

## HYTEX INTEGRATED BERHAD

Quarterly report on results for the 2nd quarter ended 30 September 2011. The figures have not been audited.

### 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 2011. 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 2011.

#### A2. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the year ended 31 March 2011 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	-	20,347	9,337	-	(3,660)	26,024
Segment Result - Profit/(Loss)	(2,029)	(3,930)	(405)	-	-	(6,364)
Others - Profit/(Loss)	-	-	-	-	-	-
Net Profit/(Loss)	(2,029)	(3,930)	(405)	-	-	(6,364)

Of the loss of RM2.0 million in investment holdings, RM1.8 million is due to interest expenses incurred for the investment in China, and the balance is due to operating expenses. China operation generated an after-tax loss of RM0.91 million for the quarter ended 30 September 2011.

#### 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 2011, 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 the 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 2011.

#### A8. Valuation of property, plant and equipment

The property, plant and equipment are stated at cost or valuation and have been brought forward without amendments from the previous annual financial statements ended 31 March 2011. 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 during the period ended 30 September 2011.

**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 2011, the Group has commitments as follows:

	RM'000
Royalty commitments in respect of licensed products	4,076
Non-cancellable rental commitments	2,148
	<u>6,224</u>

**A13. Changes in contingent liabilities or contingent assets**

The contingent liabilities of the Company as at 30 September 2011 (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	24,776
	<u>25,514</u>

**A14. Subsequent events**

Pursuant to Practice Note No. 1 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the Board of Directors of Hytex Integrated Berhad had, on the 16th of August 2011, announced that Hytex Integrated Berhad, Hytex Apparels Sdn Bhd, Hytex Garments (M) Sdn Bhd, and WOC Boutique Sdn Bhd have, pending the finalization of an acceptable debt restructuring scheme, deferred the repayments of the principal and interest of their respective banking facilities.

The Group has submitted to its lenders at the end of October 2011 its proposed restructuring scheme and is currently at the stage of negotiations with its lenders to finalize the debt restructuring scheme.

**A15. Inventories**

As at 30 September 2011, 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**

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

For the current quarter ended 30 September 2011, the Group recorded a lower revenue of RM26.0 million as compared to RM30.8 million in the preceding financial year quarter ended 30 September 2010. This represent a decrease of 15.5%. As for the year to date there is a slight decrease in revenue of 2.1% from RM60.6 million in the preceeding financial year to RM59.4 million in the current financial year.

The overall performance of the Group for the financial year current quarter ended 30 September 2011 has declined as indicated by an operating loss of RM6.4 million as compared to a profit of RM38 thousand in the preceding financial year quarter ended 30 September 2010. This was due to the lower turnover, decrease in gross profit margin caused by the appreciation of the Ringgit against the USD and increasing prices of yarn and other cost of production. The year-to-date loss in the current financial period is RM13.0 million as compared to RM5.3 million in the preceeding financial year.

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

Revenue in the current quarter has declined to RM26.0 million as compared to RM33.3 million in the immediate preceeding quarter. However, the loss before taxation for the current quarter ended 30 September 2011 is RM6.4 million as compared to loss before tax of RM6.6 million in the preceding quarter ended 30 June 2011.

The lower revenue is due to the lower orders from Nike. Retail selling prices have increased slightly and will continue to be adjusted upward with the increasing cost. Focus will be on increasing sales in the retail division.

**B3. Prospects for the remaining periods**

The directors are looking forward to better performance for the remaining periods of the financial year ending 31 March 2012. The strategic direction the Group has now taken is to focus on the local retail business which it hope will contribute positively to the Group. Orders for OEM products are expected to be lower than in the last financial year, with the worsening crisis in Europe and USA.

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

Not applicable.

**B5. Taxation**

	Individual period		Cumulative period	
	Current year 30/09/11 RM'000	Preceding year 30/09/10 RM'000	Current year to- 30/09/11 RM'000	Preceding year 30/09/10 RM'000
Current taxation	-	478	-	637
Transfer (from) / to deferred taxation	-	-	-	-
	-	478	-	637

The effective tax rates of the Group for the current quarter and current financial period to-date ended 30 September 2011 and preceding year corresponding quarter and preceding financial year to-date ended 31 March 2011 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.

**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**

There was no 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 2011 are as follows:

	Notes	Secured RM'000	Unsecured RM'000	Total RM'000
Long term borrowings		45,623	-	45,623
Short term borrowings	A9	115,012	-	115,012
		160,635	-	160,635

**B10. Off balance sheet financial instruments**

There are no material financial instruments with off balance sheet risk except for those disclosed in note A13. 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. The case is pending the determination on the quantum and value of the stock lost in the fire, by the special referee appointed by the Court.

Legal proceedings against MSIG Insurance, on the consequential loss due to the fire, has been fixed for further Case Management on 1 December 2011 pending disposal of the above fire insurance claim

The Board of Directors of Hytex Integrated Berhad had also, on the date stated, made the following announcements on material litigations: -

On 12/09/2011: That the Company and its wholly-owned subsidiary, Hytex Garments (M) Sdn Bhd ("HGSM") had been served with a Writ of Summons and Statement of Claims both dated 17 August 2011 filed by CIMB Bank Berhad for the outstanding amount of RM1,401,468.99.

On 22/09/2011 : The legal matters related to Starhome Realty Sdn Bhd vs Hytex Integrated Berhad, and Bintang Garment Supplier Sdn Bhd vs Hytex Integrated Berhad came up for Pre Trial Case Management and the Plaintiffs' solicitors had informed the Court that the plaintiffs intend to amend the Statement of Claim. The Learned Senior Registrar fixed the matters for further Pre Trial Case Management on 17 January 2012.

On 20/10/2011: That the Company had on 20 October 2011 received a sealed Judgement in Default of Appearance dated 30 September 2011 ordering the Company to pay an amount of RM1,401,468.99 together with interest to CIMB Bank Berhad.

On 14/11/2011: That the Company and its wholly-owned subsidiary, HGSM had on 14 November 2011 been served with a Notice pursuant to Section 218(2)(a) of the Companies Act, 1965 dated 3 November 2011 demanding the payments to CIMB Bank Berhad pursuant to a Judgement dated 30 September 2011 obtained against the Company and HGSM in respect of Kuala Lumpur High Court Summon No. 22NCC-1372-2011 for the sum of RM1,401,468.99.

On 16/11/2011: That the Company and its wholly-owned subsidiary, Hytex Apparels Sdn Bhd have been served a Writ of Summons and Statement of Claim both dated 14 November 2011 filed by HSBC Bank Malaysia Berhad for outstanding amount of

On 21/11/2011: That the Company and its wholly-owned subsidiary, Hytex Apparels Sdn Bhd have been served a Writ of Summons and Statement of Claim both dated 14 November 2011 filed by Hong Leong Bank Berhad for outstanding amount of RM3,333,571.29.

On 23/11/2011: Its wholly-owned subsidiary, WOC Boutique Sdn Bhd has been served a Writ of Summons and Statement of Claim filed by The Government of Malaysia - Inland Revenue Board Malaysia for outstanding amount of RM2,044,029.32.

**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	Preceding year corresponding quarter	Current year to-date	Preceding year corresponding period
		30/09/11	30/09/10	30/09/11	30/09/10
Net (loss)/profit for the period (RM'000)		(6,364)	38	(12,988)	(5,260)
Weighted average number of ordinary shares in issue ('000)		150,000	150,000	150,000	150,000
Basic earnings per share (sen)	A1	(4.24)	0.03	(8.66)	(3.51)