BENALEC HOLDINGS BERHAD
(702653-V)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND (2nd) QUARTER ENDED 31 DECEMBER 2012

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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative Quarter	
	(Unaudited) Current Year Quarter Ended 31-12-2012 RM'000	(Unaudited) Preceding Year Quarter Ended 31-12-2011 RM'000	(Unaudited) Current Year To Date 31-12-2012 RM'000	(Unaudited) Preceding Year To Date 31-12-2011 RM'000
Revenue	**66,357**	**26,893**	**124,105**	**101,473**
Cost of sales	(38,529)	(20,574)	(62,857)	(55,790)
Gross profit	**27,828**	**6,319**	**61,248**	**45,683**
Other operating income	445	33,444	1,539	35,297
Administrative and other expenses	(5,690)	(3,897)	(12,860)	(8,344)
Profit from operations	**22,583**	**35,866**	**49,927**	**72,636**
Finance costs	(1,063)	(1,489)	(2,375)	(3,214)
Profit before tax ("PBT")	**21,520**	**34,377**	**47,552**	**69,422**
Income tax expense	(416)	(5,535)	(3,732)	(11,653)
Profit for the period	**21,104**	**28,842**	**43,820**	**57,769**
Other comprehensive income, net of tax:-				
• fair value loss on available-for-sale financial assets	-	4	-	(4)
• foreign currency translations	(502)	(6,082)	(5,960)	1,219
Total comprehensive income for the period	**20,602**	**22,764**	**37,860**	**58,984**
Profit attributable to:-				
• equity holders of the Company	21,106	28,842	43,901	57,769
• non-controlling interest	(2)	-	(81)	-
	21,104	**28,842**	**43,820**	**57,769**
Total comprehensive income attributable to:-				
• equity holders of the Company	20,604	22,764	37,941	58,984
• non-controlling interest	(2)	-	(81)	-
	20,602	**22,764**	**37,860**	**58,984**
Earnings Per Share (sen)				
• basic earnings per RM0.25 share	**2.6**	3.9	**5.5**	7.8
• diluted earnings per RM0.25 share	**2.6**	3.9	**5.4**	7.8

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial reports.

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Unaudited As at 31-12-2012 RM'000	[(1)]Restated As At 30-6-2012 RM'000	[(1)]Restated As at 1-7-2011 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	221,658	240,059	241,731
Other investments	33	34	37
	221,691	240,093	241,768
Current assets			
Lands held for sale	183,465	183,465	107,483
Inventories	3,832	2,461	11,040
Land reclamation work in progress	20,058	16,933	1,170
Trade and other receivables	320,634	200,201	206,957
Fixed deposit	58,484	26,346	48,271
Cash and bank balances	29,751	104,172	21,515
	616,224	533,578	396,436
TOTAL ASSETS	**837,915**	**773,671**	**638,204**
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	201,296	200,740	182,500
Non-distributable reserves	6,843	11,220	(73,550)
Distributable reserve	324,224	304,429	237,810
Total equity attributable to owners of the Company	**532,363**	**516,389**	**346,760**
Non-controlling interests	2,916	3	-
	535,279	**516,392**	**346,760**
Non-current liabilities			
Borrowings	13,998	29,311	43,701
Deferred tax liabilities	6,209	8,967	10,202
Trade and other payables	57,449	56,646	28,757
	77,656	**94,924**	**82,660**
Current liabilities			
Trade and other payables	192,598	141,829	169,961
Borrowings	32,336	18,865	19,211
Tax liabilities	46	1,661	19,612
	224,980	**162,355**	**208,784**
TOTAL LIABILITIES	**302,636**	**257,279**	**291,444**
TOTAL EQUITY AND LIABILITIES	**837,915**	**773,671**	**638,204**
Net assets per RM0.25 share attributable to ordinary equity holders of the company	**0.67**	**0.64**	**0.48**

Note:-

(1) Restated due to adoption of the MFRS Framework.

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial reports.

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2012

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY									
	Non-Distributable Reserve						Distributable Reserve			
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Reverse Acquisition Reserve RM'000	Available For-Sale Reserve RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non Controlling interests Total RM'000	Total RM'000
As at 1 July 2011 (Restated)	**182,500**	**-**	**72,545**	**-**	**(146,070)**	**(25)**	**237,810**	**346,760**	**-**	**346,760**
Profit/(loss) for the financial year	-	-	-	-	-	-	57,769	57,769	-	57,769
Fair value of the available-for-sale financial assets	-	-	-	-	-	(4)	-	(4)	-	(4)
Foreign currency translation	-	-	-	1,219	-	-	-	1,219	-	1,219
Total comprehensive income	**-**	**-**	**-**	**1,219**	**-**	**(4)**	**57,769**	**58,984**	**-**	**58,984**
Transactions with owners:-										
• issue of share capital pursuant to private placement	18,240	-	78,067	-	-	-	-	96,307	-	96,307
• share issue expenses – private placement	-	-	(511)	-	-	-	-	(511)	-	(511)
• share repurchased	-	(414)	-	-	-	-	-	(414)	-	(414)
As at 31 December 2011	**200,740**	**(414)**	**150,101**	**1,219**	**(146,070)**	**(29)**	**295,579**	**501,126**	**-**	**501,126**

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2012 (*"CONT'D"*)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY										
	Non-Distributable Reserve							Distributable Reserve			
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Reverse Acquisition Reserve RM'000	Share Option Reserve RM'000	Available For-Sale Reserve RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non Controlling interests Total RM'000	Total RM'000
As at 1 July 2012 (restated)	**200,740**	**(1,246)**	**150,099**	**6,652**	**(146,070)**	**1,814**	**(29)**	**304,429**	**516,389**	**3**	**516,392**
Funding from non-controlling interests	-	-	-	-	-	-	-	-	-	2,994	2,994
Profit for the financial year	-	-	-	-	-	-	-	43,901	43,901	(81)	43,820
Fair value of the available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	(5,960)	-	-	-	-	(5,960)	-	(5,960)
Total comprehensive income	**-**	**-**	**-**	**(5,960)**	**-**	**-**	**-**	**43,901**	**37,941**	**(81)**	**37,860**
Transactions with owners:-											
• share option granted under ESOS	-	-	269	-	-	(269)	-	-	-	-	-
• share issuance for ESOS	556	-	1,802	-	-	-	-	-	2,358	-	2,358
• buy back of shares	-	(219)	-	-	-	-	-	-	(219)	-	(219)
• dividend payable	-	-	-	-	-	-	-	(24,106)	(24,106)	-	(24,106)
As at 31 December 2012	**201,296**	**(1,465)**	**152,170**	**692**	**(146,070)**	**1,545**	**(29)**	**324,224**	**532,363**	**2,916**	**535,279**

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial reports.

UNAUDITED CONDENSED STATEMENTS OF CASH FLOW
FOR THE SECOND(2ND) QUARTER ENDED 31 DECEMBER 2012

	Unaudited As at 31 December 2012 RM'000	Unaudited As at 31 December 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
PBT	**47,552**	**57,769**
Adjustments for:-		
Depreciation	5,469	13,466
Gain on disposal of lands	-	(33,614)
Non-cash and operating items	3,887	1,929
Operating profit before working capital changes	**56,908**	**39,550**
Changes in working capital:-		
Inventories	(1,371)	(4,117)
Land reclamation work in progress	(3,125)	-
Land held for sale	-	-
Trade and other receivables	(117,458)	(37,162)
Trade and other payables	26,669	30,193
Cash generated from/ (used in) operations	**(38,377)**	**28,464**
Tax paid – net	(11,086)	(23,139)
Interest paid	(2,375)	(3,214)
Net cash generated from/ (used in) operating activities	**(51,838)**	**2,111**
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividend received	890	292
Withdrawal/(Placement) of fixed deposits - pledged	-	1,207
Repayments to related parties	803	(15,475)
Disposal of property, plant and equipment	9,204	1
Purchase of property, plant and equipment	(425)	(5,958)
Net cash generated from/ (used in) investing activities	**10,472**	**(19,933)**
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings and trust receipts	2,157	-
Repayment of borrowings and hire-purchase – net	(4,549)	(8,407)
Funding from non-controlling interests	2,994	-
Issue of new shares under ESOS	2,358	95,796
Shares repurchased	(219)	(414)
Net cash generated from/ (used in) financing activities	**2,741**	**86,975**
Net increase/ (decrease) in cash and cash equivalents	**(38,625)**	**69,153**
Cash and cash equivalents at the beginning of period	110,792	54,315
Effects of exchange rate changes	(3,658)	410
Cash and cash equivalents at the end of period	**68,509**	**123,878**

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE SECOND(2ND) QUARTER ENDED 31 DECEMBER 2012 (CONT'D)

	Unaudited As at 31 December 2012 RM'000	Unaudited As at 31 December 2011 RM'000
Cash and cash equivalents comprise the following:-		
Cash and bank balances[(1)]	29,751	116,078
Fixed deposits		
• pledged	19,726	14,264
• not pledged	38,758	7,800
	88,235	138,142
Less: Fixed deposits pledged	(19,726)	(14,264)
	68,509	123,878

Note:

(1) Included in the cash and bank balances are unit trusts quoted in Malaysia, which are held by the Group which are highly liquid, readily convertible to cash and are subject to insignificant risk of changes in value and hence, meet the definition to be classified as cash and cash equivalents.

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial reports.

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NOTES TO THE INTERIM FINANCIAL REPORT PURSUANT TO MFRS 134

1. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")

This interim financial report is unaudited and has been prepared in accordance with MFRS 134 - Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (**"Bursa Securities"**).

For the periods up to and including the financial year ended 30 June 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards **("FRS")**. This interim financial report is the Group's first MFRS compliant for the period covered by the Group's first MFRS framework annual financial statements for the year ending 30 June 2013 and hence MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards **("MFRS 1")** has been applied.

The MFRSs are effective for the Group from 1 July 2012 and the date of transition to the MFRS Framework for the purpose of the first (1st) MFRS compliant Interim Financial Report is 1 July 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from FRS to MFRS is described in Note 2.1 below.

2. SIGNIFICANT ACCOUNTING POLICIES

The audited financial statements of the Group for the financial year ended 30 June 2012 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this interim financial report are consistent with those of the audited financial statements for the financial year ended 30 June 2012 except as discussed below:-

2.1. Application of MFRS 1 – Foreign Currency Translation

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. Foreign currency translation differences were adjusted to retained earnings.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:-

(a) Reconciliation of equity as at 1 July 2012

	FRS as at 1 July 2012	Reclassifications	MFRS as at 1 July 2012
	RM'000	RM'000	RM'000
Exchange translation reserve	747	5,905	6,652
Retained earnings	310,334	(5,905)	304,429

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1. Application of MFRS 1 – Foreign Currency Translation (Cont'd)

(b) Reconciliation of equity as at 31 December 2011

	FRS as at 31 December 2011	Reclassifications	MFRS as at 31 December 2011
	RM'000	RM'000	RM'000
Exchange translation reserve	(4,686)	5,905	1,219
Retained earnings	301,484	(5,905)	295,579

(c) Reconciliation of equity as at 1 July 2011

	FRS as at 1 July 2011	Reclassifications	MFRS as at 1 July 2011
	RM'000	RM'000	RM'000
Exchange translation reserve	(5,905)	5,905	-
Retained earnings	243,715	(5,905)	237,810

2.2. MFRS, Amendments to MFRS and IC Interpretation

At the date of authorisation of these interim financial statements, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

MFRS, Amendments to MFRS and IC Interpretation		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

3. QUALIFICATION OF AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report for the preceding annual financial statements was not subject to any qualification.

4. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The Group's interim operations and performance were not materially affected by any seasonal or cyclical factors for the current quarter under review.

5. NATURE AND AMOUNT OF ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS THAT ARE UNUSUAL BECAUSE OF THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial period ended 31 December 2012.

6. CHANGES IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR INTERIM PERIODS OF THE CURRENT FINANCIAL YEAR OR IN PRIOR FINANCIAL YEARS

There were no changes in estimates that had any material effect on the current financial period ended 31 December 2012.

7. DIVIDENDS

At the Seventh (7^{th}) Annual General Meeting of the Company, a final tax exempt (single tier) dividend in respect of the financial year ended 30 June 2012 of RM0.03 on 801,625,100 ordinary shares of RM0.25 each, amounting of RM24,048,753 was approved by the shareholders on 19 December 2012 and to be paid on 15 March 2013 to shareholders whose name appear in the Record of Depositors on 19 February 2013.

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8. SEGMENTAL REPORTING

The Group's segmental report for the current financial period ended 31 December 2012 as follows:-

	Marine Construction RM'000	Vessel Chartering RM'000	Ship Building RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External – Sales	124,105	-	-	-	-	124,105
Inter - segment sales	27,758	35,312	3,000	-	(66,070)	-
Total revenue	151,863	35,312	3,000	-	(66,070)	124,105
Results						
Segment results	65,117	(9,322)	(3,499)	(3,259)		49,037
Interest and dividend income	801	7	11	71	-	890
Finance costs	(1,561)	(762)	(52)	-	-	(2,375)
Profit /(loss) before tax	**64,357**	**(10,077)**	**(3,540)**	**(3,188)**	**-**	**47,552**
Income tax expense	(6,332)	-	2,600	-	-	(3,732)
Profit /(loss) for the period	**58,025**	**(10,077)**	**(940)**	**(3,188)**		**43,820**

Following are the major components included in the respective segmental results:-

	Marine Construction RM'000	Vessel Chartering RM'000	Ship Building RM'000	Others RM'000	Elimination RM'000	Total RM'000
Depreciation:-						
• Depreciation charge for financial quarter ended 31 December 2012	(1,667)	(3,614)	(188)	-	-	(5,469)

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9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment loss.

There were no valuations of the property, plant and equipment in the current financial quarter ended 31 December 2012.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENTS

There were no material events subsequent to the current financial quarter ended 31 December 2012 and up to 21 February 2013, being the latest practicable date (**"LPD"**) which is not earlier than seven (7) days from the date of issuance of this quarterly report, that have not been reflected in this quarterly report.

11. DEBT AND EQUITY SECURITIES

11.1 Current Financial Period

During the current quarter and financial period to date, the Group buy back of 186,700 shares and issued additional 2.225 million new shares pursuant to the exercise of ESOS, at an exercise price of RM1.17 and RM1.06 each respectively.

The movement of shares by the Group during the current financial year to-date were as follows:-

Date	Description	No. of shares ('000)	Average price paid (RM)	Total consideration paid (RM'000)
3 Sept 2012	Share buy back *(Note 1)*	(187)	1.17	(219)
1 Nov 2012	Share issued pursuant to ESOS	250	1.06	265
16 Nov 2012	Share issued pursuant to ESOS	623	1.06	660
22 Nov 2012	Share issued pursuant to ESOS	243	1.06	258
30 Nov 2012	Share issued pursuant to ESOS	462	1.06	490
17 Dec 2012	Share issued pursuant to ESOS	332	1.06	352
31 Dec 2012	Share issued pursuant to ESOS	315	1.06	334
		2,038	1.05	2,140

Note 1:-
As at 30 September 2012, the Company holds 1,334,900 shares as treasury shares at an average price of RM1.0974.

11.2 End Of Financial Period Ended 31 December 2012 And Up To LPD

- On 17 January 2013, the Company issued 316,000 shares pursuant to the exercise of share options by the eligible employees who have been granted the options.

Other than as disclosed above, the Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares during the current financial period and subsequent to the end of the current financial period ended and up to the LPD which is not earlier than seven (7) days from the date of issuance of this quarterly report.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 31 December 2012, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets as at 31 December 2012.

14. CAPITAL COMMITMENTS

There were no material capital commitments not provided for as at 31 December 2012.

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

The related party transactions during the financial year under review in which certain directors of the Company have substantial financial interest as presented below:-

Nature of transactions[(1)]	**Transaction value based on billings RM'000**	**Balance outstanding as at 31-12-2012 RM'000**
Provision of marine construction works (payment in kind) to companies in which certain directors of the company have substantial financial interest[(2)]	106,207	236,943
Purchase of vessels from companies in which certain directors of the company have substantial financial interest	-	(64,707)
Provision of marine construction work from a company in which certain directors of the company have substantial financial interest	-	(73)

Notes:-

(1) The related party transactions reflect transactions of all the subsidiaries with the respective group of companies; and

(2) This amount represents the value of the land portion pending land Alienation Process which the Group entities to receive as settlement for the marine construction contracts. It would subsequently reclassified as "land held for sale" following the alienation process.

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16. REVIEW OF PERFORMANCE OF THE GROUP

16.1 CURRENT YEAR–TO-DATE VERSUS PREVIOUS YEAR-TO-DATE

	Current Second (2nd) Quarter 31 December 2012	Previous Second (2nd) Quarter 31 December 2011	Variance	
	RM'000	RM'000	RM'000	%
Revenue	124,105	101,473	22,632	22.30
PBT	47,552	69,422	(21,870)	(31.50)

For the six (6) months ended 31 December 2012, the Group had shown positive improvement of revenue by 22.3% against last year, with total revenue registered at RM124.11 million (FPE Q2'2012: RM101.47 million). The increase in revenue was mainly due to:-

- completion of certain projects located in Melaka, except for following on-going projects i.e. Sentosacove and Comtrac –Phase 4;
- kick-off of 2 new projects during the current year, namely the Pulau Indah and Swiss Horizon, which contributed RM17.18 million and RM2.64 million respectively to the current revenue;
- Current year revenue was mainly contributed by the Sentosacove (71.73%) and Pulau Indah (13.85%) projects.

The cumulative 6 months recorded a PBT of RM47.55 million, closing adversely against last year by 31.50%. The decrease in PBT was mainly attributable by:-

Description	RM' 000	*Note*
Increase in gross profit	15,565	*1*
Decrease in other operating income	(33,758)	*2*
Increase in selling and administrative expenses	(4,516)	*3*
Decrease in finance costs	839	*Negligible*
Net decrease in PBT	**(21,870)**	

Notes:-

(1) *Increase in gross profit was mainly due to factors as stated above.*

(2) *Decrease in other income was mainly due to no gain on disposal of land recognised in current year (Q2'2012: 33.61million.)*

(3) *Increase in selling and administrative expenses was mainly due to:-*
- *one-off loss on disposal of vessels of RM1.65 million (Q2'2012:nil)*
- *increase in unrealised & realised loss of RM0.50 million*

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16.2 CURRENT YEAR QUARTER VERSUS PREVIOUS YEAR QUARTER

	Current Second (2nd) Quarter 31 December 2012 RM'000	Previous Second (2nd) Quarter 31 December 2011 RM'000	Variance RM'000	Variance %
Revenue	66,357	26,893	39,464	146.74
PBT	21,520	34,377	(12,857)	(37.40)

For the current quarter under review with comparison to last year corresponding quarter, the Group registered revenue of approximately RM66.36 million (FPE Q2'2012: RM26.89 million), representing an increase of RM39.46 million.

The increased activities undertaken by the Sentosacove, Pulau Indah and Swiss Horizon projects have respectively increased by RM26.02 million, RM8.45 million and RM1.81 million as compared to the previous year corresponding quarter.

The Group registered PBT of RM21.52 million (FPE Q2'2012:RM34.38 million) representing a decrease of RM12.86 million. The adverse decrease against revenue was mainly due to:-

Description	RM' 000	*Note*
Increase in gross profit	21,509	*1*
Decrease in other operating income	(32,999)	*2*
Increase in selling and administrative expenses	(1,793)	*3*
Decrease in finance costs	426	*Negligible*
Net decrease in PBT	**(12,857)**	

Notes:-

(1) Increase in gross profit was mainly due to factors as stated above.

(2) Decrease in other income was mainly due no gain on disposal of land recognised in current year (Q2'2012: 33.61 million.)

(3) Increase in selling and administrative expenses was mainly due to one-off loss on disposal of vessels of RM1.65 million (Q2'2012:nil)

17. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Second (2nd) Quarter 31 December 2012 RM'000	Preceding First (1st) Quarter 30 September 2012 RM'000	Variance RM'000	Variance %
Revenue	66,357	57,748	8,609	14.91
PBT	21,520	26,032	(4,512)	(17.33)
Profit after tax	21,104	22,716	(1,612)	(7.10)

The current revenue of approximately RM66.36 million represents an increase of RM8.60 million or 14.91% against preceding quarter revenue of RM57.75 million. The increase in revenue was mainly due from the Sentosacove project, which contributed about 70.38% of the current quarter revenue.

17. VARIATION OF RESULTS AGAINST PRECEDING QUARTER (Cont'd)

The adverse variance of the Group PBT against revenue which recorded a variance of RM4.51 million or 17.33% was mainly due to:-

Description	RM' million	*Note*
Decrease in gross profit	(5,592)	*1*
Decrease in other operating income	(649)	*2*
Decrease in selling and administrative expenses	1,480	*3*
Decrease in finance cost	249	*Negligible*
Net decrease in PBT	**(4,512)**	

Notes:-

(1) The adverse variance of gross profit against revenue was primarily due to :-
i. Increase in vessel maintenance cost of RM3.975m.

(2) Decrease in other operating income was due to the decrease in interest income and unrealised FOREX gain with variance of RM196k & RM345k respectively.

(3) Decrease in selling and administrative expenses was mainly due to loss on disposal of PPE recognised in Q1'2013 of RM1.65 million.

18. PROSPECTS

18.1. OVERVIEW AND OUTLOOK OF THE MALAYSIAN ECONOMY

The Malaysian economy recorded a steady pace of growth of 5.1% in 2011 (2010:7.2%), despite the challenging international economic environment. Domestic demand registered a strong growth of 8.2% in 2011 (2010:6.3%), driven by both household, business spending and higher public sector consumption. Private consumption is strengthened in 2011, growing by 6.9% (2010:6.5%), supported by a broad-based growth in income following the overall improvement in labour market conditions and higher commodity prices.

Malaysia's economy is projected to experience a steady pace of growth of 4% - 5% in 2012. Domestic demand is expected to remain resilient and will continue to be the anchor for growth. Several measures announced in Budget 2012 are expected to provide support to private consumption. Private investment will be supported by domestic oriented industries and the ongoing implementation of projects under the Economic Transformation Programmes. The public sector will remain supportive of growth in 2012, with higher capital expenditure by both the Federal Government and the non-financial public enterprises. The implementation of the Special Stimulus Package through Private Financing Initiative that was announced in 2012 Budget would provide further impetus to real activity during the year.

(Source: Bank Negara Malaysia Annual Report 2011)

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18. PROSPECTS (Cont'd)

18.2. OVERVIEW AND OUTLOOK OF THE MALAYSIAN PROPERTY MARKET

The Malaysian property market had shown remarkable growth in 2011. The property market had maintained double digit growth 14.3% in volume and 28.3% in value. Year 2011 had registered 430,403 transactions worth RM137.83 billion, surpassing year 2010 of 376,583 transactions worth RM107.44 billion. All property sub-sectors recorded positive growths. Residential and development land sub-sectors recorded double digit growth of 18.9% and 14.7% respectively and followed by commercial sub-sector of 9.7%, industry sub-sector of 6.5% and agriculture sub-sector of 4.6%.

The better property market was supported by various implementations of ETP Projects. The newly launched infrastructure projects, such as the Klang Valley Mass Rapid Transit project starting with Sungai Buloh-Kajang Line, Senai-Pasir Gudang-Desaru Expressway and coastal road connection Johor Bahru and Nusajaya stimulated market activities in the Klang Valley and Johor Bahru respectively. This development activities will served as attraction for investment to the multinational corporation.

The residential sub-sector spearheaded the property market activities taking up 62.7% share of the activity. Residential transaction of below RM250,000 formed 75.5% share of the market transactions. Government's initiatives to promote home ownership through My First Home Schemes as well as accommodative interest rates were supportive of housing activity. Loan disbursed by commercial banks for residential properties increased from 57.8% to 64.5%.

(Source: Property Market Report 2011, Valuation and Property Services Department, Ministry of Finance)

18.3. OVERVIEW AND OUTLOOK OF OIL AND GAS SECTORS IN MALAYSIA

The oil, gas and energy sector was identified as one of the twelve National Key Economic Areas ("NKEAs") under the ETP which was launched in October 2010. The oil, gas and energy sector NKEA is targeting 5% annual growth from 2010 to 2010. Moving forward, oil, gas and energy sectors NKEA has set various critical critigal targets to bolster the oil and gas industry. Furthermore, the implementation of Malaysian Government's initiatives under the 10th Malaysian Plan 2011 – 2015 and the ETP and the prospects of world oil demand and supply will see renewed activities in the oil and gas sector and construction sector shall augur well for Benalec Group's land reclamation in relation to the concession rights 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.

The Group is positive on its outlook given Malaysia's stable economic forecast for 2012. With the Government's commitment towards property markets and oil, gas and energy sectors, Benalec will continue to focus on its goal to enhance its performance level while continuously strengthening our balance sheet. On operational front, the Group is set to be integrated service provider in land reclamation works, focus to streamline its operational activities with effort towards effective cost saving measures. While on international front, Benalec is optimistic to achieve collaborations with established foreign partners which result in positive outcomes.

19. PROFIT FORECAST AND PROFIT GUARANTEE

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

20. PROFIT FOR THE PERIOD

Included in the PBT for the period are as presented below:-

	Current Quarter RM'000	**Year-To-Date RM'000**
Interest income	265	657
Other income including investment income	176	511
Interest expense	(1,063)	(2,375)
Depreciation	(2,624)	(5,469)
Gain/loss on disposal of fixed asset	-	(1,637)
Unrealised exchange gain/loss– net	(29)	(764)
Realised exchange gain/ loss – net	(2)	(123)
Amortisation	N/A	N/A
Provision for and write off of receivables	N/A	N/A
Provision for and write off of inventories		
Gain or loss on disposal of quoted or unquoted investment properties	N/A	N/A
Impairment of assets	N/A	N/A
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

Note:

N/A = Not applicable.

21. TAXATION

	Current Quarter RM'000	**Year-To-Date RM'000**
Current year tax	(416)	(3,732)
	(416)	(3,732)
Effective tax rate (%)	(1)1.93	(1)7.85

Note:-

(1) 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 Act 1990 for vessel chartering division.

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22. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS

22.1 Status of Memorandum of Understanding between Benalec Holdings Berhad and Rotary Engineering Limited

Benalec Holdings Berhad ("The Company") had on 8 December 2011 entered into a Memorandum of Understanding ("MOU") with Rotary Engineering Limited ("Rotary") to collaborate to develop an independent storage terminal for oil products in Tanjung Piai, Johor in southern Malaysia. The MOU enables Benalec via its subsidiary to become a strategic business partner with Rotary in the equity ownership and development of the first independent deepwater storage terminal project on Tanjung Piai.

Further to the announcement made on 8 December 2011, 8 March 2012, 7 June 2012 and 7 September 2012 with regard to the MOU, the Board of Directors of the Company wishes to announce that as of to-date, the Company did not enter into any written agreement with Rotary and does not wish to extend the MOU. The Company and Rotary however will continue to explore other suitable collaboration opportunities.

22.2 Proposed Land Disposal

On 21 December 2012, the Group announced the proposal to dispose sixteen (16) parcels of leasehold land ("Proposed Land Disposal") measuring in aggregate approximately 79.49 Acres held by Oceanview Project Sdn Bhd ("OPSB"), Oceanview Realty Sdn Bhd ("ORSB"), Heritage Land Sdn Bhd ("HLSB"), Heritage Property Sdn Bhd ("HPSB") (collectively "the Vendors"), wholly-owned subsidiaries of Benalec Sdn Bhd ("BSB") which in turn is a wholly-owned subsidiary of Benalec, to Oceancove Development Sdn Bhd ("OCDSB"), Strategic Property Sdn Bhd ("SPSB") and Oceanfront Development Sdn Bhd ("OFDSB") (collectively "the Purchasers") for a total disposal consideration of RM96,952,363 to be satisfied entirely in cash.

The Proposed Land Disposal is conditional upon approval being obtained from the following:-

i. The approval of the directors and shareholders of each Vendor being obtained;
ii. The approval of the directors and shareholders of each Purchaser being obtained;
iii. Shareholders of Benalec at the forthcoming Extraordinary General Meeting ("EGM"); and
iv. Any other relevant authorities, if required.

For further details, please refer to an announcement made by the Company to Bursa Securities on 21 December 2012.

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22. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS (Cont'd)

22.3 Utilisation of Proceeds from Private Placement

On 7 December 2011, the Company announced the completion of the Private Placement upon the listing and quotation of the first and final tranche, comprising 72,960,000 new Benalec shares on the Main Market of the Bursa Securities.

The utilisation of gross proceeds of RM96,307,200 raised from the Private Placement by the Company as at the LPD as presented below:-

Description	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Deviation %	[(3)]Estimated timeframe for utilisation upon Listing	*Note*
Working capital	95,607	68,287	27,320	28.58	Within 12 months	*1*
Estimated expenses	700	576	124	17.71	Within 6 months	*2*
Total	**96,307**	**68,863**	**27,444**	**28.50**		

Notes:-

(1) Working capital mainly utilised for the following:-

(i) land reclamation projects, purchase of vessels, purchase of materials such as diesel, spare parts for the repairs of vessels as well as plant and machinery, sand, rocks, materials such as brick, cement, culverts, hardware, piles and other materials utilised in the Group's operations, transport and consumables;

(ii) the payment for sub-contracted services for loading, unloading and levelling sea sand, rock revetment/replacement works, electrical infrastructure, earthwork, dredging and land reclamation and lorry hire;

(2) The estimated expenses consist of professional fees, fees payable to authorities and other miscellaneous expenses. Any variation in the actual amount of the estimated expenses will be adjusted in the portion of the proceeds to be utilised for working capital and vice versa. The total private placement expenses were RM0.576 million, approximately RM0.513 million and RM0.063 million was written off against share premium account and expensed off respectively in the current period. The excess of approximately RM0.124 million will be re-allocated for working capital purposes; and

(3) From the date of full receipt of the gross proceeds on 8 December 2011 pursuant to the completion of the Private Placement.

23. BORROWINGS

The Group's borrowings as at 31 December 2012 presented as follows:-

	RM'000
Long Term Borrowings	
Secured:-	
• hire purchase and lease creditors	750
• term loans	13,248
	13,998
Short Term Borrowings	
Secured:-	
• hire purchase and lease creditors	773
• trust receipts	1,698
• bank overdraft	459
• term loans	29,406
	32,336
Total	**46,334**

23. BORROWINGS (Cont'd)

The total borrowings denominated in foreign and local currency as at 31 December 2012 as presented below: -

	RM'000
Foreign currency – SGD 193,459 @ RM2.5032/SGD1	484
Local currency	45,850
	46,334

24. MATERIAL LITIGATION

There was no pending material litigations as at the date of issuance of this quarterly report ended 31 December 2012 that have a material effect on the financial position of the Group. The Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings, which might materially affect the position or business of the Group.

25. DIVIDEND

The Board does not recommend any interim dividend for the current period ended 31 December 2012.

26. EARNINGS PER SHARE ("EPS")

26.1 Basic EPS

The basic earnings per share are calculated based on the net profit attributable to ordinary shareholders for the period divided by the weighted average number of ordinary shares and as presented in next page:-

	Three (3) Months		Year-to-date	
	Ended 31-12-2012	Ended 31-12-2011	Ended 31-12-2012	Ended 31-12-2011
Net profit attributable ordinary shareholders for the period (RM'000)	**21,104**	28,842	**43,820**	57,769
Weighted average number of ordinary shares ('000)	**802,179**	739,299	**802,179**	739,299
Basic EPS (sen)	**2.6**	3.9	**5.5**	7.8

26. EARNINGS PER SHARE ("EPS") (Cont'd)

26.2 Diluted EPS

The diluted earnings per share has been calculated by dividing the Group's profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares as presented below:-

	Three (3) Months Ended 31-12-2012	Three (3) Months Ended 31-12-2011	Year-to-date Ended 31-12-2012	Year-to-date Ended 31-12-2011
Net profit attributable ordinary shareholders for the period (RM'000)	**21,104**	28,842	**43,820**	57,769
Weighted average number of ordinary shares as per basic EPS ('000)	**802,179**	739,299	**802,179**	739,299
Effect of dilution on employee share options	(1) **2,737**	-	(1) **2,737**	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	**804,916**	739,299	**804,916**	739,29 9
Diluted EPS (sen)	**2.6**	3.9	**5.4**	7.8

Note:-

(1) The diluted earnings per share has been calculated by dividing the Group's profit attributable to owners of the parent by the weighted average number of shares that would have been issue upon full exercise of the balance of 12,743,500 options under the ESOS granted, adjusted for the number of such shares that would have been issued at fair value.

27. REALISED AND UNREALISED PROFIT / LOSSES DISCLOSURE

The breakdown of the retained profits of the Group is presented below:-

	As at 31-12-2012 RM'000	As at 31-12-2011 (restated) RM'000
Total retained profits of the Company and its subsidiaries:-		
• realised	345,337	310,471
• unrealised	(6,973)	(10,027)
	338,364	300,444
Add: Consolidation adjustments	(14,140)	(4,865)
	324,224	295,579

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad 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.