



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 31 March 2006.

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

**Hing Yiap Knitting Industries Berhad**  
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**Condensed Consolidated Balance Sheets**  
**As at 31 March 2006**

	<b>31.3.2006</b>	<b>30.6.2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	24,122	25,043
Investment properties	2,110	3,310
Intangible assets	2,499	2,643
Deferred tax assets	2,111	899
	<u>30,842</u>	<u>31,895</u>
<b>Current assets</b>		
Inventories	64,153	57,322
Receivables	26,707	22,404
Short term investment	166	166
Cash and bank balances	167	814
	<u>91,193</u>	<u>80,706</u>
<b>Current liabilities</b>		
Payables	20,739	23,810
Hire purchase payables	1,707	1,920
Short term borrowings	30,843	20,632
Taxation	228	-
	<u>53,517</u>	<u>46,362</u>
<b>Net current assets</b>	37,676	34,344
<b>Non-current liabilities</b>		
Hire purchase payables	1,088	1,170
Term loans	1,549	2,099
Deferred tax liabilities	-	-
	<u>2,637</u>	<u>3,269</u>
	<u>65,881</u>	<u>62,970</u>
<b>Capital and reserves</b>		
Share capital	41,787	41,787
Reserves	24,094	21,183
Shareholders' funds	<u>65,881</u>	<u>62,970</u>
	RM	RM
Net assets per share	<u>1.577</u>	<u>1.507</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 31 March 2006**

	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
Profit after taxation	-	-	-	2,081	2,081
Dividend	-	-	-	(1,053)	(1,053)
At 31.3.2005	<u>41,787</u>	<u>1,356</u>	<u>1,101</u>	<u>23,481</u>	<u>67,725</u>
At 30.6.2005	41,787	1,356	1,101	18,726	62,970
Transfer to retained profits upon disposal of investment property	-	-	(139)	139	-
Profit after taxation	-	-	-	3,362	3,362
Dividend	-	-	-	(451)	(451)
At 31.3.2006	<u>41,787</u>	<u>1,356</u>	<u>962</u>	<u>21,776</u>	<u>65,881</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.

## Hing Yiap Knitting Industries Berhad

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### Condensed Consolidated Income Statements For the period ended 31 March 2006

	3 months ended 31.3.2006 RM'000	3 months ended 31.3.2005 RM'000	Year-to-date ended 31.3.2006 RM'000	Year-to-date ended 31.3.2005 RM'000
Revenue	32,528	32,445	110,221	102,407
Other operating income	326	191	744	624
Doubtful debts allowance, net of recoveries	-	1	-	(2,874)
Inventories write- downs	(396)	(601)	(2,213)	(1,136)
Operating expenses	(30,395)	(31,967)	(102,485)	(97,257)
Profit from operations	2,063	69	6,267	1,764
Finance costs	(455)	(296)	(1,298)	(911)
Profit / (loss) before taxation	1,608	(227)	4,969	853
Taxation	(576)	(310)	(1,607)	1,228
Profit / (loss) after taxation	1,032	(537)	3,362	2,081
	<b>sen</b>	<b>sen</b>	<b>sen</b>	<b>sen</b>
Earnings / (loss) per share	2.470	(1.285)	8.046	4.980

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 31 March 2006

	<b>31.3.2006</b>	<b>31.3.2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	4,969	853
Adjustments for:		
Interest expenses	1,298	911
Interest income	-	(91)
Depreciation of property, plant and equipment	2,377	2,839
Amortisation of intangible assets	144	354
Net (profit)/loss on disposal of property, plant and equipment and investment property	(318)	(12)
Property, plant and equipment written-off and impaired	480	1
Inventories write-downs	2,213	1,136
Unrealised foreign exchange differences	(14)	(1)
Doubtful debts allowance, net of recoveries	-	2,874
	11,149	8,864
Operating profit before working capital changes	11,149	8,864
Net change in current assets	(12,774)	(13,300)
Net change in current liabilities	(3,243)	7,207
Cash (used in) / generated from operations	(4,868)	2,771
Tax paid	(1,856)	(2,482)
Net cash (used in) / generated from operating activities	(6,724)	289
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(716)	(2,026)
Interest received	-	91
Proceeds from disposal of property, plant and equipment and investment property	310	50
Net cash used in investing activities	(406)	(1,885)
<b>Cash flow from financing activities</b>		
Interest paid	(1,345)	(940)
Dividends paid	(262)	(577)
Net increase in bank borrowings and hire purchase obligations	5,272	1,535
Net cash generated from financing activities	3,665	18
<b>Net decrease in cash and cash equivalents</b>	(3,465)	(1,578)
<b>Cash and cash equivalents at beginning of period</b>	(1,639)	(1,411)
<b>Cash and cash equivalents at end of period</b>	(5,104)	(2,989)

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

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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 31.3.2005</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation	101	(411)	(310)
Loss after tax	(126)	(411)	(537)
	<b>sen</b>	<b>sen</b>	<b>sen</b>
Loss per share	(0.30)	(0.985)	(1.285)
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Year ended 31.3.2005</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation	(313)	1,541	1,228
Profit after tax	540	1,541	2,081
	<b>sen</b>	<b>sen</b>	<b>sen</b>
Earnings per share	1.29	3.69	4.98

The tax adjustment was made to reflect the actual annual effective tax rate 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 31 March 2006, dividends paid by the Company amounted to RM 261,768.39.

**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 31.3.2006</b>				
<b>Segment revenue</b>				
External revenue	127	110,094	-	110,221
Intersegment revenue	65,736	5,862	(71,598)	-
Total revenue	<u>65,863</u>	<u>115,956</u>	<u>(71,598)</u>	<u>110,221</u>
<b>Segment result</b>	<u>1,827</u>	<u>3,808</u>	<u>(112)</u>	5,523
Unallocated income				744
Unallocated expense				-
Profit from operations				<u>6,267</u>
<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>

**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 31 March 2006.

**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 35,620,466 as at 31 March 2006 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 marginally to RM 32.528 million as compared to revenue of RM 32.445 million recorded during the quarter ended 31 March 2005. The Group's revenue improved due to increase sales and promotional activities of the Group's merchandise in conjunction with the Chinese New Year festive sales.

The Group recorded a pre-tax profit of RM 1.608 million during the current quarter as compared to a pre-tax loss of RM 0.227 million recorded during the quarter ended 31 March 2005. The improvement in pre-tax earnings was primarily due to better margins and lower operating cost.

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

Group revenue for the 9 months period ended 31 March 2006 increased by RM 7.814 million or 7.63% to RM 110.221 million as compared to revenue of RM 102.407 million recorded during the 9 months period ended 31 March 2005. Revenue improved due to increase sales and promotional activities of the Group's merchandise.

The Group recorded a RM 4.116 million increase in pre-tax profit to RM 4.969 million during the current period as compared to a pre-tax profit of RM 0.853 million recorded during the same period ended 31 March 2005. The improvement was achieved on the back of higher revenue, improved margin and also the Group did not have to provide for doubtful debts in the current period.

#### 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 1.608 million for the quarter ended 31 March 2006 as compared to the pre-tax profit of RM 2.626 million recorded during the quarter ended 31 December 2005.

The better earnings in the preceding quarter was attributable to increased sales and promotional activities in conjunction with Hari Raya, Christmas and year-end festivity sales, whilst there was only a Chinese New Year festive sale in the current quarter.

#### 15. Current year prospects

The final quarter of the financial year will be challenging to the Group. The Group will continue to experience the effect of high oil costs, rising interest and inflation rate, moderate consumer confidence and intense competition in the domestic market.

#### 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 31.3.2006 RM'000	3 months ended 31.3.2005 RM'000	Year-to-date ended 31.3.2006 RM'000	Year-to-date ended 31.3.2005 RM'000
Income tax	(508)	(343)	(2,816)	1,287
Deferred tax	306	33	1,211	(124)
Real property gains tax	(57)	-	(57)	-
Overprovision in respect of prior years	-	-	55	65
Under accrual in respect of prior quarter	(317)	-	-	-
	----- (576) =====	----- (310) =====	----- (1,607) =====	----- 1,228 =====

The effective tax rates for the current reporting periods 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.

The tax expense for the quarter and year-to-date ended 31 March 2005 have been restated to reflect the actual effective annual tax rate of the Group for the financial year ended 30 June 2005.

**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 during the current reporting period.

On 22 March 2006, the Group entered into a Sale and Purchase Agreement to dispose off all that piece of freehold land held under HS(D) 170915, PT 6065, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor to Thiam Fatt Furniture & Decorator Sdn Bhd for a cash consideration of RM 1.4 million. The Group realised a net profit of approximately RM 143,000 from this transaction.

**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>31.3.2006</b>
	<b>RM'000</b>
<b>Short term borrowings</b>	
<b>Secured</b>	
Term loans	769
<b>Unsecured</b>	
Bank overdrafts	5,271
Bankers' acceptances	24,803
Trust receipts	-
	30,074

<b>Total short term borrowings</b>	<b><u>30,843</u></b>
<b>Long term borrowings</b>	
<b>Secured</b>	
Term loans	<b><u>1,549</u></b>

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 / (loss) per share**

Basic earnings / (loss) per share:

The basic earnings / (loss) 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 31.3.2006</b>	<b>3 months ended 31.3.2005</b>	<b>Year-to-date ended 31.3.2006</b>	<b>Year-to-date ended 31.3.2005</b>
Profit / (loss) after taxation (RM'000)	1,032	(537)	3,362	2,081
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787

Basic / (loss) earnings per share (sen)	2.470	(1.285)	8.046	4.980
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By order of the Board

Khoo Henn Kuan  
Chief Executive Officer

Kuala Lumpur  
25 May 2006