



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD (3rd) QUARTER ENDED 31 MARCH 2018**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD (3RD) QUARTER ENDED 31 MARCH 2018

	Individual Quarter		Cumulative Quarter	
	(Unaudited) Current Year Quarter Ended 31-03-2018 RM'000	(Unaudited) Preceding Year Quarter Ended 31-03-2017 RM'000	(Unaudited) Current Year To Date 31-03-2018 RM'000	(Unaudited) Preceding Year To Date 31-03-2017 RM'000
Revenue	39,645	61,385	88,897	239,865
Cost of sales	(27,951)	(46,897)	(55,864)	(178,098)
Gross profit	11,694	14,488	33,033	61,767
Other operating income	13,846	6,568	26,948	18,206
Administrative and other expenses	(14,269)	(15,042)	(34,233)	(46,107)
Profit from operations	11,271	6,014	25,748	33,866
Finance costs	(4,531)	(4,154)	(13,344)	(13,070)
Profit before tax ("PBT")	6,740	1,860	12,404	20,796
Tax income/(expense)	(5,128)	(1,131)	(6,115)	(11,769)
Profit for the financial period	1,612	729	6,289	9,027
Other comprehensive income, net of tax:-				
<i>Items that may be reclassified subsequently to profit or loss</i>				
• Fair value gain/(loss) on available-for-sale financial assets	-	(2)	5	8
• Foreign currency translations	(5,984)	(2,413)	(14,002)	10,157
Total comprehensive income	(4,372)	(1,686)	(7,708)	19,192
Profit attributable to:-				
• Owners of the parent	897	788	4,322	7,983
• Non-controlling interests	715	(59)	1,967	1,044
	1,612	729	6,289	9,027
Total comprehensive income attributable to:-				
• Owners of the parent	(4,734)	(1,627)	(8,878)	18,148
• Non-controlling interests	362	(59)	1,170	1,044
	(4,372)	(1,686)	(7,708)	19,192
Earnings per ordinary share attributable to equity holders of the Company (sen)				
• Basic	0.1	0.1	0.5	1.0
• Diluted	0.1	0.1	0.5	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 2017 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Unaudited As at 31-03-2018 RM'000	Audited As At 30-06-2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	191,022	212,843
Other investments	53	49
Deferred tax assets	17,934	13,990
	<u>209,009</u>	<u>226,882</u>
Current assets		
Inventories	258,551	296,091
Land reclamation work in progress	393,887	287,043
Trade and other receivables	343,490	235,866
Current tax assets	1,336	9,432
Deposit with licensed bank	146,770	144,210
Short term funds	140	137
Cash and bank balances	1,630	9,100
	<u>1,145,804</u>	<u>981,879</u>
TOTAL ASSETS	<u>1,354,813</u>	<u>1,208,761</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	360,489	360,489
Non-distributable reserves	(101,396)	(89,857)
Distributable reserve	355,640	354,436
Total equity attributable to owners of the parent	<u>614,733</u>	<u>625,068</u>
Non-controlling interests	12,830	11,660
TOTAL EQUITY	<u>627,563</u>	<u>636,728</u>
LIABILITIES		
Non-current liabilities		
Redeemable convertible secured bonds	163,138	157,830
Borrowings	14,722	17,583
Deferred tax liabilities	7,926	8,706
	<u>185,786</u>	<u>184,119</u>
Current liabilities		
Trade and other payables	266,614	210,314
Borrowings	18,195	7,256
Deferred revenue	256,648	170,297
Current tax liabilities	7	47
	<u>541,464</u>	<u>387,914</u>
TOTAL LIABILITIES	<u>727,250</u>	<u>572,033</u>
TOTAL EQUITY AND LIABILITIES	<u>1,354,813</u>	<u>1,208,761</u>
Net assets per share attributable to ordinary equity holders of the company (RM)	<u>0.78</u>	<u>0.78</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 2017 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												
	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 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	-	-	-	-	-	-	-	-	7,983	7,983	1,044	9,027	
Fair value loss of the available-for-sale financial assets, net of tax	-	-	-	-	-	-	8	-	-	8	-	8	
Foreign currency translations, net of tax	-	-	-	10,157	-	-	-	-	-	10,157	-	10,157	
Total comprehensive income	-	-	-	10,157	-	-	8	-	7,983	18,148	1,044	19,192	
Transactions with owners:-													
• Option forfeited under the Share Issuance Scheme	-	-	-	-	-	-	-	-	-	-	-	-	
• Shares repurchased	-	(9)	-	-	-	-	-	-	-	(9)	-	(9)	
• Dividend paid	-	-	-	-	-	-	-	-	(5,594)	(5,594)	-	(5,594)	
• Subscription of new shares by non-controlling interest	-	-	-	-	-	-	-	-	-	-	49	49	
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	

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 31 MARCH 2018 (“CONT’D”)

	← ATTRIBUTABLE TO OWNERS OF THE PARENT →							Distributable Reserve	Total RM'000	Non-Controlling Interests Total RM'000	Total RM'000
	Non-Distributable Reserve			Distributable Reserve							
	Share Capital ⁽¹⁾ RM'000	Treasury Share 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	Non-Controlling Interests Total RM'000	Total RM'000
As at 1 July 2017	360,489	(12,699)	42,026	(146,070)	1,674	(14)	25,226	354,436	625,068	11,660	636,728
Profit for the financial year	-	-	-	-	-	-	-	4,322	4,322	1,967	6,289
Fair value of the available-for-sale financial assets, net of tax	-	-	-	-	-	5	-	-	5	-	5
Foreign currency translations, net of tax	-	-	(13,206)	-	-	-	-	-	(13,206)	(796)	(14,002)
Total comprehensive income	-	-	(13,206)	-	-	5	-	4,322	(8,879)	1,171	(7,708)
Transactions with owners:-											
• Option forfeited under the Share Issuance Scheme	-	-	-	-	(78)	-	-	78	-	-	-
• Option granted under the Share Issuance Scheme	-	-	-	-	1,745	-	-	-	1,745	-	1,745
• Shares repurchased	-	(4)	-	-	-	-	-	-	(4)	-	(4)
• Dividend paid	-	-	-	-	-	-	-	(3,196)	(3,196)	-	(3,196)
As at 31 March 2018	360,489	(12,703)	34,452	(146,070)	3,340	(9)	25,226	355,640	614,733	12,830	627,563

Note 1:-

With the Companies Act 2016 (the “Act”) coming into effect on 31 January 2017, the credit standing in the share premium account of RM157,537,902 has been transferred to the share capital account. Pursuant to the provisions set out in Section 618(3) of the Act, the Company may within 24 months from the commencement of the Act, exercise its right to use the credit amounts being transferred from share premium.

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements financial year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 31 MARCH 2018**

	Unaudited 31 Mar 2018 RM'000	Unaudited 31 Mar 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,404	20,796
Adjustments for:-		
Depreciation of property, plant and equipment	10,952	10,586
Impairment losses on property, plant and equipment	4,000	102
(Gain)/loss on disposal of property, plant and equipment	363	(480)
Gain on disposal of unit trust	-	(20)
Non-cash and operating items	4,996	15,550
Operating profit before changes in working capital	32,715	46,534
Changes in working capital:-		
Inventories	(3,870)	-
Land reclamation work in progress	(106,844)	(79,162)
Land held for sale	41,410	93,586
Trade and other receivables	(104,444)	138,965
Trade and other payables	59,326	15,401
Deferred revenue	86,350	(181,173)
Cash generated from operations	4,643	34,151
Tax paid – net	(2,783)	(10,497)
Net cash generated from/(used in) operating activities	1,860	23,654
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividend received	2,705	3,076
Proceed from disposal of property, plant and equipment	-	869
Proceed from disposal of unit trust	-	20
Placement of short-term fund	(3)	-
Placement of deposits – pledged	-	1,725
(Placement)/Withdrawal of deposits charged in favour of the Security Trustee pursuant to RCSB	(2,652)	(1,698)
Purchase of property, plant and equipment	(4,842)	(6,573)
Net cash (used in)/ generated from investing activities	(4,792)	(2,581)
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings and hire purchase	10,952	7,550
Repayment of borrowings and hire purchase	(2,873)	(24,720)
Dividend paid	(3,196)	(9,396)
Interest paid	(8,036)	(5,594)
Funding from NCI	-	49
Shares repurchased	(4)	(9)
Net cash (used in) financing activities	(3,157)	(32,120)
Net (decrease)/increase in cash and cash equivalents	(6,089)	(11,047)
Cash and cash equivalents at beginning of period	9,232	25,105
Effects of exchange rate changes	(1,472)	(3,241)
Cash and cash equivalents at the end of period	1,671	10,817

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 31 MARCH 2018 (CONT'D)**

	Unaudited 31 Mar 2018 RM'000	Unaudited 31 Mar 2017 RM'000
Cash and cash equivalents comprise the following:-		
Cash and bank balances	1,630	4,907
Deposit with licensed bank	146,770	141,139
	<u>148,400</u>	<u>146,046</u>
Less: Deposits pledged as collateral	(22,724)	(22,206)
Less: Deposits charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds	(124,005)	(113,023)
	<u><u>1,671</u></u>	<u><u>10,817</u></u>

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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 2017. 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 2017.

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 2017.

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 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
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
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 31 March 2018.

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 2018.

7. DIVIDENDS PAID

At the Twelve (12th) Annual General Meeting of the Company, a final tax exempt (single tier) dividend in respect of the financial year ended 30 June 2017 of 0.4 sen on 799,087,100 ordinary shares, amounting to RM3,196,348.28 was approved by shareholders on 22 November 2017 and paid on 2 February 2018 to shareholders whose name appear on the Record of Depositors on 5 January 2018.

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8. SEGMENTAL REPORTING

The Group's segmental report for the current financial period ended 31 March 2018 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	1,353	62,375	25,169	-	-	-	88,897
Inter - segment sales	108,924	-	6,807	-	-	(115,731)	-
Total revenue	110,277	62,375	31,976	-	-	(115,731)	88,897
Results							
Segment results	(383)	19,097	4,936	517	(1,125)	-	23,042
Interest and dividend income	30	-	3	14	2,659	-	2,706
Finance costs	(1,243)	-	-	(62)	(12,039)	-	(13,344)
Profit/(Loss) before tax	(1,596)	19,097	4,939	469	(10,505)	-	12,404
Income tax expense	(3,005)	(4,193)	290	22	771	-	(6,115)
(Loss)/Profit for the period	(4,601)	14,904	5,229	491	(9,734)	-	6,289
Other information							
• Depreciation	6,055	-	195	4,702	-	-	10,952

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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 2018.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENT

There were no material events subsequent to the current financial quarter ended 31 March 2018 and up to 21 May 2018, 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 RM0.42.

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)
30 Aug 2017	Share buyback ⁽¹⁾	(10,000)	0.42	(4,249)
		(10,000)	0.42	(4,249)

Note (1):-

As at 31 March 2018, the Company holds 12,715,400 shares as treasury shares at an average price of RM1.00.

11.1.2 Share Issuance Scheme

On 18 July 2017, the Group announced that 17,680,000 options have been offered to its eligible Directors and employees 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.

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 2018, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS
RM'000

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

22,745
14. CAPITAL COMMITMENTS
RM'000

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

Contracted but not provided for

7,204
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 31-03-2018
	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⁾	1,353	71,246
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 is entitled 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 2018 RM'000	Previous Third (3 rd) Quarter 31 Mar 2017 RM'000	Variance	
			RM'000	%
Revenue	88,897	239,865	(150,968)	(62.94)
PBT	12,404	20,796	(8,392)	(40.35)

For the cumulative nine (9) months ended 31 March 2018, the Group has recorded a decrease in revenue against the corresponding period for last year, with total revenue registered at RM88.9 million (FPE Q3'2017: RM239.9 million). The decrease in revenue was mainly due to lesser land disposal recognition in the current period (FPE Q3'2018: RM59.0 million; FYE Q3'2017: RM171.0 million).

In the meantime, significant reclamation works have been undertaken by the subsidiaries of the Group for our projects located at Tanjung Piai and Pengerang (both in Johor), whereby approximately RM393.9 million of development costs have been incurred and capitalised as land reclamation work in progress. As the Development Agreements for both these projects (which grant us the exclusive right to undertake the reclamation and development of the projects) were entered into with the State Government of Johor directly, no revenue or profit can be recognised throughout the reclamation and development process according to accounting standards. Any revenue or profit can only be recognised upon successful disposal and/or leasing of the said land to third parties.

For the cumulative 9 months, the Group recorded a PBT of RM12.4 million, representing a decrease of approximately RM8.3 million against the corresponding period for last year, mainly attributable to the following:-

Description	RM'000	Note
Decrease in gross profit	(28,733)	1
Increase in other operating income	8,741	2
Decrease in administrative and other expenses	11,875	2
Increase in finance costs	(275)	
Net decrease in PBT	(8,392)	

Notes:-

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

	Q3'18 RM'mil	Q3'17 RM'mil	Variance RM'mil
Reversal of impairment losses of receivables	3.1	0	3.1
Unrealised & realised gain/(loss) on forex (nett)	2.2	(7.3)	9.5
Sale of vessel & Machinery parts	7.1	-	7.1
Disposal of non-current assets	1.8	0.5	1.3
	<u>14.2</u>	<u>(6.8)</u>	<u>21.0</u>

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 2018 RM'000	Previous Third (3 rd) Quarter 31 Mar 2017 RM'000	Variance	
			RM'000	%
Revenue	39,645	61,385	(21,740)	(35.42)
PBT	6,740	1,860	4,880	262.37

For the current quarter under review, the Group recorded a decrease of revenue by 35.42% against last year's corresponding quarter, with total revenue registered at RM39.6 million. The decrease in revenue was mainly due to lesser land disposal recognition in the current period (FPE Q3'2018: RM28.5 million; FYE Q3'2017: RM43.3 million).

The current quarter recorded a PBT of RM6.7 million, representing an increase of RM4.9 million against last year's corresponding quarter, mainly attributable by:-

Description	RM' 000	Note
Decrease in gross profit	(2,792)	1
Increase in other operating income	7,278	2
Decrease in administrative and other expenses	772	2
Increase in finance costs	(378)	
Net Increase in PBT	4,880	

Notes:-

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

	Q3'18 RM'mil	Q3'17 RM'mil	Variance RM'mil
<i>Unrealised/realised (loss) on forex (nett)</i>	-	0.4	(0.4)
<i>Loss on disposal PPE</i>	1.8	-	1.8
<i>Sale of vessel and machinery parts</i>	7.1	-	7.1
	<u>8.9</u>	<u>0.4</u>	<u>8.5</u>

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17. VARIATION IN RESULTS AGAINST PRECEDING QUARTER

	Current Third (3 rd) Quarter 31 Mar 2018 RM'000	Previous Second (2 nd) Quarter 31 Dec 2017 RM'000	Variance	
			RM'000	%
Revenue	39,645	39,023	622	1.59
PBT	6,740	3,345	3,395	101.49

For the current quarter under review, in comparison with the preceding quarter, the Group registered an increase in revenue of approximately RM0.6 million. The increase in revenue was mainly due to higher income from vessel chartering (Q3'18: RM10.7 million, FPE Q2'18: RM6.2 million).

The Group registered a PBT of RM6.7 million (FPE Q2 '2018 PBT: RM3.3 million) representing an increase of RM3.4 million. The increase was mainly due to:-

Description	RM'000	Note
Decrease in gross profit	(1,511)	1
Increase in other operating income	5,668	2
Increase in administrative and other expenses	(688)	2
Increase in finance costs	(74)	
Net increase in PBT	3,395	

Notes:-

- (1) Decrease in gross profit was mainly due to decrease in profit margin on disposal of land.
 (2) Increase in other income as well as admin and other expenses were mainly due to:

	Q3'18 RM'mil	Q2'18 RM'mil	Variance RM'mil
Sale of vessels and machinery parts	7.1	-	7.2
Unrealised & realised loss on forex (nett)	-	2.0	(2.0)
	<u>7.1</u>	<u>2.0</u>	<u>5.1</u>

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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. The positive outlook is in sync with the continued and sustained recovery of the overall economy and is based on the fact that 101.83 acres of land, forming the subject matter of Sale & Purchase Agreements (“Land Sale SPAs”) already signed, will generate sales revenue of approximately RM127.91 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, as well as a new rock revetment contract of RM20.33 million secured in April 2018, will ensure that the Group has a stable stream of revenue of approximately RM216.74 million to be recognised.

To date, the Group also has in excess of 150 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.

Further to that, the Group’s Tanjung Piai Maritime Industrial Park (“TPMIP”) project, has commenced since the DOE’s approval on its DEIA was secured. The Management is currently in discussions with a number of interested parties, including big international players, to build and operate oil storage terminals on the first 100-acre plot at 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 approval from the DOE and reclamation works are currently underway. 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.

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20. PROFIT / (LOSS) FOR THE PERIOD

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

	Current Quarter RM'000	Year-To-Date RM'000
Interest income	993	2,699
Other income including investment income	7,524	8,300
Interest expense	(4,531)	(13,344)
Depreciation	(3,548)	(10,952)
Impairment of property, plant and equipment	(4,000)	(4,000)
Reversal of impairment losses of receivables	-	3,179
Provision for and write off of inventories	N/A	N/A
Gain or Loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Unrealised exchange gain – net	1,085	4,209
Realised exchange loss – net	(1,065)	(1,974)
Loss on disposal of property, plant and equipment	1,789	1,449
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

Note:

N/A = Not applicable.

21. TAXATION

	Current Quarter RM'000	Year-To-Date RM'000
Over/ (Under) provision in prior year		
- Income tax	(1,862)	(1,862)
- Deferred tax	112	112
Current year provision		
- Income tax	(5,830)	(8,979)
- Deferred tax	2,452	4,614
	(5,128)	(6,115)
Effective tax rate (%)	⁽¹⁾ 76.08	⁽¹⁾ 49.30

Note:-

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

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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.

(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 2018 presented as follows:-

	RM'000
Long Term Borrowings	
Secured:-	
• Hire purchase and lease creditors	4,155
• Term loans	10,567
	<u>14,722</u>
	RM'000
Short Term Borrowings	
Secured:-	
• Term loans	761
• Revolving Credit	10,000
• Hire purchase and lease creditor	4,398
• Trust receipt	3,036
	<u>18,195</u>
(1) Total	<u>32,917</u>

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 trial of this suit has been completed on 29 March 2018. Subsequently, the Court fixed a date for Decision/Clarification on 2 August 2018.

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) 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.

24. MATERIAL LITIGATION (CONT'D)

The Group had also served a sealed Writ of Summons and Statement of Claims against the Plaintiff on 18 September 2017 for the recovery of, inter alia, the sum of RM565,908.56 and the interest on the said sum at such rate and for such period deemed fit by the Court.

The Group has instructed its legal counsel to file an application to consolidate this case with the BCSB Writ and BDSB Writ. On 23 April 2018, the learned judge granted orders for the consolidation and also ordered that the costs be in the cause. Later, during mention on 14 May 2018, the following transpired;

- a. the counsel for the Plaintiff informed the Judge that his client and the Group are willing and ready to mediate the matters in view of a settlement; and
- b. thereafter he moved the court to inform that the parties will apply for a mediation from the Mediation Centre at Melaka Court Complex.

After hearing the counsel, the Judge directed that the Plaintiff and the Group in the above matters to submit the relevant forms in the Mediation Centre to fix the matters for mediation. The Judge did not give any further date pending settlement.

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 meet this commitment if circumstances so dictate.

25. DIVIDEND

The Board does not recommend any interim dividend for the current period ended 31 March 2018.

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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 31-03-2018	Ended 31-03-2017	Ended 31-03-2018	Ended 31-03-2017
Net profit attributable to equity holders of the parents for the period (RM'000)	897	788	4,322	7,983
Weighted average number of ordinary shares ('000)	799,089	799,109	799,089	799,109
Basic EPS (sen)	0.1	0.1	0.5	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 31-03-2018	Ended 31-03-2017	Ended 31-03-2018	Ended 31-03-2017
Net profit attributable to equity holders of the parents for the period (RM'000)	897	788	4,322	7,983
Weighted average number of ordinary shares as per basic EPS ('000)	799,089	799,109	799,089	799,109
Effect of dilution on shares under :	-	-	-	-
- Share Issuance Scheme ('000)	(1)	(1)	(1)	(1)
- Redeemable Convertible Secured Bonds (“RCSB”) ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	799,089	799,109	799,089	799,109
Diluted EPS (sen)	0.1	0.1	0.5	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 31-03-2018 (Unaudited) RM'000	As at 31-03-2017 (Unaudited) RM'000
Total retained profits of the Company and its subsidiaries:-		
• realised	339,631	349,054
• unrealised	14,217	142
	<u>353,848</u>	<u>349,196</u>
Add: Consolidation adjustments	1,792	3,288
	<u>355,640</u>	<u>352,484</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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