



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020

| | Individual Quarter | | Cumulative Quarter | |
|--|---|---|---|---|
| | (Unaudited) Current Year Quarter Ended 31-03-2020 RM'000 | (Unaudited) Preceding Year Quarter Ended 31-03-2019 RM'000 | (Unaudited) Current Year To Date 31-03-2020 RM'000 | (Unaudited) Preceding Year To Date 31-03-2019 RM'000 |
| Revenue | 32,959 | - | 32,959 | - |
| Cost of sales | (26,901) | - | (26,901) | - |
| Gross profit | 6,058 | - | 6,058 | - |
| Other operating income | 1,738 | - | 1,738 | - |
| Administrative and other expenses | (10,509) | - | (10,509) | - |
| Profit from operations | (2,713) | - | (2,713) | - |
| Finance costs | (10,392) | - | (10,392) | - |
| (Loss)/Profit before tax ("PBT") | (13,105) | - | (13,105) | - |
| Tax income/(expense) | 170 | - | 170 | - |
| (Loss)/Profit for the financial period | (12,935) | - | (12,935) | - |
| Other comprehensive income, net of tax:- | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| • Foreign currency translations | 4,476 | - | 4,476 | - |
| Total comprehensive income | (8,459) | - | (8,459) | - |
| Profit attributable to:- | | | | |
| • Owners of the parent | (12,720) | - | (12,720) | - |
| • Non-controlling interests | (215) | - | (215) | - |
| | (12,935) | - | (12,935) | - |
| Total comprehensive income attributable to:- | | | | |
| • Owners of the parent | 207,171 | - | 207,171 | - |
| • Non-controlling interests | (215,630) | - | (215,630) | - |
| | (8,459) | - | (8,459) | - |
| Earnings per ordinary share attributable to equity holders of the Company (sen) | | | | |
| • Basic | (1.50) | - | (1.50) | - |
| • Diluted | (1.50) | - | (1.50) | - |

As announced on 19th August 2019, the financial year end of the Group has been changed from 30 June to 31 December. As such, there will be no comparative financial information available for the preceding year corresponding periods.

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 period from 1 July 2018 to 31 December 2019 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

| | Unaudited As at 31-03-2020 RM'000 | Audited As at 31-12-2019 RM'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 103,787 | 103,420 |
| Other investments | 36 | 50 |
| Deferred tax assets | 24,450 | 24,450 |
| | 128,273 | 127,920 |
| Current assets | | |
| Inventories | 618,999 | 627,562 |
| Trade and other receivables | 33,078 | 25,896 |
| Contract Asset | 51,044 | 51,034 |
| Current tax assets | 4,253 | 4,247 |
| Deposit with licensed bank | 45,677 | 29,338 |
| Short term funds | 149 | 149 |
| Cash and bank balances | 615 | 585 |
| | 753,815 | 738,811 |
| TOTAL ASSETS | 882,088 | 866,731 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 371,489 | 371,489 |
| Non-distributable reserves | (90,350) | (94,602) |
| Distributable reserve | 262,733 | 275,229 |
| Total equity attributable to owners of the parent | 543,872 | 552,116 |
| Non-controlling interests | 2,905 | 3,120 |
| TOTAL EQUITY | 546,777 | 555,236 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Borrowings | 12,730 | 13,328 |
| Contract liabilities | 74,048 | 72,115 |
| Trade and other payables | 60,078 | 59,922 |
| Deferred tax liabilities | 583 | 754 |
| | 147,439 | 146,119 |
| Current liabilities | | |
| Trade and other payables | 94,218 | 83,192 |
| Borrowings | 32,921 | 30,052 |
| Contract Liabilities | 42 | 42 |
| Redeemable convertible secured bonds | 60,298 | 51,657 |
| Current tax liabilities | 393 | 433 |
| | 187,872 | 165,376 |
| TOTAL LIABILITIES | 335,311 | 311,495 |
| TOTAL EQUITY AND LIABILITIES | 882,088 | 866,731 |
| Net assets per share attributable to ordinary equity holders of the company (RM) | 0.64 | 0.65 |

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period from 1 July 2018 to 31 December 2019 and the accompanying explanatory notes attached to the interim financial reports.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020

| | 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 | Equity Component Of Convertible Bonds RM'000 | Distributable Retained Earnings RM'000 | Total Attributable to Owners of Parent RM'000 | Non-Controlling Interests Total RM'000 | Total RM'000 |
| Quarter ended 31 March 2019 | | | | | | | | | | |
| As at 1 January 2018 | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | - | - | - | - | - |
| As at 31 March 2019 | - | - | - | - | - | - | - | - | - | - |
| Quarter ended 31 March 2020 | | | | | | | | | | |
| As at 1 January 2020 | 371,489 | (12,703) | 35,924 | (146,070) | 3,021 | 25,226 | 275,229 | 552,116 | 3,120 | 555,236 |
| Profit for the financial year | - | - | - | - | - | - | (12,720) | (12,720) | (215) | (12,935) |
| Foreign currency translation, net of tax | - | - | 4,476 | - | - | - | - | 4,476 | - | 4,476 |
| Total comprehensive income | - | - | 4,476 | - | - | - | (12,720) | (8,244) | (215) | (8,459) |
| Transactions with owners:- | | | | | | | | | | |
| • Option forfeited under the Share Issuance Scheme | - | - | - | - | (224) | - | 224 | - | - | - |
| As at 31 March 2020 | 371,489 | (12,703) | 40,400 | (146,070) | 2,797 | 25,226 | 262,733 | 543,872 | 2,905 | 546,777 |

As announced on 19th August 2019, the financial year end of the Group has been changed from 30 June to 31 December. As such, there will be no comparative financial information available for the preceding year corresponding periods.

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements financial period from 1 July 2018 to 31 December 2019 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020**

| | Current Year Unaudited 31-03-2020 RM'000 | Preceding Year Corresponding Period 31-03-2019 RM'000 |
|--|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/Profit before tax | (13,105) | - |
| Adjustments for:- | | |
| Depreciation of property, plant and equipment | 944 | - |
| (Gain)/loss on disposal of property, plant and equipment | (105) | - |
| Written-off on:- | | |
| - Trade and other receivables | 686 | - |
| Reversal of impairment losses on trade receivable | (686) | - |
| Non-cash and operating items | 13,679 | - |
| Operating profit before changes in working capital | 1,413 | - |
| Changes in working capital:- | | |
| Inventories | 9,468 | - |
| Land reclamation work in progress | (905) | - |
| Trade and other receivables | (7,182) | - |
| Trade and other payables | 3,198 | - |
| Contract Asset | (10) | - |
| Contract Liability | 1,933 | - |
| Cash generated from operations | 7,915 | - |
| Interest received | | - |
| Tax paid - net | (47) | - |
| Net cash generated from operating activities | 7,868 | - |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Interest and dividend received | 28 | - |
| (Placement)/Withdrawal of deposits charged in favour of the Security Trustee pursuant to RCSB | (16,339) | - |
| Advance/ (Repayment) to related party | 7,115 | - |
| Purchase of property, plant and equipment | (93) | - |
| Net cash used in investing activities | (9,289) | - |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Drawdown of borrowings | 3,567 | - |
| Repayment of borrowings | (3,159) | - |
| Interest paid | (777) | - |
| Net cash used in financing activities | (369) | - |
| Net (decrease)/increase in cash and cash equivalents | (1,790) | - |
| Cash and cash equivalents at beginning of period | (13,915) | - |
| Effects of exchange rate changes | (40) | - |
| Cash and cash equivalents at the end of period | (15,745) | - |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

| | Unaudited 31-03-2020 RM'000 | Corresponding Period 31-03-2019 RM'000 |
|--|--|---|
| Cash and cash equivalents comprise the following:- | | |
| Cash and bank balances | 616 | - |
| Deposit with licensed bank | 45,677 | - |
| Bank overdraft | (16,357) | - |
| | <hr/> | <hr/> |
| | 29,936 | - |
| Less: Deposits pledged as collateral | (23,796) | - |
| Less: Deposits charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds | (21,885) | - |
| | <hr/> | <hr/> |
| | (15,745) | - |
| | <hr/> <hr/> | <hr/> <hr/> |

As announced on 19th August 2019, the financial year end of the Group has been changed from 30 June to 31 December. As such, there will be no comparative financial information available for the preceding year corresponding periods.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED
 31 MARCH 2020**
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 period from 1 July 2018 to 31 December 2019. 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 period from 1 July 2018 to 31 December 2019.

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 period from 1 July 2018 to 31 December 2019.

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 |
|--|-----------------------|
| <i>Covid-19- Related Rent Concessions (Amendment to MFRS 16 Leases)</i> | 1 June 2020 |
| Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018-2020” | 1 January 2022 |
| <i>Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)</i> | 1 January 2022 |
| <i>Property, Plant and Equipment- Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)</i> | 1 January 2022 |
| <i>Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)</i> | 1 January 2022 |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred |

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

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 2020.

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 2020.

7. DIVIDENDS PAID

No dividend was paid during the current quarter ended 31 March 2020.

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8. SEGMENTAL REPORTING

The Group's segmental report for the current financial period ended 31 March 2020 as follows:-

| | Marine Construction | | | | | Elimination RM'000 | Total RM'000 |
|-------------------------------------|-------------------------------|----------------------------|--------------------------------|----------------------------|------------------|-----------------------|-----------------|
| | Land Reclamation RM'000 | Land Disposal RM'000 | Vessel Chartering RM'000 | Ship Building RM'000 | Others RM'000 | | |
| Revenue | | | | | | | |
| External-Sales | 4,873 | 16,192 | 11,894 | - | - | - | 32,959 |
| Inter-segment sales | 4,678 | - | - | - | 575 | (5,253) | - |
| Total revenue | 9,551 | 16,192 | 11,894 | - | 575 | (5,253) | 32,959 |
| Results | | | | | | | |
| Segment results | (9,456) | 6,686 | 993 | (32) | (932) | - | (2,741) |
| Interest and dividend income | 3 | - | - | (1) | 26 | - | 28 |
| Finance costs | (777) | - | - | - | (9,615) | - | (10,392) |
| (Loss)/Profit before tax | (10,230) | 6,686 | 993 | (33) | (10,521) | - | (13,105) |
| Income tax expense | 1,679 | (1,564) | (115) | - | 170 | - | 170 |
| (Loss)/Profit for the period | (8,551) | 5,122 | 878 | (33) | (10,351) | - | (12,935) |
| Other information | | | | | | | |
| • Depreciation | (1,557) | | 615 | (2) | | | (944) |

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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 2020.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENT

There were no material events subsequent to the current financial quarter ended 31 March 2020 and up to 22 June 2020, 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 Share buyback

During the current financial period, there is no share buyback by the Company. As at 31 March 2020, the Company holds 12,715,400 shares as treasury shares at an average price of RM1.00 per share.

11.2 End of financial period 31 March 2020 and 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

12.1 Strike-off of Atlantic Pacific Ltd

On 11 May 2020, the Company has struck-off Atlantic Pacific Ltd, a wholly-owned subsidiary of Benalec Sdn Bhd, which in turn is a wholly-owned subsidiary by the Company pursuant to Section 151(4) of the Labuan Companies Act 1990.

Other than stated above, there were no changes in the composition of the Group during the current financial period ended and up to LPD, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

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13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS
RM'000

| | |
|---|--------|
| Corporate guarantees given to licensed financial institutions | |
| For credit facilities granted to subsidiaries | 46,662 |

14. CAPITAL COMMITMENTS
RM'000

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

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 31-03-2020 RM'000 |
|--|---|--|
| Provision of marine construction works (payment in kind) to companies in which certain directors of the company have substantial financial interest ⁽²⁾ | 31 | 69,874 |
| Purchase of vessels from companies in which certain directors of the company have substantial financial interest | - | (46,436) |
| Provision of marine construction work from a company in which certain directors of the company have substantial financial interest | - | (19) |
| Rental of office building from personnel in which certain directors of the company have substantial financial interest | (26) | (112) |

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.

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16. REVIEW OF PERFORMANCE OF THE GROUP
16.1 CURRENT YEAR QUARTER VERSUS PREVIOUS YEAR QUARTER

| | Current Quarter | Previous Corresponding Quarter | Variance | |
|-----------|---------------------|--------------------------------------|----------|--------|
| | 31-Mar-20 RM'000 | 31-Mar-19 RM'000 | RM'000 | % |
| Revenue | 32,959 | 11,553 | 21,406 | 185.29 |
| (LBT)/PBT | (13,105) | (9,532) | (3,573) | 37.48 |

For the current quarter under review, the Group has recorded an increase in revenue by RM21.41 million against the corresponding period for last year. The increase in revenue was mainly due to land disposal recognition in the current period (FPE Q1'2020: RM16.19 million, FPE Q3'2019: RM1 million).

The current quarter recorded a LBT of RM13.11 million, representing an increase of loss approximately RM3.57 million against the corresponding period for last year, mainly attributable by:-

| Description | RM'000 | Note |
|---|----------------|------|
| Increase in gross profit | 7,438 | 1 |
| Decrease in other operating income | (4,461) | 2 |
| Increase in administrative and other expenses | (1,313) | 2 |
| Increase in finance costs | (5,237) | 3 |
| Net increase in LBT | (3,573) | |

Notes:-

- (1) *The increase 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:*

| | Current Quarter RM'000 | Corresponding Quarter RM'000 | Variance RM'000 |
|--|------------------------------|------------------------------------|--------------------|
| <i>Loss in forex (unrealised) - Nett</i> | (3,301) | (606) | (2,695) |
| <i>Gain on disposal of PPE</i> | 105 | 1,646 | (1,541) |
| <i>Interest from fixed deposit</i> | 26 | 1,171 | (1,145) |
| | (3,170) | 2,211 | (5,381) |

- (3) *The increase in finance cost is mainly due to the unwinding of the RCSB discount.*

17. VARIATION IN RESULTS AGAINST PRECEDING QUARTER

| | Current First (1st) Quarter 31-Mar-20 RM'000 | Previous Sixth (6th) Quarter 31-Dec-19 RM'000 | Variance | |
|-----------|--|---|----------|---------|
| | | | RM'000 | % |
| Revenue | 32,959 | 38,417 | (5,458) | (14.21) |
| (LBT)/PBT | (13,105) | (34,316) | 21,211 | (61.81) |

For the current quarter under review, in comparison with the preceding quarter, the Group registered a decrease in revenue of approximately RM 5.46 million. The decrease in revenue was mainly due to lesser land disposal recognition in the current period (FPE Q1'2020: RM16.19 million, FPE Q6'2019: RM19.68 million).

The Group registered a LBT of RM 13.11 million, mainly attributable by:-

| Description | RM'000 | Note |
|---|---------------|------|
| Decrease in gross profit | (6,180) | 1 |
| Decrease in other operating income | (10,947) | 2 |
| Decrease in administrative and other expenses | 40,759 | 2 |
| Increase in finance costs | (2,421) | |
| Net decrease in LBT | 21,211 | |

Notes:-

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

| | Current Quarter RM'000 | Preceding Quarter RM'000 | Variance RM'000 |
|-----------------------------------|------------------------------|--------------------------------|--------------------|
| Impairment loss on PPE | - | (12,874) | 12,874 |
| Impairment loss in Contract Asset | - | (25,610) | 25,610 |
| Loss in forex (unrealised) - Nett | (3,301) | 1,713 | (5,014) |
| Sales of scrap | - | 1,295 | (1,295) |
| | - | (38,484) | 32,175 |

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18. PROSPECTS

Despite the prevailing challenges faced by the Group within its economic and operating environment, the Board and Management remain cautiously optimistic in assessing the outlook of the Group.

The health and economic crisis caused by the Covid-19 pandemic is unprecedented. Lives and livelihoods have been lost and almost all businesses have been disrupted in some ways amidst the fight against the deadly virus, and this includes the business and operations of the Group. We have seen significant changes in the overall pattern of production, consumption and trade, as well as contractions on income, spending and employment of the country.

While uncertainties in the market have caused serious ripple effects across all economic sectors and sentiments have turned cautious and conservative within the investment fraternity, we continue to believe in the resiliency of our business model as well as the underlying value of the reclaimed land bank of the Group.

This outlook is in sync with the progressive reopening and recovery of the economy and is based on the fact that 113.2 acres of land, forming the subject matter of Sale & Purchase Agreements (“Land Sale SPAs”) already signed, is expected to generate sales revenue of approximately RM89.55 million for the Group. In addition, the revenue yet to be recognised arising from several land reclamation contracts secured by the Group, amounting to approximately RM98.66 million, will ensure that the Group has a stable stream of revenue of approximately RM188.21 million to be recognised in the near term.

To date, the Group also has in excess of 100 acres of land bank in Melaka already reclaimed, issued with land titles and are available for immediate sale, while more than 200 acres have yet to be reclaimed under its own concession agreements.

Several large parcels of river-fronting land reclaimed by the Group in Pulau Indah, Port Klang, measuring approximately 90 acres have also continued to garner strong interest due to their strategic location, being adjacent to the Pulau Indah Highway, and in close proximity to Westport, one of Malaysia’s busiest ports. The Management is prepared to adapt to the requirements of the circumstances where necessary to ensure that some of these land banks can continue to be monetised in the near to medium term.

While the global demand for oil has been significantly affected as a direct near-term consequence of the Covid-19 pandemic and the worldwide lockdowns, we believe the oil market has started to see encouraging signs of rebalancing and recovery. The Group remains confident in the strong fundamentals of its two (2) main flagship projects in Johor, namely TPMIP and PMIP, which contribute towards both industrial parks being strategic locations within the region for the development of heavy industrial activities, particularly downstream activities within the oil & gas sector.

To further stimulate the economy by attracting foreign companies to relocate their businesses into Malaysia, the Government has also introduced aggressive tax incentives for the manufacturing sectors with capital investments of RM300 million and above as part of the post-pandemic PENJANA short-term economic recovery plan. This will greatly benefit prospective investors of TPMIP and PMIP, and help put Johor, as well as Malaysia, on a level-playing field with other countries within the region in terms of attracting large Foreign Direct Investments (FDI). The Group expects this incentive to further reinforce the value propositions it can offer to prospective investors in respect of its Johor projects, and the Group will be in an advantageous position to gain from the spill over effects of such demand.

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 LBT for the period are as presented below: -

| | Current Quarter | Year-To-Date |
|--|------------------------|---------------------|
| | RM'000 | RM'000 |
| Interest income | 26 | 26 |
| Other income including investment income | 56 | 56 |
| Interest expenses | (10,392) | (10,392) |
| Depreciation | (944) | (944) |
| Write-off on other receivables | (686) | (686) |
| Reversal of impairment losses of receivables | 686 | 686 |
| Gain or loss on disposal of quoted or unquoted investments or properties | N/A | N/A |
| Unrealised exchange gain/ (loss) - net | (3,301) | (3,301) |
| Realised exchange gain/(loss) - net | (94) | (94) |
| Gain on disposal of property, plant and equipment | 105 | 105 |
| 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 | - | - |
| - Deferred tax | - | - |
| Current year provision | | |
| - Income tax | - | - |
| - Deferred tax | 170 | 170 |
| | <u>170</u> | <u>170</u> |
| Effective tax rate (%) | <u>-</u> | <u>-</u> |

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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 RM200 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 | Reallocate of utilisation | Actual utilisation | Deviation | | Estimated timeframe for utilisation (iv) | Note |
|--|----------------------|---------------------------|--------------------|-----------|----------|--|-------|
| | RM'000 | RM'000 | RM'000 | RM'000 | % | | |
| Land reclamation projects of the Benalec Group | 146,500 | (42,112) | (104,388) | - | - | Within 60 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) |
| Partial Early Redemption | - | 42,112 | (42,112) | - | - | - | (v) |
| Total | 181,170 | - | (181,170) | - | - | | |

(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.

(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.
- (c) On 30 May 2019, the Company announced the extension of time for utilisation of the balance of proceeds arising from the RCSB for another twelve (12) months until 29 April 2020.

(v) Partial Early Redemption

The Company had on 29 October 2019 and 29 April 2020, redeemed part of the RCSB with nominal value amounting to RM129 million and RM18 million respectively. The outstanding nominal amount after the partial redemption is RM53 million.

23. BORROWINGS

The Group's borrowings as at 31 March 2020 presented as follows:-

| | RM'000 |
|-------------------------------------|---------------|
| Long Term Borrowings | |
| Secured:- | |
| • Hire purchase and lease creditors | 403 |
| • Term loans | 12,327 |
| | 12,730 |
| | RM'000 |
| Short Term Borrowings | |
| Secured:- | |
| • Term loans | 1,539 |
| • Revolving Credit | 10,000 |
| • Hire purchase and lease creditors | 1,639 |
| • Trust receipt | 2,329 |
| • Invoice financing | 1,057 |
| • Bank Overdraft | 16,357 |
| | 32,921 |
| | 45,651 |
| (1) Total | 45,651 |

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 and fixed for decision on 30 October 2018. During the Decision date, the learned Judge, substantially dismissed SSB claims against BSB in respect of the Reclamation Agreement as follows:

- (i) BSB's 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

24. MATERIAL LITIGATION (CONT'D)

(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.

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.

Application for clarification/ consequential order has been filed on 15 November 2018 in order to seek extension of time from the High Court to BSB to complete the reclamation works under the Reclamation Agreement. During the clarification hearing on 1 April 2019, the High Court Judge granted the Order for an extension of time of one year to BSB.

With regards the High Court Judgment on 30 October 2018, SSB has filed an appeal against the Judgment and also the clarification/consequences order. The date for both hearings in Court of Appeal has yet to be fixed as the Parties are still waiting for the written grounds of judgement from High Court.

25. DIVIDEND

The Board does not recommend any interim dividend for the current period ended 31 March 2020.

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 31-03-2020 | Ended 31-03-2019 | Ended 31-03-2020 | Ended 31-03-2019 |
| Net profit attributable to equity holders of the parent for the period (RM'000) | <u>(12,720)</u> | <u>-</u> | <u>(12,720)</u> | <u>-</u> |
| Weighted average number of ordinary shares ('000) | <u>849,087</u> | <u>-</u> | <u>849,087</u> | <u>-</u> |
| Basic EPS (sen) | <u>(1.50)</u> | <u>-</u> | <u>(1.50)</u> | <u>-</u> |

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26. EARNINGS PER SHARE ("EPS") (CONT'D)
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 31-03-2020 | Ended 31-03-2019 | Ended 31-03-2020 | Ended 31-03-2019 |
| Net profit attributable to equity holders of the parent for the period (RM'000) | (12,720) | - | (12,720) | - |
| Weighted average number of ordinary shares as per basic EPS ('000) | 849,087 | - | 849,087 | - |
| 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) | 849,087 | - | 849,087 | - |
| Diluted EPS (sen) | (1.50) | - | (1.50) | - |

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.*