

HYTEX INTEGRATED BERHAD

Quarterly report on results for the 3rd quarter ended 31 December 2010. The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31/12/10 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/09 RM'000	CURRENT YEAR TO DATE 31/12/10 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/09 RM'000
REVENUE		32,954	31,388	93,602	99,391
COST OF SALES		(29,846)	(26,728)	(76,775)	(80,702)
GROSS PROFIT		<u>3,108</u>	<u>4,660</u>	<u>16,827</u>	<u>18,689</u>
OPERATING EXPENSES		(8,061)	(8,171)	(21,820)	(25,029)
OPERATING (LOSS)/PROFIT		<u>(4,953)</u>	<u>(3,511)</u>	<u>(4,993)</u>	<u>(6,340)</u>
FINANCE COSTS		(2,681)	(2,075)	(7,264)	(8,061)
PROFIT/(LOSS) BEFORE TAXATION		<u>(7,634)</u>	<u>(5,586)</u>	<u>(12,257)</u>	<u>(14,401)</u>
TAXATION	B5	(111)	(826)	(748)	(1,384)
NET PROFIT/(LOSS) FOR THE PERIOD		<u>(7,745)</u>	<u>(6,412)</u>	<u>(13,005)</u>	<u>(15,785)</u>
EARNING PER SHARE - basic (sen)		(5.16)	(4.27)	(8.67)	(10.52)

(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 31/12/10 RM'000	AS OF PRECEDING FINANCIAL YEAR END 31/03/10 RM'000
ASSETS			
Non-Current Assets			
PROPERTY, PLANT AND EQUIPMENT		100,600	109,642
CAPITAL WORK-IN-PROGRESS		6,859	6,996
PREPAID LEASE PAYMENTS		5,100	5,229
OTHER INVESTMENTS		-	-
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		-	-
		112,559	121,867
Current Assets			
INVENTORIES	A15	117,541	121,573
TRADE RECEIVABLES		16,396	19,349
OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS		21,850	26,417
FIXED DEPOSITS PLACED WITH LICENCED BANKS		102	102
CASH AND BANK BALANCES		520	631
		156,409	168,072
TOTAL ASSETS		268,968	289,939
EQUITY AND LIABILITIES			
Equity			
SHARE CAPITAL		75,000	75,000
RESERVES		(30,853)	(16,698)
TOTAL EQUITY		44,147	58,302
Non-Current Liabilities			
LONG TERM BORROWINGS	B9	20,704	22,480
DEFERRED TAXATION		422	422
		21,126	22,902
Current Liabilities			
TRADE PAYABLES		17,573	24,115
OTHER PAYABLES AND ACCRUED EXPENSES		28,560	31,897
AMOUNT OWING TO DIRECTORS		560	234
SHORT TERM BORROWINGS	A9 & B9	157,002	152,489
		203,695	208,735
TOTAL LIABILITIES		224,821	231,637
TOTAL EQUITY AND LIABILITIES		268,968	289,939
NET ASSETS PER SHARE (RM)		0.29	0.39

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2010)

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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		-	-	(1,149)	-
Net loss for the year		-	-	-	(13,005)
As of 31 December 2010		<u>75,000</u>	<u>10,365</u>	<u>(3,918)</u>	<u>(37,300)</u>
As of 1 April 2009		75,000	10,365	3,398	10,280
Cumulative movements during the preceding periods					
Currency translation difference		-	-	(3,031)	-
Net loss for the year		-	-	-	(15,785)
As of 31 December 2009		<u>75,000</u>	<u>10,365</u>	<u>367</u>	<u>(5,505)</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

	9 months ended 31/12/10 RM'000	9 months ended 31/12/09 RM'000
NET CASH FROM OPERATING ACTIVITIES	589	(4,549)
NET CASH FROM INVESTING ACTIVITIES	5,801	17,359
NET CASH USED IN FINANCING ACTIVITIES	(9,443)	(16,615)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(3,053)</u>	<u>(3,805)</u>
EFFECT OF EXCHANGE DIFFERENCES	(1,149)	(3,031)
CASH AND BANK EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	583	2,650
CASH AND BANK EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>(3,619)</u></u>	<u><u>(4,186)</u></u>

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

	As of 31/12/10 RM'000	As of 31/12/09 RM'000
CASH AND BANK BALANCES	622	234
BANK OVERDRAFTS (INCLUDED WITHIN SHORT TERM BORROWINGS)	<u>(4,241)</u>	<u>(4,420)</u>
	<u><u>(3,619)</u></u>	<u><u>(4,186)</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)

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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	-	70,914	44,968	-	(22,280)	93,602
Segment Result - Profit/(Loss)	(5,648)	(10,966)	(275)	-	-	(16,889)
Others - Profit/(Loss)	-	1,065	2,819	-	-	3,884
Net Profit/(Loss)	<u>(5,648)</u>	<u>(9,901)</u>	<u>2,544</u>	-	-	<u>(13,005)</u>

Of the loss of RM5.6 million in investment holdings, RM4.4 million is due to interest expenses incurred for the investment in China, and RM1.2 million is for the cost of restructuring of the Group's borrowings paid over the last three quarters. There is no income from the investment to set off against the interest incurred. The gain of RM3.88 million is from the disposal of excess PPE at arm's length.

For the 9 months to-date, China Manufacturing Division had suffered a net loss of RM8.56 million. The balance of the loss of RM1.34 million is for the Malaysian Manufacturing Operation.

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 31 December 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 31 December 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
MUNIF outstanding as at 1 April 2010	<u>100,000,000</u>
The restructuring of the MUNIF was completed in October 2010 as follows: -	
Short-Term Loan 1 - Eight (8) year syndicated term loan	54,000,000
Short-Term Loan 2 - Two (2) years syndicated term loan	10,000,000
Redeemable Convertible Secured Loan Stocks at RM0.50 each of eight (8) years	36,000,000
Total	<u>100,000,000</u>

The repayment of STL 1 shall commence at the end of the first month from the second anniversary of the disbursement date, whereas the repayment of STL 2 shall commence at the end of the first month from the disbursement date.

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 31 December 2010, the Group has commitments as follows:

	RM'000
Royalty commitments in respect of licensed products	1,099
Non-cancellable rental commitments	5,872
Acquisition of property, plant and equipment	-
	<u>6,971</u>

A13. Changes in contingent liabilities or contingent assets

The contingent liabilities of the Company as at 31 December 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	738
Corporate guarantees extended to non-related third parties	<u>80,430</u>
	<u>81,168</u>

A14. Subsequent events

The restructuring of the borrowings from HSBC (RM3.7 million), UOB (RM5.8 million), and EON Bank (2.9 million), is in progress and expected to be completed by March 2011. .

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 Settlement Agreement with Prima Uno Berhad for RM20 million is expected to be signed and completed in March 2011. The facility is to be repaid over a period of five (5) years at a fixed interest rate of 6.63% per annum.

The effects of the above restructuring would be reflected in the Balance Sheet for the next quarter ending 31st March 2011. All borrowings, after the restructuring, shall be secured.

A15. Inventories

As at 31 December 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

Though the sales performance of the Group for the current quarter ended 31 December 2010 has improved slightly, as indicated by a higher turnover of RM32.95 million as compared to a turnover of RM31.39 million in the preceding financial year corresponding quarter ended 31 December 2009, the higher cost of sales and finance cost has resulted in a higher net loss of RM7.75 million as compared to RM6.41 million in the preceding financial year corresponding quarter. However, year-to-date net loss of RM13.01 million is lower than the net loss of RM15.79 million in the preceding financial year corresponding quarter. The improvement was due to gains of RM3.88 million from the disposal of excess PPE. The higher cost of sales in the current financial year is due to the escalating cost of yarn and other raw materials prices as well as labour cost, especially in China.

The year-to-date revenue is RM93.6 million as compared to RM99.4 million for the corresponding period in the last financial year. This represent a decrease of 5.8% against the last financial year. The decrease in revenue over the last three 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.

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

Revenue for the current quarter had increased by RM2.18 million or 7.1% over the preceding period. Turnover in the preceding period is RM30.8 million. Turnover in the next quarter is expected to be higher based on orders already received, especially for China.

The net loss in the current period is RM7.7 million as compared to a net loss of RM2.72 million in the previous period. This is after adjusting for the gains on disposal of PPE of RM3.1 million in the previous quarter.

B3. Prospects for the fourth quarter

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. Further 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. With the current turmoil plaguing the Middle East and North Africa, petrol and fuel prices are expected to increase and would cause other raw material prices to increase in tandem. This would put more strain on our already high cost of production.

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
	31/12/10 RM'000	31/12/09 RM'000	31/12/10 RM'000	31/12/09 RM'000
Current taxation	111	808	748	1,366
Transfer (from) / to deferred taxation	-	18	-	18
	<u>111</u>	<u>826</u>	<u>748</u>	<u>1,384</u>

The effective tax rates of the Group for the current quarter and current financial period to-date ended 31 December 2010 and preceding year corresponding quarter and preceding financial year to-date ended 31 December 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 31 December 2010 are as follows:

	Notes	Secured RM'000	Unsecured RM'000	Total RM'000
Long term borrowings		20,704	-	20,704
Short term borrowings	A9	157,002	-	157,002
		<u>177,706</u>	<u>-</u>	<u>177,706</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. In addition, the company has filed an additional consequential loss claim of RM5,314,000 against the insurer in February 2011.

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 31/12/10	Preceding year corresponding quarter 31/12/09	Current year to- date 31/12/10	Preceding year corresponding period 31/12/09
Net (loss)/profit for the period (RM'000)		(7,745)	(6,412)	(13,005)	(15,785)
Weighted average number of ordinary shares in issue ('000)		150,000	150,000	150,000	150,000
Basic earnings per share (sen)	A1	<u>(5.16)</u>	<u>(4.27)</u>	<u>(8.67)</u>	<u>(10.52)</u>

B14. Realised and unrealized (gain) or loss

	Individual period		Cumulative period	
	Current year quarter 31/12/10 RM'000	Preceding year corresponding quarter 31/12/09 RM'000	Current year to- date 31/12/10 RM'000	Preceding year corresponding period 31/12/09 RM'000