

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

NOTES TO THE REPORT

PART A – EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL REPORTING STANDARDS (“FRS”) 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Appendix 9B Part A of the Main Market Listing Requirements (Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). This is the third interim financial report on the combined results of the third quarter ended 31 March 2011 announced by the Company in compliance with the Listing Requirements and as such, there were no comparative figures for the preceding year’s corresponding period.

The interim financial report should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants’ Report for the financial year ended 30 June 2010 as disclosed in the Prospectus of the Company dated 28 December 2010 and the accompanying notes attached to this interim financial report.

The accounting policies and methods of computation adopted by the Group in the preparation of the interim financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2010.

A2 Significant Accounting Policies

The significant accounting policies adopted by the Group are consistent with those of the audited financial statements for the year ended 30 June 2010, except for the adoption of the following new Financial Reporting Standard (“FRS”), Amendments to FRSs (“Amendments”) and Issues Committee Interpretation (“IC Interpretations”) effective for financial period beginning on or after 1st January 2010:

FRS 4: Insurance Contracts

FRS 7: Financial Instruments: Disclosure

FRS 8: Operating Segments

FRS 101: Presentation of Financial Statements (revised)

FRS 123: Borrowing Costs

FRS 139: Financial Instruments: Recognition and Measurement

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards

Amendments to FRS 2: Share-based Payment-Vesting Conditions/Cancellations

Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operation

Amendments to FRS 7: Financial Instruments: Disclosure

Amendments to FRS 8: Operating Segments

Amendments to FRS 107: Cash Flow Statements

Amendments to FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to FRS 110: Events after the Reporting Period

Amendments to FRS 116: Property, Plant and Equipment

Amendments to FRS 117: Leases

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

Amendments to FRS 118: Revenue
Amendments to FRS 119: Employees Benefits
Amendments to FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123: Borrowing Costs
Amendment to FRS 127: Consolidated and Separate Financial Statements
Amendment to FRS 128: Investment in Associates
Amendment to FRS 129: Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131: Interest in Joint Ventures
Amendment to FRS 132: Financial Instruments: Presentation
Amendment to FRS 134: Interim Financial Reporting
Amendment to FRS 136: Impairment of Assets
Amendment to FRS 138: Intangible Assets
Amendment to FRS 139: Financial Instruments: Recognition and Measurement
Amendment to FRS 140: Investment Property
IC Interpretation 9: Reassessment of Embedded Derivatives;
IC Interpretation 10: Interim Financial Reporting and Impairment;
IC Interpretation 11: FRS2 – Group and Treasury Share Transactions;
IC Interpretation 13: Customer Loyalty Programmes;
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction.
Amendment to IC Interpretation 9: Reassessment of Embedded Derivatives;

Other than the implications as disclosed below, the adoption of the above FRSs, IC Interpretations and the Amendments do not have material impact on the financial statements of the Group:

(i) FRS 8: Operating Segments

FRS 8 requires identification and reporting of operating segments on internal reports that are regularly reviewed by the entity's chief decision maker in order to allocate resources to the segments and to assess its performance. The Group presents its segment information based on business segments, which is also the basis of presenting its monthly internal management reports.

(ii) FRS 139: Financial Instruments: Recognition and measurement

The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of financial instruments. A financial instrument is recognized in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instruments. A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

- (a) Financial assets: Marketable securities prior to the adoption of FRS 139, investment in equity securities, other than investment in subsidiaries and associates were stated at cost less allowance for diminution in value, which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investment in subsidiaries and associates are now categorized and measured as fair value through profit or loss.
- (b) Derivatives: Prior to the adoption of FRS 139, derivative contracts of balance sheet items and gains and losses were recognized in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now required to be initially recognized at fair value on the date of the derivative contract is entered into and subsequently re-measured at fair value at each balance sheet date. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivatives are classified as fair value through profit and loss with any gains or losses arising from changes in fair value of these derivatives being recognized in the income statement.
- (c) Financial liabilities borrowing prior to the adoption of FRS 139, transaction costs attributable to borrowing were expensed off as incurred. With the adoption of FRS 139 borrowing cost are now recognized initially at fair value, plus directly attributable transaction costs. There are subsequently measured at amortised cost using the effective interest rate method.

A3. Auditors' Report

There were no qualifications on to the audited financial statements of Benalec Group for the financial period / year ended 30 June 2010.

A4. Seasonal or Cyclical Factors

The Group's operations are not subject to seasonal or cyclical factors.

A5. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial period under review.

A6. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial year that have had a material effect in the current financial quarter.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED
31 MARCH 2011**

A7. Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayments of debt and equity securities during the current financial quarter other than as disclose in Notes A12 and B8 of this report.

A8. Dividend Paid

No dividend has been paid in the financial period under review.

A9. Segmental Information

The Group is organized into the following operating segments:-

- a) Marine construction
- b) Vessels chartering
- c) Ship maintenance and shipbuilding
- d) Investment holdings

The segment revenue and results for the current interim period ended 31 March 2011:

Analysis by Activities	Revenue RM'000	Profit /(Loss) Before Taxation RM'000
Marine construction	140,952	83,714
Vessels chartering	21,362	6,759
Ship maintenance and shipbuilding	5,875	319
Investment holdings	-	(4,017)
Consolidation Adjustments	(19,657)	12,313
Total	148,532	99,088

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

A10. Valuation of Property, Plant and Equipment

There were no valuations of the property, plant and equipment in the current financial quarter.

A11. Material Events Subsequent to the end of period reported

- (i) On 15 April 2011, the Group through its wholly owned subsidiary, Benalec Sdn Bhd, had acquired two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up ordinary shares of Integrasi Mekar Sdn Bhd (“IMSB”) for cash consideration of RM2.00 only.

IMSB has not commenced operations.

A12. Changes in the Composition of the Group

- (i) Pursuant to a Share Sale Agreement dated 29 November 2010 between Benalec Sdn Bhd (a wholly owned subsidiary of the Company), and Puncak Pasir Sdn Bhd (“PPSB”), Benalec Sdn Bhd agrees to sell and PPSB agrees to purchase Benalec Sdn Bhd’s entire equity stake in Crystal Land Development Sdn Bhd (which is the legal and beneficial owner of 0.4724 acres of land) for cash consideration of RM493,865.85.

The share sale of Crystal Land Development Sdn Bhd was completed on 6 January 2011.

- (ii) On 24 January 2011, the Group through its wholly owned subsidiary, Benalec Sdn Bhd, had subscribed for two (2) ordinary shares of USD1.00 each, representing the entire issued and paid up ordinary shares in two (2) newly incorporated companies, namely Pacific Shipping Ltd (“Pacific Shipping”) and Pacific Link Ltd (“Pacific Link”) for cash consideration of USD2.00 only per company.

Pacific Shipping and Pacific Link have not commenced operations.

- (iii) On 9 February 2011, the Group through its wholly owned subsidiary, Benalec Sdn Bhd, had acquired two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up ordinary shares in two (2) companies, namely, Indera Tenggara Sdn Bhd (“ITSB”) and Jayamas Cekap Sdn Bhd (“JCSB”) for cash consideration of RM2.00 only per company.

ITSB and JCSB have not commenced operations.

A13. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

A14. Capital Commitments

Capital expenditure in respect of purchase of property, plant and equipment:-

	RM’000
Contracted but not provided for	9,260

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

A15. Significant Related Party Transactions

The Group had the following transactions during the financial period under review with related parties in which certain directors of the Company have substantial financial interest:-

Nature of transactions	Transaction value based on billings RM'000	Balance outstanding as at 31 March 2011 RM'000
Provision of vessels chartering services to companies in which certain Directors of the Company have substantial financial interests	5,063	-
Rental of vessels from a company in which certain Directors of the Company have substantial financial interest	(7,600)	(490)
Provision of Marine construction works (Payment in kind) to companies in which certain Directors of the Company have substantial financial interest	58,799	115,984 *
Provision of Marine construction works (Progress payment) to a company in which certain Directors of the Company have substantial financial interest	2,435	2,435
Provision of material from a company in which certain Directors of the Company have substantial financial interest	(1,270)	-
Purchase of vessels from companies in which certain Directors of the Company have substantial financial interest (Note B8(A))	(131,828)	(116,603)

The related party transactions reflect transactions of all the subsidiaries with the respective group of companies.

* This amount represents the value of the land portion pending land Alienation Process which the Group entitles to receive as settlement for the marine construction contracts. It would subsequently be reclassified as "Land held for sale" following the Alienation Process.

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

NOTES TO THE REPORT

PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

B1. Review of Performance of the Group

The Group recorded revenue of RM51.1 million for the current quarter and RM148.5 million for the financial year to date.

The Group achieved profit after taxation of RM24.4 million for the current quarter and RM73.3 million for the financial year-to-date.

B2. Variation of Results against Preceding Quarter

The group recorded an increase in revenue of RM5.9 million or 13.1% for the third quarter ended 31 March 2011 as compared to the preceding quarter which is mainly due to increase in marine construction income.

Profit after tax of the Group of RM24.4 million for the current quarter is higher compared to the preceding quarter of RM18.9 million, representing a increase of RM5.5 million or 29.1% which is mainly due to gain on disposal of land held for sales of RM4.8 million and fair value gain on acquisition of a subsidiary of RM4.6 million, and offset by listing expenses of RM3.8 million in current quarter.

B3. Prospects

The prospects for growth are bright based on the future projects in the pipeline that exists particularly in Penang, Melaka, Iskandar, Port Klang and the Sarawak Corridor of Renewable Energy (SCORE).

The 10th Malaysia Plan has ports and harbour industry as a key economic sector for targeted growth in Malaysia and has allocated a substantial amount of funding in support of the industry.

The Government is committing resources towards making Malaysia a high income, high Gross Domestic Product (GDP) nation by the announcement of the five (5) economic regions during the 9th Malaysia Plan, by which the development of these regions encompasses coastal, rivers and waterfront development as well as the upgrade of infrastructure such as the construction of power plants and energy stations, better drainage control and flood mitigation systems.

On the regional front, the opportunities that exist in Asia Pacific with future projects estimated at over RM170 billion, are a compelling incentive for Benalec to invest and expand its operations beyond domestic borders.

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

B4. Profit forecast and profit guarantee

The Group did not issue any profit forecast or profit guarantee in any public document.

B5. Taxation

	Current Quarter RM'000	Year-To-Date RM'000
Current year tax	5,785	21,700
Under / (Over) provision in previous years	3,038	3,038
Deferred tax	2,000	1,082
Total	10,823	25,820

The lower effective tax rates of the Group than the prevailing statutory tax rate is mainly due to lower tax rate in accordance to Labuan Offshore Business Activity Tax Act 1990 for vessel chartering division.

B6. Profit on Sale of Unquoted Investment and Properties

There were no material sales of unquoted investments and/or properties during the current financial quarter other than those disclosed in Note A12(i) of this report.

B7. Purchased and Sale of Quoted Securities

There were no purchase or sales of quoted investments during the current financial quarter.

B8. Status of Corporate Proposals

In conjunction with, and as an integral part of our Listing as disclosed in the Prospectus of the Company dated 28 December 2010, we had effected the followings:

(i) Subdivision

On 2 December 2010, the Company effected a subdivision of every one (1) existing ordinary share of RM1.00 each in the Company's authorized and issued and paid-up share capital into four (4) Shares, resulting in an authorized share capital of RM100,000 comprising 400,000 Shares, and an issued and paid-up share capital of RM2.00 comprising eight (8) Shares.

Following the Subdivision, the Company's authorized share capital increase from RM100,000 comprising 400,000 Shares to RM500,000,000 comprising 2,000,000,000 Shares.

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

(ii) IPO

The IPO comprises both the Public Issue and Offer for Sale.

(a) Public Issue

The Company implemented a Public Issue of 100,000,000 new shares at an issue price of RM1.00 per share.

(b) Offer for Sale

The Offer for Sale of 130,000,000 existing shares at an issue price of RM1.00 per share.

(iii) ESOS

In conjunction with the listing, we may implement an ESOS which entails the issuance of up to 10% of the Company's issued and paid-up share capital (excluding treasury shares) at any time pursuant to the options to be granted under the ESOS, to eligible Directors and employees of the Group.

(iv) Listing

The entire enlarged issued share capital comprising 730,000,000 shares was successfully listed on the Main Market of Bursa Securities on 17 January 2011.

(v) Status of Utilisation of Proceeds

The Public Issue Shares of 100,000,000 new shares in conjunction with the Company's listing on the Main Market of Bursa Securities raised a total gross proceeds of RM100.0 million.

The status of utilisation of the proceeds as at Latest Practicable Date is as follows:-

Description	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Deviation RM'000	Estimated timeframe for utilisation upon Listing	Explanations
Finance on-going projects	90,000	38,023	51,977	-	Within 24 months	(2)
Working capital	3,500	3,500	-	-	Within 24 months	
Estimated listing expenses	6,500	6,404	96	-	Immediate	(3)
Total proceeds	100,000	47,927	52,073	-		

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

Note:-

- (1) The gross proceeds arising from the Offer for Sale, net of the relevant fee, shall accrue entirely to the Offeror and no part of the proceeds will be received by the Company.
- (2) IPO proceeds will be utilised within the estimated timeframe. The Group does not expect any material deviation as at the date of this report.
- (3) The total listing expenses was RM6.40 million. In accordance with the provisions of FRSIC Consenses 13, RM2.36 million and RM4.04 million was written off against share premium account and expensed off respectively in the current period. The balance for Listing expenses of RM0.096 million will be utilised for working capital purposes as indicated in Section 2.6(c) of the Prospectus.

B9. Borrowings and Debts Securities

Total Group borrowings as at 31 March 2011 were as follows:

	RM'000
Long Term Borrowings	
<u>Secured:</u>	
Hire purchase and lease creditors	880
Term loans	31,940
	<hr/> 32,820 <hr/>
Short Term Borrowings	
<u>Secured:</u>	
Bank overdraft	82
Trust receipts	2,166
Hire purchase and lease creditors	808
Term loans	15,660
	<hr/> 18,716 <hr/>
Total	<hr/> 51,536 <hr/>

Included in the total borrowings are borrowings in denominated in SGD as follow:

	SGD'000
Term loan	
<u>Secured:</u>	
Short term	4,933
Long term	776
	<hr/>
Total	<hr/> 5,709 <hr/>

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2011

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this quarterly report.

B11. Material Litigation

There were no material litigation as at the date of issuance of this quarterly report.

B12. Dividends

No interim dividend have been declared during the current quarter under review.

B13. Earnings Per Share

Basic and diluted earning per share are calculated based on net profit for the period attributable to ordinary share capital of 730,000,000 shares of RM0.25 each.

B14. Realised and Unrealised Profit / Losses Disclosure

The breakdown of the retained profits of the Group as at 31 March 2011, into realised and unrealised profits or losses is as follows:-

	As At End of Current Quarter 31 March 2011 RM'000	As At End of Preceding Quarter 31 Dec 2010 RM'000
Total retained profits / (Losses) of the Group		
- Realised	237,098	219,719
- Unrealised	(9,234)	(9,295)
	<hr/> 227,864	<hr/> 210,424
Less: Consolidation Adjustments	(6,977)	(20,246)
Total Group retained profits as per statement of financial position	<hr/> 220,887	<hr/> 190,178

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements", issued by the Malaysian Institute of Accountants on 20 December 2010.

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