



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 2008.

This interim financial report is prepared in accordance with Financial Reporting Standard 134, "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 2007.

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 31 March 2008

	31.3.2008 RM'000	30.6.2007 RM'000
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	20,153	20,452
Investment properties	-	2,000
Intangible assets	2,450	2,450
Deferred tax assets	1,789	1,363
Investment in associate	581	734
Investment	1,000	-
	<u>25,973</u>	<u>26,999</u>
Current assets		
Inventories	60,853	47,256
Receivables	29,150	17,934
Short term investment	166	166
Cash and bank balances	5,473	2,764
	<u>95,642</u>	<u>68,120</u>
Non-current asset classified as held for sale	225	2,722
TOTAL ASSETS	<u>121,840</u>	<u>97,841</u>
<u>EQUITY AND LIABILITIES</u>		
Share capital	41,787	41,787
Reserves	33,209	26,159
Shareholders' Equity	<u>74,996</u>	<u>67,946</u>
Non-Current Liabilities		
Hire purchase payables	789	1,025
Term loans	551	821
	<u>1,340</u>	<u>1,846</u>
Current Liabilities		
Payables	28,575	14,607
Hire purchase payables	1,097	1,262
Short term borrowings	15,832	12,180
	<u>45,504</u>	<u>28,049</u>
TOTAL LIABILITIES	<u>46,844</u>	<u>29,895</u>
TOTAL EQUITY AND LIABILITIES	<u>121,840</u>	<u>97,841</u>
Net assets per share	<u>1.79</u>	<u>1.63</u>

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Condensed Statements of Changes in Equity
For the period ended 31 March 2008

	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained profits RM'000	Total RM'000
At 30.6.2006	41,787	1,356	1,352	19,846	64,341
Revaluation surplus realised upon sale of investment property	-	-	(125)	125	-
Revaluation surplus on investment property	-	-	(530)	530	-
Profit after taxation	-	-	-	4,559	4,559
Dividend	-	-	-	(915)	(915)
At as 31.3.2007	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>24,145</u>	<u>67,985</u>
At 30.6.2007	41,787	1,356	697	24,106	67,946
Profit after taxation	-	-	-	8,596	8,596
Dividend	-	-	-	(1,546)	(1,546)
At 31.3.2008	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>31,156</u>	<u>74,996</u>

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Condensed Consolidated Income Statements
For the period ended 31 March 2008

	3 months ended 31.3.2008 RM'000	3 months ended 31.3.2007 RM'000	Year-to-date ended 31.3.2008 RM'000	Year-to-date ended 31.3.2007 RM'000
Revenue	36,221	33,147	114,835	106,795
Other operating income	127	10	749	108
Doubtful debts allowance, net of recoveries	-	-	-	-
Inventories write-downs	(772)	(175)	(970)	(2,177)
Operating expenses	(33,833)	(32,014)	(101,488)	(95,692)
Profit/(loss) from operations	1,743	968	13,126	9,034
Finance costs	(215)	(411)	(605)	(1,317)
Share of profit/(loss) in associate	(29)	(15)	(153)	(15)
Profit/(loss) before taxation	1,499	542	12,368	7,702
Taxation	(551)	(220)	(3,772)	(3,143)
Profit/(loss) after taxation	948	322	8,596	4,559
	Sen	Sen	Sen	Sen
Earnings / (loss) per share	2.269	0.771	20.571	10.910

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Condensed Consolidated Cash Flow Statements For the period ended 31 March 2008

	31.3.2008	31.3.2007
	RM'000	RM'000
Cash flow from operating activities		
Profit before tax	12,368	7,702
Adjustments for:		
Interest expenses	605	1,209
Interest income	-	
Depreciation of property, plant and equipment	2,264	2,600
Net (profit)/loss on disposal of property, plant and equipment	178	
Property, plant and equipment written-off and impaired	-	66
Profit on disposal of investment property	(100)	(30)
Inventories write-downs	971	2,177
Unrealised foreign exchange differences	(40)	(27)
Share of loss in associate	153	15
Doubtful debts allowance, net of recoveries	-	
Impairment loss of intangible assets	-	
Operating profit before working capital changes	16,399	13,712
Net change in current assets	(26,968)	(942)
Net change in current liabilities	13,037	2,668
Cash (used in) / generated from operations	2,468	15,438
Tax paid	(2,149)	(2,151)
Net cash generated/ (used) in operating activities	319	13,287
Cash flow from investing activities		
Purchase of property, plant and equipment	(2,228)	(1,172)
Proceeds from disposal of property, plant and equipment and investment property	5,268	225
Investment in associate	-	(750)
Investment	(1,000)	
Net cash generated/ (used) in investing activities	2,040	(1,697)
Cash flow from financing activities		
Interest paid	(630)	(1,177)
Dividends paid	(915)	(593)
Net increase/(decrease) in bank borrowings and hire purchase obligations	1,851	(6,795)
Net cash generated / (used) in financing activities	306	(8,565)
Net increase/ (decrease) in cash and cash equivalents	2,665	3,025
Cash and cash equivalents at beginning of period	889	(6,108)
Cash and cash equivalents at end of period	3,554	(3,083)

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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, "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

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 2007.

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 2007 was not qualified.

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

The Group's products are catered to 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.

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 31.3.2007	RM'000	RM'000	RM'000
Taxation	411	(191)	220
Profit/(Loss) after tax	131	191	322
	sen	sen	sen
Earnings/(Loss) per share	0.313	0.457	0.771
	RM'000	RM'000	RM'000
	sen	sen	sen
	RM'000	RM'000	RM'000
Taxation	2,761	382	3,143
Profit/(Loss) after tax	4,941	(382)	4,559
	sen	sen	sen
Earnings/(Loss) per share	11.824	(0.914)	10.910

The tax adjustment was made to reflect the effective tax charge for the financial year ended 30 June 2007.

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 2008, dividends paid by the Company amounted to RM 914,923.93.

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
9 months ended 31.3.2008				
Segment revenue				
External revenue	102	114,733		114,835
Intersegment revenue	68,614	4,427	(73,041)	-
Total revenue	<u>68,716</u>	<u>119,160</u>	<u>(73,041)</u>	<u>114,835</u>
Segment result	<u>2,620</u>	<u>11,251</u>	<u>(1,494)</u>	12,377
Unallocated income				749
Unallocated expense				-
Profit from operations				<u>13,126</u>
9 months ended 31.3.2007				
Segment revenue				
External revenue	121	106,674		106,795
Intersegment revenue	45,863	4,067	(49,930)	-
Total revenue	<u>45,984</u>	<u>110,741</u>	<u>(49,930)</u>	<u>106,795</u>
Segment result	<u>2,339</u>	<u>5,312</u>	<u>1,275</u>	8,926
Unallocated income				108
Unallocated expense				-
Profit from operations				<u>9,034</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 2007.

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 2008.

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 decreased from RM 33,869,901 as at 30 June 2007 to RM 31,947,342.26 as at 31 March 2008.

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

The revenue for the current quarter increased to RM 36.221 million, an increase by RM 3.074 million or 9.27% compared to RM 33.147 million for quarter ended 31 March 2007.

For current quarter, the Group recorded a pre-tax profit of RM 1.499 million, compared to RM 0.542 million for the same period of the preceding year.

Performance review for the financial year-to-date

For the 9 months period ended 31 March 2008, the Group recorded revenue of RM 114.835 million, an increase of RM 8.04 million or by 7.53% compared to RM 106.795 million for the same period ended 31 March 2007.

The Group recorded a pre-tax profit of RM 12.368 million, a RM 4.666 million or 60.58% increase compared to RM 7.702 million for the same 9 months period ended 31 March 2007.

The Group has improved due to improvement in the profit margin on the back of higher revenue and through improved merchandise design and quality which increase our profit margins, prudence in inventory control, efficiency drive and comparatively lower operating costs.

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 1.499 million for the quarter ended 31 March 2008 as compared to the pre-tax profit of RM 6.445 million recorded for the quarter ended 31 December 2007.

The higher earnings in the preceding quarter were primarily due to cyclical effects of increased sales and promotional activities during the Hari Raya, Christmas and year end

festivity seasons, whilst there was only Chinese New Year festive season in the current quarter with substantial stock clearances that comes after which lower the gross profit margins.

15. Current year prospects

The final quarter of the financial year may be less favourable to the Group due to the post-festive seasonality factor. The Group will continue to experience the effect of uncertainties in the economic situation, high costs of fuel, rising inflation, moderate consumer confidence and intense competition in the domestic market.

However, the Group is confident that it will be able to take on these challenges with further improvement in performance through sales and promotional activities throughout the year, emphasis on its brands revamping, efficiency drive and productivity, prudence on inventory management, merchandise margin improvement, costs control, improved credit controls and cashflow management. Improved operating efficiency, achieving economies of scale and effective costs containment measures are critical factors to sustain profit margins.

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 31.3.2008 RM'000	3 months ended 31.3.2007 RM'000	Year-to-date ended 31.3.2008 RM'000	Year-to-date ended 31.3..2007 RM'000
Income tax	(472)	(199)	(4,198)	(2,827)
Deferred tax	(79)	(21)	426	(303)
Real property gains tax	-	-	-	(13)
	----- (551) =====	----- (220) =====	----- (3,772) =====	----- (3,143) =====

The effective tax rates for the current reporting periods are disproportionate to the statutory tax rate due to 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 has disposed off the following properties during the current financial year to date:-

(i) On 28 August 2007, the Group entered into a Sale and Purchase Agreement to dispose off two adjoining pieces of industrial land at Lot No. T125 and T127, Jalan Sungai Pinang 5/18, Kleen Centre, Westport, Klang, Selangor Darul Ehsan measuring in total of approximately 159,429.6 square feet for a cash consideration of RM 3,108,877.20. The Group realised a net profit of approximately RM 389,591 from this transaction.

(ii) On 22 October 2007, the Group entered into a Sale and Purchase Agreement to dispose off all that piece of land held under HS(M) 8821, PT 13844, Tempat Batu 8, Jalan Kepong, Mukim Batu Daerah gombak Negeri Selangor measuring approximately 143 square metres together with a four (4) storey shop/office erected thereon bearing postal address known as No. 4, Jalan 54, Desa Jaya, Kepong 52100 Kuala Lumpur for a cash consideration of RM1,100,000. The Group realised a net profit of RM 100,000 from this transaction.

(iii) On 30 October 2007, the Group entered into a Sale and Purchase Agreement to dispose off all that piece of land held under HS(M) 8821, PT 13843, Tempat Batu 8, Jalan Kepong, Mukim Batu Daerah Gombak Negeri Selangor measuring approximately 143 square metres together with a four (4) storey shop/office erected thereon bearing postal address known as No. 5, Jalan 54, Desa Jaya, Kepong 52100 Kuala Lumpur for a cash consideration of RM1,000,000. The Group has not realised any gain or loss 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:

	31.3.2008 RM'000
Short term borrowings	
Secured	
Term loans	330
Unsecured	
Bank overdrafts	1,919
Bankers' acceptances	13,583
	15,502
Total short term borrowings	15,832
Long term borrowings	
Secured	
Term loans	551

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.

	3 months ended 31.3.2008	3 months ended 31.3.2007	Year-to-date ended 31.3.2008	Year-to-date ended 31.3.2007
Profit / (loss) after taxation (RM'000)	948	322	8,596	4,559
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic / (loss) earnings per share (sen)	2.269	0.771	20.571	10.910

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
30 May 2008