

BENALEC HOLDINGS BERHAD

Company No.: 702653-V

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 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 the reporting requirements of Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standard Board (“MASB”) and Paragraph 9.22 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa”).

This is the fourth quarter interim financial report on the combined results of the fourth quarter ended 30 June 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.

On 1 July 2010, the Group adopted the following:

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

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Amendments to FRS 116: Property, Plant and Equipment
Amendments to FRS 117: Leases
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.
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation;
IC Interpretation 17: Distributions of No-cash Assets to Owners;
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 101: Presentation of Financial Statements (revised)

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the interim financial statement presented consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes detail of transactions with owners. All non-owner changes in equity are presented as a single line as total comprehensive income. The standard does not have any impact on the financial position and results of the Group.

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(iii) 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.

- (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.

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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.

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.

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 30 June 2011:

Analysis by Activities	Revenue RM'000	Profit /(Loss) Before Taxation RM'000
Marine construction	217,067	111,036
Vessels chartering	37,328	21,277
Ship maintenance and shipbuilding	11,704	(784)
Investment holdings	-	(4,440)
Consolidation Adjustments	(51,612)	2,846
Total	214,487	129,935

A10. Valuation of Property, Plant and Equipment

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

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A11. Material Events Subsequent to the end of period reported

- (i) On 7 July 2011, the Group through its wholly owned subsidiary, Benalec Sdn Bhd, had acquired the following two (2) companies:
 - a. Acquisition of two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up ordinary shares of Pengerang Maritime Industries Sdn Bhd ("PMISB") for cash consideration of RM2.00 only.
 - b. Acquisition of two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up ordinary shares of Tanjung Piai Maritime Industries Sdn Bhd ("TPMISB") for cash consideration of RM2.00 only.

PMISB and TPMISB have not commenced operations.

A12. Changes in the Composition of the Group

- (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.

- (ii) On 7 June 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 Jewel East Sdn Bhd ("JESB") for cash consideration of RM2.00 only.

JESB has not commenced operations.

- (iii) On 23 June 2011, the Group through its wholly owned subsidiary, Jewel East Sdn Bhd, had acquired the following private limited companies:-

- (a) Acquisition of two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up ordinary shares of Iconic Island Sdn Bhd ("IISB") for cash consideration of RM2.00 only.

- (b) Acquisition of two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up ordinary shares of One World Island Sdn Bhd ("OWISB") for cash consideration of RM2.00 only.

- (c) Acquisition of two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up ordinary shares of Cheng Ho City Sdn Bhd ("CHCSB") for cash consideration of RM2.00 only.

- (d) Acquisition of two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up ordinary shares of Zheng Island Sdn Bhd ("ZISB") for cash consideration of RM2.00 only.

IISB, OWISB, CHCSB and ZISB have not commenced operations.

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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	3,960

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 30 June 2011 RM'000
Provision of vessels chartering services to companies in which certain Directors of the Company have substantial financial interests	5,132	-
Rental of vessels from a company in which certain Directors of the Company have substantial financial interest	(7,600)	-
Provision of Marine construction works (Payment in kind) to companies in which certain Directors of the Company have substantial financial interest	109,478	166,663 *
Provision of Marine construction works (Progress payment) to a company in which certain Directors of the Company have substantial financial interest	2,854	380
Supply of material from a company in which certain Directors of the Company have substantial financial interest	(1,283)	-
Purchase of vessels from companies in which certain Directors of the Company have substantial financial interest (Note B8(A))	(131,828)	(117,323)

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Provision of Marine construction work from a company in which certain Directors of the Company have substantial financial interest	(3,383)	(127)
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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.

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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 RM65.9 million for the current quarter and RM214.5 million for the financial year to date.

The Group achieved profit after taxation of RM22.8 million for the current quarter and RM96.1 million for the financial year to date.

B2. Variation of Results against Preceding Quarter

The group recorded an increase in revenue of RM14.8 million or 29% for the fourth quarter ended 30 June 2011 as compared to the preceding quarter which is mainly due to increase in marine construction income.

Profit after tax of the Group of RM22.8 million for the current quarter is lower compared to the preceding quarter of RM24.4 million, representing a decrease of RM1.6 million or 6.5% mainly due to recognition of net gain on disposal of land held for sales, fair value gain on acquisition of a subsidiary, and offset by listing expenses in the previous 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.

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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	6,031	27,731
Under / (Over) provision in previous years	207	3,245
Deferred tax	1,798	2,880
Total	8,036	33,856

The lower effective tax rates of the Group than the prevailing statutory tax rate is mainly due to lower tax rate in accordance with 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.

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 and Utilisation of Proceeds

(a) Status of Corporate Proposals

On 1 June 2011, the Group announced the following proposals:

- (i) Proposed disposal of six (6) parcels of contiguous leasehold land measuring approximately 1,627,405 square feet ("sq ft"), held by Sentosacove Development Sdn Bhd ("Sentosacove"), a wholly owned subsidiary of Benalec Sdn Bhd, which in turn a wholly owned subsidiary of the Company, to Vista Selesa Development Sdn Bhd ("Vista Selesa") for a total consideration of RM45,567,323.20 ("Proposed Land Disposal") ;
- (ii) Proposed joint venture between Orientalcove Realty Sdn Bhd ("Orientalcove"), a wholly owned subsidiary of Benalec Sdn Bhd, which in turn is a wholly owned subsidiary of the Company, and Vista Selesa for the development of six (6) parcels of contiguous leasehold land measuring approximately 1,350,331 sq ft for a minimum cash consideration of RM37,809,268.00 ("Proposed Joint Venture") ;

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- (iii) Proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company (“Proposed Private Placement”);
- (iv) Proposed authority for the purchase by the Company of up to ten percent (10%) of its own issued and paid-up share capital (“Proposed Share Buy-Back”); and
- (v) Proposed Grant of Options to Directors of the Company pursuant to the Employees’ Share Option Scheme (“ESOS”) of the Company.

On 6 July 2011, the Group announced the following proposal:

- (vi) Proposed Grant of Options to a person connected to the Director of the Company pursuant to the Employees’ Share Option Scheme (“ESOS”) of the Company.

(Collectively referred to as “the Proposals”)

The Proposals are conditional upon the approvals being obtained from the followings:

- (a) Approval of the directors and shareholders of Sentosacove being obtained for Proposed Land Disposal;
- (b) Approval of the directors and shareholders of Orientalcove being obtained for Proposed Joint Venture;
- (c) Approval of the directors and shareholders of Vista Selesa being obtained for Proposed Land Disposal and Proposed Joint Venture;
- (d) Bursa Malaysia Securities Berhad’s approval for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities;
- (e) Approval of Shareholders of Benalec being obtained for the Proposals via an Extraordinary General Meeting (“EGM”); and
- (f) Approval of any other relevant party and/or authority being obtained, if required.

The notice of EGM and the circular to the shareholders in relation to the proposals above were given on 19 August 2011 and the EGM will be held at the Glenmarie Ballroom, Lobby Level, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Friday, 9 September 2011 at 10.00am.

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(b) Status of Utilisation of Proceeds

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

Description	Proposed Utilisation	Actual Utilisation	Balance	Deviation		Estimated timeframe for utilisation upon Listing	Explanations
	RM'000	RM'000	RM'000	RM'000	%		
Finance on-going projects	90,000	68,470	21,530	-	-	Within 24 months	(2)
Working capital	3,500	3,630	-	130	3.71	Within 24 months	(3)
Estimated listing expenses	6,500	6,370	130	-	-	Immediate	(3)
Total proceeds	100,000	78,470	21,660	130	-		

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 RM6.37 million. In accordance with the provisions of FRSIC Consensus 13, RM2.45 million and RM3.92 million was written off against share premium account and expensed off respectively in the current period. The remaining unutilised portion of IPO proceeds allocated for listing expenses of RM0.13 million will be re-allocated for working capital purposes.

B9. Borrowings and Debts Securities

Total Group borrowings as at 30 June 2011 were as follows:

	RM'000
Long Term Borrowings	
<u>Secured:</u>	
Hire purchase and lease creditors	730
Term loans	42,971
	43,701
Short Term Borrowings	
<u>Secured:</u>	
Bank overdraft	3
Trust receipts	1,838
Hire purchase and lease creditors	692
Term loans	16,681
	19,214
Total	62,915

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

Term loan	SGD'000
<u>Secured:</u>	
Short term	4,074
Long term	130
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Total	4,204

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 30 June 2011, into realised and unrealised profits or losses is as follows:-

	As At End of Current Quarter 30 June 2011 RM'000	As At End of Preceding Quarter 31 Mar 2011 RM'000
Total retained profits / (Losses) of the Group		
- Realised	261,476	237,098
- Unrealised	(10,956)	(9,234)
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	250,520	227,864
Less: Consolidation Adjustments	(6,806)	(6,977)
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Total Group retained profits as per statement of financial position	243,714	220,887

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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.