



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2016**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2016

	Individual Quarter		Cumulative Quarter	
	(Unaudited) Current Year Quarter Ended 31-12-2016 RM'000	(Unaudited) Preceding Year Quarter Ended 31-12-2015 RM'000	(Unaudited) Current Year To Date 31-12-2016 RM'000	(Unaudited) Preceding Year To Date 31-12-2015 RM'000
Revenue	78,821	79,409	178,480	123,449
Cost of sales	(55,526)	(59,193)	(131,201)	(90,403)
Gross profit	23,295	20,216	47,279	33,046
Other operating income	6,946	14,240	11,638	28,092
Administrative and other expenses	(18,821)	(21,504)	(31,065)	(41,871)
Profit from operations	11,420	12,952	27,852	19,267
Finance costs	(4,445)	(4,067)	(8,916)	(8,381)
Profit before tax ("PBT")	6,975	8,885	18,936	10,886
Tax expense	(4,863)	(2,282)	(10,638)	(2,422)
Profit for the financial period	2,112	6,603	8,298	8,464
Other comprehensive income, net of tax:-				
Items that may be reclassified subsequently to profit or loss				
• Fair value gain/(loss) on available-for-sale financial assets	4	(6)	10	(5)
• Foreign currency translations	10,959	(3,293)	12,570	15,553
Total comprehensive income	13,075	3,304	20,878	24,012
Profit attributable to:-				
• Owners of the parent	1,572	6,485	7,195	7,717
• Non-controlling interests	540	118	1,103	747
	2,112	6,603	8,298	8,464
Total comprehensive income attributable to:-				
• Owners of the parent	12,535	3,186	19,775	23,265
• Non-controlling interests	540	118	1,103	747
	13,075	3,304	20,878	24,012
Earnings per ordinary share attributable to equity holders of the Company (sen)				
• Basic	0.2	0.8	0.9	1.0
• Diluted	0.2	0.8	0.9	1.0

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Unaudited As at 31-12-2016 RM'000	Audited As At 30-06-2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	217,977	215,002
Other investments	46	36
Deferred tax assets	12,426	7,905
	<u>230,449</u>	<u>222,943</u>
Current assets		
Inventories	337,598	411,063
Land reclamation work in progress	213,229	150,105
Trade and other receivables	258,636	392,091
Current tax assets	7,131	15,887
Deposit with licensed bank	166,617	139,930
Short term funds	133	132
Cash and bank balances	13,947	23,210
	<u>997,291</u>	<u>1,132,418</u>
TOTAL ASSETS	<u>1,227,740</u>	<u>1,355,361</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	202,951	202,951
Non-distributable reserves	72,928	60,352
Distributable reserve	351,696	350,095
Total equity attributable to owners of the parent	<u>627,575</u>	<u>613,398</u>
Non-controlling interests	8,883	7,731
TOTAL EQUITY	<u>636,458</u>	<u>621,129</u>
LIABILITIES		
Non-current liabilities		
Redeemable convertible secured bonds	154,504	151,365
Borrowings	12,409	4,761
Deferred tax liabilities	9,065	9,532
	<u>175,978</u>	<u>165,658</u>
Current liabilities		
Trade and other payables	188,889	179,059
Borrowings	5,470	32,809
Deferred revenue	220,772	356,569
Current tax liabilities	173	137
	<u>415,304</u>	<u>568,574</u>
TOTAL LIABILITIES	<u>591,282</u>	<u>734,232</u>
TOTAL EQUITY AND LIABILITIES	<u>1,227,740</u>	<u>1,355,361</u>
Net assets per RM0.25 share attributable to ordinary equity holders of the company	<u>0.78</u>	<u>0.77</u>

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 2016 and the accompanying explanatory notes attached to the interim financial reports.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2016

	ATTRIBUTABLE TO OWNERS OF THE PARENT										Non-Controlling Interests Total	Total
	Non-Distributable Reserve					Distributable Reserve						
	Share Capital	Treasury Shares	Share Premium	Foreign Exchange Reserve	Reverse Acquisition Reserve	Share Options Reserve	Available-For-Sale Reserve	Equity Component Of Convertible Bonds	Distributable Retained Earnings	Total		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 July 2015	202,951	(12,679)	157,538	27,367	(146,070)	2,082	(23)	25,226	335,209	591,601	6,551	598,152
Profit for the financial year	-	-	-	-	-	-	-	-	7,717	7,717	747	8,464
Fair value of the available-for-sale financial assets	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Foreign currency translations	-	-	-	15,553	-	-	-	-	-	15,553	-	15,553
Total comprehensive income	-	-	-	15,553	-	-	(5)	-	7,717	23,265	747	24,012
Transactions with owners:-												
• Option forfeited under the Share Issuance Scheme	-	-	-	-	-	(106)	-	-	106	-	-	-
• Shares repurchased	-	(6)	-	-	-	-	-	-	-	(6)	-	(6)
• Dividend payable	-	-	-	-	-	-	-	-	(2,397)	(2,397)	-	(2,397)
As at 31 December 2015	202,951	(12,685)	157,538	42,920	(146,070)	1,976	(28)	25,226	340,635	612,463	7,298	619,761

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2016 (“CONT’D”)

	← ATTRIBUTABLE TO OWNERS OF THE PARENT →							Distributable Reserve		Total	Non-Controlling Interests Total	Total
	Non-Distributable Reserve							Distributable Reserve	Retained Earnings			
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Reverse Acquisition Reserve RM'000	Share Options Reserve RM'000	Available-For-Sale Reserve RM'000	Equity Component Of Convertible Bonds RM'000	Distributable Retained Earnings RM'000	Total RM'000	RM'000	RM'000
As at 1 July 2016	202,951	(12,690)	157,538	34,456	(146,070)	1,918	(26)	25,226	350,095	613,398	7,731	621,129
Funding from NCI	-	-	-	-	-	-	-	-	-	-	49	49
Profit for the financial year	-	-	-	-	-	-	-	-	7,195	7,195	1,103	8,298
Fair value of the available-for-sale financial assets	-	-	-	-	-	-	10	-	-	10	-	10
Foreign currency translations	-	-	-	12,570	-	-	-	-	-	12,570	-	12,570
Total comprehensive income	-	-	-	12,570	-	-	10	-	7,195	19,775	1,103	20,878
Transactions with owners:-												
• Options forfeited under the Share Issuance Scheme	-	-	-	-	-	-	-	-	-	-	-	-
• Shares repurchased	-	(4)	-	-	-	-	-	-	-	(4)	-	(4)
• Dividend payable	-	-	-	-	-	-	-	-	(5,594)	(5,594)	-	(5,594)
As at 31 December 2016	202,951	(12,694)	157,538	47,026	(146,070)	1,918	(16)	25,226	351,696	627,575	8,883	636,458

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2016**

	Unaudited 31 Dec 2016 RM'000	Restated 31 Dec 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	18,936	10,886
Adjustments for:-		
Depreciation of property, plant and equipment	6,958	7,116
Inventories written off	-	-
Impairment losses on property, plant and equipment	102	-
Impairment losses on trade and other receivables	-	-
(Gain)/loss on disposal of property, plant and equipment	(480)	1,396
Gain on disposal of unit trust	(20)	-
Non-cash and operating items	13,098	10,841
Operating profit before changes in working capital	38,594	30,239
Changes in working capital:-		
Land reclamation work in progress	(63,124)	21,836
Land held for sale	73,465	(21,024)
Trade and other receivables	133,454	84,254
Trade and other payable	9,830	(79,607)
Deferred revenue	(135,797)	(15,165)
Cash generated from operations	56,422	20,533
Tax paid – net	(6,851)	(11,031)
Net cash generated from operating activities	49,571	9,502
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividend received	2,103	2,230
Proceed from disposal of property, plant and equipment	869	12,183
Proceed from disposal of unit trust	20	-
Withdrawal/(Placement) of deposits – pledged	128	(3,000)
Withdrawal/(placement) of deposits charged in favour of the Security Trustee pursuant to RCSB	(1,698)	45,441
Purchase of property, plant and equipment	(1,281)	(16,255)
Advances from/(repayments to) related parties	-	1,706
Net cash generated from investing activities	141	42,305
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings and hire purchase	7,530	-
Repayment of borrowings and hire purchase	(24,443)	(24,782)
Interest expense	(7,441)	(8,381)
Funding from NCI	49	-
Shares repurchased	(4)	(6)
Net cash generated used in financing activities	(24,309)	(33,169)
Net increase/(decrease) in cash and cash equivalents	25,403	18,638
Cash and cash equivalents at beginning of period	25,105	6,229
Effects of exchange rate changes	(6,771)	(5,070)
Cash and cash equivalents at the end of period	43,737	⁽¹⁾ 19,797

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2016 (CONT'D)**

	Unaudited 31 Dec 2016 RM'000	Restated 31 Dec 2015 RM'000
Cash and cash equivalents comprise the following:-		
Cash and bank balances	13,947	9,344
Deposit with licensed bank	166,617	168,312
	<u>180,564</u>	<u>177,656</u>
Less: Deposits pledged as collateral	(22,206)	(21,316)
Less: Deposits charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds	(114,621)	(136,543)
	<u>43,737</u>	<u>(1) 19,797</u>

Note:

(1) *The Cash and cash equivalents previously reported has been restated to conform with current presentation.*

	RM'000
Cash and cash equivalents as previously reported	156,469
Less: Deposits charged in favour of the Trustee pursuant to Redeemable Convertible Bonds	(136,543)
Less: Short-term fund	(130)
	<u>19,797</u>
Cash and cash equivalents as restated	=====

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial reports.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED
 31 DECEMBER 2016**
NOTES TO THE INTERIM FINANCIAL REPORT
1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for financial year ended 30 June 2016. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2016.

2.1 MFRSs, Amendments to MFRSs and IC Interpretation

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

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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 2016.

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 2016.

7. DIVIDENDS PAID

At the Eleven (11th) Annual General Meeting of the Company, a final tax exempt (single tier) dividend in respect of the financial year ended 30 June 2016 of 0.7 sen on 799,107,100 ordinary shares of RM0.25 each amounting of RM5,593,750 was approved by shareholders on 28 November 2016 and paid on 10 February 2017 to shareholders whose name appear the Record of Depositors on 20 January 2017.

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8. SEGMENTAL REPORTING

The Group's segmental report for the current financial period ended 31 December 2016 as follows:-

	Marine Construction		Vessel	Ship	Others	Elimination	Total
	Land	Land	Chartering	Building			
	Reclamation	Disposal	RM'000	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000					
Revenue							
External – Sales	35,581	135,795	7,086	-	18	-	178,480
Inter - segment sales	215,817	-	4,473	-	-	(220,290)	-
Total revenue	251,398	135,795	11,559	-	18	(220,290)	178,480
Results							
Segment results	(12,235)	35,751	4,004	(1,061)	(711)	-	25,748
Interest and dividend income	419	-	-	10	1,675	-	2,104
Finance costs	(1,265)	-	-	-	(7,651)	-	(8,916)
(Loss)/Profit before tax	(13,081)	35,751	4,004	(1,051)	(6,687)	-	18,936
Income tax expense	-	(11,325)	235	(14)	466	-	(10,638)
(Loss)/Profit for the period	(13,081)	24,426	4,239	(1,065)	(6,221)	-	8,298
Other information							
• Depreciation	(3,427)	-	(3,356)	(175)	-	-	(6,958)

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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 was no valuation of the property, plant & equipment in the current financial quarter ended 31 December 2016.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENT

There were no material events subsequent to the current financial quarter ended 31 December 2016 and up to 17 February 2017, 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, except as disclosed in Note 22 and Note 24.

11. DEBT AND EQUITY SECURITIES

11.1 Current financial period

11.1.1 Movement of shares

During the financial period to date, the Group has executed a buy-back of 10,000 shares at an average exercise price of RM0.43.

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

Date	Description	No. of shares	Average price paid (RM)	Total consideration paid (RM)
02 Sep 2016	Share buyback ⁽¹⁾	(10,000)	0.43	(4,300)
		(10,000)	0.43	(4,300)

Note (1):-

As at 31 Dec 2016, the Company holds 12,695,400 shares as treasury shares at an average price of RM1.00.

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 2016, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations, other than as disclosed below: -

12.1 Benalec And CeTeau form a joint venture company

On 24 November 2016, the Company announced that Benalec Sdn Bhd (“BSB”), a wholly-owned subsidiary of Benalec Holdings Berhad (“Benalec”) and CeTeau Malaysia Sdn Bhd (“Ceteau”) have executed a shareholders agreement to establish a joint venture (“JV”) known as Benalec CeTeau Asia Sdn Bhd (“BCASB”).

Benalec is the majority shareholder of the JV with 51% equity stake while Ceteau will hold a 49% equity stake in the JV.

12. CHANGES IN THE COMPOSITION OF THE GROUP (CONT'D)
12.1 Benalec And CeTeau form a joint venture company (cont'd)

The principal objective of this JV is to provide world-class soil improvement solutions using specialised geosynthetics engineering techniques essential for Benalec's land reclamation projects. This includes the supply and installation of prefabricated vertical drain.

As of LPD, BCASB has commenced operation.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS
RM'000

Corporate guarantees given to licensed financial institutions
 For credit facilities granted to subsidiaries

18,000
14. CAPITAL COMMITMENTS
RM'000

Capital expenditure in respect of purchase of property, plant & equipment:

Contracted but not provided for

6,014
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	Balance Outstanding as at 31-12-2016
	RM'000	RM'000
Provision of marine construction works (payment in kind) to companies in which certain directors of the company have substantial financial interest ⁽²⁾	23,377	79,042
Purchase of vessels from companies in which certain directors of the company have substantial financial interest	-	(47,505)
Provision of marine construction work from a company in which certain directors of the company have substantial financial interest	-	(19)

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 be 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 (2 nd) Quarter 31 Dec 2016 RM'000	Previous Second (2 nd) Quarter 31 Dec 2015 RM'000	Variance	
			RM'000	%
Revenue	178,480	123,449	55,031	44.58
PBT	18,936	10,886	8,050	73.95

For the cumulative six (6) months ended 31 December 2016, the Group has recorded an increase in revenue by 44.58% as against the corresponding period for last year, with total revenue registered at RM178.5 million (FPE Q2'2016: RM123.4 million). The increase in revenue was mainly due to land disposal recognition in the current year to-date (FPE Q2'2017: RM135.8 million; FPE Q2'2016: RM80.6 million).

For the cumulative 6 months, the Group recorded a PBT of RM18.9 million, representing an increase of approximately RM8.0 million against the corresponding period for last year, mainly attributable by the following:-

Description	RM'000	Note
Increase in gross profit	14,233	1
Decrease in other operating income	(16,454)	2
Decrease in administrative and other expenses	10,806	2
Increase in finance costs	(535)	3
Net increase in PBT	8,050	

Notes:-

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

(2) The decrease in other income as well as admin & other expenses were mainly due to:

	Q2'17 RM'mil	Q2'16 RM'mil	Variance RM'mil
Unrealised & realised loss on forex (nett)	(7.8)	(4.4)	(3.4)
Depreciation of PPE	(3.4)	(2.5)	(0.9)
Staff cost	(5.5)	(4.0)	(1.5)
	<u>(16.7)</u>	<u>(10.9)</u>	<u>(5.8)</u>

(3) Increase in finance cost was mainly due to bond interest expense recognised in current year to-date (Q2'17: RM7.6 million; Q2'16: RM7.3 million).

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16. REVIEW OF PERFORMANCE OF THE GROUP (CONT'D)
16.2 CURRENT YEAR QUARTER VERSUS PREVIOUS YEAR QUARTER

	Current Second (2 nd) Quarter 31 Dec 2016 RM'000	Previous Second (2 nd) Quarter 31 Dec 2015 RM'000	Variance	
			RM'000	%
Revenue	78,821	79,409	(588)	(0.74)
PBT	6,975	8,885	(1,910)	(21.50)

For the current quarter under review, the Group recorded a decrease of revenue by 0.74% against last year's corresponding quarter, with total revenue registered at RM78.8 million.

The current quarter recorded a PBT of RM7.0 million, representing a decrease of RM1.9 million against last year's corresponding quarter, mainly attributable by:-

Description	RM' 000	Note
Increase in gross profit	3,079	1
Decrease in other operating income	(7,294)	2
Decrease in administrative and other expenses	2,683	2
Increase in finance costs	(378)	
Net decrease in PBT	(1,910)	

Notes:-

- (1) Increase in gross profit was mainly due to recognition of unrealised profit that was eliminated in prior years upon consolidation. The unrealised profit will be realised upon completion of land disposal recognition to third party buyer.
- (2) The decrease in other income as well as admin & other expenses were mainly due to:

	Q2'17 RM'mil	Q2'16 RM'mil	Variance RM'mil
Unrealised/realised (loss) on forex (nett)	(6.2)	(0.1)	(6.1)
Loss on disposal PPE	-	(1.7)	1.7
	<u>(6.2)</u>	<u>(1.8)</u>	<u>(4.4)</u>

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17. VARIATION IN RESULTS AGAINST PRECEDING QUARTER

	Current Second (2 nd) Quarter 31 Dec 2016 RM'000	Current First (1 st) Quarter 30 Sep 2016 RM'000	Variance	
			RM'000	%
Revenue	78,821	99,659	(20,838)	(20.91)
PBT	6,975	11,961	(4,986)	(41.69)

For the current quarter under review, in comparison with the preceding quarter, the Group registered a decrease in revenue of approximately 21%. The decrease in revenue was mainly due to lesser of land disposal recognition in the current year quarter (Q2' 17: RM60.0 million, FPE Q1'17: RM75.8 million).

The Group registered PBT of RM7.0 million (FPE Q1 '2017 PBT: RM12.0 million) representing a decrease of RM5.0 million. The decrease was mainly due to:-

Description	RM'000	Note
Decrease in gross profit	(689)	
Increase in other operating income	2,254	1
Increase in administrative and other expenses	(6,577)	1
Decrease in finance costs	26	
Net decrease in PBT	(4,986)	

Notes:-

- (1) Increase in other income and admin & other expenses was mainly due to loss on unrealised & realised forex (Q2 '17: RM6.2 million, Q1'17: RM1.6 million).

18. PROSPECTS

Despite the challenging business environment, the Board and Management of the Group remain optimistic in assessing the outlook for the Group over the next several years. This optimism is based on the fact that 76.84 acres of land, forming the subject matter of Sale & Purchase Agreements ("Land Sale SPAs") already signed and publicly announced, will generate sales revenue of approximately of RM140.0 million. Added to that, the land reclamation contract secured by the Group in May 2014 covering 415 acres of land for a contract sum of RM203.9 million of which RM91.0 million has yet to be recognised as revenue, will ensure that the Group has a stable stream of revenue of approximately RM231.0 million which can be recognised in the subsequent financial years.

To date, the Group also has in excess 200 acres of land bank in Melaka already reclaimed and more than 300 acres yet to be reclaimed under its concession agreements. The continuing resilience in the demand for the Group's reclaimed land bank in Melaka arising from the surrounding upcoming developments is an added source of optimism for the Group.

Several large parcels of reclaimed land bank in Pulau Indah, Port Klang, measuring approximately 90 acres are also seeing strong demand due to the strategic location adjacent to the Pulau Indah Highway, and in close distance to one of Malaysia's busiest port, Westport. The management is confident in monetising some of these land banks within the near to mid-term.

Separately, the Group had on 23 January 2015 and 17 June 2016, received the Department of Environment's ("DOE") official approval of the Detailed Environmental Impact Assessment ("DEIA") report, permitting the reclamation works for the Group's Tanjung Piai Integrated Petroleum & Petrochemical Hub and Maritime Industrial Park ("TPMIP") project to proceed. The DEIA approval encompasses the reclamation works for all 3 phases of TPMIP with a total area of 3,485 acres, to be sited off the south-western coast of Johor. Reclamation works have commenced since December 2015 and the Group has now seen the formation of land covering approximately 200 acres. The Group is

18. PROSPECTS (CONT'D)

currently exploring several joint venture structures with large international players to jointly own and operate oil storage terminals in TPMIP.

In relation to the Group's reclamation and development works for its Pengerang Maritime Industrial Park ("PMIP") project at Teluk Ramunia, Johor, measuring 1,672 acres, the Group has secured the approval from the DOE on 7 January 2016. The management is highly positive of the potential spillover demand of PMIP, due to its close proximity with Petronas' RAPID project, which is slated to come online in the first quarter of 2019.

These two projects, TPMIP and PMIP, are expected to propel the Group to the next level of growth, enabling the Group to capitalise on the opportunities that abound predominantly in the downstream activities arena within the Oil and Gas sector despite the prevailing challenges confronting the said sector.

19. PROFIT FORECAST AND PROFIT GUARANTEE

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

20. PROFIT / (LOSS) FOR THE PERIOD

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

	Current Quarter	Year-To-Date
	RM'000	RM'000
Interest income	1,031	2,027
Other income including investment income	618	632
Interest expense	(4,445)	(8,916)
Depreciation	(3,485)	(6,958)
Gain on disposal of fixed assets	36	480
Gain on disposal of unit trust	20	20
Unrealised exchange loss – net	(5,234)	(6,286)
Realised exchange loss – net	(960)	(1,497)
Impairment losses on capital in progress	-	(102)
Write-off of inventories	-	-
Impairment losses and write-off of receivables	-	-
Impairment losses and write-off of assets	-	-
Write-off of inventories	-	-
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

Note:

N/A = Not applicable.

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21. TAXATION

	Current Quarter RM'000	Year-To-Date RM'000
Over/ (Under) provision in prior year		
- Income tax	(3,326)	(3,326)
Current year provision		
- Income tax	(1,649)	(12,300)
- Deferred tax	112	4,988
	(4,863)	(10,638)
Effective tax rate (%)	57.38	(1) 52.06

Note:-

- (1) The higher effective tax rate than the statutory tax rate of 24% for the current year-to-date is mainly due to under provision of prior years tax.

22. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS
22.1 Utilisation of proceeds from Redeemable Convertible Secured Bond issuance

On 29 April 2015, the Company announced the completion of the RM 200 million nominal value of 7-year Redeemable Convertible Secured Bond ("RCSB") issuance.

The status of utilisation of proceeds arising from the issuance, amounting to RM181.17 million as at LPD is as follows:-

Description	Proposed utilisation RM'000	Reallocate of utilisation RM'000	Actual utilisation RM'000	Deviation		Estimated timeframe for utilisation	Note
				RM'000	%		
Land reclamation projects of the Benalec Group	146,500	-	(96,886)	49,614	33.87	Within 24 months	(i)
Working capital and reserve requirement for a debt service account	31,170	9	(31,179)	-	-	Within 12 months	(ii)
Defray expenses	3,500	(9)	(3,491)	-	-	Within 12 months	(iii)
Total	181,170	-	(131,556)	49,614	27.39		

(i) Land reclamation projects of the Benalec Group

The Group intends to utilise the proceeds to fund its ongoing and future land reclamation projects. Expenditures relating to land reclamation works include operating expenses such as cost of raw materials, payments to license holders or sand concessionaires for the rights to dredge sand ex-seabed, payments to suppliers, direct labour costs, payment for sub-contracted services for loading, unloading and levelling sea sand, rock revetment/replacement works, and lorry hire.

The utilisation of proceeds will include the funding of the reclamation works in respect of lands (to be reclaimed) for which sale and purchase agreement(s) or contracts or letter of award ("Agreements") have been entered into, and assigned as collateral for the RCSB.

22. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS (CONT'D)

22.1 Utilisation of proceeds from Redeemable Convertible Secured Bond issuance (cont'd)

(ii) **Working capital and reserve requirement for a debt service account**

The amount shall be utilised:

- (a) as additional working capital to finance the day-to-day operations of the Group including the payment of salaries, administrative and other operating expenses, such as tax payment and finance costs; and
- (b) to maintain an amount equivalent to 6 months' coupon payment of all the outstanding RCSB, which shall be maintained throughout the tenure of the RCSB in a debt service reserve account that may be utilised to pay coupon due under the RCSB in the event that the Company has insufficient operational funds.

(iii) **Defray expenses**

The estimated expenses comprise, among others, professional fees, fees payable to the relevant authorities, printing costs and other miscellaneous expenses.

23. BORROWINGS

The Group's borrowings as at 31 December 2016 presented as follows:-

	RM'000
Long Term Borrowings	
Secured:-	
• Hire purchase and lease creditors	1,790
• Term loans	10,619
	12,409
	RM'000
Short Term Borrowings	
Secured:-	
• Term loans	912
• Hire purchase and lease creditors	3,240
• Trust receipt	1,318
	5,470
	17,879
 (1) Total	 17,879

Note:-

(1) The borrowings are denominated in Ringgit Malaysia.

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24. MATERIAL LITIGATION

- (a) On 30 April 2015, BSB received a Writ of Summons and Statement of Claim dated 21 April 2015 filed by Sentosacove Sdn. Bhd. ('SSB').

SSB is alleging that BSB had breached its contractual and implied duties under an agreement ('Reclamation Agreement') which was entered into between BSB and SSB on 10 September 2010. Under the Reclamation Agreement, BSB was appointed as a contractor to carry out marine reclamation works to reclaim a total area spanning 720 acres in Daerah Klebang, Melaka. SSB is claiming for, inter alia, a Declaration that BSB had breached the Reclamation Agreement and for other consequential and ancillary reliefs.

The Group is rigorously contesting the alleged claims and is of the view that the SSB's claims are without merit. In a Counter Claim Action, BSB had on 15 May 2015 filed a defence and counter claim in the High Court of Malaya at Kuala Lumpur against SSB, Datuk Leaw Tua Choon and Datuk Leaw Ah Chye as 1st, 2nd and 3rd Defendants in the Counter Claim.

The trial dates of this suit have been fixed on 24 January 2017, 12 to 13 April 2017, 22 to 25, 30 and 31 May 2017 and 1 June 2017. After examining the Plaintiff's first witness during the first trial date on 24 January 2017, the judge adjourned the trial to the next trial date on 12 April 2017.

In relation to the potential financial/operational impact of the cited litigation on the Group, it is difficult to estimate accurately such impact as the final outcome is dependent on the Court's decision. It is, however, instructive to be guided by the sharing ratio between BSB and SSB of 95% to 5% of the reclaimed land after allocating one-sixth of all reclaimed land to the Melaka state Government, and the strong grounds on which the Group is basing its legal action.

- (b) On 5 February 2016, BSB and BHB were served with a Writ of Summons and Statement of Claim dated 2 February 2016 together with the privately owned companies namely Oceanic Sdn Bhd, Atlantic Property Sdn Bhd, Oceanfront Land Sdn Bhd and Oceanview Property Sdn Bhd ('4 Cos') by Datuk Leaw Ah Chye ('Plaintiff') through the Plaintiff's Solicitors.

In September 2010, the 4 Cos entered into reclamation agreement respectively with BSB to carry out land reclamation in Pulau Indah ('Pulau Indah project'). The subject matter of the suit pertains to Pulau Indah project. The initial period for BSB to complete the works under the Reclamation Agreements was 36 months from the date of the agreement; that is sometime in September/October 2013. There was an extension granted for an additional period of 36 months for completion of the reclamation works under the Reclamation Agreements ('Extension of Time') and that is in September 2016.

The Plaintiff contends that from the date of the Extension of Time till the date of this Statement of Claim, BSB had failed to carry out any reclamation works at the site of the Pulau Indah project. Contrary to the allegation, BSB has in fact completed a substantial portion of the works.

On 3 March 2016, BSB and BHB were served with a Statement of Claim dated 1 March 2016 filed by the Plaintiff. The Plaintiff, being the same person in both suits is bringing his legal action in his different capacity. In this suit, the Plaintiff is suing in his representative capacity for and on behalf of BHB, whereas in 1st suit the Plaintiff is bringing an action in his representative capacity for and on behalf of 4 Cos. Both suits involved similar subject matter.

The Group is rigorously defending the alleged claims and is of the view that the claims are without merit and had filed a striking out application to strike out the Plaintiff's claims.

During the striking out application hearing on 11 November 2016, the High Court allowed the said application in both suits and dismissed the Plaintiff's claims against BSB and BHB and all other

24. MATERIAL LITIGATION (CONT'D)

co-defendants on the basis that the Plaintiff had no locus standi to commence the present derivative action.

- (c) On 21 July 2015, BSB and OGM were served with a Writs of Summons and Statement of Claim dated 13 July 2015 filed by Glenmarie Cove Development Sdn. Bhd. ('the Plaintiff').

OGM was engaged as a sub-contractor to carry out earthwork, river protection works and other associated works together with the chartering of a dumb barge owned by BSB for the purpose of transporting and/or storing materials used in carrying out the sub-contracted works. The subject barge was anchored approximately 0.6 nautical miles away from the jetty owned and operated by the Plaintiff.

The Plaintiff had commenced legal action alleging negligence by BSB and OGM in causing some damage to the jetty. The Plaintiff is seeking against BSB and OGM inter alia, special damages for the damage to the said jetty.

On 16 November 2016, the Sessions Court had recorded Consent Judgment without admission to liability that the Defendant's insurer shall pay an agreed final settlement sum to the Plaintiff's insurer and no other claims or action shall be commence arising from this subject matter.

- (d) On 17 November 2016, BSB was served with a Writ of Summons and Statement of Claim dated 16 November 2016 by Nusa Waja Sdn. Bhd. and Dewi Pertiwi Development Sdn. Bhd. ('the Plaintiffs').

The Plaintiffs' alleged claim, among others, that BSB had without consent of the Plaintiffs entered into Plaintiff's concession site and extracting sands from the area. The Plaintiff also seeking a Declaration that the Defendant has committed trespass to the Plaintiff's property. BSB is currently seeking the advice of its Solicitor to do all the necessary action and remain steadfast that the Plaintiffs' claims are without merit and will rigorously contest the allegation.

On 10 February 2017, the learned Judge had dismissed the Plaintiffs' injunction application and set aside the ad-interim injunction order obtained with costs to be determined after trial. The learned Judge then fixed a case management date on 13 March 2017 and further fixed a trial dates of this suit on 27 and 28 March 2017.

BSB has further filed a counterclaim against the Plaintiffs for the retention of stockpiles of sand that have been deposited by BSB at the concession area before the Plaintiffs had entered into reclamation agreements with the State Government of Malacca. Via this counterclaim, BSB has sought a declaration that the Plaintiffs have wrongfully retained this stockpile of sand and have demanded for the return of the same or alternatively, for damages.

25. DIVIDEND

The Board does not recommend any interim dividend for the current period ended 31 December 2016.

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26. EARNINGS PER SHARE (“EPS”)

26.1 Basic EPS

The basic earnings per share are calculated based on the net profit attributable to equity holders of the parents for the period divided by the weighted average number of ordinary shares and presented as below:-

	Three (3) Months		Year-to-date	
	Ended 31-12-2016	Ended 31-12-2015	Ended 31-12-2016	Ended 31-12-2015
Net profit attributable to equity holders of the parents for the period (RM'000)	1,572	6,485	7,195	7,717
Weighted average number of ordinary shares ('000)	799,111	799,130	799,111	799,130
Basic EPS (sen)	0.2	0.8	0.9	1.0

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		Year-to-date	
	Ended 31-12-2016	Ended 31-12-2015	Ended 31-12-2016	Ended 31-12-2015
Net profit attributable to equity holders of the parents for the period (RM'000)	1,572	6,485	7,195	7,717
Weighted average number of ordinary shares as per basic EPS ('000)	799,111	799,130	799,111	799,130
Effect of dilution on shares under :				
- Share Issuance Scheme ('000)	- (1)	- (1)	- (1)	- (1)
- Redeemable Convertible Secured Bonds (“RCSB”) ('000)	- (1)	- (1)	- (1)	- (1)
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	799,111	799,130	799,111	799,130
Diluted EPS (sen)	0.2	0.8	0.9	1.0

Note:-

- (1) *The Share Issuance Scheme & RCSB that could potentially dilute the earnings per ordinary shares were not included in the calculation of diluted earnings per ordinary shares as it would have an anti-dilution effect thereon.*

27. REALISED AND UNREALISED PROFITS / (LOSSES) DISCLOSURE

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

	As at 31-12-2016 (Unaudited) RM'000	As at 31-12-2015 (Unaudited) RM'000
Total retained profits of the Company and its subsidiaries:-		
• realised	353,668	344,290
• unrealised	<u>(2,925)</u>	<u>(6,245)</u>
	350,743	338,045
Add: Consolidation adjustments	953	2,590
	<u><u>351,696</u></u>	<u><u>340,635</u></u>

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.

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