



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 30 June 2010.

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 comprises 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 30 June 2010**

	<b>30.6.2010</b> <b>RM'000</b>	<b>30.6.2009</b> <b>RM'000</b>
<b><u>ASSETS</u></b>		
<b>Non-current assets</b>		
Property, plant and equipment	20,404	20,610
Intangible assets	7,398	7,418
Deferred tax assets	1,851	1,407
Investment held in trust	2,800	2,000
	<u>32,453</u>	<u>31,435</u>
<b>Current assets</b>		
Inventories	59,604	42,449
Receivables	15,357	16,829
Cash and bank balances	15,965	13,157
	<u>90,926</u>	<u>72,435</u>
Investment in bonds	2,037	-
Non-current asset classified as held for sale	-	107
<b>TOTAL ASSETS</b>	<u><b>125,416</b></u>	<u><b>103,977</b></u>
<b><u>EQUITY AND LIABILITIES</u></b>		
Share capital	41,787	41,787
Reserves	47,550	38,685
<b>Shareholders' Equity</b>	<u>89,337</u>	<u>80,472</u>
<b>Non-Current Liabilities</b>		
Hire purchase payables	445	898
Term loans	-	2,090
Provision for directors' gratuity	2,800	2,000
	<u>3,245</u>	<u>4,988</u>
<b>Current Liabilities</b>		
Payables	27,914	12,985
Hire purchase payables	636	517
Short term borrowings	4,284	5,015
	<u>32,834</u>	<u>18,517</u>
<b>TOTAL LIABILITIES</b>	<u>36,079</u>	<u>23,505</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>125,416</b></u>	<u><b>103,977</b></u>
Net assets per share	<u>2.14</u>	<u>1.93</u>

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**Condensed Statements of Changes in Equity**  
**For the period ended 30 June 2010**

	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	-	-	-	9,354	9,354
Dividend	-	-	-	(3,134)	(3,134)
At as 30.6.2009	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>36,632</u>	<u>80,472</u>
At 1.7.2009	41,787	1,356	697	36,632	80,472
Profit after taxation	-	-	-	12,260	12,260
Dividend	-	-	-	(3,395)	(3,395)
At as 30.6.2010	<u>41,787</u>	<u>1,356</u>	<u>697</u>	<u>45,497</u>	<u>89,337</u>

**Hing Yiap Group Berhad**  
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**Condensed Consolidated Income Statements**  
**For the period ended 30 June 2010**

	3 months ended 30.6.2010	3 months ended 30.6.2009	Year-to-date ended 30.6.2010	Year-to-date ended 30.6.2009
	RM'000	RM'000	RM'000	RM'000
Revenue	25,140	24,077	134,816	137,020
Other operating income	212	422	1,295	716
Doubtful debts recovery/(allowance)	78	-	78	-
Inventories write-back / (write-down)	(5)	(1,376)	(2,357)	(3,351)
Operating expenses	(24,509)	(22,364)	(116,472)	(120,267)
Profit/(loss) from operations	916	759	17,360	14,118
Finance costs	(74)	(140)	(385)	(684)
Share of profit/(loss) in associate	-	-	-	(85)
Profit/(loss) before taxation	842	619	16,975	13,349
Taxation	(268)	(193)	(4,715)	(3,995)
Profit/(loss) after taxation	574	426	12,260	9,354
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings / (loss) per share	1.374	1.019	29.339	22.383

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**Condensed Consolidated Cash Flow Statements**  
**For the period ended 30 June 2010**

	<b>30.6.2010</b>	<b>30.6.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	16,975	13,348
Adjustments for:		
Interest expenses	385	684
Depreciation of property, plant and equipment	3,226	3,354
Amortisation of intangible asset	20	20
Net (profit)/loss on disposal of property, plant and equipment	269	583
Inventories write-downs	2,357	3,351
Intangibles	-	(4,788)
Provision for losses of investment in associate	-	450
Share of loss in associate	-	85
Allowance for doubtful debts	-	77
Unrealised foreign exchange differences	-	214
	<hr/>	<hr/>
Operating profit before working capital changes	23,232	17,378
Net change in current assets	(19,731)	7,466
Net change in current liabilities	15,895	74
Cash (used in) / generated from operations	19,396	24,918
Tax paid	(3,640)	(4,445)
Net cash generated/ (used) in operating activities	<hr/> <hr/> 15,756	<hr/> <hr/> 20,473
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(2,964)	(3,673)
Proceeds from disposal of property, plant and equipment and investment property	29	3,459
Investment held in trust	(800)	(800)
Investment in Bonds	(2,037)	-
Net cash generated/ (used) in investing activities	<hr/> <hr/> (5,772)	<hr/> <hr/> (1,014)
<b>Cash flow from financing activities</b>		
Interest paid	(385)	(684)
Dividends paid	(3,387)	(3,119)
Net increase/(decrease) in bank borrowings and hire purchase obligations	(3,192)	(8,291)
Net cash generated / (used) in financing activities	<hr/> <hr/> (6,964)	<hr/> <hr/> (12,094)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	3,020	7,365
<b>Cash and cash equivalents at beginning of period</b>	12,290	4,925
<b>Cash and cash equivalents at end of period</b>	<hr/> <hr/> 15,310	<hr/> <hr/> 12,290

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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 cater 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 30.6.2009</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating expenses	(22,331)	(33)	(22,364)
Taxation	(453)	260	(193)
Profit/(Loss) after tax	199	227	426
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings/(Loss) per share	0.476	0.543	1.019
<b>12 months period ended 30.6.2009</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating expenses	(120,279)	(33)	(120,312)
Taxation	(3,912)	(83)	(3,995)
Profit/(Loss) after tax	9,470	(116)	9,354
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings/(Loss) per share	22.662	(0.279)	22.383

- Audit adjustments effected in the financial statements between the announcement of the unaudited financial results on 27 August 2009 and audited financial statements dated 22 October 2009
- 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 30 June 2010, dividends paid by the Company amounted to RM 3,386,657.

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

	Manufacturing	Trading	Food and beverage	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>12 months ended 30.6.2010</b>					
<b>Segment revenue</b>					
External revenue	196	129,357	5,263	-	134,816
Intersegment revenue	75,326	4,125	-	(79,451)	-
Total revenue	<u>75,522</u>	<u>133,482</u>	<u>5,263</u>	<u>(79,451)</u>	<u>134,816</u>
<b>Segment result</b>	<u>3,269</u>	<u>14,784</u>	<u>(1,662)</u>	<u>(326)</u>	16,065
Unallocated income					1,295
Unallocated expense					-
Profit from operations					<u>17,360</u>
<b>12 months period ended 30.6.2009</b>					
<b>Segment revenue</b>					
External revenue	249	134,182	2,589	-	137,020
Intersegment revenue	51,166	4,814	-	(55,980)	-
Total revenue	<u>51,415</u>	<u>138,996</u>	<u>2,589</u>	<u>(55,980)</u>	<u>137,020</u>
<b>Segment result</b>	<u>542</u>	<u>11,799</u>	<u>(1,581)</u>	<u>2,642</u>	13,402
Unallocated income					716
Unallocated expense					-
Profit from operations					<u>14,118</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 30 June 2010.

**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 27,952,405 as at 30 June 2010.

**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 25.14 million, was RM 1.063 million or 4.4% higher, from RM 24.077 million for the same quarter last year.

For the current quarter, the Group has recorded a pre-tax profit of RM 0.842 million, compared to a pre-tax profit of RM 0.619 million for the same corresponding quarter last year. The higher earnings in the current quarter are due to higher revenue and lower inventories write-down. The operating expenses in the preceding quarter are lower than the current quarter due to the effect of the royalty write-back in the preceding quarter.

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

Group revenue for the 12 months period ended 30 June 2010 decreased by RM 2.204 million or 1.6% to RM 134.816 million as compared to revenue of RM 137.02 million recorded for the same corresponding period last year. The decrease in revenue is mainly from the rationalisation and consolidation of our BumCity and retail shops. The revenue decline in the trading segment was partially countered by an increase in revenue contribution from the opening of two new Theobroma Chocolate Lounge cafes at the Low Cost Carrier Terminal and The Curve.

The Group recorded an increase in pre-tax profit to RM 16.975 million during the current period as compared to a pre-tax profit of RM 13.349 million recorded for the same period ended 30 June 2009. Despite the decrease in revenue, the trading segment continues to be the most profitable segment because of better margins derived from the company's

commitment to continuous performance improvement measures undertaken in merchandising design, costs management and lower provisions for inventories write-down during the year.

**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 0.842 million for the quarter ended 30 June 2010 as compared to the pre-tax profit of RM 3.507 million recorded for the quarter ended 31 March 2010.

The better earnings in the preceding quarter were attributable to the higher sales and promotional activities in conjunction with Chinese New Year festive season whereas the current quarter does not have any major festival.

**15. Current year prospects**

The Malaysian economy has shown signs of a positive outlook in the first half of year 2010. Nevertheless, the Group would remain cautious and continue to emphasise on continuous improvement in merchandising design, good inventories control, cost optimization and improve operations to achieve growth and sustainable earnings for the coming year.

**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 30.6.2010 RM'000</b>	<b>3 months ended 30.6.2009 RM'000</b>	<b>Year-to-date ended 30.6.2010 RM'000</b>	<b>Year-to-date ended 30.6.2009 RM'000</b>
Income tax	(581)	(166)	(5,159)	(3,405)
Deferred tax	313	(27)	444	(590)
	----- (268) =====	----- (193) =====	----- (4,715) =====	----- (3,995) =====

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>30.6.2010</b>
	<b>RM'000</b>
<b>Short term borrowings</b>	
<b>Secured</b>	
Term loans	109
<b>Unsecured</b>	
Bank overdrafts	655
Bankers' acceptances	3,520
	<u>4,175</u>
<b>Total short term borrowings</b>	<b><u>4,284</u></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

Subject to the approval of shareholders in the forthcoming Annual General Meeting, the Directors recommend the payment of dividend 10% less income tax for the year ended 30 June 2010. 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 30.6.2010</b>	<b>3 months ended 30.6.2009</b>	<b>Year-to-date ended 30.6.2010</b>	<b>Year-to- date ended 30.6.2009</b>
Profit / (loss) after taxation (RM'000)	574	426	12,260	9,354
Weighted average number of ordinary shares in issue ('000)	41,787	41,787	41,787	41,787
Basic / (loss) earnings per share (sen)	1.374	1.019	29.339	22.383

By order of the Board

Khoo Henn Kuan  
Managing Director

Kuala Lumpur  
26 August 2010