



The Hing Yiap Group

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

(Incorporated in Malaysia)

Lots 59-60, Lorong Kuang Bulan

Taman Kepong

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### **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 30 June 2009.

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 for 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 June 2009**

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>ASSETS</u></b>		
<b>Non-current assets</b>		
Property, plant and equipment	20,843	20,344
Intangible assets	7,418	2,650
Deferred tax assets	1,425	1,989
Investment in associate	-	535
Investment held in trust	2,217	1,200
	<u>31,903</u>	<u>26,718</u>
<b>Current assets</b>		
Inventories	42,123	54,025
Receivables	16,353	20,802
Short term investment	-	166
Cash and bank balances	13,145	6,293
	<u>71,621</u>	<u>81,286</u>
Non-current asset classified as held for sale	103	273
<b>TOTAL ASSETS</b>	<u><b>103,627</b></u>	<u><b>108,277</b></u>
<b><u>EQUITY AND LIABILITIES</u></b>		
Share capital	41,787	41,787
Reserves	38,801	32,465
<b>Shareholders' Equity</b>	<u>80,588</u>	<u>74,252</u>
<b>Non-Current Liabilities</b>		
Hire purchase payables	898	714
Term loans	1,995	425
Provision for directors' gratuity	2,217	1,200
	<u>5,110</u>	<u>2,339</u>
<b>Current Liabilities</b>		
Payables	12,301	16,371
Hire purchase payables	517	963
Short term borrowings	5,111	14,352
	<u>17,929</u>	<u>31,686</u>
<b>TOTAL LIABILITIES</b>	<u>23,039</u>	<u>34,025</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>103,627</b></u>	<u><b>108,277</b></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 June 2009**

	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	-	-	-	9,470	9,470
Dividend	-	-	-	(3,134)	(3,134)
At as 31.6.2009	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>36,748</u>	<u>80,588</u>

## Hing Yiap Knitting Industries Berhad

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### Condensed Consolidated Income Statements For the period ended 30 June 2009

	3 months ended 30.6.2009 RM'000	3 months ended 30.6.2008 RM'000	Year-to-date ended 30.6.2009 RM'000	Year-to-date ended 30.6.2008 RM'000
Revenue	23,790	26,826	136,733	141,661
Other operating income	233	358	527	1,107
Doubtful debts allowance, net of recoveries	-	(37)	-	(37)
Inventories write-back / (write-down)	(1,701)	(1,123)	(3,631)	(2,093)
Operating expenses	(21,531)	(26,657)	(119,479)	(128,145)
<b>Profit/(loss) from operations</b>	<b>791</b>	<b>(633)</b>	<b>14,150</b>	<b>12,493</b>
Finance costs	(139)	(219)	(684)	(824)
Share of profit/(loss) in associate	-	(46)	(84)	(199)
<b>Profit/(loss) before taxation</b>	<b>652</b>	<b>(898)</b>	<b>13,382</b>	<b>11,470</b>
Taxation	(453)	294	(3,912)	(3,618)
<b>Profit/(loss) after taxation</b>	<b>199</b>	<b>(604)</b>	<b>9,470</b>	<b>7,852</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings / (loss) per share	0.48	(1.45)	22.66	18.79

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## Condensed Consolidated Cash Flow Statements For the period ended 30 June 2009

	30.6.2009 RM'000	30.6.2008 RM'000
<b>Cash flow from operating activities</b>		
Profit before tax	13,382	11,470
Adjustments for:		
Interest expenses	684	824
Interest income	-	
Depreciation of property, plant and equipment	3,352	3,057
Amortisation of intangible asset	20	(288)
Net (profit)/loss on disposal of property, plant and equipment	539	639
Property, plant and equipment written-off and impaired Intangibles	-	-
	(4,788)	
Profit on disposal of investment property		(100)
Provision for losses of investment	481	-
Inventories write-downs	3,631	2,093
Unrealised foreign exchange differences	214	(150)
Share of loss in associate	85	199
Doubtful debts allowance, net of recoveries	-	37
Operating profit before working capital changes	17,600	17,781
Net change in current assets	12,879	(12,606)
Net change in current liabilities	(2,425)	2,255
Cash (used in) / generated from operations	28,054	7,430
Tax paid	(4,445)	(2,749)
Net cash generated/ (used) in operating activities	23,609	4,681
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(3,648)	(3,210)
Proceeds from disposal of property, plant and equipment and investment property	287	5,149
Investment in associate	-	-
Investment held in trust	(800)	(1,200)
Net cash generated/ (used) in investing activities	(4,161)	739
<b>Cash flow from financing activities</b>		
Interest paid	(684)	(824)
Dividends paid	(3,119)	(1,543)
Net increase/(decrease) in bank borrowings and hire purchase obligations	(8,291)	482
Net cash generated / (used) in financing activities	(12,094)	(1,885)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	7,354	3,535
<b>Cash and cash equivalents at beginning of period</b>	4,924	1,389
<b>Cash and cash equivalents at end of period</b>	12,278	4,924

# 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, "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 cyclicity 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 30.6.2008</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other operating income	232	126	358
Operating expenses	(26,559)	(98)	(26,657)
Taxation	218	76	294
Profit/(Loss) after tax	(708)	104	(604)
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings/(Loss) per share	(1.69)	0.25	(1.45)
<b>12 months period ended 30.6.2008</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other operating income	981	126	1,107
Operating expenses	(128,047)	(98)	(128,145)
Taxation	(3,554)	(64)	(3,618)
Profit/(Loss) after tax	7,888	(36)	7,852
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings/(Loss) per share	18.88	(0.09)	18.79

- Audit adjustments effected in the financial statements between the announcement of the unaudited financial results on 28 August 2008 and audited financial statements dated 23 October 2008
- Tax adjustment 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 June 2009, dividends paid by the Company amounted to RM 3,119,399.80.

## 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>12 months ended 30.6.2009</b>					
<b>Segment revenue</b>					
External revenue	249	133,895	2,589	-	136,733
Intersegment revenue	51,166	4,814	-	(55,980)	-
Total revenue	<u>51,415</u>	<u>138,709</u>	<u>2,589</u>	<u>(55,980)</u>	<u>136,733</u>
<b>Segment result</b>	<u>542</u>	<u>12,020</u>	<u>(1,581)</u>	<u>2,642</u>	<u>13,623</u>
Unallocated income					527
Unallocated expense					-
Profit from operations					<u>14,150</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 four cafes at One Utama, The Pavilion KL, Bangsar Village and LCCT.

### 12 months period ended 30.6.2008

#### Segment revenue

External revenue	126	141,535	-	-	141,661
Intersegment revenue	72,151	5,308	-	(77,459)	-
Total revenue	<u>72,277</u>	<u>146,843</u>	<u>-</u>	<u>(77,459)</u>	<u>141,661</u>
<b>Segment result</b>	<u>3,485</u>	<u>8,429</u>	<u>-</u>	<u>(528)</u>	<u>11,386</u>
Unallocated income					1,107
Unallocated expense					-
Profit from operations					<u>12,493</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, USA 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 30 June 2009.

**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 31,588,516 as at 30 June 2009.

**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 has decreased to RM 23.790 million, a drop by RM 3.036 million or 11.32%, compared to RM 26.826 million for the same quarter last year. Revenue has decreased in the current quarter compared to the same quarter of the preceding year because of the effects of the current global financial crisis and economic slowdown which has dampened consumer confidence and spending.

For the current quarter, the Group recorded a pre-tax profit of RM 0.652 million, compared to a pre-tax loss of RM 0.898 million for the same period of the preceding year.

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

Group revenue for the 12 months period ended 30 June 2009 decreased by RM 4.928 million or 3.48% to RM 136.733 million as compared to revenue of RM 141.661 million recorded for the 12 months period ended 30 June 2008. The Group's revenue decreased due to a decline in sales turnover from our fashion retail activities. This is however, partially off-set by the revenue contribution from our food and beverages division in our "Theobroma Chocolate Lounges".

The Group recorded RM 1.912 million or a 16.67% increase in pre-tax profit to RM 13.382 million during the current period as compared to a pre-tax profit of RM 11.470 million recorded for the corresponding period ended 30 June 2008. The Group's pre-tax profit for the current period was affected by the decline in the results of our manufacturing division and losses from our newly opened "Theobroma" cafés. Whilst our apparel retailing division, showed a decline in revenue, it however improved on our pre-tax profit performance as a result of the company's recent revamp and continuing improvement programmes.

### **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 0.652 million for the quarter ended 30 June 2009 as compared to the pre-tax profit of RM 0.136 million recorded for the quarter ended 31 March 2009.

The higher earnings in the current quarter are due to lower operating expenses arising from the effects of royalty adjustment.

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

The local retail market condition has improved since its low in the first quarter of this calendar year but continues to remain challenging in terms of sustainability of recovery.

However, the company will continue to proactively manage these challenges and maintain our competitiveness with ongoing plans in costs management, improved efficiency and innovative product designs. We will also be alert to capitalise on investment opportunities that may arise from this 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:

	<b>3 months ended 30.6.2009 RM'000</b>	<b>3 months ended 30.6.2008 RM'000</b>	<b>Year-to-date ended 30.6.2009 RM'000</b>	<b>Year-to-date ended 30.6.2008 RM'000</b>
Income tax	427	343	(3,348)	(4,243)
Deferred tax	(880)	(49)	(564)	625
	----- (453) =====	----- 294 =====	----- (3,912) =====	----- (3,618) =====

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:

	<b>30.6.2009</b>
	<b>RM'000</b>
<b>Short term borrowings</b>	
<b>Secured</b>	
Term loans	1,221
<b>Unsecured</b>	
Bank overdrafts	867
Bankers' acceptances	3,023
	<u>3,890</u>
<b>Total short term borrowings</b>	<u><u>5,111</u></u>
<b>Long term borrowings</b>	
<b>Secured</b>	
Term loans	<u><u>1,995</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

Subject to the approval of shareholders in the forthcoming Annual General Meeting, the Directors recommend the payment of dividend 7.5% less income tax and 2.5% special tax exempt dividend for the year ended 30 June 2009. The payment date for this dividend and the date of the Annual General Meeting will be announced at later date.

## 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 30.6.2009</b>	<b>3 months ended 30.6.2008</b>	<b>Year-to-date ended 30.6.2009</b>	<b>Year-to-date ended 30.6.2008</b>
Profit / (loss) after taxation (RM'000)	199	(604)	9,470	7,852
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic / (loss) earnings per share (sen)	0.48	(1.45)	22.66	18.79

By order of the Board

Khoo Henn Kuan  
Chief Executive Officer

Kuala Lumpur  
27 August 2009