

**HYTEX INTEGRATED BERHAD**

Quarterly report on results for the 3rd quarter ended 31 December 2011. The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31/12/11 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/10 RM'000	CURRENT YEAR TO DATE 31/12/11 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/10 RM'000
REVENUE		22,056	32,954	81,423	93,602
COST OF SALES		(26,128)	(29,846)	(76,940)	(76,775)
GROSS PROFIT/(LOSS)		<u>(4,072)</u>	<u>3,108</u>	<u>4,483</u>	<u>16,827</u>
OPERATING EXPENSES		(6,464)	(8,061)	(23,189)	(21,820)
OPERATING (LOSS)/PROFIT		<u>(10,536)</u>	<u>(4,953)</u>	<u>(18,706)</u>	<u>(4,993)</u>
FINANCE COSTS		(2,536)	(2,681)	(7,354)	(7,264)
PROFIT/(LOSS) BEFORE TAXATION		<u>(13,072)</u>	<u>(7,634)</u>	<u>(26,060)</u>	<u>(12,257)</u>
TAXATION	B5	-	(111)	-	(748)
NET PROFIT/(LOSS) FOR THE PERIOD		<u>(13,072)</u>	<u>(7,745)</u>	<u>(26,060)</u>	<u>(13,005)</u>
EARNING PER SHARE - basic (sen)		(8.71)	(5.16)	(17.37)	(8.67)

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2011)

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**CONDENSED CONSOLIDATED BALANCE SHEET**

	Note	AS OF END OF CURRENT QUARTER 31/12/11 RM'000	AS OF PRECEDING FINANCIAL YEAR END 31/03/11 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
PROPERTY, PLANT AND EQUIPMENT		169,272	178,374
CAPITAL WORK-IN-PROGRESS		-	862
PREPAID LEASE PAYMENTS		-	-
OTHER INVESTMENTS		-	-
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		-	-
		169,272	179,236
<b>Current Assets</b>			
INVENTORIES	A15	87,041	112,956
TRADE RECEIVABLES		8,911	14,601
OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS		19,641	22,784
FIXED DEPOSITS PLACED WITH LICENCED BANKS		222	222
CASH AND BANK BALANCES		1,753	1,278
		117,568	151,841
<b>TOTAL ASSETS</b>		<b>286,840</b>	<b>331,077</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
SHARE CAPITAL		75,000	75,000
RESERVES		(127)	38,276
<b>TOTAL EQUITY</b>		<b>74,873</b>	<b>113,276</b>
<b>Non-Current Liabilities</b>			
LONG TERM BORROWINGS	B9	46,282	46,905
DEFERRED TAXATION		8,305	8,305
		54,587	55,210
<b>Current Liabilities</b>			
TRADE PAYABLES		15,073	22,261
OTHER PAYABLES AND ACCRUED EXPENSES		24,082	25,517
AMOUNT OWING TO DIRECTORS		573	549
SHORT TERM BORROWINGS	A9 & B9	117,652	114,264
		157,380	162,591
<b>TOTAL LIABILITIES</b>		<b>211,967</b>	<b>217,801</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>286,840</b>	<b>331,077</b>
NET ASSETS PER SHARE (RM)		0.50	0.76

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2011)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Note	NON-DISTRIBUTABLE						TOTAL EQUITY RM'000
		SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	EQUITY COMPONENT OF LOAN STOCK RM'000	ASSET REVALUATION RESERVE RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	RETAINED PROFIT/ (LOSSES) RM'000	
<b>As of 1 April 2011</b>		75,000	10,365	7,133	71,170	5,198	(55,590)	113,276
Cumulative movements during the current period								
Currency translation difference		-	-	-	-	(12,343)	-	(12,343)
Net loss		-	-	-	-	-	(26,060)	(26,060)
<b>As of 31 December 2011</b>		<u>75,000</u>	<u>10,365</u>	<u>7,133</u>	<u>71,170</u>	<u>(7,145)</u>	<u>(81,650)</u>	<u>74,873</u>
<b>As of 1 April 2010</b>		75,000	10,365	-	-	(2,769)	(24,295)	58,301
Cumulative movements during the preceding periods								
Currency translation difference		-	-	-	-	(1,149)	-	(1,149)
Net loss		-	-	-	-	-	(13,005)	(13,005)
<b>As of 31 December 2010</b>		<u>75,000</u>	<u>10,365</u>	<u>-</u>	<u>-</u>	<u>(3,918)</u>	<u>(37,300)</u>	<u>44,147</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 2011)

## HYTEX INTEGRATED BERHAD

Quarterly report on results for the 3rd quarter ended 31 December 2011. The figures have not been audited.

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended 31/12/11 RM'000	9 months ended 31/12/10 RM'000
NET CASH FROM OPERATING ACTIVITIES	17,231	589
NET CASH FROM INVESTING ACTIVITIES	(332)	5,801
NET CASH USED IN FINANCING ACTIVITIES	(5,530)	(9,443)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>11,369</u>	<u>(3,053)</u>
EFFECT OF EXCHANGE DIFFERENCES	(12,343)	(1,149)
CASH AND BANK EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	1,455	583
CASH AND BANK EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>481</u></u>	<u><u>(3,619)</u></u>

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

	As of 31/12/11 RM'000	As of 31/12/10 RM'000
CASH AND BANK BALANCES	1,975	622
BANK OVERDRAFTS (INCLUDED WITHIN SHORT TERM BORROWINGS)	<u>(1,494)</u>	<u>(4,241)</u>
	<u><u>481</u></u>	<u><u>(3,619)</u></u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2011)

## HYTEX INTEGRATED BERHAD

Quarterly report on results for the 3rd quarter ended 31 December 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 Listing Requirements of Bursa Malaysia Securities Berhad and comply with applicable approved accounting standards issued by Malaysia Accounting Standards Board.

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	-	16,999	8,629	-	(3,572)	22,056
Segment Result - Profit/(Loss)	(986)	(10,544)	(1,542)	-	-	(13,072)
Others - Profit/(Loss)	-	-	-	-	-	-
Net Profit/(Loss)	(986)	(10,544)	(1,542)	-	-	(13,072)

Of the loss of RM0.99 million in investment holdings, RM0.8 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 RM4.52 million for the quarter ended 31 December 2011. Malaysia manufacturing operation suffered a loss of RM6.02 million. The loss at the trading division is mainly due to the closure of the stores selling Nike products and also clearance of old stock at a steep discount in its warehouse sales.

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

Other than the factor disclosed in note A6, the closure of all outlets selling Nike products have affected the turnover and profit of the trading division. The contribution from the sale of Nike products is about RM15 million per annum, with a net profit margin of 10%.

#### 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 31 December 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 31 December 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 31 December 2011, the Group has commitments as follows:

RM'000

Royalty commitments in respect of licensed products

1,494

Non-cancellable rental commitments

1,534

3,028

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

The contingent liabilities of the Company as at 31 December 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

25,514

**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 16 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.

A restraining order was granted by the Kuala Lumpur High Court pursuant to Section 176(10) of the Companies Act, 1965 to Hytex Integrated Berhad and its subsidiaries, namely Hytex Apparels Sdn Bhd , Hytex Garments (M) Sdn Bhd and WOC Boutique Sdn Bhd for a period of one (1) month from 13 February 2012 to 12 March 2012.

**A15. Inventories**

As at 31 December 2011, the Group has not made any write down or write-off of inventories. However, certain raw materials which are not the best fit for production were utilized, resulting in lower margin. To further generate working capital, some stock of fabrics and finished goods are disposed off for about 30% of its book value only. Warehouse sales were also carried out to clear old stock.

## **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 - Current Quarter/Year-to-date**

For the current quarter ended 31 December 2011, the Group recorded a lower revenue of RM22.1 million as compared to RM32.9 million in the preceding financial year quarter ended 31 December 2010. This represent a decrease of 32.8%. As for the year to date the decrease in revenue is about 13.0% from RM93.6 million in the preceeding financial year to RM81.4 million in the current financial year.

The overall performance of the Group for the financial year current quarter ended 31 December 2011 had further declined as indicated by an operating loss of RM13.1 million as compared to an operating loss of RM7.7 million in the preceding financial year quarter ended 31 December 2010. This was due to the lower turnover, decrease in gross profit margin caused by the utilization of raw materials which are not the best fit, 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 RM26.1 million as compared to RM13.0 million in the preceding financial year.

Investment Holding: No income were generated from investment holding. The net loss for the current year-to-date is RM4.8 million as compared to RM7.7 million in the preceeding financial year. Interest expenses amounted to RM3.9 million for the current year-to-date as compared to RM4.4 million in the preceeding financial year.

Manufacturing: Turnover, before deducting inter-co sales, for the current year-to-date amounted to RM63.5 million as compared to RM65.3 million in the preceeding financial year. Net loss is RM15.7 million in the current year-to-date as compared to RM8.6 million in the preceeding financial year.

Trading: Turnover for the current year-to-date amounted to RM31.5 million as compared to RM50.6 million in the preceeding financial year. Net loss is RM5.6 million in the current year-to-date as compared to a profit of RM3.3 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 RM22.1 million as compared to RM26.0 million in the immediate preceeding quarter. The loss before taxation for the current quarter ended 31 December 2011 is RM13.1 million as compared to loss before tax of RM6.4 million in the preceding quarter ended 30 September 2011.

The lower revenue is due to the lower OEM orders from Nike. Moreover, as at end of September 2011, all retail outlets selling Nike products had ceased operation with the withdrawal of the trading license by the principal. The contribution to revenue is about RM15 million per annum with a net margin of 10%.

Investment Holding: No income were generated from investment holding. The net loss in the current quarter is RM0.99 million as compared to RM2.03 million. Interest expenses amounted to RM0.8 million for the current quarter as compared to RM1.8 million in the preceeding quarter.

Manufacturing: Turnover, before deducting inter-co sales, for the current quarter amounted to RM17.0 million as compared to RM20.3 million in the preceeding quarter. Net loss is RM10.5 million in the current quarter as compared to RM3.9 million in the preceeding quarter.

Trading: Turnover for the current quarter amounted to RM8.6 million as compared to RM9.3 million in the preceeding quarter. Net loss is RM1.5 million in the current quarter as compared to RM0.4 million in the preceeding quarter. The closure of the stores selling Nike products in September 2011 resulted in a lower turnover and profitability.

### **B3. Prospects for the remaining periods**

The directors do not expect the performance to be better 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 quarter 31/12/11 RM'000	Preceding year corresponding quarter 31/12/10 RM'000	Current year to-date 31/12/11 RM'000	Preceding year corresponding period 31/12/10 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 31 December 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. Status of corporate proposals**

The Group has submitted to its lenders, at the end of October 2011 a proposed restructuring scheme. It had also submitted a new business plan on 19 January 2012. Both the restructuring scheme and business plan are still under review and consideration by some of the lenders. It is likely that the proposal has to be revised due to negative feedbacks from some lenders.

**B7. Borrowings and debt securities**

The Group's borrowings as at 31 December 2011 are as follows:

	Notes	Secured RM'000	Unsecured RM'000	Total RM'000
Long term borrowings		46,282	-	46,282
Short term borrowings	A9	117,652	-	117,652
		163,934	-	163,934

**B8. 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 20 March 2012 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 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, Hytex Garments (M) Sdn Bhd 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

On 16/11/2011: That 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 RM3,790,858.69.

On 21/11/2011: That 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.



On 30/11/2011: Hong Leong Assurance Berhad vs Hytex Integrated Berhad (Kuala Lumpur High Court No. S-23-84-2009. The subject matter has been fixed for further case management on 28 March 2012 for parties to comply with Court direction.

On 30/01/2012: Write of Summons and Statements of Claim - Kuala Lumpur High Court No.: S-23-84-2009 (Hong Leong Assurance Berhad v Hytex Integrated Berhad)  
The subject matter has been fixed for case management on 28 March 2012 for parties to comply with Court direction.

Statement of Claim both dated 6 December 2011 filed by Hong Leong Bank Berhad for outstanding amount of RM2,019,491.24.

On 20/01/2012: The Company and its wholly-owned subsidiary, Hytex Garments (M) Sdn Bhd have been served Winding-Up Petitions both dated 29 December 2011 and filed by CIMB Bank Berhad for outstanding amount of RM1,401,468.99.

On 31/01/2012: Its wholly-owned subsidiary, WOC Boutique Sdn Bhd has been served a Writ of Summons and Statement of Claims filed by The Government of Malaysia - Inland Revenue Board Malaysia for outstanding amount of RM43,754.52.

On 09/02/2012: That the Company Winding-Up Petition No. 28NCC-1110-12/2011 filed by CIMB Bank Berhad against Hytex Garments (M) Sdn Bhd has been fixed for case management on 23 February 2012.

On 13/02/2012: Kuala Lumpur High Court Suit No. S-22-631-2010 (Starhome Realty Sdn Bhd vs Hytex Integrated Berhad) and Kuala Lumpur High Court Suit No. S-22-241-2010 (Bintang Garment Supplier Sdn Bhd vs Hytex Integrated Berhad).  
The abovementioned legal matters have been fixed for further Pre-Trial Case Management on 18 June 2012 for the Plaintiffs to file their

On 14/02/2012: That the Company Winding-Up Petition No. 28NCC-1111-12/2011 filed by CIMB Bank Berhad against Hytex Integrated Berhad has been fixed for hearing on 16 February 2012.

On 17/02/2012: That hearing on the Company Winding-Up Petition No. 28NCC-1111-12/2011 filed by CIMB Bank Berhad against Hytex Integrated Berhad has been adjourned to 27 March 2012.

On 17/02/2012: On the matter of The Government Of Malaysia v. WOC Boutique Sdn Bhd - Kuala Lumpur High Court Suit No. 21NCVC-243-11/2011. That the Inland Revenue Board has rejected the proposal of WOC Boutique Sdn Bhd for 36 installment payments and the

**B9. Dividends (proposed or declared)**

No dividend was proposed or declared during the current quarter.

**B10. 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

	Note	Individual period		Cumulative period	
		Current year 31/12/11	Preceding year 31/12/10	Current year to- 31/12/11	Preceding year 31/12/10
Net (loss)/profit for the period (RM'000)		(13,072)	(7,745)	(26,060)	(13,005)
Weighted average number of ordinary shares in issue ('000)		150,000	150,000	150,000	150,000
Basic earnings per share (sen)	A1	(8.71)	(5.16)	(17.37)	(8.67)

**B11 Disclosure of Realized and Unrealized Profit**

	As at Quarter Ended 31 December 2011 RM'000	As at Quarter Ended 31 December 2010 RM'000
As per year-to-date consolidated income income statement: -		
Realized (gain)/loss	(364)	171
Unrealized (gain)/loss	12	0

The disclosure of realized and unrealized profits above is solely for complying with the disclosure requirements stipulated in the directive