



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD (3RD) QUARTER ENDED 31 MARCH 2017**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER ENDED 31 MARCH 2017

	Individual Quarter		Cumulative Quarter	
	(Unaudited) Current Year Quarter Ended 31-03-2017 RM'000	(Unaudited) Preceding Year Quarter Ended 31-03-2016 RM'000	(Unaudited) Current Year To Date 31-03-2017 RM'000	(Unaudited) Preceding Year To Date 31-03-2016 RM'000
Revenue	61,385	102,464	239,865	225,913
Cost of sales	(46,897)	(83,075)	(178,098)	(173,478)
Gross profit	14,488	19,389	61,767	52,435
Other operating income	6,568	10,444	18,206	38,536
Administrative and other expenses	(15,042)	(16,439)	(46,107)	(58,310)
Profit from operations	6,014	13,394	33,866	32,661
Finance costs	(4,154)	(3,915)	(13,070)	(12,296)
Profit before tax ("PBT")	1,860	9,479	20,796	20,365
Tax expense	(1,131)	(4,953)	(11,769)	(7,375)
Profit for the financial period	729	4,526	9,027	12,990
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	(2)	2	8	(3)
• Foreign currency translations	(2,413)	(12,135)	10,157	3,418
Total comprehensive income	(1,686)	(7,607)	19,192	16,405
Profit attributable to:-				
• Owners of the parent	788	4,870	7,983	12,587
• Non-controlling interests	(59)	(344)	1,044	403
	729	4,526	9,027	12,990
Total comprehensive income attributable to:-				
• Owners of the parent	(1,627)	(7,263)	18,148	16,002
• Non-controlling interests	(59)	(344)	1,044	403
	(1,686)	(7,607)	19,192	16,405
Earnings per ordinary share attributable to equity holders of the Company (sen)				
• Basic	0.1	0.6	1.0	1.6
• Diluted	0.1	0.6	1.0	1.6

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 MARCH 2017**

	Unaudited As at 31-03-2017 RM'000	Audited As At 30-06-2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	219,469	215,002
Other investments	45	36
Deferred tax assets	14,517	7,905
	<u>234,031</u>	<u>222,943</u>
Current assets		
Inventories	317,477	411,063
Land reclamation work in progress	229,267	150,105
Trade and other receivables	253,125	392,091
Current tax assets	7,150	15,887
Deposit with licensed bank	141,139	139,930
Short term funds	135	132
Cash and bank balances	4,907	23,210
	<u>953,200</u>	<u>1,132,418</u>
TOTAL ASSETS	<u>1,187,231</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	70,508	60,352
Distributable reserve	352,484	350,095
Total equity attributable to owners of the parent	<u>625,943</u>	<u>613,398</u>
Non-controlling interests	8,824	7,731
TOTAL EQUITY	<u>634,767</u>	<u>621,129</u>
LIABILITIES		
Non-current liabilities		
Redeemable convertible secured bonds	156,171	151,365
Borrowings	11,595	4,761
Deferred tax liabilities	8,815	9,532
	<u>176,581</u>	<u>165,658</u>
Current liabilities		
Trade and other payables	194,460	179,059
Borrowings	6,027	32,809
Deferred revenue	175,396	356,569
Current tax liabilities	-	137
	<u>375,883</u>	<u>568,574</u>
TOTAL LIABILITIES	<u>552,464</u>	<u>734,232</u>
TOTAL EQUITY AND LIABILITIES	<u>1,187,231</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 THIRD (3RD) QUARTER ENDED 31 MARCH 2017

	ATTRIBUTABLE TO OWNERS OF THE PARENT								Distributable Reserve	Total	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			
	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	-	-	-	-	-	-	-	-	12,587	12,587	403	12,990
Fair value of the available-for-sale financial assets	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Foreign currency translations	-	-	-	3,418	-	-	-	-	-	3,418	-	3,418
Total comprehensive income	-	-	-	3,418	-	-	(3)	-	12,587	16,002	403	16,405
Transactions with owners:-												
• Option forfeited under the Share Issuance Scheme	-	-	-	-	-	(152)	-	-	152	-	-	-
• Shares repurchased	-	(11)	-	-	-	-	-	-	-	(11)	-	(11)
• Dividend paid	-	-	-	-	-	-	-	-	(2,397)	(2,397)	-	(2,397)
As at 31 March 2016	202,951	(12,690)	157,538	30,785	(146,070)	1,930	(26)	25,226	345,551	605,195	6,954	612,149

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 31 MARCH 2017 (“CONT’D”)

	← ATTRIBUTABLE TO OWNERS OF THE PARENT →							Distributable Reserve		Non-Controlling Interests Total RM'000	Total RM'000	
	Non-Distributable Reserve							Distributable Retained Earnings RM'000	Total RM'000			
	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				
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	-	-	-	-	-	-	-	-	7,983	7,983	1,044	9,027
Fair value of the available-for-sale financial assets	-	-	-	-	-	-	8	-	-	8	-	8
Foreign currency translations	-	-	-	10,157	-	-	-	-	-	10,157	-	10,157
Total comprehensive income	-	-	-	10,157	-	-	8	-	7,983	18,148	1,044	19,192
Transactions with owners:-												
• Shares repurchased	-	(9)	-	-	-	-	-	-	-	(9)	-	(9)
• Dividend paid	-	-	-	-	-	-	-	-	(5,594)	(5,594)	-	(5,594)
As at 31 March 2017	202,951	(12,699)	157,538	44,613	(146,070)	1,918	(18)	25,226	352,484	625,943	8,824	634,767

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 THRID (3RD) QUARTER ENDED 31 MARCH 2017**

	Unaudited 31 Mar 2017 RM'000	Restated 31 Mar 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	20,796	20,365
Adjustments for:-		
Depreciation of property, plant and equipment	10,586	10,599
Inventories written off	-	1,648
Impairment losses on property, plant and equipment	102	-
(Gain)/loss on disposal of property, plant and equipment	(480)	1,275
Gain on disposal of unit trust	(20)	-
Non-cash and operating items	15,550	13,337
Operating profit before changes in working capital	46,534	47,224
Changes in working capital:-		
Land reclamation work in progress	(79,162)	(4,736)
Land held for sale	93,586	6,663
Trade and other receivables	138,965	105,079
Trade and other payables	15,401	(65,515)
Deferred revenue	(181,173)	(89,643)
Cash generated from operations	34,151	(928)
Tax paid – net	(10,497)	(15,263)
Net cash generated from/(used in) operating activities	23,654	(16,191)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividend received	3,076	3,202
Proceed from disposal of property, plant and equipment	869	-
Proceed from disposal of unit trust	20	-
Withdrawal/(Placement) of deposits – pledged	1,725	(2,500)
(Placement)/Withdrawal of deposits charged in favour of the Security Trustee pursuant to RCSB	(1,698)	73,630
Purchase of property, plant and equipment	(6,573)	(27,137)
Advances from/(repayments to) related parties	-	12,415
Net cash used in/(generated from) investing activities	(2,581)	59,610
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings and hire purchase	7,550	3,468
Repayment of borrowings and hire purchase	(24,720)	(27,074)
Interest paid	(9,396)	(8,548)
Dividend paid	(5,594)	(2,397)
Funding from NCI	49	-
Shares repurchased	(9)	(11)
Net cash generated used in financing activities	(32,120)	(34,562)
Net (decrease)/increase in cash and cash equivalents	(11,047)	8,857
Cash and cash equivalents at beginning of period	25,105	6,229
Effects of exchange rate changes	(3,241)	(2,058)
Cash and cash equivalents at the end of period	10,817	(1) 13,028

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 31 MARCH 2017 (CONT'D)**

	Unaudited 31 Mar 2017 RM'000	Restated 31 Mar 2016 RM'000
Cash and cash equivalents comprise the following:-		
Cash and bank balances	4,907	8,632
Deposit with licensed bank	141,139	133,564
	<u>146,046</u>	<u>142,196</u>
Less: Deposits pledged as collateral	(22,206)	(20,817)
Less: Deposits charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds	(113,023)	(108,351)
	<u>10,817</u>	<u>(1) 13,028</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	121,511
Less: Deposits charged in favour of the Trustee pursuant to Redeemable Convertible Bonds	(108,352)
Less: Short-term fund	(131)
	<u>13,028</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 THIRD (3RD) QUARTER ENDED
 31 MARCH 2017**
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 March 2017.

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 March 2017.

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 March 2017 as follows:-

	Marine Construction						
	Land Reclamation RM'000	Land Disposal RM'000	Vessel Chartering RM'000	Ship Building RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue							
External – Sales	47,572	181,172	11,095	-	26	-	239,865
Inter - segment sales	245,033	-	4,124	-	-	(249,157)	-
Total revenue	292,605	181,172	15,219	-	26	(249,157)	239,865
Results							
Segment results	(21,312)	48,575	5,654	(1,098)	(1,032)	-	30,787
Interest and dividend income	640	-	2	15	2,422	-	3,079
Finance costs	(1,525)	-	-	(8)	(11,537)	-	(13,070)
(Loss)/Profit before tax	(22,197)	48,575	5,656	(1,091)	(10,147)	-	20,796
Income tax expense	-	(12,657)	(40)	(22)	950	-	(11,769)
(Loss)/Profit for the period	(22,197)	35,918	5,616	(1,113)	(9,197)	-	9,027
Other information							
• Depreciation	(5,253)	-	(5,071)	(262)	-	-	(10,586)

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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 March 2017.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENT

There were no material events subsequent to the current financial quarter ended 31 March 2017 and up to 19 May 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 20,000 shares at an average exercise price of RM0.45.

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	(4,299)
02 Mar 2017	Share buyback ⁽¹⁾	(10,000)	0.47	(4,699)
		(20,000)	0.45	(8,998)

Note (1):-

As at 31 Mar 2017, the Company holds 12,705,400 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 March 2017, 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

14,316**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 31-03-2017
	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⁾	20,769	76,434
Purchase of vessels from companies in which certain directors of the company have substantial financial interest	-	(48,412)
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 Third (3 rd) Quarter 31 Mar 2017 RM'000	Previous Third (3 rd) Quarter 31 Mar 2016 RM'000	Variance	
			RM'000	%
Revenue	239,865	225,913	13,952	6.18
PBT	20,796	20,365	431	2.12

For the cumulative nine (9) months ended 31 March 2017, the Group has recorded an increase in revenue by 6.18% as against the corresponding period for last year, with total revenue registered at RM239.9 million (FPE Q3'2016: RM225.9 million). The increase in revenue was mainly due to land disposal recognition in the current year to-date (FPE Q3'2017: RM181.2 million; FPE Q3'2016: RM152.1 million).

For the cumulative 9 months, the Group recorded a PBT of RM20.8 million, representing an increase of approximately RM0.4 million against the corresponding period for last year, mainly attributable by the following:-

Description	RM'000	Note
Increase in gross profit	9,332	1
Decrease in other operating income	(20,330)	2
Decrease in administrative and other expenses	12,203	2
Increase in finance costs	(774)	3
Net increase in PBT	431	

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:

	Q3'17 RM'mil	Q3'16 RM'mil	Variance RM'mil
Unrealised & realised loss on forex (nett)	(7.3)	(0.6)	(6.7)
Staff cost	(8.7)	(6.8)	(1.9)
	<u>(16.0)</u>	<u>(7.4)</u>	<u>(8.6)</u>

- (3) Increase in finance cost was mainly due to bond interest expense recognised in current year to-date (Q3'17: RM11.5 million; Q3'16: RM11.1 million).

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

	Current Third (3 rd) Quarter 31 Mar 2017 RM'000	Previous Third (3 rd) Quarter 31 Mar 2016 RM'000	Variance	
			RM'000	%
Revenue	61,385	102,464	(41,079)	(40.09)
PBT	1,860	9,479	(7,619)	(80.38)

For the current quarter under review, the Group recorded a decrease of revenue by 40.09% against last year's corresponding quarter, with total revenue registered at RM61.4 million. The decrease in revenue was mainly due to lesser of land disposal recognition in the current year quarter (Q3'17: RM45.4 million, FPE Q3'16: RM71.5 million).

In the meantime, significant reclamation works have been undertaken by the Subsidiaries of the Group for our project located at Tanjung Piai, Johor, approximately RM212.5 million of development costs have been incurred and capitalised as land reclamation work in progress. The Development Agreement which grants the exclusive right to undertake the reclamation works totally 3,485 acres (to be developed over 3 phases) were entered into by Spektrum Kukuh Sdn. Bhd. (70% owned subsidiary of Benalec) with the State Government of Johor Darul Tazim and the State Secretary Johor (Incorporated). Therefore, any unrealised profits arising from land reclamation works in relation to this project will be eliminated in full upon consolidation.

The current quarter recorded a PBT of RM1.9 million, representing a decrease of RM7.6 million against last year's corresponding quarter, mainly attributable by:-

Description	RM' 000	Note
Decrease in gross profit	(4,901)	1
Decrease in other operating income	(3,876)	2
Decrease in administrative and other expenses	1,397	2
Increase in finance costs	(239)	
Net decrease in PBT	(7,619)	

Notes:-

- (1) Decrease in gross profit was mainly due to factor as stated above.
- (2) The decrease in other income as well as admin & other expenses were mainly due to:

	Q3'17 RM'mil	Q3'16 RM'mil	Variance RM'mil
Unrealised/realised gain on forex (nett)	0.4	3.9	(3.5)
Professional & management fees	(1.3)	(0.8)	(0.5)
Depreciation charges	(1.8)	(1.3)	(0.5)
Impairment loss on PPE	-	(3.3)	3.3
	<u>(2.7)</u>	<u>(1.5)</u>	<u>(1.2)</u>

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17. VARIATION IN RESULTS AGAINST PRECEDING QUARTER

	Current Third (3 rd) Quarter 31 Mar 2017 RM'000	Current Second (2 nd) Quarter 31 Dec 2016 RM'000	Variance	
			RM'000	%
Revenue	61,385	78,821	(17,436)	(22.12)
PBT	1,860	6,975	(5,115)	(73.33)

For the current quarter under review, in comparison with the preceding quarter, the Group registered a decrease in revenue of approximately 22.1%. The decrease in revenue was mainly due to lesser of land disposal recognition in the current year quarter (Q3' 17: RM45.4 million, FPE Q2'17: RM60.0 million).

The Group registered PBT of RM1.9 million (FPE Q2 '2017 PBT: RM7.0 million) representing a decrease of RM5.1 million. The decrease was mainly due to:-

Description	RM'000	Note
Decrease in gross profit	(8,807)	1
Decrease in other operating income	(378)	2
Decrease in administrative and other expenses	3,779	2
Decrease in finance costs	291	
Net decrease in PBT	(5,115)	

Notes:-

- (1) Decrease in gross profit was mainly due to factor as stated above.
 (2) Decrease in other income and admin & other operating expenses was mainly due to loss on unrealised realised forex (Q3 '17:RM0.4 million, Q2 17:RM6.2 million).

18. PROSPECTS

Despite the prevailing challenging environment faced by the Group within its operating environment, the Board and Management remain optimistic in assessing the outlook for the Group over the next several years. In line with the continued and sustained recovery of the overall economy, this optimism is further based on the fact that 47.35 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 RM86.6 million. In addition, a 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 RM76.3 million has yet to be recognised as revenue, will ensure that the Group has a stable stream of revenue of approximately RM162.9 million which can be recognised in the next few financial years.

Further to that, the Group's Tanjung Piai Maritime Industrial Park ("TPMIP") project, which commenced in December 2015 after securing the DOE's approval on its DEIA, has seen the formation of land covering approximately 200 acres and has been gathering strong interest from the market. Leveraging on its strategic location within the Straits of Melaka and being only 17km from Jurong Island, the management is highly positive that these are strong selling points to many large international players to build and operate oil storage terminals in TPMIP.

To date, the Group also has in excess 200 acres of land bank in Melaka already reclaimed and available for sale, and more than 200 acres which has yet to be reclaimed under its concession agreements. The continued resilience in demand for the Group's reclaimed land bank in Melaka arising from 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 its strategic location, being adjacent to the Pulau Indah Highway, and in close proximity to one of Malaysia's busiest port, Westport. Management is confident that some of these land banks can be monetised in the near to medium term.

18. PROSPECTS (CONT'D)

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 bullish on PIMP's potential due to its close proximity to Petronas' RAPID project, which is slated to come online in the first quarter of 2019. It is envisioned that once RAPID comes online, PIMP will be well placed to capture the spill over demand that is bound to come from such a catalytic development like RAPID.

The two Johor projects, TPMIP and PMIP, are expected to propel the Group to the next level of growth, enabling the Group to capitalise on the abundant opportunities stemming from downstream activities 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	971	2,998
Other income including investment income	846	1,478
Interest expense	(4,154)	(13,070)
Depreciation	(3,628)	(10,586)
Reversal of impairment losses of receivables	722	722
Gain on disposal of fixed assets	-	480
Gain on disposal of unit trust	-	20
Unrealised exchange loss – net	727	(5,559)
Realised exchange loss – net	(292)	(1,789)
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	(495)	(3,821)
- Deferred tax	26	26
Current year provision		
- Income tax	(2,977)	(15,277)
- Deferred tax	2,315	7,303
	(1,131)	(11,769)
Effective tax rate (%)	60.81	(1) 56.59

Note:-

- (1) The higher effective tax rate than the statutory tax rate of 24% is mainly due to certain subsidiaries were making losses and certain non-deductible expenses such as unrealised loss of forex.

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 (iv)	Note
				RM'000	%		
Land reclamation projects of the Benalec Group	146,500	-	(99,837)	46,663	31.85	Within 48 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	-	(134,507)	46,663	25.76		

(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.

(iv) Estimated timeframe for utilisation:-

- (a) From the date of RCSB issuance i.e 29 April 2015.
- (b) On 16 May 2017, the Company announced the extension of time for utilisation of the balance of proceeds arising from the RCSB for another twenty-four (24) months until 29 April 2019.

23. BORROWINGS

The Group's borrowings as at 31 March 2017 presented as follows:-

	RM'000
Long Term Borrowings	
Secured:-	
• Hire purchase and lease creditors	1,212
• Term loans	10,383
	11,595
	RM'000
Short Term Borrowings	
Secured:-	
• Term loans	922
• Hire purchase and lease creditors	2,964
• Trust receipt	2,141
	6,027
(1) Total	17,622

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 next trial of this suit have been fixed on 22 May 2017 and 1 June 2017. In the event the trial cannot be completed by 1 June 2017, the Court has fixed additional dates for this trial on 30 to 31 October 2017 and 21 to 23 November 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 co-defendants on the basis that the Plaintiff had no locus standi to commence the present derivative action.

24. MATERIAL LITIGATION (CONT'D)

- (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 remain steadfast that the Plaintiffs' claims are without merit and rigorously contest the allegation.

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 Melaka. 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.

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 fixed a trial dates of this suit on 27 and 28 March 2017 which later the learned Judge adjourned the trial dates to 3 and 17 May 2017. On 17 May 2017, both Parties have agreed to withdraw the Suit with no liberty to file afresh and no order as to costs. Thus, the learned Judge has struck out the claim and the counterclaim in the said Suit without liberty to file afresh and with no orders as to costs.

25. DIVIDEND

The Board does not recommend any interim dividend for the current period ended 31 March 2017.

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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 31-03-2017	Ended 31-03-2016	Ended 31-03-2017	Ended 31-03-2016
Net profit attributable to equity holders of the parents for the period (RM'000)	788	4,870	7,983	12,587
Weighted average number of ordinary shares ('000)	799,109	799,128	799,109	799,128
Basic EPS (sen)	0.1	0.6	1.0	1.6

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 31-03-2017	Ended 31-03-2016	Ended 31-03-2017	Ended 31-03-2016
Net profit attributable to equity holders of the parents for the period (RM'000)	788	4,870	7,983	12,587
Weighted average number of ordinary shares as per basic EPS ('000)	799,109	799,128	799,109	799,128
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)	799,109	799,128	799,109	799,128
Diluted EPS (sen)	0.1	0.6	1.0	1.6

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 31-03-2017 (Unaudited) RM'000	As at 31-03-2016 (Unaudited) RM'000
Total retained profits of the Company and its subsidiaries:-		
• realised	349,054	338,305
• unrealised	142	(642)
	<u>349,196</u>	<u>337,663</u>
Add: Consolidation adjustments	3,288	7,888
	<u><u>352,484</u></u>	<u><u>345,551</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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