

BANENG HOLDINGS BHD.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Current Year Quarter Ended 31 Mar 2011 (Unaudited) RM'000	Preceding Year Quarter Ended 31 Mar 2010 (Unaudited) RM'000	3 Months Cumulative To Date 31 Mar 2011 (Unaudited) RM'000	3 Months Cumulative To Date 31 Mar 2010 (Unaudited) RM'000
REVENUE	27,958	21,719	27,958	21,719
COST OF SALES	(24,507)	(18,355)	(24,507)	(18,355)
GROSS PROFIT	3,451	3,364	3,451	3,364
OTHER OPERATING INCOME	225	164	225	164
GENERAL AND ADMINISTRATIVE EXPENSES	(4,773)	(5,601)	(4,773)	(5,601)
LOSS FROM OPERATIONS	(1,097)	(2,073)	(1,097)	(2,073)
FINANCE EXPENSE	(1,886)	(344)	(1,886)	(344)
LOSS BEFORE TAXATION	(2,983)	(2,417)	(2,983)	(2,417)
TAXATION	314	-	314	-
LOSS FOR THE PERIOD	(2,669)	(2,417)	(2,669)	(2,417)
OTHER COMPREHENSIVE INCOME	(538)	(1,847)	(538)	(1,847)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(3,207)	(4,264)	(3,207)	(4,264)
ATTRIBUTABLE TO:				
OWNERS OF THE PARENT	(2,669)	(1,482)	(2,669)	(1,482)
NON-CONTROLLING INTEREST	-	(935)	-	(935)
	<u>(2,669)</u>	<u>(2,417)</u>	<u>(2,669)</u>	<u>(2,417)</u>
EARNING PER SHARE				
Basic earnings per share (sen)	(4.45)	(2.47)	(4.45)	(2.47)
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 2010 and the accompanying explanatory notes attached to the interim financial statements)

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

	As at 31 Mar 2011 (Unaudited) RM'000	As at 31 Dec 2010 (Audited) RM'000
Non Current Assets		
Property, plant & equipment	63,845	64,666
	<u>63,845</u>	<u>64,666</u>
Current Assets		
Inventories	39,772	45,963
Trade receivables	9,652	11,930
Investment securities	3,686	3,686
Other receivables	1,603	5,778
Income tax receivables	614	531
Cash and bank balances	3,338	1,514
	<u>58,665</u>	<u>69,402</u>
	<u>122,510</u>	<u>134,068</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	60,000	60,000
Reserves	(111,866)	(108,659)
	<u>(51,866)</u>	<u>(48,659)</u>
Non-Controlling Interests	-	-
Total equity	<u>(51,866)</u>	<u>(48,659)</u>
Non-current Liabilities		
Loans and borrowings	512	664
	<u>512</u>	<u>664</u>
Current Liabilities		
Loans and borrowings	121,770	124,432
Trade payables	14,205	17,542
Other payables	37,889	40,089
	<u>173,864</u>	<u>182,063</u>
Total liabilities	<u>174,376</u>	<u>182,727</u>
Total equity and liabilities	<u>122,510</u>	<u>134,068</u>
Net assets per share (RM) attributable to		
Equity holders of the parent	(0.86)	(0.81)
Non-Controlling Interests	-	-

(The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 MARCH 2011**

	← Attributable to owners of the Parent →						
	Share capital RM'000	Non Share Premium RM'000	Exchange Reserve RM'000	Distributable Retained Profits/ (Acc Losses) RM'000	Total RM'000	Non Controlling Interest RM'000	Total Equity RM'000
At 1 January 2011	60,000	16,090	(3,566)	(121,183)	(48,659)	-	(48,659)
Total comprehensive loss for the period	-	-	-	(2,669)	(2,669)	-	(2,669)
Currency translation differences	-	-	(538)	-	(538)	-	(538)
At 31 March 2011	60,000	16,090	(4,104)	(123,852)	(51,866)	-	(51,866)
At 1 January 2010	60,000	16,090	2,649	(46,114)	32,625	3,883	36,508
Total comprehensive loss for the period	-	-	-	(1,482)	(1,482)	(935)	(2,417)
Currency translation differences	-	-	(907)	-	(907)	(940)	(1,847)
At 31 March 2010	60,000	16,090	1,742	(47,596)	30,236	2,008	32,244

BANENG HOLDINGS BHD.
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	3 Months Cumulative To Date 31 Mar 2011 (Unaudited) RM'000	3 Months Cumulative To Date 31 Mar 2010 (Unaudited) RM'000
Cashflows from Operating Activities		
Loss before taxation	(2,983)	(2,417)
Adjustments for:		
Depreciation	916	980
Provision for doubtful debts / Bad debt written off	-	2,928
Interest expense	1,886	344
Share of result of associate	-	-
Operating (loss) / profit before working capital changes	<u>(181)</u>	<u>1,835</u>
Decrease in inventories	6,191	6,971
Decrease in receivables	6,453	2,126
Decrease in payables	<u>(7,037)</u>	<u>(12,808)</u>
Cash generated from / (used in) operations	5,426	(1,876)
Interest paid	(386)	(331)
Income tax refunded	231	-
Net cash generated from/(used in) operating activities	<u>5,271</u>	<u>(2,207)</u>
Cashflows From Investing Activities		
Purchase of property, plant and equipment	(95)	-
Net cash used in investing activities	<u>(95)</u>	<u>-</u>
Cashflows From Financing Activities		
Drawdown of term loan		
(Repayment)/Drawdown on term loans	(2,731)	4,747
Repayment of hire purchase liabilities	(278)	(130)
Drawdown of short term borrowings	222	-
Dividend paid	-	-
Net cash (used in) / generated from financing activities	<u>(2,787)</u>	<u>4,617</u>
Net increase in cash and cash equivalents	2,389	2,410
Effects of exchange rate changes	(538)	(1,860)
Cash and cash equivalent brought forward	<u>1,234</u>	<u>3,297</u>
	<u>3,085</u>	<u>3,847</u>
Cash and cash equivalents comprise:		
Cash and bank balances	3,338	4,094
Bank overdraft	(253)	(247)
	<u>3,085</u>	<u>3,847</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2010. 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 2010.

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 2010 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 2011.

FRSs, Amendments to FRSs and Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 1	Limited Exemptions from Comparative FRS 7 “Disclosures for First Time Adopters”
Amendments to FRS 2	Share-based Payments
Amendments to FRS 5	Non-Current Assets Held for Sales & Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 12	Service Concession Arrangement
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-Cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Amendments to FRSs contained in the documents entitled “Improvements to FRSs (2010)”.

The adoption of the above new and revised FRSs, and IC interpretations 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>31 Mar 2011</u>
	RM'000
Revenue	
Malaysia	10,122
Brunei	--
Singapore	29,680
Consol Elimination	(11,814)
	<hr/>
	27,958
	<hr/>
Loss before taxation	
Malaysia	(2,670)
Brunei	(68)
Singapore	(245)
	<hr/>
	(2,983)
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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 2010.

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 higher turnover as compared to the corresponding quarter in the preceding year. Export sales for the current quarter had increased to RM27.96 million (i.e. approximately 28.7%) as compared to RM21.72 million for period ended 31 March 2010.

The increase is mainly attributable to the higher selling price from buyers in conjunction to the hike in the raw materials, cotton.

Notwithstanding the higher turnover, the gross profit margin for period ended 31 March 2011 had dropped to 12.3% as opposed to 15.5% in the comparable quarter in the preceding year, mainly due to higher cost of materials.

The Group had registered a higher loss before taxation of RM2.98 million despite lower Loss from Operation during the quarter under review, as compared to loss of RM2.42 million for quarter ended 31st March 2010. This is mainly due to provisioning of finance charges amounting to approximately RM1.5 million during the quarter made in favour to financial institutions during the proposed debt restructuring implementation period. No finance charges was provided for during the quarterly performance announcement for year ended 2010.

The Management expects the financial position of the Group to be strengthened upon the expected completion of the Proposed Debt Restructuring Scheme by the end of 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 Mar 2011 (RM'000)	Current Qtr Ended 31 Dec 2010 (RM'000)
Revenue	27,958	34,582
Loss Before Tax	(2,983)	(13,262)

The Group recorded a higher loss before tax in prior quarter ended 31 December 2010 mainly due to the following which is not recurrence in nature.

- 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
- amount due from its associate amounting to RM8.6 million was 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

	Current Quarter 31 Mar 2011 RM'000	Current Year to date 31 Mar 2011 RM'000
Income Tax Expense		
- Current period	314	314
	<hr/>	<hr/>
	314	314
	<hr/>	<hr/>
Effective tax rate	N/A	N/A
	<hr/>	<hr/>

No tax is provided due to the Group is suffering from continuing losses, and during the current quarter under review, the Group had received tax refund from Inland Revenue Board amounting to RM314,000.

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 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)

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

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

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

On 28th 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.

On 17th March 2011, the Group have written to the Securities Commission (“SC”) to retract the application pursuant to the Proposed Restructuring Scheme made to the SC on 29 November 2010 as the Group is considering revising its proposed scheme.

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 SecuritiesGroup Borrowings as at 31st March 2011 were:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured - in local currencies			
- Bank Overdrafts	253	--	253
- Trust receipts	60	--	60
- Bankers acceptance	42,668	--	42,668
- Export Credit Re-financing	14,016	--	14,016
- Hire purchases	192	112	304
- Collateralized Loan Obligation – unsecured	32,000	--	32,000
Secured - in foreign currencies			
- Trust receipts (in United State dollars)	24,893	--	24,893
- Term Loan (in United State dollars)	7,648	--	7,648
- Hire purchases (in Singapore/Brunei dollars)	40	400	440
Total	121,770	512	122,282

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 2010 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 Mar 2011	Preceding Corresponding Quarter 31 Mar 2010	Current Year to date 31 Mar 2011	Preceding corresponding Year to date 31 Mar 2010
Loss attributable to ordinary equity holders of the parent (RM'000)	(2,669)	(1,482)	(2,669)	(1,482)
Weighted average number of ordinary shares ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	(4.45)	(2.47)	(4.45)	(2.47)

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 2010 did not contain any qualification.

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

Detail of which as follows: -

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total accumulated losses of the Group		
- Realized	(137,975)	(136,509)
- Unrealized	(6,219)	(4,719)
	<u>(144,194)</u>	<u>(141,228)</u>
Less: Consolidated adjustments	(20,342)	(20,045)
Total accumulated losses as per Condensed Consolidated Statement of Changes in Equity	<u>(123,852)</u>	<u>(121,183)</u>