

BANENG HOLDINGS BHD.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Year Quarter Ended 30 June 2010 (Unaudited) RM'000	Preceding Year Quarter Ended 30 June 2009 (Unaudited) RM'000	6 Months Cumulative To Date 30 June 2010 (Unaudited) RM'000	6 Months Cumulative To Date 30 June 2009 (Unaudited) RM'000
REVENUE	30,519	70,216	52,238	106,775
COST OF SALES	(26,114)	(63,504)	(44,469)	(101,692)
GROSS PROFIT	4,405	6,712	7,769	5,083
OTHER OPERATING INCOME	42	6	206	129
GENERAL AND ADMINISTRATIVE EXPENSES	(3,284)	(8,930)	(8,885)	(15,267)
PROFIT/(LOSS) FROM OPERATIONS	1,163	(2,212)	(910)	(10,055)
FINANCE EXPENSE	(841)	(2,409)	(1,185)	(4,089)
SHARE OF RESULT OF ASSOCIATES	-	(5,046)	-	(8,450)
PROFIT/ (LOSS) BEFORE TAXATION	322	(9,667)	(2,095)	(22,594)
TAXATION	2	-	2	-
PROFIT/ (LOSS) FOR THE PERIOD	324	(9,667)	(2,093)	(22,594)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	324	(9,667)	(2,093)	(22,594)
ATTRIBUTABLE TO:				
OWNERS OF THE PARENT	(401)	(6,550)	(1,883)	(18,617)
NON-CONTROLLING INTEREST	725	(3,117)	(210)	(3,977)
	324	(9,667)	(2,093)	(22,594)
EARNING PER SHARE				
Basic earnings per share (sen)	(0.67)	(10.92)	(3.14)	(31.03)
Dilutive earnings per share (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

BANENG HOLDINGS BHD.**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 30 June 2010 (Unaudited) RM'000	As at 31 Dec 2009 (Audited) RM'000
Non Current Assets		
Property, plant & equipment	70,689	73,556
Other investments	3,200	3,200
	<u>73,889</u>	<u>76,756</u>
Current Assets		
Inventories	50,051	55,165
Trade receivables	18,167	16,612
Amount due from associate	19,031	17,231
Other receivables, deposits and prepayments	27,962	29,618
Cash and bank balances	2,389	3,577
	<u>117,600</u>	<u>122,203</u>
	<u>191,489</u>	<u>198,959</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	60,000	60,000
Reserves	(29,468)	(27,375)
	<u>30,532</u>	<u>32,625</u>
Non-Controlling Interests	3,433	3,883
Total equity	<u>33,965</u>	<u>36,508</u>
Non-current Liabilities		
Long term borrowings	9,535	2,199
Non-Current Liabilities	<u>9,535</u>	<u>2,199</u>
Current Liabilities		
Short term borrowings	118,181	124,691
Trade payables	15,455	21,668
Other payables	14,353	13,893
	<u>147,989</u>	<u>160,252</u>
Total liabilities	<u>157,524</u>	<u>162,451</u>
Total equity and liabilities	<u>191,489</u>	<u>198,959</u>
Net assets per share (RM) attributable to		
Equity holders of the parent	0.51	0.54
Non-Controlling Interests	0.06	0.06

(The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

**BANENG HOLDINGS BHD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010**

	← Attributable to owners of the Parent →					Non Controlling Interest RM'000	Total Equity RM'000
	Share capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Distributable Retained Profits/ (Acc RM'000	Total RM'000		
GROUP							
At 1 January 2010	60,000	16,090	2,649	(46,114)	32,625	3,883	36,508
Loss for the period	-	-	-	(1,883)	(1,883)	(210)	(2,093)
Currency translation difference	-	-	(210)	-	(210)	(240)	(450)
At 30 JUNE 2010	60,000	16,090	2,439	(47,997)	30,532	3,433	33,965
At 1 January 2009	60,000	16,090	5,103	24,925	106,118	8,320	114,438
Loss for the period	-	-	-	(18,617)	(18,617)	(3,977)	(22,594)
Currency translation difference	-	-	(2,551)	-	(2,551)	159	(2,392)
At 30 JUNE 2009	60,000	16,090	2,552	6,308	84,950	4,502	89,452

BANENG HOLDINGS BHD.
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	6 Months Cumulative To Date 30 June 2010 (Unaudited) RM'000	6 Months Cumulative To Date 30 June 2009 (Unaudited) RM'000
Cashflows from Operating Activities		
Loss before taxation	(2,095)	(22,594)
Adjustments for:		
Depreciation	2,174	3,646
Provision for doubtful debts	1,926	
Interest expense	1,185	4,089
Gain on disposals	(67)	
Share of result of associate	-	8,450
Operating profit/ (loss) before working capital changes	3,123	(6,409)
Decrease in inventories	5,114	3,859
Increase/ (Decrease) in receivables	(3,625)	4,066
(Decrease)/ Increase in payables	(6,966)	1,842
Cash (used in)/ generated from operations	(2,354)	3,358
Interest paid	(1,185)	-
Income tax paid	6	(332)
Net cash (used in)/ generated from operating activities	(3,533)	3,026
Cashflows From Investing Activities		
Purchase of property, plant and equipment	(626)	(904)
Interest received	-	-
Net cash used in investing activities	(626)	(904)
Cashflows From Financing Activities		
Drawdown of term loan	15,064	-
Repayment of loans	(1,411)	-
Repayment of hire purchase liabilities	(185)	(302)
(Repayment)/ Drawdown of short term borrowings	(11,416)	662
Dividend paid	-	-
Net cash generated from financing activities	2,052	360
Net increase in cash and cash equivalents	(2,107)	2,482
Effects of exchange rate changes	936	(2,551)
Cash and cash equivalent brought forward	3,297	1,702
	2,126	1,633
Cash and cash equivalents comprise:		
Cash and bank balances	2,389	1,787
Bank overdraft	(263)	(154)
	2,126	1,633

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

A. Explanatory Notes to the Interim Financial Report Pursuant To FRS 134**1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Bhd (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial report 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 financial year ended 31 December 2009.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009 except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and Interpretations by the Group with effect from 1 January 2010.

FRSs, Amendments to FRSs and Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentations of Financial Statements (Revised 2009)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statements of Cash Flows
Amendments to FRS 110	Events after Reporting Period
Amendments to FRS 116	Property, Plant and Equipments
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 128	Investments in Associates
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions

The adoption of the new and revised FRSs, Amendments to FRSs and IC interpretation that are applicable to the Group effective from 1 January 2010 has no material effect to the Group's consolidated financial statement during the year or to the prior financial year.

3. Seasonal or cyclical Factors

The Group performance is not affected by any major seasonal or cyclical fluctuations.

4. Unusual items affecting the assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income and cash flows for the current quarter and financial year to date under review.

5. Material changes in estimates

There are no material changes in estimates for the current quarter and financial period to date.

6. Material Debt and Equity Securities

There are no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for the current quarter and financial period to date.

7. Dividends paid

There are no dividends paid for the current quarter.

8. Segmental Information

Analysis by geographical location:

	Current year to date
	<u>30 June 2010</u>
	RM'000
Revenue	
Malaysia	68,891
Brunei	--
Singapore	41,754
Consol Elimination	<u>(58,407)</u>
	<u>52,238</u>
Loss before taxation	
Malaysia	(3,846)
Brunei	(701)
Singapore	<u>2,452</u>
	<u>(2,095)</u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment as reported in the annual financial statement for the year ended 31 December 2009.

10. Subsequent Event

There was no material events subsequent to the end of the period reported that have not been reflected in this quarterly report other than the signing of the "DRA" on 16th July 2010 as announced.

11. Changes in composition of the Group

There was no material change in the composition of the Group during the current financial quarter.

12. Contingent liabilities and contingent assets

As at the date of this report, the contingent liabilities were made-up of corporate guarantees issued by the Company to financial institutions for credit facilities granted to subsidiaries, a former subsidiary and an associate amounting to RM145.96million.

13. Capital Commitments

There were no capital commitments as at the end of the current financial quarter.

B. EXPLANATORY NOTES PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**1. Review of performance**

During the financial quarter under review, the Group recorded a lower turnover as compared to the corresponding quarter in the preceding year. Export sales had dropped by 56.5% to RM30.5million as compared to RM70.2million for period ended 30th June 2009.

The decrease is mainly due to management's prudent stance in temporarily downsizing its capacities pending the completion of the proposed debt restructuring and had been stringent in taking orders in view of the market volatility.

Notwithstanding the dip in the turnover, the gross profit had improved from 9.6% in the corresponding quarter in the preceding year to 14.5% for the current quarter under review.

The Group managed to record a marginal pre-tax profit for the current quarter ended 30 June 2010 of RM0.3mil as to a loss of RM9.7mil in the preceding year corresponding quarter.

The improvement is mainly attributable to:-

- a) management's continuous efforts in cost cutting measures and by downsizing loss making operations
- b) suspension of the financial interest with effect from 1st Jan 2010 onwards as per "DRA" signed between the Group and Lenders.

2. Comparison with Preceding Quarter's Results

	Current Qtr Ended 30 June 2010 (RM'000)	Current Qtr Ended 31 Mar 2010 (RM'000)
Revenue	30,519	21,719
Profit/ (Loss) Before Tax	324	(2,417)

Sales had increased by 40% from RM21.7mil in the preceding quarter ended 31 March 2010 to RM30.5mil for the current quarter under review.

The Group managed to record a marginal Profit before Tax for current quarter of RM0.3mil as compared to a pre-tax loss of RM2.4mil in the preceding quarter mainly due to higher sales registered in the current period.

3. Prospects

The outlook for the demand for apparel remained optimistic for the current financial year. However, the Group remained cautious over the volatility of the raw material prices and retails industry.

Nevertheless, with the continuous supports from the existing customers and the lenders, the Group is optimistic the performance for the coming financial year will improve.

4. Variances from profit forecast and profit guarantee

Variances are not applicable as the Group has not provided any profit forecast or made any profit guarantee in any public document.

5. Tax expense

	Current Quarter 30 June 2010 RM'000	Current Year to date 30 June 2010 RM'000
Income Tax Expense		
- Current period	2	2
	<hr/>	<hr/>
	2	2
	<hr/>	<hr/>
Effective tax rate	N/A	N/A
	<hr/>	<hr/>

No tax is provided for due to the Group is suffering from continuing losses and there is a tax refund during the financial period ended 30th June 2010.

6. Profits/(losses) on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties for the current financial quarter and financial period to date.

7. Quoted Securities Other than Securities in Existing Subsidiaries and Associated Company

There were no purchases or sales of quoted securities for the current financial quarter and financial period to date.

8. Status of Corporate Proposals

Saved as announced and the following, there are no other corporate proposals announced at the date of this quarterly report.

On 30th April 2009, the Group had announced an event of default in the repayment obligations to the financial institutions and the Group had submitted a proposed Debt Restructuring Scheme ("Scheme") to Corporate Debt Restructuring Committee ("CDRC") to regularise the Group's financial position.

On 16th July 2010, under the auspices of “CDRC”, the Group had entered into a conditional debt restructuring agreement (“DRA”) with its lenders to restructure and reschedule the borrowings (including accrued interest on the borrowings) through:-

- a) conversion of 7-year term loans (“Term Loan”) bearing 5% interest per annum
- b) issuance of 7-year redeemable secured convertible loan stocks (“RSCLS”) bearing 3% interest per annum
- c) issuance of 5-year irredeemable convertible loan stocks (“ICULS”) bearing 2% interest per annum
- d) issuance of warrants (“Warrants”)
- e) propose capital reconstruction

Details on the Proposals were announced on the “Bursa Securities” website and further details of the proposed scheme will be announced in due course.

9. Group Borrowings and Debt Securities

Group Borrowings as at 30 June 2010 were:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured - in local currencies			
- Bank Overdrafts	263	-	263
- Trust receipts	60	-	60
- Bankers acceptance	42,668	-	42,668
- Export Credit Re-financing	14,660	-	14,660
- Hire purchases	193	251	444
- Collateralized Loan Obligation – unsecured	32,000	-	32,000
Secured - in foreign currencies			
- Trust receipts (in United State dollars)	23,177	-	23,177
- Term Loan (in United State dollars)	5,055	8,609	13,664
- Hire purchases (in Singapore/Brunei dollars)	105	675	780
Total	118,181	9,535	127,716

The Group had submitted a proposed Debt Restructuring Scheme to the Corporate Debt Restructuring Committee (CDRC) for the purpose of restructuring of its debts at the Group level.

10. Off Balance Sheet Financial Instruments

As at the reporting date, the Group does not have any off Balance Sheet financial instruments.

11. Changes in material litigation

Save as disclosed in the last Audited Financial Statement as at 31st December 2009, there are no changes in the material litigation as at the date of this interim report.

12. Dividends

The Company does not propose any interim dividend in respect of the current financial quarter.

13. Earnings per share

	Current Quarter 30 June 2010	Preceding Corresponding Quarter 30 June 2009	Current Year to date 30 June 2010	Preceding corresponding Year to date 30 June 2009
Profit/ (Loss) attributable to ordinary equity holders of the parent (RM'000)	(401)	(6,550)	(1,883)	(18,617)
Weighted average number of ordinary shares ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	(0.67)	(10.92)	(3.14)	(31.03)

There are no diluted earnings per share as the Company does not have any dilutive potential ordinary shares.

14. Disclosure of Audit Report Qualification and Status of Matters Raised

The audit report of the Group's annual financial statements for the financial year ended 31 December 2009 did not contain any qualification.