

HYTEX INTEGRATED BERHAD

Quarterly report on results for the 1st quarter ended 30 June 2012. The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/06/12 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/11 RM'000	CURRENT YEAR TO DATE 30/06/12 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/11 RM'000
REVENUE		13,165	33,343	13,165	33,343
COST OF SALES		(10,661)	(28,787)	(10,661)	(28,787)
GROSS PROFIT/(LOSS)		<u>2,504</u>	<u>4,556</u>	<u>2,504</u>	<u>4,556</u>
OPERATING EXPENSES		(5,341)	(8,809)	(5,341)	(8,809)
OPERATING (LOSS)/PROFIT		<u>(2,837)</u>	<u>(4,253)</u>	<u>(2,837)</u>	<u>(4,253)</u>
FINANCE COSTS		(2,454)	(2,371)	(2,454)	(2,371)
PROFIT/(LOSS) BEFORE TAXATION		<u>(5,291)</u>	<u>(6,624)</u>	<u>(5,291)</u>	<u>(6,624)</u>
TAXATION	B5	-	-	-	-
NET PROFIT/(LOSS) FOR THE PERIOD		<u>(5,291)</u>	<u>(6,624)</u>	<u>(5,291)</u>	<u>(6,624)</u>
EARNING PER SHARE - basic (sen)		(3.53)	(4.42)	(3.53)	(4.42)

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2012)

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CONDENSED CONSOLIDATED BALANCE SHEET

	Note	AS OF END OF CURRENT QUARTER 30/06/12 RM'000	AS OF PRECEDING FINANCIAL YEAR END 31/03/12 RM'000
ASSETS			
Non-Current Assets			
PROPERTY, PLANT AND EQUIPMENT		162,117	162,425
CAPITAL WORK-IN-PROGRESS		-	943
PREPAID LEASE PAYMENTS		-	-
OTHER INVESTMENTS		-	-
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		-	-
		162,117	163,368
Current Assets			
INVENTORIES	A15	70,760	71,876
TRADE RECEIVABLES		7,043	7,533
OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS		16,470	17,700
FIXED DEPOSITS PLACED WITH LICENCED BANKS		238	238
CASH AND BANK BALANCES		1,043	466
		95,554	97,813
TOTAL ASSETS		257,671	261,181
EQUITY AND LIABILITIES			
Equity			
SHARE CAPITAL		75,000	75,000
RESERVES		(23,950)	(22,602)
TOTAL EQUITY		51,050	52,398
Non-Current Liabilities			
LONG TERM BORROWINGS	B7	27,780	27,882
DEFERRED TAXATION		7,953	7,953
		35,733	35,835
Current Liabilities			
TRADE PAYABLES		7,338	9,722
OTHER PAYABLES AND ACCRUED EXPENSES		24,808	26,832
AMOUNT OWING TO DIRECTORS		575	576
SHORT TERM BORROWINGS	B7	138,167	135,818
		170,888	172,948
TOTAL LIABILITIES		206,621	208,783
TOTAL EQUITY AND LIABILITIES		257,671	261,181
NET ASSETS PER SHARE (RM)		0.34	0.35

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2012)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	NON-DISTRIBUTABLE					RETAINED PROFIT/ (LOSSES)	TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM	EQUITY COMPONENT OF LOAN STOCK	ASSET REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 April 2012	75,000	10,365	7,133	71,170	(4,040)	(107,230)	52,398
Total comprehensive income for the current period	-	-	-	-	3,943	(5,291)	(1,348)
Equity component of RCCLS	-	-	-	-	-	-	-
As of 30 June 2012	<u>75,000</u>	<u>10,365</u>	<u>7,133</u>	<u>71,170</u>	<u>(97)</u>	<u>(112,521)</u>	<u>51,050</u>
As of 1 April 2011	75,000	10,365	7,133	71,170	5,198	(55,590)	113,276
Total comprehensive income for the corresponding period in the preceeding financial year	-	-	-	-	(3,226)	(6,624)	(9,850)
Equity component of RCCLS	-	-	-	-	-	-	-
As of 30 June 2011	<u>75,000</u>	<u>10,365</u>	<u>7,133</u>	<u>71,170</u>	<u>1,972</u>	<u>(62,214)</u>	<u>103,426</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 2012)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 months ended 30/06/12 RM'000	3 months ended 30/06/11 RM'000
NET CASH FROM OPERATING ACTIVITIES	(1,029)	2,628
NET CASH FROM INVESTING ACTIVITIES	40	-
NET CASH USED IN FINANCING ACTIVITIES	114	(938)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(875)</u>	<u>1,690</u>
EFFECT OF EXCHANGE DIFFERENCES	1,553	(5,148)
CASH AND BANK EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	603	1,455
CASH AND BANK EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>1,281</u></u>	<u><u>(2,003)</u></u>

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

	As of 30/06/12 RM'000	As of 30/06/11 RM'000
CASH AND BANK BALANCES	1,281	1,175
BANK OVERDRAFTS (INCLUDED WITHIN SHORT TERM BORROWINGS)	<u>-</u>	<u>(3,178)</u>
	<u><u>1,281</u></u>	<u><u>(2,003)</u></u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2012)

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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 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 2012. 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 2012.

A2. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the year ended 31 March 2012 was not subject to any qualification.

A3. Segmental Information

By business segments - Current Quarter

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue	-	9,772	5,848	-	(2,455)	13,165
Segment Result - Profit/(Loss)	(1,035)	(3,346)	(950)	-	-	(5,331)
Others - Profit/(Loss)	-	48	(8)	-	-	40
Net Profit/(Loss)	(1,035)	(3,298)	(958)	-	-	(5,291)

Of the loss of RM1.03 million in investment holdings, RM0.91 million is due to interest expenses incurred for the investment in China, and the balance is due to other operating expenses. Out of the Group's Manufacturing Loss of RM3.30 million, China operation suffered an after-tax loss of RM1.77 million for the quarter ended 30 June 2012 compared to RM3.15 million in the preceding quarter. Malaysia manufacturing operation suffered a loss of RM1.53 million for the current quarter compared to RM13.87 million, inclusive of stock written-off of RM8 million, in the preceding quarter. Trading division suffered a loss of RM0.96 million, compared to RM2.73 million in the preceding quarter. Overall the Group has managed to reduced its loss in the current quarter.

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 June 2012, except for items 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

Other than the factors stated above in A3 & A4, the group's operations for the current quarter were not affected by any other seasonal or cyclical factors.

A7. Dividend paid

No dividend has been paid during the current financial period ended 31 March 2012.

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 June 2012 other than as stated in note B7.

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 June 2012, the Group has commitments as follows:

RM'000

Royalty commitments in respect of licensed products

1,948

Non-cancellable rental commitments

2,281

4,229

A13. Changes in contingent liabilities or contingent assets

The contingent liabilities of the Company as at 30 June 2012 (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 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 had further announced on 6 August 2012 that a Memorandum of Understanding was entered into with Congenial Creative Sdn Bhd (CCSB), whereby CCSB will assist in the restructuring of the Group. The Group and CCSB are now working on a proposal which would be submitted to the lenders upon finalization.

As per the latest announcement on 13 August 2012, there is no change in its PN1 status.

A15. Inventories

As at 30 June 2012, the Group has made a provision for obsolete stock of finished goods amounting to RM0.43 million,

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 30 June 2012, the Group recorded a lower revenue of RM13.16 million as compared to RM33.34 million in the preceding financial year corresponding quarter ended 30 June 2011. This represent a decrease of 60.53%.

Even though revenue had declined by 60.53%, however the after-tax losses had improved from RM6.62 million in the preceeding year corresponding quarter, compared to RM5.29 million in the current quarter. This represent an improvement of 20.09%. Gross Profit margin had improved from 13.66% to 19.02%. Moreover, operating expenses had reduced by RM3.47 million from RM8.81 million to RM5.34 million.

Investment Holding: No income were generated from investment holding. The net loss for the current quarter is RM1.03 million as compared to RM1.78 million in the preceeding year corresponding quarter. Interest expenses amounted to RM0.91 million for the current quarter as compared to RM1.4 million in the preceeding year corresponding quarter.

Manufacturing: Turnover, before deducting inter-co sales, for the current quarter amounted to RM9.77 million as compared to RM26.19 million in the preceeding year corresponding quarter. Net loss is RM3.30 million in the current quarter as compared to RM2.75 million in the preceeding year corresponding quarter. The decline in turnover was due to the much lower order from Nike.

Trading: Turnover for the current quarter amounted to RM5.85 million as compared to RM13.58 million in the preceeding year corresponding quarter. Net loss is RM0.96 million in the current quarter as compared to a net loss of RM2.09 million in the preceeding year corresponding quarter. The reduction in turnover was mainly due to the closure of our Nike stores.

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

Revenue in the current quarter has declined to RM13.16 million as compared to RM15.26 million in the immediate preceeding quarter. The loss before and after taxation for the current quarter ended 30 June 2012 is RM5.29 million as compared to loss before tax of RM21.59 million in the preceding quarter ended 31 March 2012.

The lower revenue is mainly due to the much lower OEM orders from Nike, lower consignment sales and lower sales at our own boutiques. The constraint in working capital is affecting our overall sales.

Investment Holding: No income were generated from investment holding. The net loss in the current quarter is RM1.03 million as compared to RM1.84 million in the preceeding quarter. Interest expenses amounted to RM0.91 million for the current quarter as compared to RM1.69 million in the preceeding quarter.

Manufacturing: Turnover, before deducting inter-co sales, for the current quarter amounted to RM9.77 million as compared to RM12.35 million in the preceeding quarter. Net loss is RM3.30 million in the current quarter as compared to RM17.02 million in the preceeding quarter.

Trading: Turnover for the current quarter amounted to RM5.85 million as compared to RM6.13 million in the preceeding quarter. Net loss is RM0.96 million in the current quarter as compared to RM2.73 million in the preceeding quarter. Included in the net loss of RM0.96 million is a provision of RM0.43 million for stock obsolescence.

B3. Prospects for the remaining periods

The directors are fully aware of the serious constraint in working capital which is affecting the performance of the Group. Added to that are the looming legal actions by the various lenders. The only obvious solution would be another round of restructuring with the lenders together with the entry of a "white knight" to inject additional funds, and changes in the management team in order for the Group to move forward.

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
	30/06/12 RM'000	30/06/11 RM'000	30/06/12 RM'000	30/06/11 RM'000
Current taxation	-	-	-	-
Transfer (from) / to deferred taxation	-	-	-	-
	-	-	-	-

B6. Status of corporate proposals

On 28 June 2012, Hytex Integrated Berhad entered into a Memorandum of Understanding ("MOU") with Congenial Creative Sdn Bhd ("CCSB"). As per the announcement on 6 August 2012, CCSB will inject various projects into the Group, and also the incorporation of new business venture as part of the restructuring exercise. The proposed scheme of restructuring would be submitted to the lenders upon its completion.

B7. Borrowings and debt securities

The Group's borrowings as at 30 June 2012 are as follows:

	Notes	Secured RM'000	Unsecured RM'000	Total RM'000
Long-term borrowings		27,780	-	27,780
Short-term borrowings	A9	101,075	37,092	138,167
		<u>128,855</u>	<u>37,092</u>	<u>165,947</u>

B8. Material litigation

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

On 13/04/2012: That its wholly owned subsidiary, Hytex Apparels Sdn Bhd, had on 13 April 2012 been served with a Notice pursuant to Section 218(2)(a) of the Companies Act 1965 dated 10 April 2012 demanding for a sum of RM3,950,850.20 being the amount due and owing to HSBC Bank Malaysia Berhad pursuant to a Judgement dated 29 November 2011 in respect of Kuala Lumpur High Court Suit No. 22NCC-1894-11/2011.

On 23/04/2012: That its wholly owned subsidiary, WOC Boutique Sdn Bhd, has been served a Writ of Summons dated 12 April 2012 and a Statement of Claims thereof by Amtrustee Berhad in respect of outstanding rental and other charges and cost totalling RM26,790.38. The amount has since been settled.

On 02/07/2012: Kuala Lumpur High Court Suit No. D-22NCC-279-2011 (Hytex Integrated Berhad vs MSIG Insurance (M) Berhad). Further to the announcement made on 14 February 2012, the subject matter has been fixed for further Case Management on 3 August 2012.

On 10/07/2012: Company Winding-up Petition No. 28NCC-1111-12/2011 (CIMB Bank Berhad Berhad vs Hytex Integrated Berhad). Further to the announcement made on 30 March 2012, the hearing for this petition has been fixed on 10 August 2012.

On 13/08/2012: Company Winding-up Petition No. 28NCC-1111-12/2011 (CIMB Bank Berhad Berhad vs Hytex Integrated Berhad). Further to the announcement made on 10 July 2012, the hearing has been adjourned to 27 August 2012.

On 23/08/2012: The Company has been served a Writ of Summons and Statement of Claim filed by The Government of Malaysia - Inland Revenue Board Malaysia ("IRB") for outstanding amount of RM763,821.48.

On 23/08/2012: Hong Leong Bank Berhad vs WOC Boutique Sdn Bhd - Originating Summons: -

a) No. 24F-144-02/2012, and

a) No. 24F-145-02/2012.

Further to the announcement made on 30 March 2012 and 4 April 2012, the hearings on the subject legal suits have been fixed on 30 August 2012.

On 27/08/2012: Company Winding-up Petition No. 28NCC-1111-12/2011 (CIMB Bank Berhad Berhad vs Hytex Integrated Berhad). Further to the announcement made on 13 August 2012, the hearing has been further adjourned to 30 August 2012.

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 number of shares in issue of 150,000,000.

	Note	Individual period		Cumulative period	
		Current year quarter 30/06/12	Preceding year corresponding quarter 30/06/11	Current year to- date 30/06/12	Preceding year corresponding period 30/06/11
Net (loss)/profit for the period (RM'000)		(5,291)	(6,624)	(5,291)	(6,624)
Weighted average number of ordinary shares in issue ('000)		150,000	150,000	150,000	150,000
Basic earnings per share (sen)	A1	<u>(3.53)</u>	<u>(4.42)</u>	<u>(3.53)</u>	<u>(4.42)</u>

B11 Disclosure of Realized and Unrealized Profit or Losses

	As at Quarter Ended 30/06/12 RM'000	As at Quarter Ended 30/06/11 RM'000
As per year-to-date consolidated income income statement: -		
Realized (gain)/loss	(72)	1
Unrealized (gain)/loss	(263)	12

The disclosure of realized and unrealized profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.