



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2017**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2017

	Individual Quarter		Cumulative Quarter	
	(Unaudited) Current Year Quarter Ended 30-06-2017 RM'000	(Audited) Preceding Year Quarter Ended 30-06-2016 RM'000	(Unaudited) Current Year To Date 30-06-2017 RM'000	(Audited) Preceding Year To Date 30-06-2016 RM'000
Revenue	29,305	97,170	269,170	323,083
Cost of sales	(12,097)	(58,932)	(190,195)	(232,410)
Gross profit	17,208	38,238	78,975	90,673
Other operating income	2,122	3,424	10,923	9,531
Administrative and other expenses	(14,506)	(24,411)	(51,208)	(50,292)
Profit from operations	4,824	17,251	38,690	49,912
Finance costs	(4,296)	(5,604)	(17,366)	(17,900)
Profit before tax ("PBT")	528	11,647	21,324	32,012
Tax income/(expense)	1,781	(6,582)	(9,988)	(13,957)
Profit for the financial period	2,309	5,065	11,336	18,055
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	1	12	(3)
• Foreign currency translations	(2,264)	3,915	7,893	7,333
Total comprehensive income	49	8,981	19,241	25,385
Profit attributable to:-				
• Owners of the parent	1,708	4,531	9,691	17,118
• Non-controlling interests	601	534	1,645	937
	2,309	5,065	11,336	18,055
Total comprehensive income attributable to:-				
• Owners of the parent	(875)	8,447	17,273	24,448
• Non-controlling interests	924	534	1,968	937
	49	8,981	19,241	25,385
Earnings per ordinary share attributable to equity holders of the Company (sen)				
• Basic	0.2	0.6	1.2	2.1
• Diluted	0.2	0.6	1.2	2.1

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 30 JUNE 2017**

	Unaudited As at 30-06-2017 RM'000	Audited As At 30-06-2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	212,843	215,002
Other investments	49	36
Deferred tax assets	13,990	7,905
	<u>226,882</u>	<u>222,943</u>
Current assets		
Inventories	298,267	411,063
Land reclamation work in progress	286,714	150,105
Trade and other receivables	233,545	392,091
Current tax assets	9,432	15,887
Deposit with licensed bank	144,221	139,930
Short term funds	137	132
Cash and bank balances	9,088	23,210
	<u>981,404</u>	<u>1,132,418</u>
TOTAL ASSETS	<u>1,208,286</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	67,681	60,352
Distributable reserve	354,436	350,095
Total equity attributable to owners of the parent	<u>625,068</u>	<u>613,398</u>
Non-controlling interests	11,659	7,731
TOTAL EQUITY	<u>636,727</u>	<u>621,129</u>
LIABILITIES		
Non-current liabilities		
Redeemable convertible secured bonds	157,830	151,365
Borrowings	17,583	4,761
Deferred tax liabilities	8,706	9,532
	<u>184,119</u>	<u>165,658</u>
Current liabilities		
Trade and other payables	209,840	179,059
Borrowings	7,256	32,809
Deferred revenue	170,297	356,569
Current tax liabilities	47	137
	<u>387,440</u>	<u>568,574</u>
TOTAL LIABILITIES	<u>571,559</u>	<u>734,232</u>
TOTAL EQUITY AND LIABILITIES	<u>1,208,286</u>	<u>1,355,361</u>
Net assets per share attributable to ordinary equity holders of the company (RM)	<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 FOURTH (4TH) QUARTER ENDED 30 JUNE 2017

	ATTRIBUTABLE TO OWNERS OF THE PARENT												
	Non-Distributable Reserve							Distributable Reserve				Non-Controlling Interests Total	Total
	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			
	RM'000	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	-	-	-	-	-	-	-	-	17,118	17,118	937	18,055	
Fair value loss of the available-for-sale financial assets, net of tax	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)	
Foreign currency translations, net of tax	-	-	-	7,089	-	-	-	-	-	7,089	243	7,332	
Total comprehensive income	-	-	-	7,089	-	-	(3)	-	17,118	24,204	1,180	25,384	
Transactions with owners:-													
• Option forfeited under the Share Issuance Scheme	-	-	-	-	-	(165)	-	-	165	-	-	-	
• Shares repurchased	-	(11)	-	-	-	-	-	-	-	(11)	-	(11)	
• Dividend paid	-	-	-	-	-	-	-	-	(2,397)	(2,397)	-	(2,397)	
As at 30 June 2016	202,951	(12,690)	157,538	34,456	(146,070)	1,918	(26)	25,226	350,095	613,398	7,731	621,129	

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 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
Profit for the financial year	-	-	-	-	-	-	-	-	9,691	9,691	1,645	11,336
Fair value of the available-for-sale financial assets, net of tax	-	-	-	-	-	-	12	-	-	12	-	12
Foreign currency translations, net of tax	-	-	-	7,570	-	-	-	-	-	7,570	323	7,893
Total comprehensive income	-	-	-	7,570	-	-	12	-	9,691	17,273	1,968	19,241
Transactions with owners:-												
• Shares repurchased	-	(9)	-	-	-	-	-	-	-	(9)	-	(9)
• Reversal of share options reserve	-	-	-	-	-	(244)	-	-	244	(5,594)	-	(5,594)
• Dividend paid	-	-	-	-	-	-	-	-	(5,594)	(5,594)	-	(5,594)
• Arising from dilution of equity interest in subsidiary	-	-	-	-	-	-	-	-	-	-	1,960	1,960
As at 30 June 2017	202,951	(12,699)	157,538	42,026	(146,070)	1,674	(14)	25,226	354,436	625,068	11,659	636,727

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 FOURTH (4TH) QUARTER ENDED 30 JUNE 2017**

	Unaudited 30 June 2017 RM'000	Audited 30 June 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	21,324	32,012
Adjustments for:-		
Depreciation of property, plant and equipment	14,375	14,107
Inventories written off	222	114
Inventories written down	3,175	-
Property, plant and equipment written off	445	1,534
Impairment losses on property, plant and equipment	7,302	4,414
Impairment losses on other receivables and prepayments	324	1,825
(Gain)/loss on disposal of property, plant and equipment	(1,514)	7,448
Gain on disposal of unit trust	(20)	-
Non-cash and operating items	16,221	14,588
Operating profit before changes in working capital	61,854	76,042
Changes in working capital:-		
Inventories	2,057	-
Land reclamation work in progress	(136,609)	(150,278)
Land held for sale	106,102	(95,585)
Trade and other receivables	156,099	350,892
Trade and other payables	32,505	(42,054)
Deferred revenue	(186,272)	(139,870)
Cash generated from operations	35,736	(853)
Tax paid – net	(10,521)	(15,615)
Net cash generated from/(used in) operating activities	25,215	(16,468)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividend received	4,457	4,768
Proceed from disposal of property, plant and equipment	8,507	20,986
Proceed from disposal of unit trust	20	-
Placement of deposits – pledged	(400)	(4,024)
(Placement)/Withdrawal of deposits charged in favour of the Security Trustee pursuant to RCSB	(8,432)	69,065
Purchase of property, plant and equipment	(19,782)	(38,271)
Advances from related parties	1,636	1,434
Net cash (used in)/ generated from investing activities	(13,994)	53,958
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings and hire purchase	26,277	2,576
Repayment of borrowings and hire purchase	(36,230)	(9,859)
Interest paid	(10,901)	(9,336)
Dividend paid	(5,594)	(2,397)
Funding from NCI	1,960	-
Shares repurchased	(9)	(11)
Net cash (used in) financing activities	(24,497)	(19,027)
Net (decrease)/increase in cash and cash equivalents	(13,276)	18,463
Cash and cash equivalents at beginning of period	25,105	6,229
Effects of exchange rate changes	(2,597)	413
Cash and cash equivalents at the end of period	9,232	(⁽¹⁾ 25,105)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FOURTH (4TH) QUARTER ENDED 30 JUNE 2017 (CONT'D)**

	Unaudited 30 June 2017 RM'000	Audited 30 June 2016 RM'000
Cash and cash equivalents comprise the following:-		
Cash and bank balances	9,088	23,210
Deposit with licensed bank	144,221	139,930
Bank overdraft	-	(2,778)
	<u>153,309</u>	<u>160,362</u>
Less: Deposits pledged as collateral	(22,724)	(22,336)
Less: Deposits charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds	(121,353)	(112,921)
	<u>9,232</u>	<u>25,105</u>

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED
30 JUNE 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
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
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</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
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 Associates 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 30 June 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 30 June 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 30 June 2017 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	53,814	198,787	16,541	-	28	-	269,170
Inter - segment sales	344,882	-	5,206	-	-	(350,088)	-
Total revenue	398,696	198,787	21,747	-	28	(350,088)	269,170
Results							
Segment results	(24,654)	63,220	2,031	(1,290)	(5,074)	-	34,233
Interest and dividend income	1,182	-	6	20	3,249	-	4,457
Finance costs	(13,079)	-	-	(10)	(4,277)	-	(17,366)
(Loss)/Profit before tax	(36,551)	63,220	2,037	(1,280)	(6,102)	-	21,324
Income tax expense	-	(10,530)	(214)	(29)	785	-	(9,988)
(Loss)/Profit for the period	(36,551)	52,690	1,823	(1,309)	(5,317)	-	11,336
Other information							
• Depreciation	(7,266)	-	(6,760)	(349)	-	-	(14,375)

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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.

At the current quarter, the Group has made an assessment on the carrying amounts of the vessels. A write down of RM7.7 million is recognised as other expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENT

There were no material events subsequent to the current financial quarter ended 30 June 2017 and up to 17 Aug 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 30 June 2017, the Company holds 12,705,400 shares as treasury shares at an average price of RM1.00.

11.2 End of financial period ended 30 June 2017 and up to LPD

11.2.1 Share Issuance Scheme

On 18 July 2017, the Group announced that 17,680,000 options have been offered to the Eligible Employees and Directors of Benalec and its subsidiaries in accordance with the Scheme’s By-Laws.

For further details, please refer to the announcement made to Bursa Securities on 18 July 2017.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 30 June 2017, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations, other than as disclosed below: -

12. CHANGES IN THE COMPOSITION OF THE GROUP (CONT'D)

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.

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	<u>12,667</u>

14. CAPITAL COMMITMENTS

	RM'000
Capital expenditure in respect of purchase of property, plant & equipment:	
Contracted but not provided for	<u>13,339</u>

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 30-06-2017 RM'000
Provision of marine construction works (payment in kind) to companies in which certain directors of the company have substantial financial interest ⁽²⁾	18,215	73,881
Purchase of vessels from companies in which certain directors of the company have substantial financial interest	-	(47,765)
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.

16. REVIEW OF PERFORMANCE OF THE GROUP
16.1 CURRENT YEAR-TO-DATE VERSUS PREVIOUS YEAR-TO-DATE

	Current Fourth (4 th) Quarter 30 June 2017 RM'000	Previous Fourth (4 th) Quarter 30 June 2016 RM'000	Variance	
			RM'000	%
Revenue	269,170	323,083	(53,913)	(16.69)
PBT	21,324	32,012	(10,688)	(33.39)

For the cumulative twelve (12) months ended 30 June 2017, the Group has recorded a decrease in revenue by 16.69% as against the corresponding period for last year, with total revenue registered at RM269.0 million (FPE Q4'2016: RM323.1 million). The decrease in revenue was mainly due to lesser revenue recognition from land reclamation work in the current year to-date (FPE Q4'2017: RM53.7 million; FYE Q4'2016: RM105.0 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 RM269.6 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.

For the cumulative 12 months, the Group recorded a PBT of RM21.3 million, representing a decrease of approximately RM10.7 million against the corresponding period for last year, mainly attributable by the following:-

Description	RM'000	Note
Decrease in gross profit	(11,698)	1
Increase in other operating income	11,742	2
Increase in administrative and other expenses	(11,266)	2
Decrease in finance costs	534	
Net decrease in PBT	(10,688)	

Notes:-

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

	Q4'17 RM'mil	Q4'16 RM'mil	Variance RM'mil
Unrealised & realised loss on forex (nett)	(6.3)	(1.4)	(4.9)
Disposal of non-current assets (nett)	1.5	(7.6)	9.1
Impairment losses on PPE	(7.3)	(4.4)	(2.9)
Inventories written off	(0.2)	(0.1)	(0.1)
Inventories written down	(3.2)	-	(3.2)
PPE written off	(0.4)	(1.5)	1.1
Yard rental income	0.4	-	0.4
Sales of scrap metal	1.0	-	1.0
	<u>(15.9)</u>	<u>(14.8)</u>	<u>0.5</u>

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

	Current Fourth (4 th) Quarter 30 June 2017 RM'000	Previous Fourth (4 th) Quarter 30 June 2016 RM'000	Variance	
			RM'000	%
Revenue	29,305	97,170	(67,865)	(69.84)
PBT	528	11,647	(11,119)	(95.47)

For the current quarter under review, the Group recorded a decrease of revenue by 69.84% against last year's corresponding quarter, with total revenue registered at RM29.2 million. The decrease in revenue was mainly due to lesser of land disposal recognition in the current year quarter (Q4'17: Nil, FPE Q4'16: RM58.7 million).

The current quarter recorded a PBT of RM0.5 million, representing a decrease of RM11.1 million against last year's corresponding quarter, mainly attributable by:-

Description	RM' 000	Note
Decrease in gross profit	(21,030)	1
Decrease in other operating income	(1,302)	2
Decrease in administrative and other expenses	9,905	2
Decrease in finance costs	1,308	
Net decrease in PBT	(11,119)	

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 disposal loss on PPE (Q4'17:Nil: Q4'16:RM5.2 million)*

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17. VARIATION IN RESULTS AGAINST PRECEDING QUARTER

	Current Fourth (4 th) Quarter 30 June 2017 RM'000	Current Third (3 rd) Quarter 31 Mar 2017 RM'000	Variance	
			RM'000	%
Revenue	29,305	61,385	(32,080)	(52.26)
PBT	528	1,860	(1,332)	(71.61)

For the current quarter under review, in comparison with the preceding quarter, the Group registered a decrease in revenue of approximately 52.26%. The decrease in revenue was mainly due to lesser of land disposal recognition in the current year quarter (Q4' 17: RM Nil, FPE Q3'17: RM45.4 million).

The Group registered PBT of RM0.5 million (FPE Q3 '2017 PBT: RM1.9 million) representing a decrease of RM1.3 million. The decrease was mainly due to:-

Description	RM'000	Note
Increase in gross profit	2,720	1
Decrease in other operating income	67	
Increase in administrative and other expenses	(3,977)	2
Increase in finance costs	(142)	
Net decrease in PBT	(1,332)	

Notes:-

- (1) Increase in gross profit was mainly due to realisation of partial unrealised profit that has been eliminated previously upon consolidation in Project DMDI. This eliminated profit in turn will generate higher land sales profit upon completion of each tranche of the SPA(s).
- (2) Increase in administrative and other expenses was mainly due to impairment loss on PPE (Q4 '17:RM7.3 million, Q3 '17:Nil).

18. PROSPECTS

Despite the prevailing challenges 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. The positive outlook is in sync with the continued and sustained recovery of the overall economy and is 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 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 RM68.5 million has yet to be recognised as revenue, will ensure that the Group has a stable stream of revenue of approximately RM155.1 million which can be recognised over 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 attracting strong interest from the market. The first 100-acre plot is currently undergoing soil consolidation works using prefabricated vertical drains and sand surcharging to accelerate the consolidation process. It is expected that this 100-acre parcel will be fully ready for topside construction works by the first quarter of 2018 and the Management is currently in discussions with a number of interested parties, including large international players, to build and operate oil storage terminals at TPMIP.

18. PROSPECTS (CONT'D)

To date, the Group also has in excess of over 200 acres of land bank in Melaka already reclaimed, issued with land titles and available for sale, and more than 200 acres which have yet to be reclaimed under its own 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 river-fronting land reclaimed by the Group in Pulau Indah, Port Klang, measuring approximately 90 acres have also garnered strong interest and demand due to their strategic location, being adjacent to the Pulau Indah Highway, and in close proximity to Westports, one of Malaysia's busiest ports. Management is confident that some of these land banks can be monetised in the near to medium term.

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 approval from the DOE on 7 January 2016 to proceed. The Management is bullish on PMIP's potential due to its close proximity to Petronas' RAPID project, which is slated to come on-stream in the first quarter of 2019, whereupon PMIP will be well placed to capture the spill-over demand for downstream support services which are necessitated by such a catalytic development like RAPID.

With energy deals picking up pace more broadly in recent months and as the oil and gas industry is gradually becoming more optimistic on a global scale, the Group's two (2) main flagship projects in Johor, namely 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.

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	1,381	4,379
Other income including investment income	268	1,746
Interest expense	(4,296)	(17,366)
Depreciation	(3,789)	(14,375)
Reversal of impairment losses of receivables	-	722
Gain on disposal of fixed assets	1,034	1,514
Gain on disposal of unit trust	-	20
Unrealised exchange loss – net	(2,247)	(3,312)
Realised exchange loss – net	(1,157)	(2,946)
Write-off of inventories	(222)	(222)
Write-down of inventories	(3,175)	(3,175)
Impairment losses of assets	(7,200)	(7,302)
Write-off of PPE	(445)	(445)
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	(25)	(3,846)
- Deferred tax	(201)	(175)
Current year provision		
- Income tax	2,224	(13,053)
- Deferred tax	(217)	7,086
	1,781	(9,988)
Effective tax rate (%)	-	⁽¹⁾ 46.84

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	-	(104,388)	42,112	28.75	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	-	(139,058)	42,112	23.24		

(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 30 June 2017 presented as follows:-

	RM'000
Long Term Borrowings	
Secured:-	
• Hire purchase and lease creditors	7,396
• Term loans	10,187
	17,583
	RM'000
Short Term Borrowings	
Secured:-	
• Term loans	895
• Hire purchase and lease creditors	5,651
• Trust receipt	710
	7,256
 (1) Total	24,839

Note:-

(1) The borrowings are denominated in Ringgit Malaysia.

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24. MATERIAL LITIGATION

- (a) On 30 April 2015, Benalec Sdn Bhd ('BSB'), a wholly-owned subsidiary of Benalec Holdings Berhad, 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 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, Benalec Holdings Berhad ('BHB') and its wholly-owned subsidiary, Benalec Sdn Bhd ('BSB') 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 (collectively referred to as '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, Benalec Sdn Bhd ('BSB') and its wholly-owned subsidiary, OG Marine Sdn Bhd ('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, Benalec Sdn Bhd ('BSB'), a wholly-owned subsidiary of Benalec Holdings Berhad 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.

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.

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24. MATERIAL LITIGATION (CONT'D)

- (e) Benalec Construction Sdn Bhd ('BCSB') and Benalec Diversity Sdn Bhd ('BDSB') (collectively referred to as 'Defendants'), both wholly-owned subsidiaries of Benalec Sdn Bhd, which in turn is a wholly-owned subsidiary of Benalec Holdings Berhad, had on 3 August 2017 and 7 August 2017 respectively, been served with two (2) separate Writ of Summons and Statements of Claims (collectively referred to as 'Actions') by Hailong Shipping Sdn Bhd ('Plaintiff').

The Actions pertains to the Plaintiff's alleged claim for the retention sum arising from two (2) work contracts entered into between the Plaintiff and the Defendants, wherein the Plaintiff was responsible for carrying out sand deliveries for Defendants from the sand concession area to the Defendants' land reclamation project sites.

In relation to the BCSB Writ, the Plaintiff's claims against BCSB are as follows:

- a. Settlement of an outstanding balance amount of RM285,904.75;
- b. Interest on the outstanding amount at the rate of 5% per annum from the date of filing of the writ until the date of completion of the Action;
- c. Cost of this Action; and
- d. Any other order or relief that the Court deems just and proper.

In relation to the BDSB Writ, the Plaintiff's claims against BDSB are as follows:

- a. Settlement of an outstanding balance amount of RM117,626.46;
- b. Interest on the outstanding amount at the rate of 5% per annum from the date of filing of the writ until the date of completion of the Action;
- c. Cost of this Action; and
- d. Any other order or relief that the Court deems just and proper.

The Group takes the view that it has strong and compelling arguable cases against the Plaintiff and is currently in the process of procuring advice from its legal counsel. Further, the Board and the Management are of the opinion that the Actions have minimal potential financial and operational impact, as the maximum expected claim arising from the Actions, if any, is insignificant (as quantified above) and the Group has more than adequate resources to meets this commitment if circumstances so dictate.

25. DIVIDEND

The Board does not recommend any interim dividend for the current period ended 30 June 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 30-06-2017	Ended 30-06-2016	Ended 30-06-2017	Ended 30-06-2016
Net profit attributable to equity holders of the parents for the period (RM'000)	1,708	4,531	9,691	17,118
Weighted average number of ordinary shares ('000)	799,109	799,125	799,109	799,125
Basic EPS (sen)	0.2	0.6	1.2	2.1

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 30-06-2017	Ended 30-06-2016	Ended 30-06-2017	Ended 30-06-2016
Net profit attributable to equity holders of the parents for the period (RM'000)	1,708	4,531	9,691	17,118
Weighted average number of ordinary shares as per basic EPS ('000)	799,109	799,125	799,109	799,125
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	799,125	799,109	799,125
Diluted EPS (sen)	0.2	0.6	1.2	2.1

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 30-06-2017 (Unaudited) RM'000	As at 30-06-2016 (Audited) RM'000
Total retained profits of the Company and its subsidiaries:-		
• realised	327,329	341,811
• unrealised	1,759	(4,255)
	<u>329,088</u>	<u>337,556</u>
Add: Consolidation adjustments	25,348	12,539
	<u><u>354,436</u></u>	<u><u>350,095</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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