



The Hing Yiap Group

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

(Incorporated in Malaysia)

Lots 59-60, Lorong Kuang Bulan

Taman Kepong

52100 Kuala Lumpur

Telephone: 03-6276 6633 / Fax: 03-6276 7780

Email: [mail@hingyiap.com](mailto:mail@hingyiap.com)

### **Introduction**

The Board of Directors of Hing Yiap Knitting Industries Berhad is pleased to announce the un-audited financial results of the Group for the financial period ended 31 December 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

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**Condensed Consolidated Balance Sheets**  
**As at 31 December 2008**

	31.12.2008 RM'000	30.6.2008 RM'000
<b><u>ASSETS</u></b>		
<b>Non-current assets</b>		
Property, plant and equipment	21,079	20,344
Intangible assets	7,428	2,650
Deferred tax assets	2,478	1,989
Investment in associate	-	535
Investment held in trust	1,299	1,200
	<u>32,284</u>	<u>26,718</u>
<b>Current assets</b>		
Inventories	55,451	54,025
Receivables	26,893	20,802
Short term investment	166	166
Cash and bank balances	8,040	6,293
	<u>90,550</u>	<u>81,286</u>
Non-current asset classified as held for sale	273	273
<b>TOTAL ASSETS</b>	<u><b>123,107</b></u>	<u><b>108,277</b></u>
<b><u>EQUITY AND LIABILITIES</u></b>		
Share capital	41,787	41,787
Reserves	41,635	32,465
<b>Shareholders' Equity</b>	<u><b>83,422</b></u>	<u><b>74,252</b></u>
<b>Non-Current Liabilities</b>		
Hire purchase payables	903	714
Term loans	290	425
Provision for directors' gratuity	1,299	1,200
	<u>2,492</u>	<u>2,339</u>
<b>Current Liabilities</b>		
Payables	24,633	16,371
Hire purchase payables	668	963
Short term borrowings	11,892	14,352
	<u>37,193</u>	<u>31,686</u>
<b>TOTAL LIABILITIES</b>	<u><b>39,685</b></u>	<u><b>34,025</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>123,107</b></u>	<u><b>108,277</b></u>
Net assets per share	<u>1.99</u>	<u>1.78</u>

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**Condensed Statements of Changes in Equity**  
**For the period ended 31 December 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	-	-	-	7,431	7,431
At as 31.12.2007	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>31,537</u>	<u>75,377</u>
At 1.7.2008	41,787	1,356	697	30,412	74,252
Profit after taxation	-	-	-	9,170	9,170
Dividend	-	-	-	-	-
At as 31.12.2008	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>39,582</u>	<u>83,422</u>

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**Condensed Consolidated Income Statements**  
**For the period ended 31 December 2008**

	3 months ended 31.12.2008 RM'000	3 months ended 31.12.2007 RM'000	Year-to-date ended 31.12.2008 RM'000	Year-to-date ended 31.12.2007 RM'000
Revenue	34,292	42,023	81,920	78,614
Other operating income	7	219	119	622
Doubtful debts allowance, net of recoveries	-	-	-	-
Inventories write-back / (write-down)	-	-	(1,785)	(198)
Operating expenses	(30,648)	(35,533)	(67,195)	(67,655)
Profit/(loss) from operations	3,651	6,709	13,059	11,383
Finance costs	(189)	(212)	(379)	(390)
Share of profit/(loss) in associate	-	(52)	(85)	(124)
Profit/(loss) before taxation	3,462	6,445	12,595	10,869
Taxation	(582)	(2,039)	(3,425)	(3,438)
Profit/(loss) after taxation	2,880	4,406	9,170	7,431
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings / (loss) per share	6.892	10.544	21.944	17.783

## Hing Yiap Knitting Industries Berhad

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(Incorporated in Malaysia)

### Condensed Consolidated Cash Flow Statements

For the period ended 31 December 2008

	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	12,595	10,869
Adjustments for:		
Interest expenses	379	390
Interest income	-	
Depreciation of property, plant and equipment	1,679	1,506
Amortisation of intangible asset	10	-
Net (profit)/loss on disposal of property, plant and equipment	148	189
Property, plant and equipment written-off and impaired	-	-
Intangibles	(4,788)	(100)
Provision for losses of investment in associate	450	
Inventories write-downs	1,785	198
Unrealised foreign exchange differences	31	(14)
Share of loss in associate	85	124
Doubtful debts allowance, net of recoveries	-	-
Operating profit before working capital changes	12,374	13,162
Net change in current assets	(10,267)	(38,102)
Net change in current liabilities	8,106	25,064
Cash (used in) / generated from operations	10,213	124
Tax paid	(2,422)	(1,351)
Net cash generated/ (used) in operating activities	7,791	(1,227)
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(2,037)	(568)
Proceeds from disposal of property, plant and equipment and investment property	-	5,257
Investment in associate	-	-
Investment held in trust	(400)	(800)
Net cash generated/ (used) in investing activities	(2,437)	3,889
<b>Cash flow from financing activities</b>		
Interest paid	(379)	(410)
Dividends paid	(1)	(2)
Net increase/(decrease) in bank borrowings and hire purchase obligations	(3,011)	1,246
Net cash generated / (used) in financing activities	(3,391)	834
<b>Net increase/ (decrease) in cash and cash equivalents</b>	1,963	3,496
<b>Cash and cash equivalents at beginning of period</b>	4,925	1,389
<b>Cash and cash equivalents at end of period</b>	6,888	4,885

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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:

	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
<b>3 months period ended 31.12.2007</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation	(1,839)	(200)	(2,039)
Profit/(Loss) after tax	4,606	(200)	4,406
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings/(Loss) per share	11.025	(0.480)	10.544
<b>6 months period ended 31.12.2007</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation	(3,221)	(217)	(3,438)
Profit/(Loss) after tax	7,648	(217)	7,431
Earnings/(Loss) per share	18.302	(0.519)	17.783

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 31 December 2008, dividends paid by the Company amounted to RM 1,231.

## 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
<b>6 months ended 31.12.2008</b>					
<b>Segment revenue</b>					
External revenue	114	80,700	1,106	-	81,920
Intersegment revenue	44,231	3,053	-	(47,284)	-
Total revenue	<u>44,345</u>	<u>83,753</u>	<u>1,106</u>	<u>(47,284)</u>	<u>81,920</u>
<b>Segment result</b>	<u>306</u>	<u>12,721</u>	<u>(624)</u>	<u>537</u>	12,940
Unallocated income					119
Unallocated expense					-
Profit from operations					<u>13,059</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.

### 6 months period ended 31.12.2007

#### Segment revenue

External revenue	68	78,546	-		78,614
Intersegment revenue	56,793	3,355	-	(60,148)	-
Total revenue	<u>56,861</u>	<u>81,901</u>	<u>-</u>	<u>(60,148)</u>	<u>78,614</u>
<b>Segment result</b>	<u>2,069</u>	<u>10,681</u>	<u>-</u>	<u>(1,989)</u>	10,761
Unallocated income					622
Unallocated expense					-
Profit from operations					<u>11,383</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 re-valued 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 the territory of Malaysia 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 31 December 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 31,623,500 as at 31 December 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 has decreased to RM 34.292 million, a drop by RM 7.731 million or 18.39%, compared to RM 42.023 million for the same quarter last year.

For the current quarter, the Group recorded a pre-tax profit of RM 3.462 million, compared to a pre-tax profit of RM 6.445 million for the same period of the preceding year.

Revenue and pre-tax profit has decreased in the current quarter compared to the same quarter of the preceding year because Hari Raya seasonal buying was early this year where most of the sales are captured in the first quarter.

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

Group revenue for the 6 months period ended 31 December 2008 increased by RM 3.306 million or 4.205% to RM 81.920 million as compared to revenue of RM 78.614 million recorded for the 6 months period ended 31 December 2007.

The Group recorded RM 1.726 million or 15.88% increased in pre-tax profit to RM 12.595 million during the current period as compared to a pre-tax profit of RM 10.869 million recorded for the same period ended 31 December 2007.

The increase in revenue and enhancement in performance was the result of the company's improvement programmes put in place some three years ago which encompassed better merchandise design and quality, prudence in inventory control, efficiency drive, costs control and retail outlets rationalization.

### **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 3.462 million for the quarter ended 31 December 2008 as compared to the pre-tax profit of RM 9.133 million recorded for the quarter ended 30 September 2008.

The better earnings in the immediate preceding quarter were attributable to the higher sales and promotional activities in conjunction with the nation-wide Mega Carnival Sale from July to September 2008 and the Hari Raya festive season. In the current quarter, there were no major festive events except for Christmas.

### **15. Current year prospects**

In the current year, the Group expects to be affected by the uncertainties following the global financial crisis which influences consumer confidence and buying behaviour in the retail market.

However, the Group will continue to be vigilant to proactively manage these challenges with the strategies already put in place to counter the ill effects; and also to arrest any opportunities that arise from the downturn.

### **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 31.12.2008 RM'000	3 months ended 31.12.2007 RM'000	Year-to-date ended 31.12.2008 RM'000	Year-to-date ended 31.12.2007 RM'000
Income tax	(929)	(1,838)	(3,914)	(3,221)
Deferred tax	347	(201)	489	(217)
	----- (582) =====	----- (2,039) =====	----- (3,425) =====	----- (3,438) =====

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:

	31.12.2008 RM'000
<b>Short term borrowings</b>	
<b>Secured</b>	
Term loans	345
<b>Unsecured</b>	
Bank overdrafts	1,152
Bankers' acceptances	10,395
	11,547
<b>Total short term borrowings</b>	<b>11,892</b>
<b>Long term borrowings</b>	
<b>Secured</b>	
Term loans	<b>290</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 31.12.2008</b>	<b>3 months ended 31.12.2007</b>	<b>Year-to-date ended 31.12.2008</b>	<b>Year-to-date ended 31.12.2007</b>
Profit / (loss) after taxation (RM'000)	2,880	4,406	9,170	7,431
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic / (loss) earnings per share (sen)	6.892	10.544	21.944	17.783

By order of the Board

Khoo Henn Kuan  
Chief Executive Officer

Kuala Lumpur  
27 February 2009