	30,734	26,627
Other operating income	151	245	151	245
Inventories recovered / (write-downs)	13	(292)	13	(292)
Operating expenses	(29,771)	(27,958)	(29,771)	(27,958)
Profit / (Loss) from operations	<u>1,127</u>	<u>(1,378)</u>	<u>1,127</u>	<u>(1,378)</u>
Finance costs	(392)	(300)	(392)	(300)
Profit / (Loss) before taxation	<u>735</u>	<u>(1,678)</u>	<u>735</u>	<u>(1,678)</u>
Taxation	(362)	(2,289)	(362)	(2,289)
Profit / (Loss) after taxation	<u>373</u>	<u>(3,967)</u>	<u>373</u>	<u>(3,967)</u>
	<b>sen</b>	<b>sen</b>	<b>sen</b>	<b>sen</b>
Earnings / (Loss) per share	<u>0.893</u>	<u>(9.493)</u>	<u>0.893</u>	<u>(9.493)</u>

The Condensed Consolidated Income Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2005.

## Hing Yiap Knitting Industries Berhad

(22414-V)

(Incorporated in Malaysia)

### Condensed Consolidated Cash Flow Statements For the period ended 30 September 2005

	30.9.2005 RM'000	30.9.2004 RM'000
<b>Cash flow from operating activities</b>		
Profit / (Loss) before tax	735	(1,678)
Adjustments for:		
Interest expenses	392	300
Interest income	-	(27)
Depreciation of property, plant and equipment	793	839
Amortisation of intangible assets	48	56
Net (profit)/loss on disposal of property, plant and equipment	(42)	(12)
Inventories (recovered) / write-downs	(13)	292
Unrealised foreign exchange differences	(1)	(1)
Operating profit / (loss) before working capital changes	1,912	(231)
Net change in current assets	(19,115)	(10,300)
Net change in current liabilities	8,096	8,193
Cash used in operations	(9,107)	(2,338)
Tax paid	(682)	(1,028)
Net cash used in operating activities	(9,789)	(3,366)
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(211)	(704)
Interest received	-	27
Proceeds from disposal of property, plant and equipment	46	50
Net cash used in investing activities	(165)	(627)
<b>Cash flow from financing activities</b>		
Interest paid	(428)	(296)
Dividends paid	(2)	(3)
Net increase/(decrease) in bank borrowings and hire purchase obligations	5,086	2,523
Net cash generated from/(used in) financing activities	4,656	2,224
<b>Net decrease in cash and cash equivalents</b>	(5,298)	(1,769)
<b>Cash and cash equivalents at beginning of period</b>	(1,639)	(1,411)
<b>Cash and cash equivalents at end of period</b>	(6,937)	(3,180)

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2005.

## **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 2005.

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 2005.

##### **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 2005 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 state of the Malaysian economy, consumer confidence 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
<b>3 months ended 30.9.2004</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation	128	(2,417)	(2,289)
Loss after tax	(1,550)	(2,417)	(3,967)
	<b>sen</b>	<b>sen</b>	<b>sen</b>
Loss per share	(3.709)	(5.784)	(9.493)
 <b>Year-to-date ended 30.9.2004</b>	 <b>RM'000</b>	 <b>RM'000</b>	 <b>RM'000</b>
Taxation	128	(2,417)	(2,289)
Loss after tax	(1,550)	(2,417)	(3,967)
	<b>sen</b>	<b>sen</b>	<b>sen</b>
Loss per share	(3.709)	(5.784)	(9.493)

The tax adjustment was made to reflect the effective tax charge for the financial year ended 30 June 2005.

**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 September 2005, dividends paid by the Company amounted to RM 1,767.50.

**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
<b>Period ended 30.9.2005</b>				
<b>Segment revenue</b>				
External revenue	6	30,728	-	30,734
Intersegment revenue	29,199	2,002	(31,201)	-
Total revenue	<u>29,205</u>	<u>32,730</u>	<u>(31,201)</u>	<u>30,734</u>
<b>Segment result</b>	<u>1,100</u>	<u>802</u>	<u>(926)</u>	976
Unallocated income				151
Unallocated expense				-
Profit from operations				<u>1,127</u>
<b>Period ended 30.9.2004</b>				
<b>Segment revenue</b>				
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>
<b>Segment result</b>	<u>(390)</u>	<u>(227)</u>	<u>(1,006)</u>	(1,623)
Unallocated income				245
Unallocated expense				-
Loss from operations				<u>(1,378)</u>

**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 2005.

**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**

There were no changes to the composition of the Group during the financial period ended 30 September 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 35,763,188 as at 30 June 2005 to RM 35,349,939 as at 30 September 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 and financial year-to-date**

Group revenue for the current quarter increased by RM 4.107 million or 15.4% to RM 30.734 million as compared to revenue of RM 26.627 million recorded during the quarter ended 30 September 2004. The Group's revenue improved for all divisions on effort to increase sales of the Group's products.

The Group recorded a pre-tax profit of RM 0.735 million during the current quarter as compared to a pre-tax loss of RM 1.678 million recorded during the quarter ended 30 September 2004. The improvement in earnings was primarily due to increased in revenue and better margins.

**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 0.735 million for the quarter ended 30 September 2005 as compared to the revised pre-tax loss of RM 2.010 million recorded during the quarter ended 30 June 2005.

The earnings improvement was attributable to the following:

- Increased sales and promotional activities during the current quarter, especially during the nation-wide Mega Carnival Sale which was held from end-July to early-September 2005 whilst such activity was not evident in the quarter ended 30 June 2005.

- During the quarter ended 30 June 2005, the Group recognised impairment losses of RM 0.977 million on plant and equipment of two non-performing “Bumcity” outlets that subsequently ceased operations and “Vanity Fair” license fee that was previously recognised as an intangible asset; and write-down in the value of inventories by RM 2.935 million . Such charges to the income statement were not required during the current reporting quarter.

## 15. Current year prospects

The re-modelling and re-branding exercise embarked by the Group during the last financial year will continue into the financial year ending 30 June 2006. 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 measures to restructure its business with the view of consolidating the core business and increasing revenue and productivity.

The Malaysian economy is expected to moderate in the 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 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 30.9.2005 RM'000	3 months ended 30.9.2004 RM'000	Year-to-date ended 30.9.2005 RM'000	Year-to-date ended 30.9.2004 RM'000
Income tax	(905)	(2,533)	(905)	(2,533)
Deferred tax	543	244	543	244
	----- (362)	----- (2,289)	----- (362)	----- (2,289)
	=====	=====	=====	=====

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 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:

	<b>30.9.2005</b> <b>RM'000</b>
<b>Short term borrowings</b>	
<i>Secured</i>	
Term loans	925
<i>Unsecured</i>	
Bank overdrafts	7,044
Bankers' acceptances	23,023
Trust receipts	-
	<u>30,067</u>
<b>Total short term borrowings</b>	<u><b>30,992</b></u>
<b>Long term borrowings</b>	
<i>Secured</i>	
Term loans	<u><b>1,937</b></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.

	<b>3 months ended 30.9.2005</b>	<b>3 months ended 30.9.2004</b>	<b>Year-to-date ended 30.9.2005</b>	<b>Year-to-date ended 30.9.2004</b>
Profit/(Loss) after taxation (RM'000)	373	(3,967)	373	(3,967)
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic earnings/(loss) per share (sen)	0.893	(9.493)	0.893	(9.493)

By order of the Board

Khoo Henn Kuan  
Chief Executive Officer

Kuala Lumpur  
30 November 2005