

# BENALEC HOLDINGS BERHAD

Company No.: 702653-V

## UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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” and Appendix 9B Part A of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2011.

The interim financial report contains condensed combined financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. The interim combined financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with FRSs.

##### A2 Change in Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in the preparation of this interim financial report are consistent with those adopted in the Group audited financial statements for the financial year ended 30 June 2011, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs (“Amendments”), Technical Releases (“TR”) and Issues Committee Interpretations (“IC Interpretation”):

		<u>Effective dates</u>
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011

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Amendment to FRSs	Improvements to FRSs (2010)	1 January 2011
TR i-4	Shariah Compliant Sale Contracts	1 January 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The adoption of the above FRSs, Amendments, TR and IC Interpretation are not expect to have material impact on the financial statements of the Group.

### **A3. Auditors' Report**

There were no qualifications to the audited financial statements of the Group for the financial year ended 30 June 2011.

### **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 that have had a material effect in the current financial quarter.

### **A7. Changes in Debt and Equity Securities**

As at 30 September 2011, the Group has bought back 400,000 ordinary shares of RM0.25 each at average cost of RM1.035 per share. The shares bought back have been retained as treasury shares.

### **A8. Dividend Paid**

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

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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 September 2011:

Analysis by Activities	Revenue	Profit /(Loss) Before Taxation	Revenue	Profit /(Loss) Before Taxation
	RM'000	RM'000	RM'000	RM'000
	30 September 2011		30 September 2010	
Marine construction	76,665	23,674	47,400	33,452
Vessels chartering	18,149	12,120	7,080	11,503
Ship maintenance and shipbuilding	1,500	(540)	-	(558)
Investment holdings	-	(449)	-	(88)
Consolidation Adjustments	(21,734)	240	(2,275)	(5,580)
<b>Total</b>	<b>74,580</b>	<b>35,045</b>	<b>52,205</b>	<b>38,729</b>

**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 17 October 2011, the Group announced that Bursa had, vide its letter dated 12 October 2011, approved the listing and quotation of up to 73,000,000 new ordinary shares of RM0.25 each in Benalec to be issued pursuant to the Proposed Private placement subject to the following conditions:-

- (a) Benalec and AmInvestment Bank Berhad ("AmInvestment Bank") must fully comply with the relevant provisions under the Main Market Listing

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Requirements of Bursa Securities pertaining to the implementation of the Proposed Private Placement;

- (b) Benalec and AmInvestment Bank are to inform Bursa Securities upon completion of the Proposed Private Placement; and
  - (c) Benalec is to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.
- (ii) On 31 October 2011, the Group announced that Benalec Sdn Bhd ("BSB"), its wholly owned subsidiary had entered into an Agreement with Anzeco Coal Terminal Sdn Bhd ("ACTSB") whereby ACTSB had agreed to award the reclamation works on that portion of the coast of Pulau Konet, District of Alor Gajah, State of Melaka to BSB. Upon completion of the reclamation works, the reclaimed land will measure approximately 60 acres.
- (iii) On 3 November 2011, the Group through its wholly owned sub-subsidiaries, Pengerang Maritime Industries Sdn Bhd ("PMISB") and Tanjung Piai Maritime Industries Sdn Bhd ("TPMISB"), have acquired the following private limited companies:-

(a) Acquisition by TPMISB

Acquisition of seven thousand (7,000) ordinary shares of RM1.00 each, representing 70% of the issued and paid up share capital of Spektrum Kukuh Sdn Bhd ("SKSB") for a cash consideration of Ringgit Malaysia Seven Thousand only (RM7,000/-).

(b) Acquisition by PMISB

Acquisition of seven thousand (7,000) ordinary shares of RM1.00 each, representing 70% of the issued and paid up share capital of Spektrum Budi Sdn Bhd ("SBSB") for a cash consideration of Ringgit Malaysia Seven Thousand only (RM7,000/-).

Arising from the Acquisitions, SKSB and SBSB became subsidiaries of TPMISB and PMISB respectively on 3 November 2011.

SKSB and SBSB have not commenced operations.

- (iv) On 10 November 2011, the Group announced that SBSB and SKSB, had on even date received approval letters from Unit Perancang Ekonomi Negeri Johor ("UPENJ"), both dated 9 November 2011 wherein UPENJ had approved in principle ("Approvals in Principle") on the following proposed reclamation works:-
- (a) SBSB – Reclamation works on that portion of coast of Pengerang, State of Johor measuring 1,760 acres ("Project I"); and
  - (b) SKSB - Reclamation works on that portion of coast of Tanjung Piai, State of Johor measuring 3,485 acres ("Project II")

(Project I and Project II are collectively known as "Projects")

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The Approvals in Principle will be valid for six (6) months from the dates of approval from the State Government, i.e. approval letters both dated 9 November 2011, and any extension of time thereof will require an approval from the State Government. In Addition, the Approval in Principle is subject to the following being obtained by SBSB and SKSB:-

- (a) Detailed analysis of the Projects from Jawatankuasa Penswastaaan of UPENJ;
- (b) Detailed Feasibility Study; and
- (c) Detailed Environmental Impact Assessment Report.

#### **A12. Changes in the Composition of the Group**

- (i) On 7 July 2011, the Group through its wholly owned subsidiary, Benalec Sdn Bhd ("BSB"), 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 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.

#### **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**

There were no capital commitments for the purchase of property, plant and equipment as at 30 September 2011.

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### 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:-

<b>Nature of transactions</b>	<b>Transaction value based on billings RM'000</b>	<b>Balance outstanding as at 30 September 2011 RM'000</b>
Provision of Marine construction works (Payment in kind) to companies in which certain Directors of the Company have substantial financial interest	50,472	172,147 *
Provision of Marine construction works (Progress payment) to a company in which certain Directors of the Company have substantial financial interest	-	380
Purchase of vessels from companies in which certain Directors of the Company have substantial financial interest (Note B8(A))	-	(80,438)
Provision of Marine construction work from a company in which certain Directors of the Company have substantial financial interest	-	(127)

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 MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)**

##### **B1. Review of Performance of the Group**

The Group recorded revenue of RM74.6 million for the current quarter as compared to the preceding year corresponding quarter of RM52.2 million, an increase of 42.8%.

Profit after taxation for the current quarter under review has decreased by 3.4% to RM28.9 million from preceding year corresponding quarter of RM29.9 million.

##### **B2. Variation of Results against Preceding Quarter**

The group recorded an increase in revenue of RM8.6 million or 13.1% for the first quarter ended 30 September 2011 as compared to the preceding quarter which is mainly due to increase in marine construction income.

Profit after tax of the Group of RM28.9 million for the current quarter is higher compared to the preceding quarter of RM22.8 million, representing an increase of RM6.1 million or 26.8% mainly due to recognition higher profit from marine construction works in progress and vessel chartering division.

##### **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 10<sup>th</sup> 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 9<sup>th</sup> Malaysia Plan, by which the development of these regions encompasses coastal, rivals 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.

The recent land reclamation concession right secured from UPENJ for a proposed petroleum and petrochemical hubs and maritime industrial parks, which is strategically situated at the coasts of Tanjung Piai and Pengerang with an area measuring 5,245 acres which is adjacent to the vibrant petrochemical hub in Jurong is expected to provide the Group a sustainable order-book for the next 10 to 15 years.

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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**

	<b>Current Quarter RM'000</b>	<b>Year-To-Date RM'000</b>
Current year tax	6,183	6,183
Deferred tax	(65)	(65)
Total	6,118	6,118

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 purchases 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 BSB, 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") ;
- (iii) Proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Private Placement") ;



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- (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 the 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 ESOS of the Company.

(Collectively referred to as “the Proposals”)

All the above Proposals were approved by the shareholders of the Company at the EGM held on 9 September 2011.

On 22 November 2011, the Company has fixed an issue price of RM1.32 per Placement Share for the first and final tranche of the private placement, comprising 72,960,000 Placement Shares. These Placement Shares are not intended to be placed with the following persons:-

- (i) a director, major shareholder or chief executive of Benalec or a holding company of Benalec (“Interested Person”);
- (ii) a person connected with an Interested Person; and/or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The issue price represents a discount of approximately 5% to the five (5)-day volume weighted average market price of Benalec Shares up to and including 21 November 2011, being the market day immediately preceding the date of this price-fixing announcement, of RM1.3943.

**(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	90,000	-	-	-	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	-	(3.71)	Immediate	(3)
<b>Total proceeds</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>		

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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) Initial Public Offering ("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 September 2011 were as follows:

	<b>RM'000</b>
<b>Long Term Borrowings</b>	
<u>Secured:</u>	
Hire purchase and lease creditors	1,104
Term loans	41,475
	<hr/> 42,579
<b>Short Term Borrowings</b>	
<u>Secured:</u>	
Bank overdraft	1,744
Trust receipts	2,004
Hire purchase and lease creditors	877
Term loans	13,671
	<hr/> 18,296
<b>Total</b>	<hr/> <b>60,875</b>

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

	<b>SGD'000</b>
<b>Term loan</b>	
<u>Secured:</u>	
Short term	2,804
Long term	220
	<hr/>
<b>Total</b>	<hr/> <b>3,024</b>

### B10. Off Balance Sheet Financial Instruments

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

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**B11. Material Litigation**

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

**B12. Dividends**

The Company had on 24 October 2011 announced that a final single tier tax exempt dividend of RM0.02 for every Ordinary Share of RM0.25 each in respect of the financial year ended 30 June 2011 be recommended to the shareholders of the Company for approval at the forthcoming Annual General Meeting. The dates of entitlement and payment of the dividend will be determined in due course.

**B13. Earnings Per Share**

The basic earnings per share of the Group has been computed by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	Current Quarter Ended 30 September 2011	Comparative Quarter Ended 30 September 2010	Cumulative To-date 30 September 2011	Cumulative To-date 30 September 2010
Profit attributable to equity holders of the Company (RM'000)	28,927	29,958	28,927	29,958
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	729,967	630,000	729,967	630,000
Basic earnings per share (sen)	4.0	4.8	4.0	4.8

There are no potential dilution effects on ordinary shares of the Company. Accordingly, the diluted earnings per share is equal to basic earnings per share.

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**B14. Realised and Unrealised Profit / Losses Disclosure**

The breakdown of the retained profits of the Group as at 30 September 2011, into realised and unrealised profits or losses is as follows:-

	<b>As At End of Current Quarter 30 September 2011 RM'000</b>	<b>As At End of Preceding Quarter 30 June 2011 RM'000</b>
Total retained profits / (Losses) of the Group		
- Realised	286,590	258,324
- Unrealised	(8,704)	(9,119)
	<hr/> 277,886	<hr/> 249,205
Less: Consolidation Adjustments	(5,244)	(5,490)
	<hr/>	<hr/>
Total Group retained profits as per statement of financial position	272,642	243,715
	<hr/> <hr/>	<hr/> <hr/>

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.