



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND (2nd) QUARTER ENDED 31 DECEMBER 2018**

| TABLE OF CONTENTS | PAGE |
|---|-------------|
| UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2 ND) QUARTER ENDED 31 DECEMBER 2018 | 1 |
| UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 | 2 |
| UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2 ND) QUARTER ENDED 31 DECEMBER 2018 | 3 |
| UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR SECOND (2 ND) QUARTER ENDED 31 DECEMBER 2018 | 5 |
| NOTES TO THE INTERIM FINANCIAL REPORT | 7 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2018

| | Individual Quarter | | Cumulative Quarter | |
|--|---|---|---|---|
| | (Unaudited) Current Year Quarter Ended 31-12-2018 RM'000 | (Unaudited) Preceding Year Quarter Ended 31-12-2017 RM'000 | (Unaudited) Current Year To Date 31-12-2018 RM'000 | (Unaudited) Preceding Year To Date 31-12-2017 RM'000 |
| Revenue | 4,801 | 39,023 | 28,675 | 49,252 |
| Cost of sales | (11,466) | (25,816) | (24,595) | (27,913) |
| Gross profit | (6,665) | 13,207 | 4,080 | 21,339 |
| Other operating income | 14,992 | 8,176 | 17,758 | 13,102 |
| Administrative and other expenses | (7,792) | (13,580) | (17,627) | (19,964) |
| Profit from operations | 535 | 7,803 | 4,211 | 14,477 |
| Finance costs | (5,057) | (4,458) | (10,045) | (8,813) |
| (Loss)/Profit before tax ("PBT") | (4,522) | 3,345 | (5,834) | 5,664 |
| Tax income/(expense) | 2,168 | (352) | 1,691 | (987) |
| (Loss)/Profit for the financial period | (2,354) | 2,993 | (4,143) | 4,677 |
| 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 | (8) | - | (16) | 5 |
| • Foreign currency translations | (323) | (5,535) | 2,676 | (8,018) |
| Total comprehensive income | (2,685) | (2,542) | (1,482) | (3,336) |
| Profit attributable to:- | | | | |
| • Owners of the parent | (2,008) | 2,567 | (4,004) | 3,425 |
| • Non-controlling interests | (346) | 540 | (139) | 1,252 |
| | (2,354) | 3,107 | (4,143) | 4,677 |
| Total comprehensive income attributable to:- | | | | |
| • Owners of the parent | (2,335) | (3,082) | (1,563) | (4,144) |
| • Non-controlling interests | (350) | 540 | 81 | 808 |
| | (2,685) | (2,542) | (1,482) | (3,336) |
| Earnings per ordinary share attributable to equity holders of the Company (sen) | | | | |
| • Basic | (0.24) | 0.20 | (0.48) | 0.40 |
| • Diluted | (0.24) | 0.20 | (0.48) | 0.40 |

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 2018 and the accompanying explanatory notes attached to the interim financial reports.

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

| | Unaudited As at 31-12-2018 RM'000 | Audited As at 30-06-2018 RM'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 162,889 | 169,003 |
| Other investments | 31 | 46 |
| Deferred tax assets | 19,842 | 17,620 |
| | 182,762 | 186,669 |
| Current assets | | |
| Inventories | 243,791 | 249,536 |
| Land reclamation work in progress | 412,870 | 405,735 |
| Trade and other receivables | 289,463 | 245,764 |
| Current tax assets | 7,896 | 7,101 |
| Deposit with licensed bank | 154,654 | 143,409 |
| Short term funds | 144 | 141 |
| Cash and bank balances | 850 | 13,359 |
| | 1,109,668 | 1,065,045 |
| Non-current assets held for sale | - | 11,279 |
| TOTAL ASSETS | 1,292,430 | 1,262,993 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 371,489 | 365,489 |
| Non-distributable reserves | (93,102) | (95,851) |
| Distributable reserve | 347,649 | 351,404 |
| Total equity attributable to owners of the parent | 626,036 | 621,042 |
| Non-controlling interests | 13,839 | 13,759 |
| TOTAL EQUITY | 639,875 | 634,801 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Redeemable convertible secured bonds | 168,809 | 164,973 |
| Borrowings | 14,574 | 13,989 |
| Deferred tax liabilities | 6,881 | 7,337 |
| | 190,264 | 186,299 |
| Current liabilities | | |
| Trade and other payables | 208,405 | 239,202 |
| Borrowings | 33,648 | 17,223 |
| Deferred revenue | 220,156 | 185,388 |
| Current tax liabilities | 82 | 80 |
| | 462,291 | 441,893 |
| TOTAL LIABILITIES | 652,555 | 628,192 |
| TOTAL EQUITY AND LIABILITIES | 1,292,430 | 1,262,993 |
| Net assets per share attributable to ordinary equity holders of the company (RM) | 0.77 | 0.78 |

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 2018 and the accompanying explanatory notes attached to the interim financial reports.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2018

| | Non-Distributable Reserve | | | | | | Distributable Reserve | | | | |
|---|---------------------------|-----------------|--------------------------|-----------------------------|-----------------------|----------------------------|---------------------------------------|---------------------------------|----------------|---------------------------------|----------------|
| | Share Capital | Treasury Share | Foreign Exchange Reserve | Reverse Acquisition Reserve | Share Options Reserve | Available-For-Sale Reserve | Equity Component Of Convertible Bonds | Distributable Retained Earnings | Total | Non-Controlling Interests Total | Total |
| | 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 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 | - | - | - | - | - | - | - | 3,425 | 3,425 | 1,252 | 4,677 |
| Fair value of the available-for-sale financial assets, net of tax | - | - | - | - | - | 5 | - | - | 5 | - | 5 |
| Foreign currency translation, net of tax | - | - | (7,574) | - | - | - | - | - | (7,574) | (444) | (8,018) |
| Total comprehensive income | - | - | (7,574) | - | - | 5 | - | 3,425 | (4,144) | 808 | (3,336) |
| Transactions with owners:- | | | | | | | | | | | |
| • Option forfeited under the Share Issuance Scheme | - | - | - | - | (75) | - | - | 75 | - | - | - |
| • Options granted under the Share Issuance Scheme | - | - | - | - | 1,745 | - | - | - | 1,745 | - | 1,745 |
| • Share repurchased | - | (4) | - | - | - | - | - | - | (4) | - | (4) |
| • Dividend paid | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 December 2017 | 360,489 | (12,703) | 34,452 | (146,070) | 3,344 | (9) | 25,226 | 357,936 | 622,665 | 12,468 | 635,133 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2018 (“CONT’D”)

| | Non-Distributable Reserve | | | | | | Distributable Reserve | | | | |
|---|---------------------------|--------------------------|------------------------------------|---------------------------------------|---------------------------------|--------------------------------------|---|---|-----------------|--|-----------------|
| | Share Capital 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 2018 | 365,489 | (12,703) | 34,635 | (146,070) | 3,077 | (16) | 25,226 | 351,404 | 621,042 | 13,759 | 634,801 |
| Profit for the financial year | - | - | - | - | - | - | - | (4,003) | (4,003) | (139) | (4,142) |
| Fair value of the available-for-sale financial assets, net of tax | - | - | - | - | - | (16) | - | - | (16) | - | (16) |
| Foreign currency translation, net of tax | - | - | 2,457 | - | - | - | - | - | 2,457 | 220 | 2,677 |
| Total comprehensive income | - | - | 2,457 | - | - | (16) | - | (4,003) | (1,563) | 81 | (1,482) |
| Transactions with owners:- | | | | | | | | | | | |
| • Option forfeited under the Share Issuance Scheme | - | - | - | - | (248) | - | - | 248 | - | - | - |
| • Options granted under the Share Issuance Scheme | 6,000 | - | - | - | 556 | - | - | - | 6,556 | - | 6,556 |
| As at 31 December 2018 | 371,489 | (12,703) | 37,092 | (146,070) | 3,385 | (32) | 25,226 | 347,649 | 626,036 | 13,839 | 639,875 |

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2018**

| | Unaudited 31-Dec-18 RM'000 | Unaudited 31-Dec-17 RM'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/Profit before tax | (5,834) | 5,664 |
| Adjustments for:- | | |
| Depreciation of property, plant and equipment | 6,898 | 7,404 |
| PPE written off | 28 | - |
| (Gain)/loss on disposal of property, plant and equipment | (11,948) | 340 |
| Impairment losses on other receivables and prepayments | 566 | - |
| Non-cash and operating items | 10,462 | 2,545 |
| Operating profit before changes in working capital | 172 | 15,953 |
| Changes in working capital:- | | |
| Inventories | (5,569) | (4,124) |
| Land reclamation work in progress | (7,135) | (84,458) |
| Land held for sale | 11,313 | 22,919 |
| Trade and other receivables | (44,275) | (110,118) |
| Trade and other payables | (33,783) | 60,875 |
| Deferred revenue | 34,767 | 106,009 |
| Cash generated from operations | (44,510) | 7,056 |
| Tax paid - net | (1,781) | (197) |
| Net cash generated from operating activities | (46,291) | 6,859 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Interest and dividend received | 1,505 | 1,710 |
| Proceed from disposal of property, plant and equipment | 29,022 | 18 |
| Placement of short term fund | (2) | (2) |
| Uplift of fixed deposits pledged with licensed financial institution | 500 | - |
| (Placement)/Withdrawal of deposits charged in favour of the Security Trustee pursuant to RCSB | (958) | (1,668) |
| Purchase of property, plant and equipment | (2,701) | (2,565) |
| Net cash used in investing activities | 27,365 | (2,507) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Drawdown of borrowings and hire purchase | 8,843 | 783 |
| Repayment of borrowings and hire purchase | (3,235) | (3,618) |
| Interest paid | (6,210) | (5,342) |
| Issuance of share capital | 6,000 | - |
| Shares repurchased | - | (4) |
| Net cash used in financing activities | 5,399 | (8,181) |
| Net (decrease)/increase in cash and cash equivalents | (13,527) | (3,829) |
| Cash and cash equivalents at beginning of period | 1,583 | 9,232 |
| Effects of exchange rate changes | 401 | (717) |
| Cash and cash equivalents at the end of period | (11,543) | 4,686 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)**

| | 31-Dec-18 | 31-Dec-17 |
|--|------------------------|---------------------|
| | RM'000 | RM'000 |
| Cash and cash equivalents comprise the following:- | | |
| Cash and bank balances | 849 | 3,731 |
| Deposit with licensed bank | 154,654 | 147,109 |
| Bank overdraft | (12,392) | (410) |
| | <u>143,110</u> | <u>150,430</u> |
| Less: Deposits pledged as collateral | (22,814) | (22,724) |
| Less: Deposits charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds | (131,840) | (123,020) |
| | <u>(11,543)</u> | <u>4,686</u> |

The rest of this page has been intentionally left blank

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED
 31 DECEMBER 2018**
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 2018. 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 2018.

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 2018.

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 |
|--|-----------------------|
| MFRS 16 Leases | 1 January 2019 |
| IC Interpretation 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Amendments to MFRS 9 Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015 - 2017 Cycle | 1 January 2019 |
| Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015 - 2017 Cycle | 1 January 2019 |
| Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015 - 2017 Cycle | 1 January 2019 |
| Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015 - 2017 Cycle | 1 January 2019 |
| Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

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

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

4. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial period ended 31 December 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 December 2018.

7. DIVIDENDS PAID

No dividend was paid during the current quarter ended 31 December 2018.

The rest of this page has been intentionally left blank

8. SEGMENTAL REPORTING

The Group's segmental report for the current financial period ended 31 December 2018 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 | 8,824 | 18,578 | 1,272 | - | - | - | 28,675 |
| Inter-segment sales | 3,843 | - | 184 | - | - | (4,027) | - |
| Total revenue | 12,668 | 18,578 | 1,456 | - | - | (4,027) | 28,675 |
| Results | | | | | | | |
| Segment results | (9,898) | 18,307 | (4,825) | (230) | (649) | - | 2,706 |
| Interest and dividend income | 6 | - | | 5 | 1,494 | - | 1,505 |
| Finance costs | (1,154) | - | | (6) | (8,886) | - | (10,045) |
| (Loss)/Profit before tax | (11,046) | 18,307 | (4,825) | (231) | (8,041) | - | (5,834) |
| Income tax expense | 2,655 | (1,118) | 48 | (448) | 554 | - | 1,691 |
| (Loss)/Profit for the period | (8,391) | 17,189 | (4,777) | (679) | (7,487) | - | (4,143) |
| Other information | | | | | | | |
| • Depreciation | (4,054) | - | (2,728) | (116) | - | - | (6,898) |

The rest of this page has been intentionally left blank

9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

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

There was no valuation of the property, plant & equipment in the current financial quarter ended 31 December 2018.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENT

There were no material events subsequent to the current financial quarter ended 31 December 2018 and up to 12 February 2019, 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 Issuance of shares

During the current financial period, the Company has issued 30,000,000 new ordinary shares at the issue price of RM0.20 per share via two (2) tranches of Private Placement. The details of the Private Placement are disclosed in Note 22.2 below.

11.1.2 Share buyback

There is no share buyback by the Company during the current financial period. As at 31 December 2018, the Company holds 12,715,400 shares held as treasury shares at an average price of RM1.00 per share.

11.2 End of Financial Period Ended 31 December 2018 Up to LPD

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

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 31 December 2018, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

The rest of this page has been intentionally left blank

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS
RM'000

| | |
|--|--------|
| Corporate guarantees given to licensed financial institutions For credit facilities granted to subsidiaries | 38,661 |
|--|--------|

14. CAPITAL COMMITMENTS
RM'000

| | |
|---|-------|
| Capital expenditure in respect of purchase of property, plant & equipment: Contracted but not provided for | 6,026 |
|---|-------|

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

| Nature of transactions ⁽¹⁾ | Transaction value based on billings RM'000 | Balance Outstanding as at 31-12-2018 RM'000 |
|--|---|---|
| Provision of marine construction works (payment in kind) to companies in which certain directors of the company have substantial financial interest ⁽²⁾ | 167 | 1,605 |
| Purchase of vessels from companies in which certain directors of the company have substantial financial interest | - | (46,579) |
| 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 undertaken. It would subsequently be reclassified as "land held for sale" following the alienation process.

The rest of this page has been intentionally left blank

16. REVIEW OF PERFORMANCE OF THE GROUP

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

| | Cumulative Second (2nd) Quarter 31-Dec-18 RM'000 | Cumulative Second (2nd) Quarter 31-Dec-17 RM'000 | Variance | |
|-----------|--|--|----------|----------|
| | | | RM'000 | % |
| Revenue | 28,675 | 49,252 | (20,577) | (41.78) |
| (LBT)/PBT | (5,834) | 5,664 | (11,498) | (203.00) |

For the cumulative six (6) months ended 31 December 2018, the Group has recorded a decrease in revenue against the corresponding period for last year, with total revenue registered at RM 28.7 million (FPE Q2'2018: RM49.3 million). The decrease in revenue was mainly due to a decrease in land disposal recognition in the current period (FPE Q2'2019: RM17.7 million, FPE Q2'2018: RM30.8 million) and a decrease in vessel chartering income of RM13.1 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 RM 412.9 million of development costs have been incurred and capitalised as land reclamation work-in-progress. As the Development Agreements for 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 six (6) months ended 31 December 2018, the Group recorded a LBT of RM5.8 million, representing a decrease of approximately RM11.5 million against the corresponding period for last year, mainly attributable to:-

| Description | RM'000 | Note |
|---|-----------------|------|
| Decrease in gross profit | (17,260) | 1 |
| Increase in other operating income | 4,657 | 2 |
| Decrease in administrative and other expenses | 2,338 | 2 |
| Increase in finance costs | (1,233) | |
| Net decrease in LBT | (11,498) | |

Notes:-

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

| | Cumulative Q2'19 RM'mil | Cumulative Q2'18 RM'mil | Variance RM'mil |
|---|-------------------------------|-------------------------------|--------------------|
| Unrealised/realised gain/(loss) on forex (net) | (3.0) | 2.2 | (5.2) |
| Gain on disposal of non-current assets (net) | 11.9 | - | 11.9 |
| Reversal of impairment losses on receivables | - | 3.2 | (3.2) |
| | 8.9 | 5.4 | 3.5 |

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

| | Current Second (2nd) Quarter 31-Dec-18 RM'000 | Previous Second (2nd) Quarter 31-Dec-17 RM'000 | Variance | |
|-----------|---|--|----------|----------|
| | | | RM'000 | % |
| Revenue | 4,801 | 39,023 | (34,222) | (87.70) |
| (LBT)/PBT | (4,522) | 3,345 | (7,867) | (235.19) |

For the current quarter under review, the Group recorded a decrease of revenue by 87.70% against last year's corresponding quarter, with total revenue registered at RM4.8 million. The decrease in revenue was mainly due to no land disposal recognition in the current period (FPE Q2'2019: Nil; FPE Q2'2018: RM30.8 million).

The current quarter recorded a LBT of RM4.5 million, representing a decrease of RM7.9 million against last year's corresponding quarter, mainly attributable by:-

| Description | RM'000 | Note |
|---|----------------|------|
| Decrease in gross profit | (19,872) | 1 |
| Increase in other operating income | 6,816 | 2 |
| Decrease in administrative and other expenses | 5,789 | 2 |
| Increase in finance costs | (600) | |
| Net decrease in PBT | (7,867) | |

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:*

| | Q2'19 RM'mil | Q2'18 RM'mil | Variance RM'mil |
|---|-----------------|-----------------|--------------------|
| <i>Unrealised/realised gain/(loss) on forex (net)</i> | - | 2.0 | (2.0) |
| <i>Gain on disposal of non-current assets (net)</i> | 11.9 | - | 11.9 |
| | 11.9 | 2.0 | 9.9 |

The rest of this page has been intentionally left blank

17. VARIATION IN RESULTS AGAINST PRECEDING QUARTER

| | Current Second (2nd) Quarter 31-Dec-18 RM'000 | Previous First (1st) Quarter 30-Sep-18 RM'000 | Variance | |
|---------|---|---|----------|---------|
| | | | RM'000 | % |
| Revenue | 4,801 | 23,874 | (19,073) | (79.89) |
| (LBT) | (4,522) | (1,311) | (3,211) | 244.93 |

For the current quarter under review, in comparison with the preceding quarter, the Group registered a decrease in revenue of approximately RM 19.1 million. The decrease in revenue was mainly due to no land disposal recognition in the current period (FPE Q2'2019: Nil, FPE Q1'2019: RM17.7 million).

The Group registered a LBT of RM 4.5 million, mainly attributable to:-

| Description | RM'000 | Note |
|---|----------------|------|
| Decrease in gross profit | (17,411) | 1 |
| Increase in other operating income | 12,227 | 2 |
| Decrease in administrative and other expenses | 2,043 | 2 |
| Increase in finance costs | (70) | |
| Net decrease in LBT | (3,211) | |

Notes:-

- (1) The decrease in gross profit was mainly due to the factor stated above.
 (2) The increase in other income and decrease in administrative and other expenses were mainly due to:

| | Q2'19 RM'mil | Q1'19 RM'mil | Variance RM'mil |
|---|-----------------|-----------------|--------------------|
| Unrealised/realised gain/(loss) on forex (net) | - | (3.0) | 3.0 |
| Gain on disposal of non-current assets (net) | 11.9 | - | 11.9 |
| | 11.9 | (3.0) | 14.9 |

The rest of this page has been intentionally left blank

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 112.38 acres of land, forming the subject matter of Sale & Purchase Agreements (“Land Sale SPAs”) already signed, will generate sales revenue of approximately RM152.18 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 the revenue yet to be recognised arising from several contracts secured in 2018, amounting of RM27.67 million (out of the total contract sum of RM38.33 million), will ensure that the Group has a stable stream of revenue of approximately RM248.36 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 Westport, 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 to sell and/or jointly develop 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, whereby it 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.

The rest of this page has been intentionally left blank

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 | 672 | 1,500 |
| Other income including investment income | 14,320 | 16,250 |
| Interest expenses | (5,057) | (10,045) |
| Depreciation | (3,416) | (6,898) |
| Impairment on other receivable | - | (566) |
| Write-off of property, plant and equipment | (28) | (28) |
| Gain or loss on disposal of quoted or unquoted investments or properties | N/A | N/A |
| Unrealised exchange loss - net | 49 | (2,288) |
| Realised exchange loss - net | (53) | (698) |
| Gain on disposal of property, plant and equipment | (11,948) | (11,948) |
| Gain or loss on derivatives | N/A | N/A |
| Exceptional items | N/A | N/A |

Note:

N/A = Not applicable.

21. TAXATION

| | Current Quarter | Year-To-Date |
|---------------------------------------|------------------------|---------------------|
| | RM'000 | RM'000 |
| Over/ (Under) provision in prior year | | |
| - Income tax | (1) | (1) |
| - Deferred tax | - | (98) |
| Current year provision | | |
| - Income tax | 345 | (986) |
| - Deferred tax | 1,824 | 2,776 |
| | <u>2,168</u> | <u>1,691</u> |
| Effective tax rate (%) | <u>-</u> | <u>-</u> |

The rest of this page has been intentionally left blank

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.

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

22.2 Proposed Private Placement

On 11 April 2018, the Company announced a proposal to undertake a private placement ("Private Placement") of up to 112,221,000 new ordinary shares in the Company, representing up to 10% of the total number of issued shares of the Company (excluding treasury shares).

As at LPD, the Company has issued a total of 50,000,000 new ordinary shares via three (3) tranches and the details of each tranche of the Private Placement is as per below:-

- (1) Issuance of 20,000,000 new ordinary shares at the issue price of RM0.25 per share on 29 June 2018 ("First Tranche");
- (2) Issuance of 15,000,000 new ordinary shares at the issue price of RM0.20 per share on 1 November 2018 ("Second Tranche"); and
- (3) Issuance of 15,000,000 new ordinary shares at the issue price of RM0.20 per share on 14 November 2018 ("Third Tranche")

The utilisation of the proceeds is as follows: -

| Details of Utilisation | Proposed Utilisation RM'000 (i) | Actual Utilisation RM'000 | Intended Timeframe for Utilisation | Deviation RM'000 | Deviation % | Note |
|---|------------------------------------|------------------------------|---------------------------------------|---------------------|----------------|------|
| Proceeds from the Private Placement | | | | | | |
| - First Tranche | | 5,000 | | | | |
| - Second Tranche | | 3,000 | | | | |
| - Third Tranche | | 3,000 | | | | |
| | | 11,000 | | | | |
| Land reclamation projects | 12,074 | (4,616) | Within 12 months | 7,458 | 62% | (ii) |
| Working capital requirements | 10,000 | (6,260) | Within 12 months | 3,740 | 37% | (ii) |
| Estimated expenses in relation to the Private Placement | 300 | (124) | Within 1 months | 176 | 59% | (ii) |
| Total Gross Proceeds | 22,374 | (11,000) | | 11,374 | 51% | |

Note: -

- (i) *The proposed utilisation is as per the Minimum Scenario detailed in the Company's announcement to Bursa Securities dated 11 April 2018.*
- (ii) *Bursa Securities had, via its letter dated 12 October 2018, resolved to grant the Company an extension of time until 26 April 2019 to complete the implementation of the Private Placement.*

23. BORROWINGS

The Group's borrowings as at 31 December 2018 presented as follows:-

| | RM'000 |
|-------------------------------------|----------------------|
| Long Term Borrowings | |
| Secured:- | |
| • Hire purchase and lease creditors | 3,686 |
| • Term loans | 10,888 |
| | <u>14,574</u> |
| | RM'000 |
| Short Term Borrowings | |
| Secured:- | |
| • Term loans | 865 |
| • Revolving Credit | 10,000 |
| • Hire purchase and lease creditors | 5,618 |
| • Trust receipt | 4,337 |
| • Invoice financing | 436 |
| • Bank Overdraft | 12,392 |
| | <u>33,648</u> |
| | |
| (1) Total | <u>48,222</u> |

Note:-

(1) The borrowings are denominated in Ringgit Malaysia.

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 24 October 2018.

The Group is pleased to announce that, during the decision in the Kuala Lumpur High Court on 30 October 2018, the learned Judge delivered his Lordship's judgment as follows:

- i. BSB counterclaim for specific performance of the Reclamation Agreement was allowed;
- ii. The learned Judge ordered SSB to pay costs of RM30,000.00 to BSB with the interest of 5% per annum on costs to be calculated from the date of judgement until the date of settlement; and
- iii. The learned judge also found that the termination of the Reclamation Agreement by SSB was unlawful on the basis that SSB had failed to prove fundamental breach of the Reclamation Agreement on the part of BSB which can justify the termination by SSB.

24. MATERIAL LITIGATION (CONT'D)

Additionally, the learned Judge substantially dismissed SSB's claim against BSB for a declaration that the Reclamation Agreement was lawful, for damages and other related relief.

On 15 November 2018, BSB filed an application to the High Court to seek clarification and/or consequential orders in respect of the Judgment delivered, particularly for an extension of time be given to BSB to complete the reclamation works under the Reclamation Agreement. During the clarification on 14 February 2019, the court has fixed for the decision on 8 March 2019.

Further, pending the outcome of the Clarification application, BSB filed a Notice of Appeal to the Court of Appeal to reserve its right to appeal. On the other hand, SSB also filed a Notice of Appeal to the Court of Appeal to appeal the High Court decision. The hearing date in the Court of Appeal have not been fixed yet.

- (b) Klebang Property Sdn Bhd ("Defendant"), a wholly-owned subsidiary of Benalec Sdn Bhd, which in turn is wholly-owned by Benalec, has been served with a Writ of Summons ("Writ") and a Statement of Claim ("SOC") dated 10 July 2018, filed by one individual named Mak Hoong Weng ("Plaintiff") through his solicitors against the Defendant. The Writ and SOC was served and received by the Defendant's Solicitor on 11 July 2018.

The Plaintiff's claim is for a refund of the sum of RM100,000.00 allegedly paid by the Plaintiff pursuant to an Offer to Purchase five (5) plots of land known as Plot 25, 26, 27, 28 & 29 in Pekan Klebang, Sek II, Daerah Melaka, Melaka Tengah dated 19 August 2011.

The Plaintiff's allegations in the SOC are that negotiations were initially in the works but subsequently the Defendant had failed, refused and/or neglected to follow through on the negotiation which otherwise would have led to a concluded Sale and Purchase Agreement and following that, had forfeited the Plaintiff's Deposit.

Thus, the Plaintiff is claiming for, inter alia, a refund of the Deposit and for other consequential and ancillary reliefs.

The Group has filed a Statement of Defence and Counterclaim through its solicitors against the Plaintiff. In its Counterclaim, the Defendant is seeking costs, damages, interest and any other reliefs as the Court deems fit, amongst others.

The Group had filed a striking-out application on 4 September 2018 on the grounds that the Plaintiff's action against Defendant is scandalous, frivolous and vexatious or may prejudice, embarrass or delay the fair trial of the action and an abuse of the process of the court and ought to be struck out. Subsequently, the Plaintiff filed and served a Notice of Application for summary judgment. On 22 October 2018, the Court dismissed the striking-out application with no order as to costs.

During the mediation on 20 December 2018, both the Plaintiff and the Defendant (the "Parties") had reached a settlement wherein the Defendant had agreed to pay a sum of RM70,000.00 as a full and final settlement between the Parties on a without prejudice and without admission of liability basis.

On 10 January 2019, the Plaintiff withdrew his claim without liberty to file a fresh and with no order as to costs. In return, the Defendant also withdrew its counterclaim against the Plaintiff without liberty to file afresh and with no orders as to costs.

On the same day, the Court struck out both the Plaintiff's claim and the Defendant's counterclaim 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 December 2018.

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 parent for the period divided by the weighted average number of ordinary shares and presented as below: -

| | Three (3) Months | | Year-to-date | |
|---|---------------------|---------------------|---------------------|---------------------|
| | Ended 31-12-2018 | Ended 31-12-2017 | Ended 31-12-2018 | Ended 31-12-2017 |
| Net profit attributable to equity holders of the parent for the period (RM'000) | (2,008) | 2,567 | (4,004) | 3,425 |
| Weighted average number of ordinary shares ('000) | 828,218 | 799,090 | 828,218 | 799,090 |
| Basic EPS (sen) | (0.24) | 0.10 | (0.48) | 0.10 |

26.2 Diluted EPS

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

| | Three (3) Months | | Year-to-date | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Ended 31-12-2018 | Ended 31-12-2017 | Ended 31-12-2018 | Ended 31-12-2017 |
| Net profit attributable to equity holders of the parent for the period (RM'000) | (2,008) | 2,567 | (4,004) | 3,425 |
| Weighted average number of ordinary shares as per basic EPS ('000) | 828,218 | 799,090 | 828,218 | 799,090 |
| 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) | 828,218 | 799,090 | 828,218 | 799,090 |
| Diluted EPS (sen) | (0.24) | 0.10 | (0.48) | 0.10 |

Note:-

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

27. REALISED AND UNREALISED PROFITS / (LOSSES) DISCLOSURE

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

| | As at 31-12-2018 (Unaudited) RM'000 | As at 31-12-2017 (Unaudited) RM'000 |
|--|--|--|
| Total retained profits of the Company and its subsidiaries:- | | |
| • realised | 324,558 | 331,313 |
| • unrealised | 10,673 | 6,307 |
| | <u>335,231</u> | <u>337,620</u> |
| Add: Consolidation adjustments | 12,418 | 17,674 |
| | <u><u>347,649</u></u> | <u><u>355,294</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.

The rest of this page has been intentionally left blank