



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 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 2008.

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)
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Condensed Consolidated Balance Sheets
As at 30 September 2008

| | 30.9.2008 | 30.6.2008 |
|--|-----------------------|-----------------------|
| | RM'000 | RM'000 |
| <u>ASSETS</u> | | |
| Non-current assets | | |
| Property, plant and equipment | 20,978 | 20,344 |
| Investment properties | - | |
| Intangible assets | 2,646 | 2,650 |
| Deferred tax assets | 2,131 | 1,989 |
| Investment in associate | 450 | 535 |
| Investment held in trust | 1,400 | 1,200 |
| | <u>27,605</u> | <u>26,718</u> |
| Current assets | | |
| Inventories | 61,322 | 54,025 |
| Receivables | 40,927 | 20,802 |
| Short term investment | 166 | 166 |
| Cash and bank balances | 2,432 | 6,293 |
| | <u>104,847</u> | <u>81,286</u> |
| Non-current asset classified as held for sale | 273 | 273 |
| TOTAL ASSETS | <u>132,725</u> | <u>108,277</u> |
| <u>EQUITY AND LIABILITIES</u> | | |
| Share capital | 41,787 | 41,787 |
| Reserves | 38,755 | 32,465 |
| Shareholders' Equity | <u>80,542</u> | <u>74,252</u> |
| Non-Current Liabilities | | |
| Hire purchase payables | 668 | 714 |
| Term loans | 379 | 425 |
| Provision for directors' gratuity | 1,400 | 1,200 |
| | <u>2,447</u> | <u>2,339</u> |
| Current Liabilities | | |
| Payables | 35,555 | 16,371 |
| Hire purchase payables | 761 | 963 |
| Short term borrowings | 13,420 | 14,352 |
| | <u>49,736</u> | <u>31,686</u> |
| TOTAL LIABILITIES | <u>52,183</u> | <u>34,025</u> |
| TOTAL EQUITY AND LIABILITIES | <u>132,725</u> | <u>108,277</u> |
| Net assets per share | <u>1.93</u> | <u>1.78</u> |

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Condensed Statements of Changes in Equity
For the period ended 30 September 2008

| | Share capital RM'000 | Share premium RM'000 | Revaluation reserve RM'000 | Retained profits RM'000 | Total RM'000 |
|--------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------|-----------------|
| At 1.7.2007 | 41,787 | 1,356 | 697 | 24,106 | 67,946 |
| Profit after taxation | - | - | - | 7,852 | 7,852 |
| Dividend | - | - | - | (1,546) | (1,546) |
| At as 30.6.2008 | <u>41,787</u> | <u>1,356</u> | <u>697</u> | <u>30,412</u> | <u>74,252</u> |
| At 1.7.2008 | 41,787 | 1,356 | 697 | 30,412 | 74,252 |
| Profit after taxation | - | - | - | 6,290 | 6,290 |
| Dividend | - | - | - | - | - |
| At 30.9.2008 | <u>41,787</u> | <u>1,356</u> | <u>697</u> | <u>36,702</u> | <u>80,542</u> |

Hing Yiap Knitting Industries Berhad
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Condensed Consolidated Income Statements
For the period ended 30 September 2008

| | 3 months ended 30.9.2008 RM'000 | 3 months ended 30.9.2007 RM'000 | Year-to-date ended 30.9.2008 RM'000 | Year-to-date ended 30.9.2007 RM'000 |
|---|--|--|---|---|
| Revenue | 47,628 | 36,591 | 47,628 | 36,591 |
| Other operating income | 112 | 403 | 112 | 403 |
| Doubtful debts allowance, net of recoveries | - | - | - | - |
| Inventories write-back / (write-down) | (1,785) | (198) | (1,785) | (198) |
| Operating expenses | (36,547) | (32,122) | (36,547) | (32,122) |
| Profit/(loss) from operations | 9,408 | 4,674 | 9,408 | 4,674 |
| Finance costs | (190) | (178) | (190) | (178) |
| Share of profit/(loss) in associate | (85) | (72) | (85) | (72) |
| Profit/(loss) before taxation | 9,133 | 4,424 | 9,133 | 4,424 |
| Taxation | (2,843) | (1,399) | (2,843) | (1,399) |
| Profit/(loss) after taxation | 6,290 | 3,025 | 6,290 | 3,025 |
| | Sen | Sen | Sen | Sen |
| Earnings / (loss) per share | 15.052 | 7.239 | 15.052 | 7.239 |

Hing Yiap Knitting Industries Berhad

(22414-V)

(Incorporated in Malaysia)

Condensed Consolidated Cash Flow Statements For the period ended 30 September 2008

| | 30.9.2008 RM'000 | 30.9.2007 RM'000 |
|---|---------------------|---------------------|
| Cash flow from operating activities | | |
| Profit before tax | 9,133 | 4,424 |
| Adjustments for: | | |
| Interest expenses | 190 | 178 |
| Interest income | - | - |
| Depreciation of property, plant and equipment | 842 | 764 |
| Amortisation of intangible asset | 5 | - |
| Net (profit)/loss on disposal of property, plant and equipment | - | 222 |
| Property, plant and equipment written-off and impaired | 305 | - |
| Profit on disposal of investment property | - | - |
| Inventories write-downs | 1,785 | 198 |
| Unrealised foreign exchange differences | (66) | - |
| Share of loss in associate | 85 | 72 |
| Doubtful debts allowance, net of recoveries | - | - |
| Operating profit before working capital changes | 12,279 | 5,858 |
| Net change in current assets | (30,173) | (31,128) |
| Net change in current liabilities | 18,667 | 19,812 |
| Cash (used in) / generated from operations | 773 | (5,458) |
| Tax paid | (1,238) | (459) |
| Net cash generated/ (used) in operating activities | (465) | (5,917) |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (1,721) | (116) |
| Proceeds from disposal of property, plant and equipment and investment property | - | 3,124 |
| Investment in associate | - | - |
| Investment | (200) | - |
| Net cash generated/ (used) in investing activities | (1,921) | 3,008 |
| Cash flow from financing activities | | |
| Interest paid | (190) | (178) |
| Dividends paid | (1) | (2) |
| Net increase/(decrease) in bank borrowings and hire purchase obligations | (1,921) | (1,257) |
| Net cash generated / (used) in financing activities | (2,112) | (1,437) |
| Net increase/ (decrease) in cash and cash equivalents | (4,498) | (4,346) |
| Cash and cash equivalents at beginning of period | 4,925 | 1,389 |
| Cash and cash equivalents at end of period | 427 | (2,957) |

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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 2008.

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 2008 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 period ended 30.9.2007 | RM'000 | RM'000 | RM'000 |
| Taxation | (1,383) | (16) | (1,399) |
| Profit/(Loss) after tax | 3,041 | (16) | 3,025 |
| | Sen | Sen | Sen |
| Earnings/(Loss) per share | 7.277 | (0.038) | 7.239 |
| 3 months period ended 30.9.2007 | RM'000 | RM'000 | RM'000 |
| Taxation | (1,383) | (16) | (1,399) |
| Profit/(Loss) after tax | 3,041 | (16) | 3,025 |
| | Sen | Sen | Sen |
| Earnings/(Loss) per share | 7.277 | (0.038) | 7.239 |

The tax adjustment was made to reflect the effective tax charge for the financial year ended 30 June 2008.

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 2008, dividends paid by the Company amounted to RM 860.49.

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

| | Manufacturing | Trading | Food and beverage (Note 1) | Eliminations | Group |
|-------------------------------------|---------------|---------------|-------------------------------|-----------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 3 months ended 30.9.2008 | | | | | |
| Segment revenue | | | | | |
| External revenue | 96 | 47,156 | 376 | - | 47,628 |
| Intersegment revenue | 34,627 | 1,613 | - | (36,240) | - |
| Total revenue | <u>34,723</u> | <u>48,769</u> | <u>376</u> | <u>(36,240)</u> | <u>47,628</u> |
| Segment result | <u>871</u> | <u>9,387</u> | <u>(296)</u> | <u>(666)</u> | 9,296 |
| Unallocated income | | | | | 112 |
| Unallocated expense | | | | | - |
| Profit from operations | | | | | <u>9,408</u> |

Note 1: Cocomax Sdn Bhd, a wholly owned subsidiary of the Group was granted the rights to operate gourmet chocolate café and retail outlets known as "Theobroma Chocolate Lounge" on 21 May 2008 and the first café was opened at One Utama on 14 July 2008. Presently, we have three cafes at One Utama, The Pavilion KL and Bangsar Village.

3 months period ended 30.9.2007

Segment revenue

| | | | | | |
|------------------------|---------------|---------------|----------|-----------------|---------------|
| External revenue | 28 | 36,563 | - | | 36,591 |
| Intersegment revenue | 31,386 | 1,388 | - | (32,774) | - |
| Total revenue | <u>31,414</u> | <u>37,951</u> | <u>-</u> | <u>(32,774)</u> | <u>36,591</u> |
| Segment result | <u>1,102</u> | <u>3,926</u> | <u>-</u> | <u>(757)</u> | 4,271 |
| Unallocated income | | | | | 403 |
| Unallocated expense | | | | | - |
| Profit from operations | | | | | <u>4,674</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 2008.

10. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

On 8 October 2008, B.U.M. Marketing (Malaysia) Sdn. Bhd., a wholly owned subsidiary of the Group, had entered into an agreement for Sale and Assignment Trademarks with B.U.M. Equipment LLC to purchase the "B.U.M" trademarks ("Trademarks") for a consideration of USD1,350,000 (equivalent to RM4.79 million). B.U.M. Equipment LLC will assign to B.U.M. Marketing (Malaysia) Sdn. Bhd. all of its legal and beneficial rights, title and interest in and to the Trademarks with respect to manufacture, distribution and sale of apparel and accessories including footwear for men, women, boys, girls, babies and infants bearing the Trademarks.

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 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 31,678,326 as at 30 June 2008 to RM 31,424,797 as at 30 September 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 and financial year-to-date

The revenue for the current quarter increased to RM 47.628 million, an increase by RM 11.037 million or 30.16% compared to RM 36.591 million for quarter ended 30 September 2007.

For the current quarter, the Group recorded a pre-tax profit of RM 9.133 million, compared to a pre-tax profit of RM 4.424 million for the same period of the preceding year.

Revenue has increased in the current quarter compared to the same quarter of the preceding year because of earlier consumer buying for the Hari Raya festive season which falls in the first week of October 2008 compared to the end of the second week of October in 2007.

The Group's results have improved due to increase in profit margin on the back of higher revenue. Improvement in our profit margins was due to better merchandise design and management efficiency.

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 9.133 million for the quarter ended 30 September 2008 as compared to the pre-tax loss of RM 0.897 million recorded for the quarter ended 30 June 2008.

The better earnings in the current quarter were attributable to the higher sales and promotional activities in conjunction with the nation-wide Mega Carnival Sale from end-July to early-September 2008 and also due to the Hari Raya festive season buying which started a few weeks before October 2008. In the preceding quarter, there were no major festive events.

15. Current year prospects

For the current year, the Group will be affected by the uncertainties in the global financial crisis and fluctuating consumer confidence in the retail market.

However, the Group is confident that it can take on these challenges with continual improvement in performance through its ongoing brand revamping, efficiency and productivity drive, better inventory management and improved merchandise design.

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 30.9.2008 RM'000 | 3 months ended 30.9.2007 RM'000 | Year-to-date ended 30.9.2008 RM'000 | Year-to-date ended 30.9.2007 RM'000 |
|--------------|--|--|--|--|
| Income tax | (2,985) | (1,640) | (2,985) | (1,640) |
| Deferred tax | 142 | 241 | 142 | 241 |
| | ----- (2,843) ===== | ----- (1,399) ===== | ----- (2,843) ===== | ----- (1,399) ===== |

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 did not dispose any unquoted investments 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:

| | 30.9.2008 RM'000 |
|------------------------------------|-----------------------------------|
| Short term borrowings | |
| Secured | |
| Term loans | 340 |
| Unsecured | |
| Bank overdrafts | 2,005 |
| Bankers' acceptances | 11,075 |
| | <u>13,080</u> |
| Total short term borrowings | <u>13,420</u> |
| Long term borrowings | |
| Secured | |
| Term loans | <u><u>379</u></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 / (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 30.9.2008 | 3 months ended 30.9.2007 | Year-to-date ended 30.9.2008 | Year-to-date ended 30.9.2007 |
|--|---|---|---|---|
| Profit / (loss) after taxation (RM'000) | 6,290 | 3,025 | 6,290 | 3,025 |
| Weighted average number of ordinary shares in issue ('000) | 41,787 | 41,787 | 41,787 | 41,787 |
| Basic / (loss) earnings per share (sen) | 15.052 | 7.239 | 15.052 | 7.239 |

By order of the Board

Khoo Henn Kuan
Chief Executive Officer

Kuala Lumpur
28 November 2008