

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

	Current Year Quarter Ended 31 Dec 2010 (Unaudited) RM'000	Preceding Year Quarter Ended 31 Dec 2009 (Unaudited) RM'000	12 Months Cumulative To Date 31 Dec 2010 (Unaudited) RM'000	12 Months Cumulative To Date 31 Dec 2009 (Unaudited) RM'000
REVENUE	34,582	42,126	125,004	218,002
COST OF SALES	(31,420)	(60,023)	(111,191)	(228,084)
<b>GROSS PROFIT</b>	<b>3,162</b>	<b>(17,897)</b>	<b>13,813</b>	<b>(10,082)</b>
OTHER OPERATING INCOME	(1,323)	94	(844)	315
GENERAL AND ADMINISTRATIVE EXPENSES	(14,622)	(16,060)	(53,057)	(39,843)
<b>LOSS FROM OPERATIONS</b>	<b>(12,783)</b>	<b>(33,863)</b>	<b>(40,088)</b>	<b>(49,610)</b>
FINANCE EXPENSE	(479)	(1,774)	(2,047)	(7,972)
SHARE OF RESULT OF ASSOCIATES	-	(2,867)	-	(14,747)
<b>LOSS BEFORE TAXATION</b>	<b>(13,262)</b>	<b>(38,504)</b>	<b>(42,135)</b>	<b>(72,329)</b>
TAXATION	-	-	2	-
<b>LOSS FOR THE PERIOD</b>	<b>(13,262)</b>	<b>(38,504)</b>	<b>(42,133)</b>	<b>(72,329)</b>
OTHER COMPREHENSIVE INCOME	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(13,262)</b>	<b>(38,504)</b>	<b>(42,133)</b>	<b>(72,329)</b>
<b>ATTRIBUTABLE TO:</b>				
OWNERS OF THE PARENT	(11,907)	(37,630)	(39,900)	(65,651)
NON-CONTROLLING INTEREST	(1,355)	(874)	(2,233)	(6,678)
	<b>(13,262)</b>	<b>(38,504)</b>	<b>(42,133)</b>	<b>(72,329)</b>
<b>EARNING PER SHARE</b>				
Basic earnings per share (sen)	(19.85)	(62.72)	(66.50)	(109.42)
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 31 Dec 2010 (Unaudited) RM'000	As at 31 Dec 2009 (Audited) RM'000
<b>Non Current Assets</b>		
Property, plant & equipment	66,703	73,556
Other investments	3,200	3,200
	<u>69,903</u>	<u>76,756</u>
<b>Current Assets</b>		
Inventories	52,580	55,165
Trade receivables	19,490	16,612
Amount due from associate	-	17,231
Other receivables, deposits and prepayments	10,667	29,618
Cash and bank balances	1,282	3,577
	<u>84,019</u>	<u>122,203</u>
	<u>153,922</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	(72,239)	(27,375)
	(12,239)	32,625
Non-Controlling Interests	1,584	3,883
<b>Total equity</b>	<u>(10,655)</u>	<u>36,508</u>
<b>Non-current Liabilities</b>		
Long term borrowings	3,995	2,199
Non-Current Liabilities	<u>3,995</u>	<u>2,199</u>
<b>Current Liabilities</b>		
Short term borrowings	120,465	124,691
Trade payables	14,781	21,668
Other payables	25,336	13,893
	<u>160,582</u>	<u>160,252</u>
<b>Total liabilities</b>	<u>164,577</u>	<u>162,451</u>
<b>Total equity and liabilities</b>	<u>153,922</u>	<u>198,959</u>
Net assets per share (RM) attributable to		
Equity holders of the parent	(0.20)	0.54
Non-Controlling Interests	0.03	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 31 DEC 2010**

GROUP	← Attributable to owners of the Parent →						
	Share capital RM'000	Share Premium RM'000	Non Distributable Exchange Reserve RM'000	Distributable Retained Profits/ (Acc RM'000	Total RM'000	Non Controlling Interest RM'000	Total Equity RM'000
At 1 January 2010	60,000	16,090	2,649	(46,114)	32,625	3,883	36,508
Loss for the period	-	-	-	(39,900)	(39,900)	(2,233)	(42,133)
Currency translation difference	-	-	(4,964)	-	(4,964)	(66)	(5,030)
At 31 December 2010	60,000	16,090	(2,315)	(86,014)	(12,239)	1,584	(10,655)
At 1 January 2009	60,000	16,090	5,103	24,925	106,118	8,320	114,438
Loss for the period	-	-	-	(65,651)	(65,651)	(6,678)	(72,329)
Currency translation difference	-	-	(7,842)	-	(7,842)	2,241	(5,601)
At 31 December 2009	60,000	16,090	(2,739)	(40,726)	32,625	3,883	36,508

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

	<b>12 Months Cumulative To Date 31 Dec 2010 (Unaudited) RM'000</b>	<b>12 Months Cumulative To Date 31 Dec 2009 (Unaudited) RM'000</b>
<b>Cashflows from Operating Activities</b>		
Loss before taxation	(42,135)	(72,329)
<b>Adjustments for:</b>		
Depreciation	4,264	6,026
Impairment loss on property, plant and equipment	-	2,440
Provision for doubtful debts / Bad debt written off	28,186	6,597
Provision for obsolescences/slow moving stocks	5,431	17,672
Interest expense	2,047	7,972
Contingent Liabilities	-	8,162
Gain on disposals	(67)	-
Share of result of associate	-	14,747
<b>Operating profit/ (loss) before working capital changes</b>	<b>(2,274)</b>	<b>(8,713)</b>
Decrease in inventories	(2,846)	9,705
(Increase)/ Decrease in receivables	5,118	15,152
Increase / (Decrease) in payables	3,343	(4,398)
<b>Cash generated from operations</b>	<b>3,341</b>	<b>11,746</b>
Interest paid	(2,047)	(1,760)
Income tax refunded / (paid)	6	(341)
<b>Net cash generated from operating activities</b>	<b>1,300</b>	<b>9,645</b>
<b>Cashflows From Investing Activities</b>		
Purchase of property, plant and equipment	(2,522)	(891)
<b>Net cash used in investing activities</b>	<b>(2,522)</b>	<b>(891)</b>
<b>Cashflows From Financing Activities</b>		
Drawdown of term loan	15,064	-
Repayment of term loans	(5,306)	-
Repayment of hire purchase liabilities	(401)	(320)
Repayment of short term borrowings	(10,551)	1,493
Dividend paid	-	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(1,194)</b>	<b>1,173</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,416)</b>	<b>9,927</b>
<b>Effects of exchange rate changes</b>	<b>148</b>	<b>(8,269)</b>
<b>Cash and cash equivalent brought forward</b>	<b>3,297</b>	<b>1,702</b>
	<b>1,029</b>	<b>3,360</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	1,282	3,607
Bank overdraft	(253)	(247)
	<b>1,029</b>	<b>3,360</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**

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>31 Dec 2010</u></b>
	<b>RM'000</b>
<b>Revenue</b>	
Malaysia	109,271
Brunei	--
Singapore	140,658
Consol Elimination	<u>(124,925)</u>
	<u>125,004</u>
<b>Loss before taxation</b>	
Malaysia	(36,036)
Brunei	(7,442)
Singapore	<u>1,343</u>
	<u>(42,135)</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 saved as disclosed in Note B8 of the Explanatory Notes.

**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 RM7.5mil (i.e. approximately 17.9%) to RM34.6 million in the current quarter under review as compared to RM42.1 million for period ended 31 Dec 2009.

The Group registered a lower turnover for 12 months ended 31<sup>st</sup> December 2010 amounting to RM125 million, as compared to RM218 million in the last financial year, decreased by 43%.

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 significant dip in the turnover, the Group managed to record a positive gross margin of RM13.8 million for financial year ended 31<sup>st</sup> December 2010 as opposed to the gross loss of RM10.1 million for year ended 31<sup>st</sup> December 2009.

In conjunction to the Group's effort in managing the Company, the loss before taxation for the current quarter under review has improved to RM13.2 million as opposed to RM38.5 million of losses in the preceding quarter ended 31<sup>st</sup> December 2009.

The loss before taxation for current quarter of RM13.2 million are mainly due to further written off of amount due from its associate and remaining inventories in its Brunei subsidiary amounting to RM8.6 million and RM3.5 million respectively.

The improvement in both gross profit and lower loss before taxation are mainly attributable to the followings:-

- a) management's continuous efforts in cost controls measures in running the operation
- b) suspension of financial costs for Year 2010 during the implementation of proposed debt restructuring proposal pursuant to the Debt Restructuring Agreement
- c) discontinuation of the loss making operations, namely the subsidiary in Brunei and its associated company

The above are within the Management's expectation and it is inline to the fulfilment of the conditions to the Proposed Debt Restructuring Scheme as submitted to the lenders and regulators.

The Management expects the financial position of the Group to be strengthened upon the expected completion of the Proposed Debt Restructuring Scheme by financial year 2011.

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



## 2. Comparison with Preceding Quarter's Results

	Current Qtr Ended 31 Dec 2010 (RM'000)	Current Qtr Ended 30 Sept 2010 (RM'000)
Revenue	34,582	38,184
Loss Before Tax	(13,262)	(26,778)

The Group recorded a higher loss before tax in prior quarter ended 30 September 2010 mainly due to:-

- a) Once off provision arising from amount receivables from Joy Orient Ltd of Rm15.62million was 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

During the quarter under review, the Group had incur further loss before tax amounting of RM13.2 million mainly due to the following:-

- a) inventory in its Brunei's subsidiary amounting to approximately RM3.5 million now fully written off, in view of the injunction imposed by HSBC (Brunei) Ltd since Year 2008; and
- b) provision of amount due from its associate amounting to RM8.6 million, is provided for in view of the uncertainty in recovery.

## 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 retail industry.

Nevertheless, with the continuous supports from the existing customers and the lenders, the Group is optimistic the performance for the Group 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**

	<b>Current Quarter 31 Dec 2010 RM'000</b>	<b>Current Year to date 31 Dec 2010 RM'000</b>
Income Tax Expense		
- Current period	--	2
	--	2
Effective tax rate	N/A	N/A

No tax is provided for due to the Group is suffering from continuing losses.

**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**

There are no other corporate proposals announced at the date of this quarterly report except for the followings:-

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.

On 28<sup>th</sup> February 2011, the Group had announced to seek for an extension of time from the Lenders to satisfy the conditions precedent as stipulated in the Debt Restructuring Agreement.

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 31<sup>st</sup> December 2010 were:-

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total 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	14,016	--	14,016
- Hire purchases	193	152	345
- Collateralized Loan Obligation – unsecured	32,000	--	32,000
<b>Secured - in foreign currencies</b>			
- Trust receipts (in United State dollars)	24,698	--	24,698
- Term Loan (in United State dollars)	6,375	3,383	9,758
- Hire purchases (in Singapore/Brunei dollars)	202	460	662
<b>Total</b>	<b>120,465</b>	<b>3,995</b>	<b>124,460</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 and as of today, 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 31 Dec 2010	Preceding Corresponding Quarter 31 Dec 2009	Current Year to date 31 Dec 2010	Preceding corresponding Year to date 31 Dec 2009
Loss attributable to ordinary equity holders of the parent (RM'000)	(11,907)	(37,630)	(39,900)	(65,651)
Weighted average number of ordinary shares ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	(19.85)	(62.72)	(66.50)	(109.42)

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

**14. Disclosure of Audit Report Qualification**

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

**15. Disclosure of Realised and Unrealized Profit/(Loss)**

Detail of which as follows: -

	<b>As at 31.12.2010 RM'000</b>	<b>As at 30.09.2010 RM'000</b>
Total accumulated losses of the Group		
- Realized	(57,819)	(63,411)
- Unrealized	(18,075)	(18,075)
	(75,894)	(81,486)
Less: Consolidated adjustments	(1,265)	(7,379)
Total accumulated losses as per Condensed Consolidated Statement of Changes in Equity	(77,159)	(74,107)