

**BANENG HOLDINGS BHD.**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  | Current<br>Year Quarter<br>Ended<br>30 Sept 2010<br>(Unaudited)<br>RM'000 | Preceding<br>Year Quarter<br>Ended<br>30 Sept 2009<br>(Unaudited)<br>RM'000 | 9 Months<br>Cumulative<br>To Date<br>30 Sept 2010<br>(Unaudited)<br>RM'000 | 9 Months<br>Cumulative<br>To Date<br>30 Sept 2009<br>(Unaudited)<br>RM'000 |
|--|---|---|--|--|
| REVENUE  | 38,184  | 70,216  | 90,422   | 175,876  |
| COST OF SALES                                    | (35,302)  | (63,504)  | (79,771)   | (168,061)  |
| <b>GROSS PROFIT</b>                              | <b>2,882</b>  | <b>6,712</b>  | <b>10,651</b>  | <b>7,815</b>   |
| OTHER OPERATING INCOME                           | 273   | 6   | 479  | 221  |
| GENERAL AND ADMINISTRATIVE EXPENSES              | (29,550)  | (8,930)   | (38,435)   | (23,783)   |
| <b>LOSS FROM OPERATIONS</b>                      | <b>(26,395)</b>   | <b>(2,212)</b>  | <b>(27,305)</b>  | <b>(15,747)</b>  |
| FINANCE EXPENSE                                  | (383)   | (2,409)   | (1,568)  | (6,198)  |
| SHARE OF RESULT OF ASSOCIATES                    | -   | (5,046)   | -  | (11,880)   |
| <b>LOSS BEFORE TAXATION</b>                      | <b>(26,778)</b>   | <b>(9,667)</b>  | <b>(28,873)</b>  | <b>(33,825)</b>  |
| TAXATION   | -   | -   | 2  | -  |
| <b>LOSS FOR THE PERIOD</b>                       | <b>(26,778)</b>   | <b>(9,667)</b>  | <b>(28,871)</b>  | <b>(33,825)</b>  |
| OTHER COMPREHENSIVE INCOME                       | -   | -   | -  | -  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> | <b>(26,778)</b>   | <b>(9,667)</b>  | <b>(28,871)</b>  | <b>(33,825)</b>  |
| <b>ATTRIBUTABLE TO:</b>                          |   |   |  |  |
| OWNERS OF THE PARENT                             | (26,110)  | (6,550)   | (27,993)   | (28,021)   |
| NON-CONTROLLING INTEREST                         | (668)   | (3,117)   | (878)  | (5,804)  |
|  | <u>(26,778)</u>   | <u>(9,667)</u>  | <u>(28,871)</u>  | <u>(33,825)</u>  |
| <b>EARNING PER SHARE</b>                         |   |   |  |  |
| Basic earnings per share (sen)                   | (43.52)   | (10.92)   | (46.66)  | (46.70)  |
| 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<br>30 Sept 2010<br>(Unaudited)<br>RM'000 | As at<br>31 Dec 2009<br>(Audited)<br>RM'000 |
|--|--|---|
| <b>Non Current Assets</b>                                  |  |   |
| Property, plant & equipment                                | 70,025   | 73,556                                      |
| Other investments  | 3,200  | 3,200                                       |
|  | <u>73,225</u>                                  | <u>76,756</u>                               |
| <b>Current Assets</b>                                      |  |   |
| Inventories  | 57,298   | 55,165                                      |
| Trade receivables  | 24,423   | 16,612                                      |
| Amount due from associate                                  | 10,536   | 17,231                                      |
| Other receivables, deposits and prepayments                | 11,101   | 29,618                                      |
| Cash and bank balances                                     | 1,287  | 3,577                                       |
|  | <u>104,645</u>                                 | <u>122,203</u>                              |
|  | <u>177,870</u>                                 | <u>198,959</u>                              |
| <b>Equity</b>  |  |   |
| <b>Equity attributable to equity holders of the parent</b> |  |   |
| Share capital  | 60,000   | 60,000                                      |
| Reserves   | (60,378)                                       | (27,375)                                    |
|  | (378)  | 32,625                                      |
| Non-Controlling Interests                                  | 2,940  | 3,883                                       |
| <b>Total equity</b>  | <u>2,562</u>                                   | <u>36,508</u>                               |
| <b>Non-current Liabilities</b>                             |  |   |
| Long term borrowings                                       | 7,549  | 2,199                                       |
| Non-Current Liabilities                                    | <u>7,549</u>                                   | <u>2,199</u>                                |
| <b>Current Liabilities</b>                                 |  |   |
| Short term borrowings                                      | 121,043  | 124,691                                     |
| Trade payables   | 17,274   | 21,668                                      |
| Other payables   | 29,442   | 13,893                                      |
|  | <u>167,759</u>                                 | <u>160,252</u>                              |
| <b>Total liabilities</b>                                   | <u>175,308</u>                                 | <u>162,451</u>                              |
| <b>Total equity and liabilities</b>                        | <u>177,870</u>                                 | <u>198,959</u>                              |
| Net assets per share (RM) attributable to                  |  |   |
| Equity holders of the parent                               | (0.01)   | 0.54  |
| Non-Controlling Interests                                  | 0.05   | 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 SEPT 2010**

|                                 | ← Attributable to owners of the Parent → |                            |   |  |                 | Non<br>Controlling<br>Interest<br>RM'000 | Total<br>Equity<br>RM'000 |
|---------------------------------|--|----------------------------|---|--|-----------------|--|---------------------------|
|                                 | Share<br>capital<br>RM'000               | Share<br>Premium<br>RM'000 | Non<br>Distributable<br>Exchange<br>Reserve<br>RM'000 | Distributable<br>Retained<br>Profits/ (Acc<br>RM'000 | Total<br>RM'000 |  |                           |
| At 1 January 2010               | 60,000                                   | 16,090                     | 2,649   | (46,114)   | 32,625          | 3,883                                    | 36,508                    |
| Loss for the period             | -  | -                          | -   | (27,993)   | (27,993)        | (878)                                    | (28,871)                  |
| Currency translation difference | -  | -                          | (5,010)   | -  | (5,010)         | (65)                                     | (5,075)                   |
| At 30 September 2010            | 60,000                                   | 16,090                     | (2,361)   | (74,107)   | (378)           | 2,940                                    | 2,562                     |
| At 1 January 2009               | 60,000                                   | 16,090                     | 5,103   | 24,925   | 106,118         | 8,320                                    | 114,438                   |
| Loss for the period             | -  | -                          | -   | (28,021)   | (28,021)        | (5,804)                                  | (33,825)                  |
| Currency translation difference | -  | -                          | (2,343)   | -  | (2,343)         | 259                                      | (2,084)                   |
| At 30 September 2009            | 60,000                                   | 16,090                     | 2,760   | (3,096)  | 75,754          | 2,775                                    | 78,529                    |

**BANENG HOLDINGS BHD.**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

|  | <b>9 Months<br/>Cumulative<br/>To Date<br/>30 Sept 2010<br/>(Unaudited)<br/>RM'000</b> | <b>9 Months<br/>Cumulative<br/>To Date<br/>30 Sept 2009<br/>(Unaudited)<br/>RM'000</b> |
|--|--|--|
| <b>Cashflows from Operating Activities</b>                     |  |  |
| Loss before taxation   | (28,873)   | (33,825)   |
| <b>Adjustments for:</b>  |  |  |
| Depreciation   | 3,310  | 5,428  |
| Provision for doubtful debts / Bad debt written off            | 27,576   | -  |
| Provision for obsolescences/slow moving stocks                 | -  | 5,001  |
| Interest expense   | 1,568  | 6,198  |
| Gain on disposals  | (67)   | -  |
| Share of result of associate                                   | -  | 11,880   |
| <b>Operating profit/ (loss) before working capital changes</b> | <b>3,514</b>   | <b>(5,318)</b>   |
| (Increase)/Decrease in inventories                             | (2,133)  | 8,099  |
| Increase in receivables  | (10,175)   | (2,601)  |
| Increase in payables   | 9,942  | 6,427  |
| <b>Cash generated from operations</b>                          | <b>1,148</b>   | <b>6,607</b>   |
| Interest paid  | (1,568)  | (1,210)  |
| Income tax paid  | 6  | (341)  |
| Net cash (used in)/ generated from operating activities        | (414)  | 5,056  |
| <b>Cashflows From Investing Activities</b>                     |  |  |
| Purchase of property, plant and equipment                      | (154)  | (1,437)  |
| Interest received  | -  | -  |
| Net cash used in investing activities                          | (154)  | (1,437)  |
| <b>Cashflows From Financing Activities</b>                     |  |  |
| Drawdown of term loan  | 15,064   | 3,302  |
| Repayment of loans   | (3,347)  | -  |
| Repayment of hire purchase liabilities                         | (289)  | (182)  |
| Repayment of short term borrowings                             | (8,490)  | -  |
| Dividend paid  | -  | -  |
| Net cash generated from financing activities                   | 2,938  | 3,120  |
| <b>Net increase in cash and cash equivalents</b>               | <b>2,370</b>   | <b>6,739</b>   |
| <b>Effects of exchange rate changes</b>                        | <b>(4,633)</b>   | <b>(7,072)</b>   |
| <b>Cash and cash equivalent brought forward</b>                | <b>3,297</b>   | <b>1,702</b>   |
|  | <b>1,034</b>   | <b>1,369</b>   |
| <b>Cash and cash equivalents comprise:</b>                     |  |  |
| Cash and bank balances   | 1,287  | 1,599  |
| Bank overdraft   | (253)  | (230)  |
|  | <b>1,034</b>   | <b>1,369</b>   |

(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

Saved as announced on 25<sup>th</sup> November 2010 the "Settlement", 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:

|                             | <b>Current year to date</b> |
|-----------------------------|-----------------------------|
|                             | <b><u>30 Sept 2010</u></b>  |
|                             | <b>RM'000</b>               |
| <b>Revenue</b>              |                             |
| Malaysia                    | 84,712                      |
| Brunei                      | --                          |
| Singapore                   | 99,628                      |
| Consol Elimination          | (93,918)                    |
|                             | <hr/>                       |
|                             | 90,422                      |
|                             | <hr/>                       |
| <b>Loss before taxation</b> |                             |
| Malaysia                    | (28,670)                    |
| Brunei                      | (2,925)                     |
| Singapore                   | 2,722                       |
|                             | <hr/>                       |
|                             | (28,873)                    |
|                             | <hr/>                       |

## **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 following as announced:-

- the signing of Proposed Acquisition and Proposed Capital Reconstruction on 20<sup>th</sup> September 2010; and
- the Proposed Financial Assistance on 26<sup>th</sup> November 2010

## **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 45.5% to RM38.2 million in the current quarter under review as compared to RM70.2million for period ended 30<sup>th</sup> Sept 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 Group managed to record a positive gross margin of 7.5% for current quarter ended 30<sup>th</sup> September 2010.

However, the gross profit margin had dropped slightly by 2.0% from 9.5% in the preceding quarter ended 30<sup>th</sup> September 2009 as compared to current quarter. This is mainly due to the sudden hike in the cotton (yarn) price by approximately 30%-50%, which is one of the main cost components.

Despite the huge increase in the raw material input (cotton yarn price), the impact on the gross profit margin was marginal due to the Management's continuous efforts in cost controls.

General and Administrative Expenses increased to RM29.5million from RM8.9million in the preceding year quarter mainly attributable to the following:-

- a) amount receivables from Joy Orient Ltd of Rm15.62million written off in pursuant to the settlement entered on 25<sup>th</sup> November 2010 as announced; and
- b) 50% of the amount due from an associate, Baneng Industries Sdn Bhd amounting to RM10million is provided for, in view of the uncertainty in recovery

The aboves are within the Management's expectation and it is inline to the fulfilment of the conditions precedent to the Proposed Debt Restructuring Scheme as announced on 16<sup>th</sup> July 2010.

The Management expects the financial position of the Group to strengthen upon the expected completion of the Proposed Debt Restructuring Scheme in second quarter of 2011.

Further status of the scheme will be announced in due course.

**2. Comparison with Preceding Quarter's Results**

|                          | Current Qtr Ended<br>30 Sept 2010<br>(RM'000) | Current Qtr Ended<br>30 June 2010<br>(RM'000) |
|--------------------------|---|---|
| Revenue                  | 38,184  | 30,519  |
| (Loss)/Profit Before Tax | (26,778)                                      | 324   |



Sales had increased by 25% from RM30.5million in the preceding quarter ended 30 June 2010 to RM38.2million for the current quarter under review.

The Group recorded a significantly higher loss before tax for the current quarter under review mainly due to reasons mentioned above in pursuant to the Proposed Debt Restructuring Scheme.

### **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 Group will improve and return to profitability post restructuring.

### **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**

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

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 30<sup>th</sup> Sept 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 30<sup>th</sup> 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 16<sup>th</sup> 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)

On 20<sup>th</sup> September 2010, the Group had announced Proposed Acquisition and Proposed Capital Reconstruction.

On 26<sup>th</sup> November 2010, the Group had announced Proposed Financial Assistance to an associate company, Baneng Industries Sdn Bhd.

On 29<sup>th</sup> November 2010, the Group had announced application pertaining to the Proposed Restructuring Scheme had been submitted to Securities Commission.

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 Sept 2010 were:-

|  | <b>Short<br/>Term<br/>RM'000</b> | <b>Long<br/>Term<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|----------------------------------|---------------------------------|-------------------------|
| <b>Secured - in local currencies</b>           |                                  |                                 |                         |
| - Bank Overdrafts                              | 253                              | --                              | 253                     |
| - Trust receipts                               | 60                               | --                              | 60                      |
| - Bankers acceptance                           | 42,668                           | --                              | 42,668                  |
| - Export Credit Re-financing                   | 14,014                           | --                              | 14,014                  |
| - Hire purchases                               | 193                              | 201                             | 394                     |
| - Collateralized Loan Obligation – unsecured   | 32,000                           | --                              | 32,000                  |
| <b>Secured - in foreign currencies</b>         |                                  |                                 |                         |
| - Trust receipts (in United State dollars)     | 26,760                           | --                              | 26,760                  |
| - Term Loan (in United State dollars)          | 5,044                            | 6,674                           | 11,718                  |
| - Hire purchases (in Singapore/Brunei dollars) | 51                               | 674                             | 725                     |
| <b>Total</b>                                   | <b>121,043</b>                   | <b>7,549</b>                    | <b>128,592</b>          |

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 31<sup>st</sup> 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<br>Quarter<br>30 Sept<br>2010 | Preceding<br>Corresponding<br>Quarter<br>30 Sept<br>2009 | Current<br>Year<br>to date<br>30 Sept<br>2010 | Preceding<br>corresponding<br>Year to date<br>30 Sept<br>2009 |
|---|---------------------------------------|--|---|---|
| Loss attributable to ordinary equity holders of the parent (RM'000) | (26,110)                              | (6,550)  | (27,993)                                      | (28,021)  |
| Weighted average number of ordinary shares ('000)                   | 60,000                                | 60,000   | 60,000  | 60,000  |
| Basic earnings per share (sen)                                      | (43.52)                               | (10.92)  | (46.66)                                       | (46.70)   |

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.