

HYTEX INTEGRATED BERHAD

Quarterly report on results for the 2nd quarter ended 30 September 2010. The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/09/10 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/09 RM'000	CURRENT YEAR TO DATE 30/09/10 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/09 RM'000
REVENUE		30,776	33,756	60,648	68,003
COST OF SALES		(23,555)	(27,069)	(46,929)	(53,974)
GROSS PROFIT		<u>7,221</u>	<u>6,687</u>	<u>13,719</u>	<u>14,029</u>
OPERATING EXPENSES		(4,475)	(8,233)	(13,759)	(16,858)
OPERATING (LOSS)/PROFIT		<u>2,746</u>	<u>(1,546)</u>	<u>(40)</u>	<u>(2,829)</u>
FINANCE COSTS		(2,230)	(3,317)	(4,583)	(5,986)
PROFIT/(LOSS) BEFORE TAXATION		<u>516</u>	<u>(4,863)</u>	<u>(4,623)</u>	<u>(8,815)</u>
TAXATION	B5	(478)	(282)	(637)	(558)
NET PROFIT/(LOSS) FOR THE PERIOD		<u><u>38</u></u>	<u><u>(5,145)</u></u>	<u><u>(5,260)</u></u>	<u><u>(9,373)</u></u>
EARNING PER SHARE - basic (sen)		0.03	(3.43)	(3.51)	(6.25)

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010)

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CONDENSED CONSOLIDATED BALANCE SHEET

	Note	AS OF END OF CURRENT QUARTER 30/09/10 RM'000	AS OF PRECEDING FINANCIAL YEAR END 31/03/10 RM'000
ASSETS			
Non-Current Assets			
PROPERTY, PLANT AND EQUIPMENT		102,925	109,642
CAPITAL WORK-IN-PROGRESS		7,174	6,996
PREPAID LEASE PAYMENTS		5,143	5,229
OTHER INVESTMENTS		-	-
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		-	-
		115,242	121,867
Current Assets			
INVENTORIES	A15	119,202	121,573
TRADE RECEIVABLES		12,641	19,349
OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS		20,419	26,417
FIXED DEPOSITS PLACED WITH LICENCED BANKS		102	102
CASH AND BANK BALANCES		1,547	631
		153,911	168,072
TOTAL ASSETS		269,153	289,939
EQUITY AND LIABILITIES			
Equity			
SHARE CAPITAL		75,000	75,000
RESERVES		(23,778)	(16,698)
TOTAL EQUITY		51,222	58,302
Non-Current Liabilities			
LONG TERM BORROWINGS	B9	20,732	22,480
DEFERRED TAXATION		422	422
		21,154	22,902
Current Liabilities			
TRADE PAYABLES		16,898	24,115
OTHER PAYABLES AND ACCRUED EXPENSES		23,525	31,897
AMOUNT OWING TO DIRECTORS		554	234
SHORT TERM BORROWINGS	A9 & B9	155,800	152,489
		196,777	208,735
TOTAL LIABILITIES		217,931	231,637
TOTAL EQUITY AND LIABILITIES		269,153	289,939
NET ASSETS PER SHARE (RM)		0.34	0.39

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2009)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	NON-DISTRIBUTABLE		DISTRIBUTABLE	
		SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	RETAINED PROFIT
		RM'000	RM'000	RM'000	RM'000
As of 1 April 2010		75,000	10,365	(2,769)	(24,295)
Cumulative movements during the year					
Currency translation difference		-	-	(1,819)	-
Net loss for the year		-	-	-	(5,260)
As of 30 September 2010		<u>75,000</u>	<u>10,365</u>	<u>(4,588)</u>	<u>(29,555)</u>
As of 1 April 2009		75,000	10,365	3,398	10,280
Cumulative movements during the preceding periods					
Currency translation difference		-	-	(3,918)	-
Net loss for the year		-	-	-	(9,373)
As of 30 September 2009		<u>75,000</u>	<u>10,365</u>	<u>(520)</u>	<u>907</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30/09/10 RM'000	6 months ended 30/09/09 RM'000
NET CASH FROM OPERATING ACTIVITIES	2,336	1,454
NET CASH FROM INVESTING ACTIVITIES	4,243	4,762
NET CASH USED IN FINANCING ACTIVITIES	(6,932)	(3,918)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(353)</u>	<u>2,298</u>
EFFECT OF EXCHANGE DIFFERENCES	(1,819)	(3,918)
CASH AND BANK EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	583	2,650
CASH AND BANK EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>(1,589)</u></u>	<u><u>1,030</u></u>

CASH AND BANK EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE THE FOLLOWING:

	As of 30/09/10 RM'000	As of 30/09/09 RM'000
CASH AND BANK BALANCES	1,649	3,773
BANK OVERDRAFTS (INCLUDED WITHIN SHORT TERM BORROWINGS)	<u>(3,238)</u>	<u>(2,743)</u>
	<u><u>(1,589)</u></u>	<u><u>1,030</u></u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2010)

HYTEX INTEGRATED BERHAD

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A NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report has been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 March 2010. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2010.

A2. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the year ended 31 March 2010 was not subject to any qualification.

A3. Segmental Information

By business segments

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue	-	45,350	29,788	-	(14,490)	60,648
Segment Result - Profit/(Loss)	(3,993)	(5,513)	1,162	-	-	(8,344)
Others - Profit/(Loss)	-	268	2,816	-	-	3,084
Net Profit/(Loss)	<u>(3,993)</u>	<u>(5,245)</u>	<u>3,978</u>	<u>-</u>	<u>-</u>	<u>(5,260)</u>

Of the loss of RM4.0 million in investment holdings, RM2.6 million is due to interest expenses incurred in the investment in China, and RM1 million is for the cost of restructuring paid over the last two quarters. There is no income from the investment to set off against the interest incurred. The gain of RM3.08 million is from the disposal of excess PPE at arm length.

A4. Unusual items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 September 2010, except for item disclosed in note A6.

A5. Changes in Estimates

There were no other changes in estimates that have a material effect in the current quarter results.

A6. Seasonal or cyclical factors

In view that the Group is in the garments and apparels industry specialising in the manufacturing of spring/summer wear and local retail, the demand for garments and apparels is normally higher in the third and fourth quarters of each financial year.

Other than the factor stated above, the group's operations for the current quarter were not affected by other seasonal or cyclical factors.

A7. Dividend paid

No dividend has been paid during the current financial period ended 30 September 2010.

A8. Valuation of property, plant and equipment

The property, plant and equipment are stated at cost and have been brought forward, without amendments from the previous annual financial statements for the year ended 31 March 2010. No valuation has been carried out since then.

A9. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities other than those stated below: -

	RM'000
MUNIF outstanding as at 1 April 2010	100,000
MUNIF issued	-
MUNIF repayment	-
MUNIF outstanding as at 30 September 2010	<u>100,000</u>

The Murabahah Underwritten Note Issuance Facility ("MUNIF") / Islamic Medium Term Notes ("IMTN") is to be used for repayment of bank borrowings, capital expenditure in Malaysia, construction of factory in China and working capital in Malaysia. The entire RM100 million MUNIF/IMTN facility is fully underwritten by Amanah Short Deposits Berhad and has a tenure of 7 years from the date of issuance. The said facility had been restructured as explained in A14.

A10. Changes in the composition of the Group

There were no material changes in the composition of the Group for the quarter under review .

A11. Discontinued Operation

Not applicable.

A12. Capital Commitments

As of 30 September 2010, the Group has commitments as follows:

	RM'000
Royalty commitments in respect of licensed products	1,758
Non-cancellable rental commitments	3,731
Acquisition of property, plant and equipment	-
	<u>5,489</u>

A13. Changes in contingent liabilities or contingent assets

The contingent liabilities of the Company as at 30 September 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) are in respect of :

	RM'000
Bank guarantees extended to non-related third parties	441
Corporate guarantees extended to non-related third parties	80,430
	<u>80,871</u>

A14. Subsequent events

As at the date of the issuance of this quarterly report, the restructuring of the borrowings under the Murabahah Underwritten Note Issuance Facility ("MUNIF") has already been completed. The said borrowings, as stated in Note A9 above, has been converted into Short-term Loan 1 (STL1) amounting to RM54 million; Short-term Loan 2 (STL2) amounting to RM10 million; & Redeemable Convertible Secured Loan Stocks (RCSLS) amounting to RM36 million. STL 1 is repayable over an eight (8) years period, and STL 2 is repayable over a five (5) years period. The RCSLS, if not redeemed after year eight (8), shall be automatically converted into shares at nominal value.

The restructuring of the borrowings from HSBC (RM3.7 million), UOB (RM5.8 million), and EON Bank (2.9 million), is in progress. The total borrowings, amounting to RM12.4 million, shall be restructured into RM7.4 million Term Loan repayable over a five (5) years period and the balance of RM4,967,936 into nominal value of five (5) years Redeemable Secured Loan Stock.

Application to the Securities Commission in relation to the proposed issuance of RM4,967,936 nominal value of five (5) year redeemable secured loan stocks has been submitted. The restructuring is expected to be finalized by the next quarter.

The effects of the above restructuring shall be reflected in the Balance Sheet for the next quarter ending 31st December 2010. All borrowings, after the restructuring, shall be secured.

A15. Inventories

As at 30 September 2010, the Group has not made any write down or write-off of inventories.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance of the Company and its principal subsidiaries

During the current financial year quarter ended 30 September 2010, the Group recorded a lower revenue of RM30.8 million as compared to RM33.8 million in the preceding financial year corresponding quarter ended 30 September 2009. The decrease in revenue of RM 3 million is equivalent to 8.8%.

The year-to-date revenue is RM61 million as compared to RM68 million for the corresponding period in the last financial year. This represent a decrease of 10.3% against the last financial year. The decrease in revenue over the last two quarters was mainly due to the strengthening of the Ringgit against the USD, as much of our export is denominated in US Dollar, and also the slightly lower overseas demand.

The performance of the Group for the current quarter ended 30 September 2010 has improved as indicated by an operating profit of RM2.7 million as compared to an operating loss of RM1.5 million in the preceding financial year corresponding quarter ended 30 September 2009. However, the improvement was due to gains of RM3.1 million from the disposal of excess PPE. The actual operating loss, before accounting for the gains on disposal of PPE, is RM0.3 million for the current quarter. The year-to-date operating loss is RM40,000 as compared to a loss of RM2.8 million for the corresponding period in the last financial year. Net Profit for the current quarter is RM38,000 as compared to a net loss of RM5.1 million in the corresponding quarter of the preceding financial year. The net loss for year-to-date is RM5.3 million as compared to RM9.4 million for the corresponding period in the preceding financial year. Overall, there is a slight improvement in the results for the current quarter and year-to-date over the immediate preceding financial year.

B2. Material changes in the quarterly profit before taxation compared to the preceding quarter

Revenue for the current quarter had increased by RM0.9 million over the preceding period. Turnover in the preceding period is RM30 million. Turnover in the next quarter is expected to be higher based on orders already received.

The net profit in the current period is RM38,000 as compared to a net loss of RM5.3 million in the previous period. After adjusting for the gains on disposal of PPE, the net loss for the current period is RM3.0 million which is RM2.3 million lower than the previous quarter.

B3. Prospects for the remaining periods

The directors are cautious of the increasing prices of yarn and other raw material cost. Selling prices have not increased in tandem with cost and would erode into our profit margin. The strengthening of the Ringgit against USD could further reduce our margin as much of our export is to the US market and denominated in USD.

B4. Variance of actual profit from forecast profit and profit guarantee

Not applicable.

B5. Taxation

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year to-date	Preceding year corresponding period
	30/09/10	30/09/09	30/09/10	30/09/09
	RM'000	RM'000	RM'000	RM'000
Current taxation	478	282	637	558
Transfer (from) / to deferred taxation	-	17	-	17
	<u>478</u>	<u>299</u>	<u>637</u>	<u>575</u>

The effective tax rates of the Group for the current quarter and current financial period to-date ended 30 September 2010 and preceding year corresponding quarter and preceding financial year to-date ended 30 September 2009 presented above are disproportionate to the statutory tax rate due to losses of certain subsidiary companies that are not available for set-off against taxable profits of profitable subsidiaries and non-availability of tax deduction for certain expenses.

B6. Profit on sale of unquoted investments and/or properties

There were no sale of unquoted investments and/or properties during the current quarter under review, other than the gains on disposal of excess PPE as disclosed in B1 and B2 above.

B7. Purchase or disposal of quoted securities

The Company does not have any quoted securities during the quarter under review.

There was no purchase or disposal of any quoted securities during the quarter under review.

B8. Status of corporate proposals

Other than the restructuring of the borrowings, as stated in Note A14, there was no other corporate proposal for the quarter under review and for the financial year to-date.

B9. Borrowings and debt securities

The Group's borrowings as at 30 September 2010 are as follows:

	Notes	Secured RM'000	Unsecured RM'000	Total RM'000
Long term borrowings		20,732	-	20,732
Short term borrowings	A9	134,777	21,023	155,800
		<u>155,509</u>	<u>21,023</u>	<u>176,532</u>

As stated in A14 above, with the completion of the restructuring in the 3rd quarter, all borrowings would be secured.

B10. Off balance sheet financial instruments

There are no material financial instruments with off balance sheet risk except for those disclosed in note A13 and A14. There is no material cash requirement for the said financial instruments.

The Group does not foresee any significant credit and market risk.

B11. Material litigation

Legal proceedings against the insurer to recover the fire insurance claim is ongoing.

B12. Dividends (proposed or declared)

No dividend was proposed or declared during the current quarter.

B13. Earnings per share

The earnings per share (basic) is calculated by dividing the Group's profit after taxation and minority interest by the weighted average number of shares in issue of 150,000,000.

	Note	Individual period		Cumulative period	
		Current year quarter 30/09/10	Preceding year corresponding quarter 30/09/09	Current year to- date 30/09/10	Preceding year corresponding period 30/09/09
Net (loss)/profit for the period (RM'000)		38	(5,145)	(5,260)	(9,373)
Weighted average number of ordinary shares in issue ('000)		150,000	150,000	150,000	150,000
Basic earnings per share (sen)	A1	<u>0.03</u>	<u>(3.43)</u>	<u>(3.51)</u>	<u>(6.25)</u>