



The Hing Yiap Group

**Hing Yiap Group Berhad** (22414-V)  
(formerly known as Hing Yiap Knitting Industries Berhad)  
(Incorporated in Malaysia)  
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## Introduction

The Board of Directors of Hing Yiap Group Berhad is pleased to announce the un-audited financial results of the Group for the financial period ended 31 December 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 last annual audited financial statements, for financial year ended 30 June 2009.

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 Group Berhad**  
(22414-V)  
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**Condensed Consolidated Balance Sheets  
as at 31 December 2009**

	<b>31.12.2009</b>	<b>30.6.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>ASSETS</u></b>		
<b>Non-current assets</b>		
Property, plant and equipment	20,941	20,610
Intangible assets	7,408	7,418
Deferred tax assets	1,602	1,407
Investment held in trust	2,400	2,000
	<u>32,351</u>	<u>31,435</u>
<b>Current assets</b>		
Inventories	48,260	42,449
Receivables	24,347	16,829
Cash and bank balances	18,489	13,157
	<u>91,096</u>	<u>72,435</u>
Non-current asset classified as held for sale	107	107
<b>TOTAL ASSETS</b>	<b><u>123,554</u></b>	<b><u>103,977</u></b>
<b><u>EQUITY AND LIABILITIES</u></b>		
Share capital	41,787	41,787
Reserves	47,885	38,685
<b>Shareholders' Equity</b>	<b><u>89,672</u></b>	<b><u>80,472</u></b>
<b>Non-Current Liabilities</b>		
Hire purchase payables	739	898
Term loans	-	2,090
Provision for directors' gratuity	2,400	2,000
	<u>3,139</u>	<u>4,988</u>
<b>Current Liabilities</b>		
Payables	22,938	12,985
Hire purchase payables	591	517
Short term borrowings	7,214	5,015
	<u>30,743</u>	<u>18,517</u>
<b>TOTAL LIABILITIES</b>	<b><u>33,882</u></b>	<b><u>23,505</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>123,554</u></b>	<b><u>103,977</u></b>
Net assets per share	<u>2.15</u>	<u>1.93</u>

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**Condensed Statements of Changes in Equity**  
**For the period ended 31 December 2009**

	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained profits RM'000	Total RM'000
At 1.7.2008	41,787	1,356	697	30,412	74,252
Profit after taxation	-	-	-	8,833	8,833
Dividend	-	-	-	-	-
At as 31.12.2008	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>39,245</u>	<u>83,085</u>
At 1.7.2009	41,787	1,356	697	36,632	80,472
Profit after taxation	-	-	-	9,200	9,200
Dividend	-	-	-	-	-
At as 31.12.2009	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>45,832</u>	<u>89,672</u>

**Hing Yiap Group Berhad**  
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**Condensed Consolidated Income Statements**  
**For the period ended 31 December 2009**

	3 months ended 31.12.2009	3 months ended 31.12.2008	Year-to-date ended 31.12.2009	Year-to-date ended 31.12.2008
	RM'000	RM'000	RM'000	RM'000
Revenue	31,646	34,292	75,730	81,920
Other operating income	100	7	297	119
Inventories write-back / (write-down)	-	-	(518)	(1,785)
Operating expenses	(28,705)	(30,648)	(62,659)	(67,195)
Profit/(loss) from operations	3,041	3,651	12,850	13,059
Finance costs	(117)	(189)	(225)	(379)
Share of profit/(loss) in associate	-	-	-	(85)
Profit/(loss) before taxation	2,924	3,462	12,625	12,595
Taxation	(804)	(1,035)	(3,425)	(3,762)
Profit/(loss) after taxation	2,120	2,427	9,200	8,833
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings / (loss) per share	5.073	5.808	22.016	21.138

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**Condensed Consolidated Cash Flow Statements**  
**For the period ended 31 December 2009**

	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	12,625	12,595
Adjustments for:		
Interest expenses	225	379
Depreciation of property, plant and equipment	1,532	1,679
Amortisation of intangible asset	10	10
Net (profit)/loss on disposal of property, plant and equipment	73	148
Inventories write-downs	518	1,785
Intangibles		(4,788)
Provision for losses of investment in associate		450
Share of loss in associate	-	85
Unrealised foreign exchange differences	-	31
	<hr/>	<hr/>
Operating profit before working capital changes	14,983	12,374
Net change in current assets	(15,540)	(10,267)
Net change in current liabilities	10,724	8,106
Cash (used in) / generated from operations	10,167	10,213
Tax paid	(2,292)	(2,422)
Net cash generated/ (used) in operating activities	<hr/> <u>7,875</u>	<hr/> <u>7,791</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(1,753)	(2,037)
Proceeds from disposal of property, plant and equipment and investment property	11	-
Investment held in trust	(400)	(400)
Net cash generated/ (used) in investing activities	<hr/> <u>(2,142)</u>	<hr/> <u>(2,437)</u>
<b>Cash flow from financing activities</b>		
Interest paid	(225)	(379)
Dividends paid	(5)	(1)
Net increase/(decrease) in bank borrowings and hire purchase obligations	(1,217)	(3,011)
	<hr/>	<hr/>
Net cash generated / (used) in financing activities	(1,447)	(3,391)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	4,286	1,963
<b>Cash and cash equivalents at beginning of period</b>	12,290	4,925
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<u>16,576</u>	<u>6,888</u>

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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 2009.

#### **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 2009 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 31.12.2008</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation	(582)	(453)	(1,035)
Profit/(Loss) after tax	2,880	(453)	2,427
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings/(Loss) per share	6.892	(1.084)	5.808
<b>6 months period ended 31.12.2008</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation	(3,425)	(337)	(3,762)
Profit/(Loss) after tax	9,170	(337)	8,833
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings/(Loss) per share	21.944	(0.806)	21.138

- Tax adjustment to reflect the effective tax charge for the financial year ended 30 June 2009.

**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 quarter ended 31 December 2009, dividends paid by the Company amounted to RM 5,094.

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

	Manufacturing	Trading	Food and beverage	Elimina- tions	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>6 months ended 31.12.2009</b>					
<b>Segment revenue</b>					
External revenue	83	72,997	2,650	-	75,730
Intersegment revenue	41,919	1,927	-	(43,846)	-
Total revenue	<u>42,002</u>	<u>74,924</u>	<u>2,650</u>	<u>(43,846)</u>	<u>75,730</u>
<b>Segment result</b>	<u>(138)</u>	<u>13,104</u>	<u>(493)</u>	<u>80</u>	<u>12,553</u>
Unallocated income					297
Unallocated expense					-
Profit from operations					<u>12,850</u>
<b>6 months period 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>	<u>12,940</u>
Unallocated income					119
Unallocated expense					-
Profit from operations					<u>13,059</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 2009.



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

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 December 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 31,588,516 as at 30 June 2009 to RM 28,462,590 as at 31 December 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**

Revenue for the current quarter at RM 31.646 million, was RM 2.646 million or 7.7% lower, from RM 34.292 million for the same quarter last year. Hari Raya festive season did not fall in this current quarter but fell on the said quarter last year. Also, consumer spending was generally weaker this quarter.

For the current quarter, the Group recorded a pre-tax profit of RM 2.924 million, compared to a pre-tax profit of RM 3.462 million for the same period of the preceding year due to the decline in revenue in the current quarter.

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

Group revenue for the 6 months period ended 31 December 2009 decreased by RM 6.190 million or 7.6% to RM 75.730 million as compared to revenue of RM 81.920 million recorded for the 6 months period ended 31 December 2008.

The Group recorded a marginal increase in pre-tax profit to RM 12.625 million during the current period as compared to a pre-tax profit of RM 12.595 million recorded for the same period ended 31 December 2008.

Despite the decrease in revenue from the trading segment, this segment has shown improvement in its pre-tax profit because of better management efficiency, costs control, and lower provisions for inventories write-down.

**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 2.924 million for the quarter ended 31 December 2009 as compared to the pre-tax profit of RM 9.701 million recorded for the quarter ended 30 September 2009.

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 2009 and the Hari Raya festive season. In the current quarter, there were no major festive events except for Christmas.

**15. Current year prospects**

The local retail market remains challenging. The Group will continue to be vigilant and to take pro-active measures to remain competitive in its targeted business segments and to ensure its business model is sustainable.

**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 31.12.2009 RM'000</b>	<b>3 months ended 31.12.2008 RM'000</b>	<b>Year-to-date ended 31.12.2009 RM'000</b>	<b>Year-to-date ended 31.12.2008 RM'000</b>
Income tax	(832)	(884)	(3,620)	(3,213)
Deferred tax	28	(151)	195	(549)
	----- (804) =====	----- (1,035) =====	----- (3,425) =====	----- (3,762) =====

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>31.12.2009</b>
	<b>RM'000</b>
<b>Short term borrowings</b>	
<b>Secured</b>	
Term loans	665
<b>Unsecured</b>	
Bank overdrafts	1,913
Bankers' acceptances	4,636
	<u>6,549</u>
<b>Total short term borrowings</b>	<b><u>7,214</u></b>
<b>Long term borrowings</b>	
<b>Secured</b>	
Term loans	<u><u>-</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.

	<b>3 months ended 31.12.2009</b>	<b>3 months ended 31.12.2008</b>	<b>Year-to-date ended 31.12.2009</b>	<b>Year-to- date ended 31.12.2008</b>
Profit / (loss) after taxation (RM'000)	2,120	2,427	9,200	8,833
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic / (loss) earnings per share (sen)	5.073	5.808	22.016	21.138

By order of the Board

Khoo Henn Kuan  
Chief Executive Officer

Kuala Lumpur  
25 February 2010