



**BENALEC HOLDINGS BERHAD**  
(702653-V)



ANNUAL  
REPORT **2018**



# 13<sup>th</sup>

ANNUAL  
GENERAL  
MEETING



Wednesday, 28 November 2018



10.00 a.m.



Ballroom Selangor 3,  
Dorsett Grand Subang Hotel,  
Jalan SS12/1,  
47500 Subang Jaya,  
Selangor Darul Ehsan.



Access the full version of this report, or view a summary of our FYE 2018 performance at [www.benalec.com.my](http://www.benalec.com.my)

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# CORPORATE PROFILE

**BENALEC HOLDINGS BERHAD** was incorporated on 12 July 2005 as a private limited company under the name of Benalec Holdings Sdn. Bhd. Subsequently, the Company was converted into a public limited company and assumed its present name on 29 September 2010. On 17 January 2011, Benalec Holdings Berhad (“Benalec” or “The Group”) was listed on the Main Board of Bursa Malaysia Securities Berhad.

Founded by the late Mr. Leaw Eng Chang, Leaw Eng Chang Construction Co. Sdn. Bhd. was first incorporated in 1978 as a contracting company specialising in civil engineering works. Subsequently in 1996, it was renamed as Benalec Sdn. Bhd. “Benalec” was derived from combining the Malay word “BENA” (which means to build or construct) with “LEC” which were the initials of Mr. Leaw Eng Chang.

Our first foray into the marine construction industry was in 1993 when Benalec was awarded two coastal protection work projects by Jabatan Pengairan dan Saliran, which includes the restoration of the damaged bund at Sungai Belukang, Bagan Datoh, Perak. Despite being widely recognised as one of the most difficult coastal protection works in Malaysia, Benalec earned high commendation for the successful completion of the project ahead of schedule and under extreme circumstances. This has become the foundation of Benalec’s strong belief today that every adversity could be turned into opportunity.



**BENALEC HOLDINGS BERHAD**  
Integrated Marine Construction Solutions

The core values which we proudly embrace in Benalec are Innovation, Proactivity and Perseverance; these attributes, which form the foundation of our unique business model, are the source of inspiration driving us on our incessant quest to create value from all areas within the space we have chosen to operate in. Apart from our portfolio of securing land reclamation contracts from third parties, Benalec has been successfully undertaking its own projects, including land reclamation in Melaka, Port Klang and Johor since 2003.

Benalec has in a short span of time emerged as one of Malaysia's top-notch homegrown integrated marine construction solution providers and proven its capability in undertaking high end reclamation projects locally as well as regionally. It is a class "A" Civil and Marine Engineering Contractor registered with Sijil Perolehan Kerja Kerajaan (SPKK) and Construction Industry Development Board Malaysia (CIDB) and is an ISO 9001:2008 certified company. Benalec has also further expanded its operations into Singapore with the setting up of Benalec Sdn. Bhd. Singapore Branch, which has also achieved ISO 9001:2008 and OHSAS 18001:2007 accreditation and is registered with the Building and Construction Authority (BCA) Singapore under CW02-B1 and under SY01-L6.

Equipped with professional expertise and experience in marine and civil engineering works, coupled with its own wide range of marine equipment and marine vessels now at its disposal, Benalec Group has extended its capacity and capability to become a provider of an integrated, one-stop centre for marine construction services, competent in delivering top-grade quality services to its customers.

## VISION

Our vision is to achieve and maintain a high degree of professional expertise, coupled with dedicated and very experienced management, with the objective of enhancing our commitment to participate actively as one of the foremost home-grown Marine Construction Solutions Provider contributing positively to the economic development of Malaysia.

## MISSION

Our mission is to be a provider of an integrated, one-stop centre for marine construction services with the competency and capability to consistently deliver top-grade quality services to all our customers.

# KEY MILESTONES

“

**THE JOURNEY  
BEGINS**”

## 1978

Incorporated as an earthwork and general contractor serving major clients such as MADA, JKR, JPS and PKNK

## 1993

Awarded two coastal protection works project in Sungai Belukang and Sungai Tiang, Perak by JPS which marks our first foray into the marine construction industry

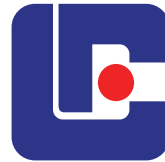


## 1995

Built our first vessel, a Twin Screw Anchor Handling Tugboat

## 1996

Changed our name from Leaw Eng Chang Construction Co. Sdn. Bhd. to Benalec Sdn. Bhd.



## 2000

First turnkey Design & Build, Construction of Jetty, Helipad, Staircase and Associated Works at Pulau Perak, Kedah



Commenced first land reclamation project in Pantai Kok, Pulau Langkawi, Kedah



## 2003

First turnkey Design & Build, Beach nourishment works in Port Dickson (5km length)



Land reclamation and soil improvement works for Glenmarie Cove Project, Port Klang



Maiden large-scale land reclamation project in Melaka



## 2005

Obtained ISO 9001:2000 for the provision of marine engineering and construction works and the provision of marine vessels and equipment chartering services

## 2008

Nusajaya Waterfront Precinct Project, Construction of marina at Puteri Harbour, Nusajaya Johor



Secured contract to supply and deliver sand to Tuas View reclamation in Singapore via a related company



Expanded our shipbuilding business activities through Benalec Shipyard



## 2009

Benalec's ISO upgraded to ISO 9001:2008

## 2010

Benalec Singapore Branch obtained ISO 9001:2008 and OHSAS 18001:2007

Land reclamation for Pulau Indah, Port Klang



## 2011

Listed on the Main Market of Bursa Malaysia Securities Berhad (stock code : 5190)



## 2015

Commencement of reclamation at Tanjung Piai Maritime Industrial Park



## 2017

Commencement of reclamation at Pengerang Maritime Industrial Park



“  
**2018**  
**THE JOURNEY CONTINUES**”



# CORPORATE STRUCTURE

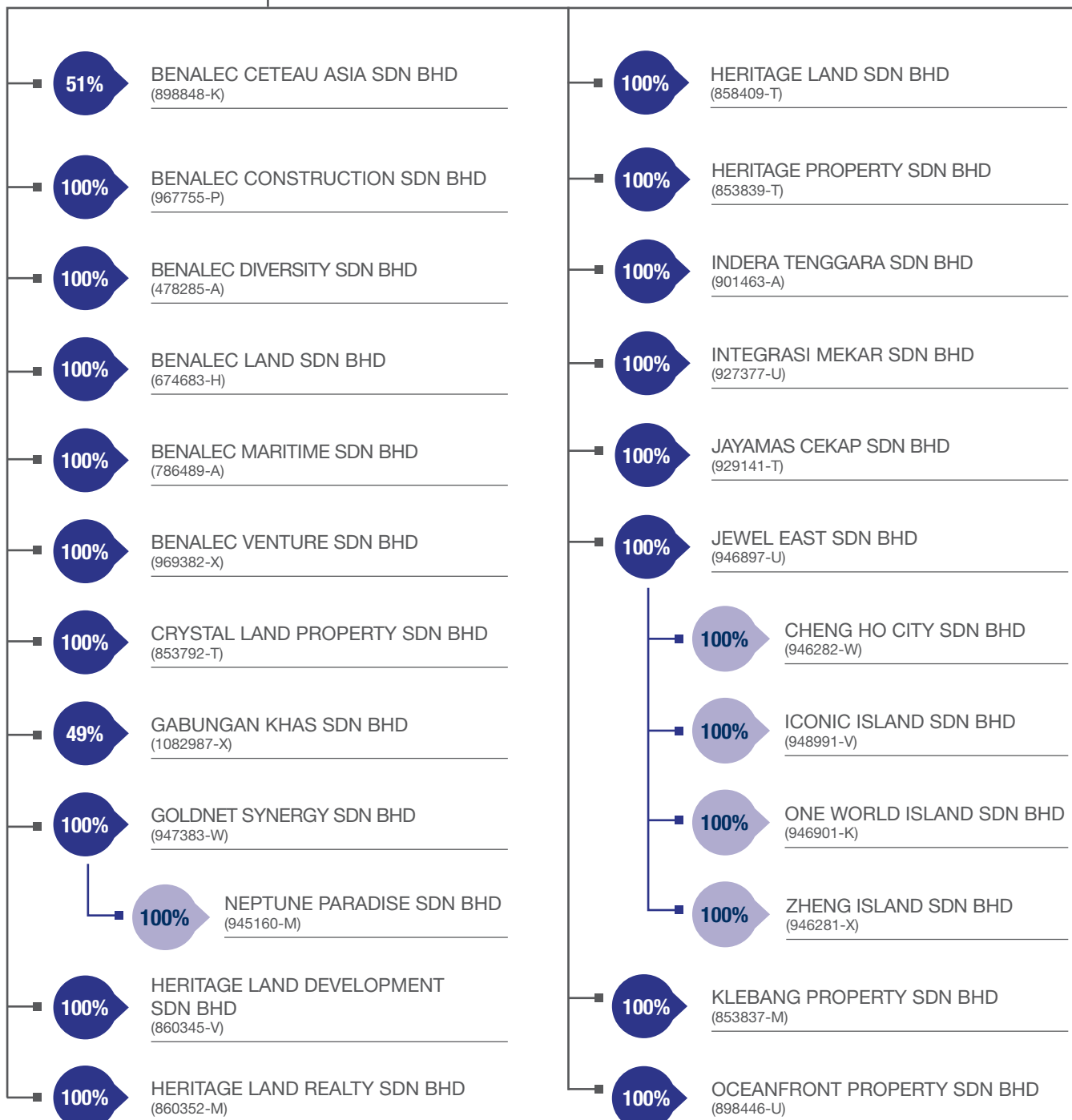


## BENALEC HOLDINGS BERHAD

(702653-V)

**100%** BENALEC SDN BHD  
(39054-A)

**100%** BENALEC SHIPYARD SDN BHD  
(49956-P)





# CORPORATE STRUCTURE (CONTINUED)

**100%** OCEANLINER PTE LTD  
(200910031W)

**100%** OCEANVIEW REALTY SDN BHD  
(898879-K)

**100%** OG MARINE SDN BHD  
(597686-X)

**100%** ORIENTALCOVE PROPERTY SDN BHD  
(737375-M)

**100%** ORIENTALCOVE REALTY SDN BHD  
(737382-W)

**100%** PENERANG MARITIME INDUSTRIES  
SDN BHD  
(944630-X)

**70%** SPEKTRUM BUDI SDN BHD  
(940725-W)

**100%** SENTOSACOVE DEVELOPMENT  
SDN BHD  
(825663-A)

**100%** STRATEGIC COVE SDN BHD  
(898838-A)

**100%** STRATEGIC LAND SDN BHD  
(898845-T)

**100%** TANJUNG PIAI MARITIME INDUSTRIES  
SDN BHD  
(943274-D)

**70%** SPEKTRUM KUKUH SDN BHD  
(941961-V)

**100%** WILAJATI SDN BHD  
(824893-W)

**51%** ATLANTIC OCEAN LTD  
(LL11686)

**100%** ATLANTIC PACIFIC LTD  
(LL12279)

**100%** OCEANLINE (LABUAN) LTD  
(LL06799)

**100%** OCEAN MARINE LTD  
(LL07031)

**51%** OCEAN PACIFIC LTD  
(LL11480)

**100%** PACIFIC LTD  
(LL07033)

**100%** PACIFIC LINK LTD  
(LL08037)

**100%** PACIFIC MARINE LTD  
(LL07032)

**100%** PACIFIC SHIPPING LTD  
(LL08038)

# CORPORATE INFORMATION

## BOARD OF DIRECTORS



**Datuk Aznam bin Mansor**

*Chairman,  
Independent Non-Executive Director*

*Member of:-*

**Audit and Risk Management  
Committee**  
**Remuneration Committee**  
**Nomination Committee**  
**Option Committee**



**Koo Hoong Kwan**

*Senior Independent  
Non-Executive Director*

*Chairman of:-*

**Audit and Risk Management  
Committee**  
**Remuneration Committee**  
**Nomination Committee**  
**Option Committee**  
**Evaluation Committee**



**Dato' Leaw Seng Hai**

*Group Managing Director /  
Chief Executive Officer*

*Member of:-*

**Evaluation Committee**



**Wong Yoke Nyen**

*Independent Non-Executive Director*

*Member of:-*

**Audit and Risk Management  
Committee**  
**Remuneration Committee**  
**Nomination Committee**  
**Option Committee**  
**Evaluation Committee**



**Leaw Ai Lin**

*Executive Director*

## COMPANY SECRETARIES

**Wong Wai Foong** (MAICSA 7001358)  
**Lim Wei Lee** (MAICSA 7064249)

## REGISTERED OFFICE

Unit 30-01, Level 30, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel No : 03-2783 9191  
Fax No : 03-2783 9111

## SHARE REGISTRAR

**Tricor Investor & Issuing House  
Services Sdn Bhd**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel No : 03-2783 9299  
Fax No : 03-2783 9222

## AUDITORS

**BDO (AF 0206)**  
Chartered Accountants  
Level 8, BDO @ Menara CentARa  
360, Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Tel No : 03-2616 2888  
Fax No : 03-2616 3190 / 3191

## PRINCIPAL BANKERS

AmBank (M) Berhad  
Malayan Banking Berhad  
United Overseas Bank Limited  
United Overseas Bank (Malaysia)  
Berhad  
OCBC Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : **BENALEC**  
Stock Code : **5190**

## COMPANY WEBSITES

[www.benalec.com.my](http://www.benalec.com.my)  
[www.tgpiamaritime.com.my](http://www.tgpiamaritime.com.my)  
[www.pengerangmaritime.com.my](http://www.pengerangmaritime.com.my)

# PROFILE OF DIRECTORS



## DATUK AZNAM BIN MANSOR

*Chairman, Independent  
Non-Executive Director*

**Age 59 | Male | Malaysian**

**Datuk Aznam bin Mansor**, was appointed to the Board as an Independent Non-Executive Chairman of the Company on 5 October 2010. He is a member of the Audit and Risk Management Committee, Nomination Committee, Remuneration Committee and Option Committee of the Company. He graduated with a Bachelor of Arts (Hons) degree in Law from the North East London Polytechnic, London, UK in 1983 and was then admitted and enrolled by the Honourable Society of Lincoln's Inn as a Barrister-at-Law.

He started his career as an officer in Malayan Banking Berhad. He then joined Skrine & Co., a legal

firm in Kuala Lumpur for eight (8) years before becoming a Partner of his present legal practice Lee Hishammuddin Allen & Gledhill.

His directorships in other public companies include Mikro MSC Berhad, Focus Lumber Berhad and Sentoria Group Berhad. He has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He does not hold any securities in the Company. He has not been convicted of any offences within the past ten (10) years. He attended five (5) out of six (6) board meetings held during the financial year ended 30 June 2018.



## PROFILE OF DIRECTORS (CONTINUED)



### **DATO' LEAW SENG HAI**

*Group Managing Director /  
Chief Executive Officer*

**Age 56 | Male | Malaysian**

**Dato' Leaw Seng Hai**, was appointed to the Board as a Director of the Company on 12 July 2005. He was redesignated as Group Managing Director on 5 October 2010 and was further redesignated as Group Managing Director/Chief Executive Officer on 11 February 2015. He is a member of the Evaluation Committee. He obtained a Bachelor of Science in Civil Engineering with Second Class Honours (Upper Division) from University College of London, United Kingdom in 1985. Upon graduation, he joined the family's civil engineering business as a Site Engineer tasked with overall site management. He was promoted to the position of Project Manager in 1992 and assumed the position of Managing Director in 1994.

Dato' Leaw has accumulated extensive expertise in marine construction and business

management over these past twenty-nine (29) years. He has been the driving force behind the Group's remarkable growth and remains the chief architect in conceptualising, formalising and implementing the Group's strategies. He maintains a hands-on approach and is actively involved in overall contract implementation, execution and management of all projects undertaken by the Group to ensure that the Group remains consistently reliable, cost-effective and efficient. His in-depth knowledge of marine construction has been the key factor in the Group's success in securing major marine construction contracts and concessions.

He is not a director of any other public company. He is a Director of Oceancove Sdn Bhd, a direct major shareholder of the Company. He has direct interest in the securities of the Company and is an indirect major shareholder of the Company. He is the father of Leaw Ai Lin, an Executive Director of the Company. Save as disclosed above, he has no family relationship with any other director and/or direct major shareholder of the Company. He has no conflict of interest with the Company except for certain recurrent related party transactions of a revenue or trading nature which are necessary for the day to-day operations of the Group. He has been publicly reprimanded on 11 August 2015 by Bursa Malaysia Securities Berhad ("Bursa Securities") with a fine of RM50,000 for breach of Paragraph 16.13(b) of the Main Market of Listing Requirements of Bursa Securities. He attended five (5) out of six (6) board meetings held during the financial year ended 30 June 2018.

## PROFILE OF DIRECTORS (CONTINUED)



### KOO HOONG KWAN

*Senior Independent  
Non-Executive Director*

**Age 73 | Male | Malaysian**

**Koo Hoong Kwan**, was appointed as an Independent Non-Executive Director on 5 October 2010. Subsequently, he was appointed as Senior Independent Non-Executive Director on 26 February 2013. He is also the Chairman of the Audit and Risk Management Committee, Nomination Committee, Remuneration Committee, Option Committee and Evaluation Committee of the Company.

He obtained a degree in Bachelor of Economics in Statistics (Second Class Honours) from the University of Malaya in 1969. He is a Fellow Member of The Chartered Institute of Management Accountants of United Kingdom and is also a member of the Malaysian Institute of Accountants (MIA). Additionally, he is a Certified Financial Planner and a Certified Quality Trainer.

He commenced his career as a Statistician in the Department of Statistics in 1969. In 1979, he worked as an audit senior in Miller, Brener & Co, a London firm of Chartered Accountants and gained audit experience in a wide range of industries. During the period from 1983 to 1987 he extended his auditing experience with McLaren & Stewart, a firm of Chartered Accountants in Perth when he relocated to Australia. He subsequently joined Hughes Group (Australia) Ltd, a group of diversified companies as a Finance Manager. In 1989, he joined W. James & Associates, a firm of financial and business consultants as a freelance consultant advising on corporate debt restructuring strategies. Upon his return to Malaysia in 1992, he worked as a Financial Controller in Pesaka Jardine Shipping Agencies Sdn Bhd, an international shipping agency. Between 1998 and 2000, he worked for Pancaran Ikrab Berhad as the Group Financial Controller and later joined Mercury Industries Berhad in a similar capacity. He is currently a freelance consultant providing wide-ranging business and financial advisory services.

His directorships in other public company include Mercury Industries Berhad. Except for his shareholding interest in the Company, he has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years. He attended all six (6) board meetings held during the financial year ended 30 June 2018.

## PROFILE OF DIRECTORS (CONTINUED)



### WONG YOKE NYEN

*Independent  
Non-Executive Director*

**Age 59 | Male | Malaysian**

**Wong Yoke Nyen**, was appointed as an Independent Non-Executive Director of the Company on 5 October 2010. He is also a member of the Audit and Risk Management Committee, Nomination Committee, Remuneration Committee, Option Committee and Evaluation Committee of the Company.

He obtained his degree in Bachelor of Arts with Second Class Honours (First Division), having completed a course in Accountancy from City of London Polytechnic, UK (now known as London Metropolitan University). He is also a graduate of the Wharton Advance Management Program from the Wharton School of the University of Pennsylvania, US. In 1981, he started his career

in Baker Rooke, a firm of chartered accountants in London where he gained wide experience and exposure in the areas of auditing, accountancy and management consultancy work. In 1983, he joined Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad). He is a seasoned investment banker with more than thirty (30) years of dedicated corporate finance and investment banking experience. He was the Executive Vice President cum Head of Corporate Finance Division in Aseambankers Malaysia Berhad. He was an Honorary Advisor to the Master Builders Association Malaysia from July 2008 to June 2010. In 2004, he started WYNCORP Advisory Sdn Bhd, a private company licensed to provide corporate finance advisory services. He is currently the Managing Director of WYNCORP Advisory Sdn Bhd.

His directorships in other public companies include New Hoong Fatt Holdings Berhad, Xidelang Holdings Limited, Focus Lumber Berhad and Sentoria Group Berhad. He does not hold any securities in the Company. He has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years. He attended all six (6) board meetings held during the financial year ended 30 June 2018.



## PROFILE OF DIRECTORS (CONTINUED)



### LEAW AI LIN

*Executive Director*

**Age 26 | Female | Malaysian**

**Leaw Ai Lin**, was appointed to the Board as an Executive Director of the Company on 20 January 2017. She holds a Bachelor of Science in Accounting and Finance with First Class Honours from the London School of Economics and Political Science (LSE), United Kingdom. She later attended Harvard University's Undergraduate Summer School in Boston, Massachusetts, United States of America, where she completed an undergraduate programme in Corporate Strategy.

She began her career in investment banking as a client coverage banker with Hong Leong Investment Bank ("HLIB") where she participated in structuring and executing M&A transactions in industries such as

real estate, property development and oil & gas. During her time at HLIB, she assisted in pitching for and the execution of various corporate exercises involving IPOs, RTOs, equity as well as debt issuances. She later joined the Company as Senior Manager to head the Corporate Strategy and Business Development departments. Following her appointment as Executive Director, her current role consists of planning and establishing the Company's long-term strategic goals, identifying and assessing new synergistic business areas aligned with the Company's core competencies. She is responsible for putting in place and executing these strategies with the aim of adding value and improving the Company's competitive position. She is also overseeing the Company's corporate affairs and public relations.

She has no directorships in other public companies. She is the daughter of Dato' Leaw Seng Hai, a Director and substantial shareholder of the Company. Save as disclosed, she does not have any family relationship with any other Directors and/or major shareholders of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past ten (10) years. She attended all six (6) board meetings held during the financial year ended 30 June 2018.

# PROFILE OF KEY MANAGEMENT

## CHIN WEI EE

*Financial Controller*

**Age 34 | Female | Malaysian**

**Chin Wei Ee**, graduated with a Bachelor of Accounting (Hons.) from Multimedia University in 2009. She is also a member of CPA Australia and Malaysia Institute of Accountants (MIA).

as a Group Accountant. She was promoted to her current position in 2016 and currently oversees the financial management of the Group.

Upon obtaining her degree, she started her career as a Internal Auditor in Tien Wah Press Holdings Berhad and thereafter proceeded to join the finance department of GPA Holdings Berhad. She joined the Company in 2013

She is not a director of any public company. She has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years.

## YAP LEE CHOR

*General Manager, Projects & Contracts*

**Age 58 | Male | Malaysian**

**Ir. Yap Lee Chor**, is a Professional Engineer registered with the Board of Engineers, Malaysia. He graduated with B.Sc. in Civil Engineering from Imperial College, University of London in 1984. He started his career as an Engineer with Department of Irrigation and Drainage, Ministry of Agriculture Malaysia, Senior Engineer in Ganendra, Ahmad & Associates. He was with Jurutera Konsultant (SEM) Sdn Bhd from 1992 to 1995 and later with J.K. Bersatu Sdn Bhd as Senior Engineer/Associate from 1995 to 2015.

Ir. Yap joined the Group in 2015 and is responsible in overseeing the technical and contractual matter of the projects.

He is not a director of any public company. He has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

## NORAZIRA BINTI SAIDUN

*Senior Manager, Contracts and Operations*

**Age 38 | Female | Malaysian**

**Norazira Binti Saidun**, graduated with a Diploma in Building in 2001 and a Bachelor Science of Building Surveying with Honours in 2003 from the MARA University of Technology. Upon graduation, she joined our Group as a Quantity Surveyor and has accumulated direct relevant knowledge and exposure to different civil, marine and building engineering works. In the course of her years with our Group, she has also been extensively exposed to both pre and post contract works, having taken lead roles in managing the tendering processes and overseen

many projects from inception to completion. She is now the Senior Manager in Contracts and Operations, primarily responsible for managing the overall pre and post contract administration of the Group.

She is not a director of any public company. She has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years.

## NORMALAWATI NADZRI

*Senior Manager, Human Resources and Admin*

**Age 43 | Female | Malaysian**

**Normalawati**, graduated with Executive Masters in Management from Asia E University in 2013. She has vast experience and knowledge in Human Resource Management in various industries namely Property Developer, Construction and MNC Manufacturing. She was with Puncak Niaga Group (2001-2006), SP Setia Group (2007-2008) and DRB Hicom Group (2009-2014).

Normalawati joined the Group in 2015 and is responsible in overseeing the Human Resource and Admin portfolio.

She is not a director of any public company. She has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years.

## PROFILE OF KEY MANAGEMENT (CONTINUED)

### KOID HENG HUA

*Senior Project Manager*

**Age 53 | Male | Malaysian**

**Koid Heng Hua**, completed his Sijil Pelajaran Malaysia Vokasional. He joined the Company in 1995 as a Project Supervisor and has since accumulated more than twenty-six (26) years experience in civil and marine construction works. His role includes managing the Company's civil and marine construction projects which includes dredging, reclamation, rock revetment works, marine structures and jetties, breakwater construction, pre-bore and marine piling works. With his vast on-site management experience, he was promoted to his current position in 2014 and is

assigned with the responsibility of overseeing key areas in project planning, project implementation, monitoring and management of site activities.

He is not a director of any public company. He has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

### TAN GUAN CHONG

*Project Manager*

**Age 28 | Male | Malaysian**

**Tan Guan Chong**, graduated with a Bachelor (Hons) of Mass Communication from SEGi University. He started his career with Sunway IFM in 2011 as Public Relations Officer and joined the Group as Supervisor in 2015. He was promoted to his current position in March 2017 and is assigned with the responsibility of overseeing key areas in project planning, project implementation, monitoring and management of site activities for the projects in Johor.

He is not a director of any public company. He is the nephew of Dato' Leaw Seng Hai, a Director and substantial shareholder of the Company, and the cousin of Leaw Ai Lin, a Director of the Company. Save the disclosed, he does not have any family relationship with any other Directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

### SALEHUDIN BIN OMAR

*Assistant Manager, Marine Administration*

**Age 47 | Male | Malaysian**

**Salehudin**, completed his Sijil Tinggi Pelajaran Malaysia ("STPM") pre-university education. He started his career with Equator Engineering Sdn Bhd from 1993 to 2010. In August 2010, he joined the Group as Human Resource & Admin Assistant. Progressively, he expanded his role into marine administration and was promoted to his current position in 2016, overseeing all aspects of marine administration activities.

He is not a director of any public company. He has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.



# MANAGEMENT DISCUSSION AND ANALYSIS

“

BENALEC'S BUSINESS MODEL IS UNIQUE, IN THAT IT SEEKS TO SECURE AND HOLD LAND RECLAMATION CONCESSIONS IN ITS OWN CAPACITY; UNDERTAKE AND FUND RECLAMATION WORKS USING INTERNALLY GENERATED FUNDS AS FAR AS POSSIBLE; AND OPERATE AS THE MASTER DEVELOPER FOR ITS OWN RECLAIMED LAND BANK.

”

**Datuk Aznam Bin Mansor**

Chairman



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Benalec Holdings Berhad's ("Benalec" or "the Group") principal activity is in marine constructions works, comprising land reclamation, dredging, shore protection, soil consolidation, beach nourishment, breakwater construction and jetty construction. The Group owns and operates its own fleet of vessels which is utilised for its own operations to ensure that the Group is in full control of the entire value chain of its reclamation works.

Benalec's business model is unique, in that it seeks to secure and hold land reclamation concessions in its own capacity; undertake and fund reclamation works using internally generated funds as far as possible; and operate as the master developer for its own reclaimed land bank. In adopting this strategic business model, Benalec sets itself apart from other land reclamation contractors who are primarily or solely engaged in reclamation activities for or on behalf of other third parties.

By acting as the master developer, project owner and contractor of its own projects, Benalec is able to create and realise more value to further enhance returns on invested capital.

Benalec has a proven, consistent and solid track record; having secured an aggregate concession size in excess of 8,000 acres across the Klang Valley, Melaka and Johor. Over the past 15 years, the Group has successfully reclaimed land spanning more than 2,500 acres.

### Benalec has a proven and solid track record

having secured a total concession size of more than



**8,000 acres** across

Klang Valley, Melaka & Johor

Over the past 15 years

**SUCCESSFULLY  
RECLAIMED**

land spanning  
more than **2,500 acres**

The Group is currently embarking on its next phase of growth via two (2) flagship projects in south Johor; namely Tanjung Piai Maritime Industrial Park ("TPMIP") and Pengerang Maritime Industrial Park ("PMIP"). Leveraging on its execution capabilities and proven track record as a successful master developer of its Melaka concessions, Benalec plans to replicate its role as a master developer for both TPMIP and PMIP.

TPMIP is a man-made island with sea fronting industrial land spanning 3,485 acres, located within the vicinity of Port of Tanjung Pelepas and strategically situated along one of the busiest shipping routes in the world, the Melaka and Singapore Straits, a mere 8km away from the Johor-Tuas second link bridge and 17km away from Jurong Island in Singapore, the main oil distribution and trading hub of Southeast Asia.

### TPMIP



**3,485 acres**

situated along one of the busiest shipping routes in the world, the Melaka Straits and 17km away from Jurong Island in Singapore

### PMIP



**1,672.8 acres**

5-6km from Petronas' RAPID project within Pengerang Integrated Petroleum Complex

PMIP, a sea-fronting tract of industrial land spanning 1,672.8 acres, sited a mere 5-6 km from Petronas' RAPID project within Pengerang Integrated Petroleum Complex ("PIPC"). Located strategically on the southeast tip of Johor, it will be the only remaining sea-fronting industrial land available for third party investment within the vicinity upon completion of reclamation.

Both TPMIP and PMIP will be developed into oil and gas industrial parks in line with the Malaysian Government's and the State of Johor's common objective of transforming Johor into a sustainable, world-class downstream oil and gas hub. Strategically located and nestled among various other catalytic development projects, TPMIP and PMIP will be the key driver of Benalec's planned growth for the next 10 to 15 years.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FINANCIAL RESULTS AND REVIEW OF OPERATING ACTIVITIES

The Group has four (4) operating segments that are managed separately according to their attributes and operational characteristics. The reportable segments are as follows:-

- (a) Marine construction activities;
- (b) Vessel chartering and marine transportation;
- (c) Shipbuilding and provision of ship repair, maintenance, fabrication and refurbishment services; and
- (d) Other operating segment comprising investment holding.

### Revenue and Gross Profit

Against the backdrop of uncertainties and challenges faced by the construction and property development sectors as a whole, the Group recorded revenue of RM116.3 million for the financial year ended (“FYE”) 30 June 2018, compared to RM268.2 million in FYE 2017. Gross profit was recorded at RM47.7 million or 41.0% of total revenue in FYE 2018 compared to RM78.7 million or 29.3% of total revenue earned in the previous financial year. The decrease in revenue was mainly attributable to the Group’s reduced marine construction activities, as detailed below: -

#### (a) Marine Construction segment

- (i) Disposal of land held for sale

Disposal of land held for sale was the main contributor to the Group’s revenue for the financial year under review, accounting for approximately 68.77% in FYE 2018 and 74.11% in FYE 2017 of the Group’s total revenue. Benalec’s business model is unique in that land reclamation works performed by the Group are compensated either by way of Cash or Land Portion, or a combination of both. Land Portion, which is received as in-kind settlement for certain reclamation contracts, is available for immediate sale and is typically realised through a land disposal transaction. In accordance with accounting standards adopted by the Group, the revenue and cost of sale for these land sale transactions can only be recognised in the income statement upon completion of the Sale and Purchase Agreement (“SPA”) for each land sale.

The Group has recognised revenues and income arising from the completion of a total of five (5) SPAs throughout FYE 2018 and has another two (2) land sale SPAs signed and pending completion.

As at the date of this Annual Report, the Group has existing landbank of 147.01 acres which have been fully reclaimed and issued with land titles available for sale in Melaka in its inventory. In addition, the Group is in possession of more than 450 acres of land reclamation concession/agreements which have yet to be reclaimed. The Group expects the demand for its land bank in Melaka to remain robust due to the sustained and rapid developments taking place in Melaka.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (ii) Land reclamation services

Revenue from land reclamation services was predominantly generated from reclamation contracts undertaken by the Group for third parties in Malaysia. Revenue derived from this category for FYE 2018 was recorded at RM3.6 million, compared to RM52.9 million recorded in FYE 2017. The decrease was mainly due to partial completion of a land reclamation contract awarded to the Group in May 2014 covering 415 acres of land in Melaka (via two stages comprising 275 acres and 140 acres respectively) for a total contract sum of RM203.9 million. To-date, the Group has completed the first (1<sup>st</sup>) stage of the contract but has yet to commence the second (2<sup>nd</sup>) stage, pending the necessary approvals from relevant authorities. Of the aforementioned total contract sum, an amount of RM68.5 million has yet to be recognized as revenue. The 2<sup>nd</sup> stage of the contract is expected to be completed within 12 to 18 months from the date of procuring the requisite approvals.

During the financial year under review, the Group has also secured several new contracts, including a rock revetment contract worth RM20.33 million which was announced in April 2018. As a result, the outstanding order book of the Group for all land reclamation and rock revetment contracts in Melaka as at FYE 2018 stands at RM238.13 million and the Group is confident that this segment of revenue will contribute significantly to its improved financial performance in the ensuing financial years.

To mitigate and offset the decrease in reclamation revenue recognition, the Group has continued to undertake land reclamation works at TPMIP and PMIP. As of FYE 2018, approximately RM405.73 million of development expenditure has been incurred and capitalised as land reclamation work-in-progress for both these projects. The Development Agreements which grant the exclusive right to subsidiaries of the Group to undertake the reclamation and development of TPMIP and PMIP were entered into by Spektrum Kukuh Sdn Bhd and Spektrum Budi Sdn Bhd respectively (both are 70%-owned subsidiaries of Benalec) with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated) ("SSI"). According to accounting standards adopted by the Group, no revenue or profit can be recognised throughout the reclamation and development process and can only be recognised upon successful disposal and/or leasing of the land at TPMIP and PMIP to third parties.

With vast tracts of land to be reclaimed at its two current flagship projects, namely TPMIP and PMIP, the Group's venture into Johor provides a springboard for achieving business sustainability and positive growth prospects over the next several years. This is despite the prevailing risks significantly affecting a myriad of dynamics in the business environment – slower pace of economic growth; belt tightening by corporates brought on by economic uncertainty; oil price volatility; market makers and players adopting a wait-and-see approach; tightening of financial markets and restrictive fiscal policies coupled with the sub-par performance of the Ringgit.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (b) Vessel Chartering segment

The Group's vessel chartering operations recorded an increase in revenue by RM14.6 million or 88.5% during FYE 2018. A part of the Group's fleet was deployed during the year for chartering services to third-party clients by way of bare-boat charter arrangements. The Group has, on an ongoing basis, been providing vessel chartering services – spot charter, time charter, as well as contracts for freight arrangement to a diversified clientele base within the land reclamation and dredging industry.

### (c) Shipbuilding and Provision of ship repair, maintenance, fabrication and refurbishment services

No revenue contribution was recorded from the shipbuilding segment as ship repair and maintenance activities were only undertaken on vessels owned by the Group.



### Assets, Liabilities and Liquidity

Trade and other receivables increased by 4.2% as compared to the preceding year, recorded at RM245.8 million in FYE 2018 and RM235.9 million in FYE 2017. The increase was mainly due to land reclamation works carried out by Benalec which have yet to be certified by the clients, as well as outstanding collection of payments pursuant to SPA(s) entered into by Benalec and purchasers of our reclaimed land bank.

The receivables from such reclamation works will be recognised as revenue upon certification of work done by clients. Concurrently, deferred revenue receivable arising from land sales have increased and will be reversed and recognised as profit or loss upon the transfer of significant risks and rewards of ownership of each individual parcel of land to its respective purchasers.



As at 30 June 2018, the Group had cash and bank balances of RM156.8 million, including deposits pledged as security for the Group's Redeemable Convertible Secured Bond ("RCSB") in favour of the Security Trustee. The salient terms of the RCSB are disclosed in Note 18 of the financial statements.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### ANTICIPATED OR KNOWN RISKS

Our Group operates in the marine construction business and its primary activity involves reclaiming and selling large tracts of commercial and industrial land, operations which are both capital intensive and necessitate long gestation periods. Our business operations and financial condition have been and will continue to be affected by internal and external factors predominantly affecting the marine construction and property/real estate industry, including (but not limited to) the following:-

#### (a) Demand and supply conditions

The demand for marine construction projects and reclaimed sea-fronting land is generally dependent on the demand from the Group's key target markets, such as local and foreign companies as well as government authorities involved in:-

- Mixed residential and commercial developments;
- Light, medium and/or heavy industrial developments;
- Oil and gas industries;
- Tourism and leisure developments;
- Maritime and logistics industries;
- Civil and agricultural industries; and
- Socio-economic and environment protection initiatives.

In general, an increase in investments and/or activities within these sectors would translate into an increased demand for sea-fronting land which the Group reclaims, with a positive knock-on effect accruing to our marine construction services as well.

The investment appetite of both local and foreign investors is also typically affected by the political landscape, both local and international; prevailing economic conditions, as well as ease of securing funding from the capital market.

#### (b) Dependence of economic, regulatory and political consideration

The Group's ability to monetise its reclaimed sea-fronting land is highly dependent on the local political climate as well as the prevailing economic conditions; potential land buyers are understandably cautious in terms of committing to new investments, especially if the prevailing political climate is unstable or uncertain.

In the current prolonged economic downturn, potential buyers of, or investors in, our industrial land are facing increased difficulty in securing funding and loans from banks and this has undoubtedly led to a delay in their reinvestment or expansion plans. Property development companies involved in "landbanking" activities have also adopted a conservative approach amidst a slow property market which does not make it viable for them to launch new development projects.

Another restrictive dynamic is that marine construction companies are governed by national, regional and international regulations and policies. Failure to obtain the necessary approvals may result in inability to undertake such projects while non-compliance may result in stop-work orders, penalties or detention of vessels.

The Group undertakes detailed planning and assessment prior to commencing any given project, formulating as well as adhering to a comprehensive project quality plan throughout the course of project execution. However, from time to time the relevant authorities may make changes to applicable regulations affecting the Group's operations, thereby obliging the Group to modify its facilities or incur expenses that could have an adverse impact on the Group's operating results.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (c) Market prices of reclaimed land upon disposal of our Land Portion

Under our revenue model, payment for our land reclamation projects is settled by way of Cash and/or Land Portion. In this respect, market prices of the Land Portion upon disposal is not within the Group's control and is a result of a number of different factors such as surrounding upcoming developments and sentiments of the property market in general.

However, to mitigate this, prior to undertaking a project which the Group will be compensated by way of Land Portion, comprehensive due diligence is carried out on the land and surrounding vicinity whereby the potential value of the Land Portion, as well as the demand-supply condition of land in such vicinity, are given due and critical consideration. We also assess the possible infrastructure enhancements on the said lands which could potentially increase their market value.

### (d) Supply of diesel, sand and rocks

Diesel, sand and rocks constitute major components used in our marine construction activities. Hence, any shortage in the supply of diesel, sand or rocks may affect the operations of the Group. To mitigate this, the Group sources diesel, a key component, from a number of suppliers to minimize over-dependency on any single supplier. In addition, any fluctuation in the prices of diesel, sand or rocks will directly affect the profit margin of the Group. We endeavor to mitigate this uncertainty and fluctuations in the price of sand by entering into agreements with sand concessionaires to extract sand at specified pricing for a defined time period.

### (e) Delay in completion of marine construction contracts and cost overruns

Marine construction companies are vulnerable to operational risks such as breakdowns of equipment and machinery; inclement weather conditions; and accidents involving operation facilities and personnel during work execution. The Group strives to complete its projects within the stipulated timeframes by adopting the following measures: -

- (i) Our vessels and equipment are well maintained by our own in-house repair and maintenance team and are managed under a programmed maintenance schedule to prevent breakdown and minimize downtime. Personnel operating the Group's vessels and equipment are professionally trained in proper handling of its vessels and equipment, safety requirements and emergency procedures;
- (ii) The Group ensures that it has the necessary back-up resources to cope with unexpected breakdowns at any one time, such as storage of adequate spare parts and back-up equipment; and
- (iii) The Group mitigates the effects of adverse weather conditions through systematic project planning such as taking cognizance of weather forecasts from the Malaysian Meteorological Department and the use of tide tables published by the National Hydrographic Centre to estimate the occurrences of high and low tides.

### (f) Recognition of Barges and Dredgers

Vessels and equipment are essential operational assets for a marine construction company. Unlike many other marine construction contractors, Benalec owns and operates its own fleet of vessels to support its marine construction projects and ship chartering activities. The recognition and recoverability amount of these vessels is dependent on domestic and regional shipping and fleet demand. As disclosed in Note 5 of the financial statements, the Group performed assessment on those vessels based either on fair value less disposal cost (as estimated by an independent valuer) or on management's estimations by reference to adjusted available market data obtained by comparison with recent transactions involving other similar barges and dredgers.

Due to the current market environment of the domestic and regional maritime industry, there has been a softening in demand for vessels which in turn negatively affects the valuation of barges and dredgers owned by the Group. In the current financial year under review, the Group has recognised a one-off impairment loss totalling RM16.2 million as other operating expenses.

However, by owning and operating a fleet of specialised vessels and equipment essential for a wide range of marine construction projects, the Group is able to undertake sizeable marine construction jobs of a diverse range (sand delivery, dredging, coastal protection, land levelling etc). As a result, the Group is able to capitalise on many different business opportunities, thereby ensuring optimum utilisation of its fleet of vessels.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FORWARD - LOOKING STATEMENTS

### Melaka – Cheng Ho City

Demand for the Group's prime sea-fronting reclaimed land bank in Cheng Ho City, Melaka, which is only 7 kilometers away and a mere 12-minute drive to the west of Melaka City Center, continues to be robust due to the sustained and rapid developments taking place in Melaka over the past few years. This is underscored by the Group's ability to monetise more than 844.6 acres of land in Melaka to-date, amounting to more than RM1.16 billion in land sales being achieved.

Designated as a UNESCO-listed World Heritage site, Melaka was the second most popular tourist destination in Malaysia after Kuala Lumpur with 16.79 million tourist arrivals recorded in 2017 (both domestic and international); an increase of 3.15% from 2016. This visitor count is targeted to reach 17 million by the end of 2018 as Melaka remains the preferred travel destination of choice in Malaysia second only to the Klang Valley.

Melaka, strategically located along an important sea route which has been described as 'The 21st Century Maritime Silk Road' is primed to become China's gateway to Southeast Asia. Tourists from China have been growing rapidly at a rate of 23% year-on-year since 2016. In 2017, Chinese tourist arrivals to Melaka numbered approximately 1.65 million; making them the largest group of tourists visiting Melaka followed by tourists from Singapore and Indonesia.

Furthermore, tourist-centric and purpose-built tourist-themed developments such as Impression City Melaka, Melaka Gateway as well as other proposed theme park developments in Melaka are expected to engender renewed interest in Melaka and cater to a wider mix of tourist arrivals to Melaka. With Melaka sustaining its growth trajectory, both in terms of economic development and international prominence, the value of the Group's substantial land bank in the State is bound to be significantly enhanced and the Group is set to continue to benefit from its substantial land bank and projects in Melaka moving forward.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Pulau Indah

The Group's Pulau Indah land development continues to attract strong interest and demand from various small to medium sized, as well as large scale logistics companies, which are interested in building facilities in the Pulau Indah area. The Group's development provides excellent connectivity with Westport being literally located next door and Kuala Lumpur International Airport only 45 minutes away.

Spillover effects from surrounding developments within the area will further enhance the value of the Group's land bank in Pulau Indah. Central Spectrum Sdn Bhd recently had in September 2017 announced its launch of Selangor Bio-Bay, a mixed development comprising industrial, commercial and residential developments focused on promoting biotech and life-science sectors, located adjacent to the Group's land bank. Moreover, large scale projects which have been announced in the past include IKEA's RM908 million regional distribution and supply chain centre at Central Spectrum's Pulau Indah Industrial Park ("PIIP") development which is located directly opposite the Group's landbank; and Westports Holdings Bhd's RM800 million port expansion of its Container Terminal 8 (CT8) and CT9 which involves the construction of additional wharves and a new container yard capable of handling up to 14 million 20ft equivalent units (TEUs) annually. Westports is located only 8km from the Group's landbank in Pulau Indah.

The SST regime which has replaced the GST effective September 2018 also augurs well for the Group as any new buyer of the Group's commercial and industrial land bank will no longer be subject to 6% GST. The business model of Benalec renders the Group to be classified under the construction sector, thereby not obliging the Group to charge SST on land sales or on provision of services to its clients. This increases the competitiveness of the Group both in its disposal of land held for sale segment as well as provision of marine construction services.

The Group aims to provide an alternative land development product offering within the area by differentiating its development within the Pulau Indah area. Benalec's development offers larger plots of land with access to the river front and at a significantly more competitive and attractive price point. This offers potential offtakers of the Group's Pulau Indah industrial land development a choice of large tracts of land at a much more accessible price point into the booming and ideally located Pulau Indah area.

Benalec's strategy in selling larger plots of land with basic infrastructure not only allows it to differentiate its offering from other surrounding developments; it further allows the Group to lower its holding costs by not having to incur additional costs and capex for infrastructure. Purchasing large tracts of land provides potential buyers of the Group's Pulau Indah industrial land development with a large blank canvas to design and build large-scale facilities to fit specific and tailored requirements. Due to scarcity of land, land developments within the Pulau Indah area offers limited land for future expansion and hence; a large scale landbank such as ours would provide prospective purchasers with the security and assurance of landbank availability within its own integrated complex or area for future developments and/or expansion plans.

Based on the Group's strategy targeting different market segments and clientele compared to other existing surrounding developments, the Group is confident that it has a unique competitive advantage and will be able to successfully monetise its land bank in Pulau Indah in the not-too-distant future.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Johor – Tanjung Piai Maritime Industrial Park (“TPMIP”)

Reclamation works at the Group’s TPMIP project are ongoing and on-track with its first 60 acres having completed its surcharge process which is applied as a second method to accelerate soil consolidation process, on top of the installation of prefabricated vertical drains (“PVD”). Benalec’s approach in undertaking PVD works in-house has led to significant cost savings and efficiency in terms of timeline being achieved.

In the near to medium term, the Group is targeting storage terminals for oil, gas and chemicals to offtake its available land. This demand is mainly driven by the spillover demand for land from the neighboring Jurong Island, which is the main oil distribution and trading hub in Southeast Asia as well as the largest bunkering hub in the world (50 million tonnes of supply in 2017 according to the Maritime and Port Authority in Singapore).

The new International Maritime Organisation (IMO) regulation for a global sulphur cap of max 0.5% for marine fuels (reduced from its current level of 3.5%) is fixed to start from 1 January 2020. Many existing refineries and storage terminals will find it very difficult to comply without significant expansion, upgrade or redesign. The current large demand for high sulphur fuel oil HSFO will be diminished and be replaced by larger volumes of gas oil and numerous grades of very low sulphur fuel oil (VLSFO) fragmenting the bunker market.

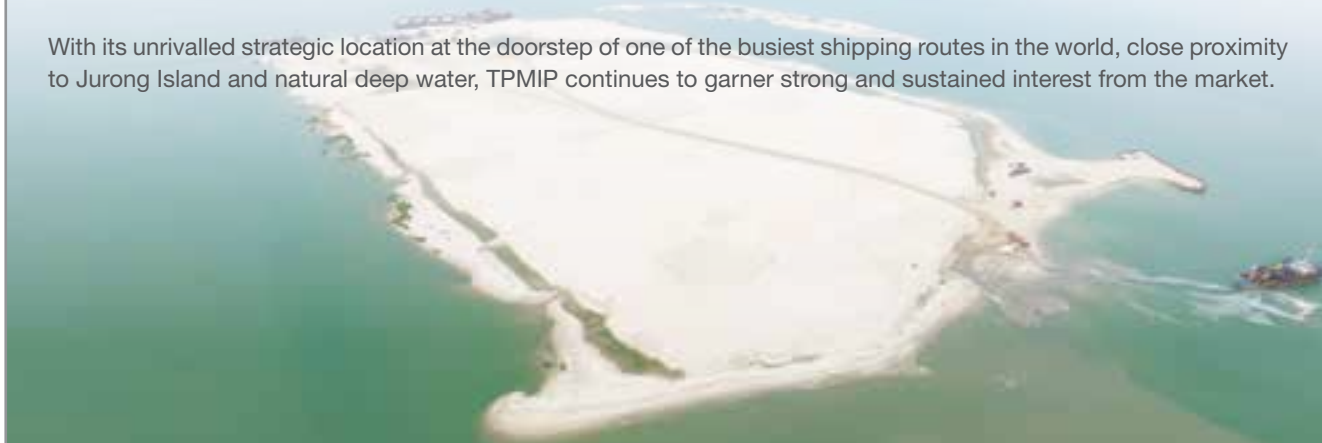
This will render many of the terminals with larger tanks almost obsolete, as the market demand is likely to change towards smaller tanks with greater flexibility for blending activities. This unprecedented change in the market presents an opportunity for newer and more flexible plants and terminals that comply with the latest industry regulations to be constructed, thereby increasing demand for suitable locations within the Greater Singapore region (a term widely used within the oil and gas market to include Johor and the nearby Indonesian islands surrounding Singapore). The expansion from Singapore is the result of its land shortage for further oil terminals.

In addition, research by the International Energy Agency forecasts demand growth for transportation fuels over the next five (5) years and beyond, to be very positive for the Greater Singapore region, not only for bunkering activities but also in further growth as a distribution port for other products as well.

Based on the positive fundamental changes of the market, we are confident that TPMIP’s unique characteristics will increase its competitive advantage to capture opportunities that will arise imminently, including its strategic location at the confluence of the Melaka Straits, Singapore Straits and Johor Straits, making it well placed to capture value-added activities from one of the busiest shipping lanes in the world; TPMIP is located at the doorstep of other major ports in Southeast Asia such as Jurong Port and Port of Tanjung Pelepas. Coupled with its natural deep water of up to 30 meters and the availability of vast tracts of land for future expansion, TPMIP represents an extremely viable and attractive storage and logistical alternative to the land- and draft-restricted Singapore.

In the longer term, the Group envisions TPMIP taking on the development of storage facilities for feedstock, power plants, downstream petrochemical plants, purpose-built warehouses and fully integrated logistics parks. TPMIP will be a free commercial zone where developments within the park will be able to enjoy zero import and excise duties if products are re-exported or until they leave the zone for domestic use.

With its unrivalled strategic location at the doorstep of one of the busiest shipping routes in the world, close proximity to Jurong Island and natural deep water, TPMIP continues to garner strong and sustained interest from the market.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Johor – Pengerang Maritime Industrial Park (“PMIP”)

The management is bullish on PMIP’s potential due to its close proximity to Petronas’ RAPID project, which is slated to come online in the first quarter of 2019. It is envisioned that once RAPID’s refinery is operational, PMIP will be well placed to capture the spillover demand that is expected to be generated by such a catalytic development geared towards driving the local oil and gas market.

PMIP, being only 5 km away from RAPID, offers an excellent location for the development of downstream support activities which are intended to serve or complement RAPID. Upon completion, PMIP will be the only remaining sea-fronting piece of land affording access to water draft of up to 24m available for third party investments within the PIPC.

The RAPID project, worth US\$27 billion, is the largest downstream investment ever committed by Petronas in Malaysia to date. Located within PIPC, RAPID’s overall progress is at 93% completion as of July 2018. In February 2017, Saudi Aramco and Petronas signed a US\$7 billion deal whereby Aramco purchased a 50% stake in selected ventures and assets in the RAPID project. In September 2018, it was reported that the first crude oil cargo had arrived in Pengerang, Johor, for the purpose of commissioning and testing the Petronas-Saudi Aramco refinery.

PMIP has cleared the requisite EIA approvals for land reclamation and potential topside developments such as storage warehousing, shipyards and fabrication yards for this project. Hence, the most significant licensing hurdle for potential developers has been removed from the equation, thereby significantly expediting any future topside developments at PMIP.

The Group is confident that the first parcels of land at PMIP will be ready and available for sale, lease or joint venture by the first half of 2019, in tandem with the commissioning of RAPID’s refinery. Similarly, the Group is also currently pursuing the procurement of free commercial zone status for PMIP to enable users of PMIP to enjoy zero import and excise duties.

Therefore, with these two specific areas of growth identified in Johor, Benalec has clearly aligned itself strategically to be an integral part of the Malaysian government’s plans for Johor to become a regional oil and gas hub via its two main flagship projects, namely the TPMIP and PMIP.

With vast tracts of land to be reclaimed at both TPMIP and PMIP, the Group’s venture into Johor provides a springboard for achieving business sustainability and is expected to propel the Group to the next level of growth in the long term, enabling the Group to capitalise on the abundant opportunities stemming from downstream activities within the oil and gas sector.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



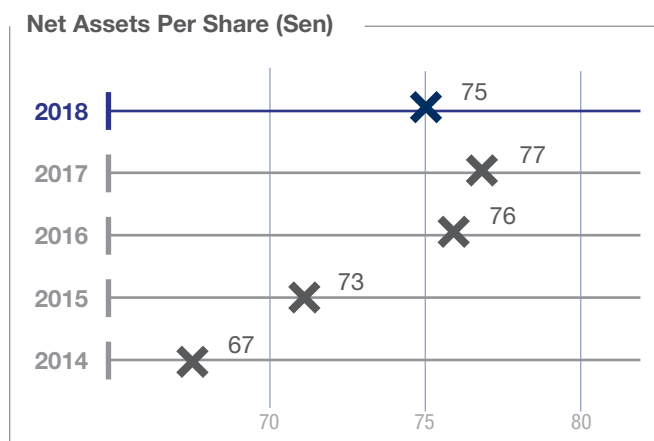
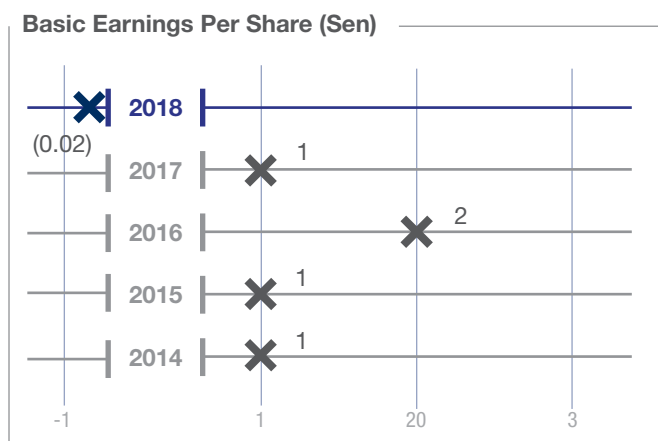
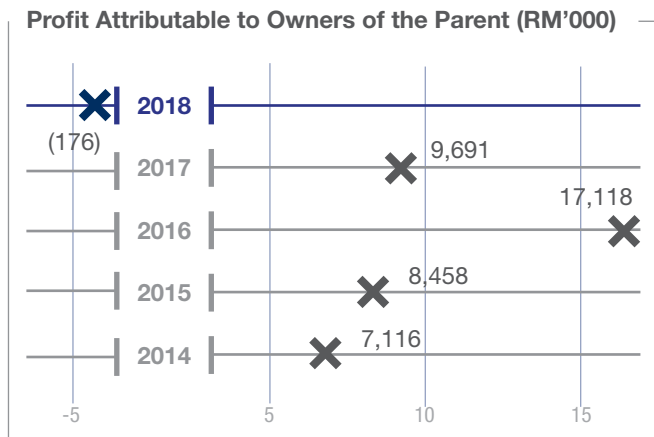
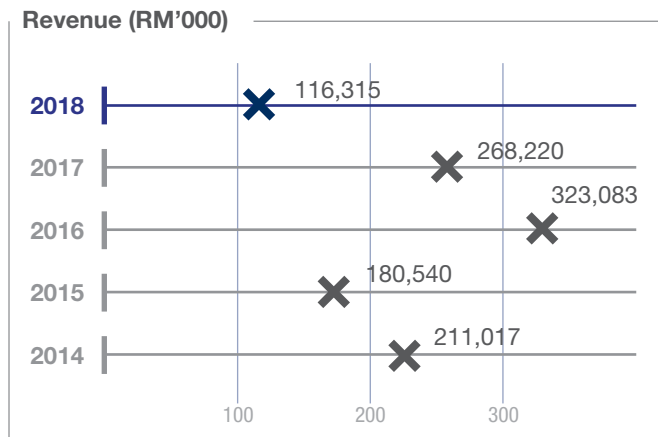
## Dividend policy

The Company's dividend policy is to pay out 30% of PAT, subject to: -

- (a) Availability and adequate of distributable reserves and cash flow;
- (b) Operating cash flow requirements and financing commitments; and
- (c) Anticipated future operating conditions, expansion and investment plans.

The Board did not recommend any dividend for the current financial year end. The Group is currently committed to, and have embarked on, two (2) mega projects, namely the TPMIP and PMIP projects in Johor; these projects are highly capital-intensive and are expected to stretch our financial resources. As and when circumstances permit, the Group will consider paying out higher dividends to its shareholders on a more frequent basis.

# GROUP FINANCIAL HIGHLIGHTS



Year ended 30 June		2018	2017	2016	2015	2014
Revenue	(RM'000)	116,315	268,220	323,083	180,540	211,017
Profit Before Taxation	(RM'000)	4,404	21,324	32,012	19,161	18,203
Profit After Taxation	(RM'000)	2,382	11,336	18,055	8,474	7,103
Profit Attributable to Owners of the Parent	(RM'000)	(176)	9,691	17,118	8,458	7,116
Paid-up Capital	(RM'000)	365,489	360,489	202,951	202,951	202,853
No. of Shares (units)	('000)	831,803 <sup>(1)</sup>	811,803 <sup>(2)</sup>	811,803 <sup>(3)</sup>	811,803 <sup>(4)</sup>	811,412 <sup>(5)</sup>
Equity Attributable to Owners of the Parent	(RM'000)	621,042	625,068	613,398	591,601	543,420
Basic Earnings Per Share	(sen)	(0.02)	1	2	1	1
Diluted Earnings Per Share	(sen)	(0.02)	1	2	1	1
Net Assets Per Share	(sen)	75	77	76	73	67

**Notes:**

- (1) Include 12,715,400 treasury shares repurchased from the open market for a total consideration of RM12,703,204 at average price of RM1.0000 per ordinary share.
- (2) Include 12,705,400 treasury shares repurchased from the open market for a total consideration of RM12,698,955 at average price of RM1.0000 per ordinary share.
- (3) Include 12,685,400 treasury shares repurchased from the open market for a total consideration of RM12,698,959 at average price of RM1.0004 per ordinary share.
- (4) Include 12,665,400 treasury shares repurchased from the open market for a total consideration of RM12,679,307 at average price of RM1.0010 per ordinary share.
- (5) Include 11,155,400 treasury shares repurchased from the open market for a total consideration of RM11,114,879 at average price of RM0.9964 per ordinary share.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## INTRODUCTION

The Board of Directors (“the Board”) of Benalec Holdings Berhad (“Benalec” or “the Company”) is committed to ensuring that high standards of corporate governance are practiced throughout Benalec and its subsidiaries (collectively referred to as “the Group”). The Board acknowledges that adopting and operating in accordance with the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) is essential for sustainable long-term performance and value creation. The Board believes that practices of good corporate governance will enhance the credibility and reputation of the Company, as it promotes and safeguards the interests of shareholders and other stakeholders.

The Board presents this overview statement to provide an insight into how the Company has applied the principles as set out in the MCCG 2017 and the extent of its compliance with the principles. Where the Company has not followed any recommendation or has taken steps to follow such recommendation, or has established an alternative approach, together with the reasons, where applicable, is disclosed in this statement. This statement should be read in conjunction with the Corporate Governance Report 2018 (“CG Report”) of the Company which is accessible online at the Company’s website [www.benalec.com.my](http://www.benalec.com.my) and Bursa Malaysia’s website.

## A. BOARD OF DIRECTORS

### 1. Board Composition

The Board has overall responsibility for the corporate governance, strategic direction and for overseeing the investments and operations of the Company and the Group.

Presently, the Board comprises of two (2) Executive Directors and three (3) Independent Non-Executive Directors as set out below:

Name of Directors	Designation
Datuk Aznam bin Mansor	Chairman, Independent Non-Executive Director
Dato’ Leaw Seng Hai	Group Managing Director/Chief Executive Officer
Koo Hoong Kwan	Senior Independent Non-Executive Director
Wong Yoke Nyen	Independent Non-Executive Director
Leaw Ai Lin	Executive Director

The present composition of the Board complies with the requirement of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) where at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, should comprise Independent Directors.

The Board consists of qualified individuals with diverse skill-sets, experience and knowledge necessary to govern the Company to good effect. The composition and size of the Board are such that the decision-making processes of the Company are facilitated thereby.

The Board is of the opinion that the composition of the current Board fairly reflects a balance of Executive and Non-Executive Directors to ensure that the interest of not only the Company, but also that of the stakeholders and of the public in general are represented as each Independent Director brings invaluable judgment to bear on issues of strategy, performance, resource allocation, risk management and standard of conduct. In the opinion of the Board, the interests of the minority shareholders are fairly represented by the presence of these highly competent and credible Independent Non-Executive Directors.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness and effectiveness. The profiles of the Directors are set out on pages 9 to 13 of this Annual Report.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## A. BOARD OF DIRECTORS (CONTINUED)

### 2. Roles and Responsibilities of the Board

The roles and responsibilities of the Board and Management are clearly delineated in the Board Charter. The Board is mainly responsible for the Group's overall strategic plans for business performance and is accountable to shareholders in performing that role, whilst Management is accountable for the execution of the expressed policies and attainment of the objectives of the Group. The clear separation complements and reinforces the supervisory role of the Board. Nonetheless, the Board is always guided by the Board Charter which outlines the duties, responsibilities and matters reserved for the Board in discharging its roles and duties.

All Board members participate fully in the decision making on key issues involving the Group. The Board assumes, inter alia, the following roles and responsibilities:-

- Ensuring that the Company's goals are clearly established and strategies are in place for achieving the Company's long-term growth;
- Provide clear objectives and policies to Senior Management for operations;
- Oversee the conduct and proper management of the Company's businesses, including succession planning;
- Ensure establishment of appropriate risk management framework and adequate management information and internal control system of the Company; and
- Approve transactions and activities outside the discretionary powers of Senior Management, subject to shareholders' approval where necessary.

The Board reserves certain powers for itself and delegates other matters to the Group Managing Director/Chief Executive Officer, Executive Directors and Senior Management. The responsibilities amongst others, are as follows:

- Overall responsibility for the day-to-day management of the business of the Company and the Group, with all the powers, discretions and delegations authorized, from time to time, by the Board;
- Ensuring the due execution of strategic goals, effective operation within the Company, and explaining, clarifying and informing the Board on matters pertaining to the Company and the Group;
- Developing and implementing strategies, business direction, plans and policies of the Company and the Group;
- Assessing business opportunities which are of potential benefit to the Group;
- Ensuring the efficiency and effectiveness of the operations of the Company and the Group; and
- Supervising heads of divisions and departments who are responsible for all functions contributing to the success of the Company and the Group.

The Board has formalised a Code of Ethics and Conduct for its directors and employees. The Board would periodically review the Code of Ethics and Conduct and it is available for reference at the Company's website at [www.benalec.com.my](http://www.benalec.com.my).

### 3. Board Charter

The Board has adopted a Board Charter which sets out the roles, functions, compositions, operation and processes of the Board and which is intended to ensure that all the Board members acting on behalf of the Company are fully aware of their obligation of discharging their duties and responsibilities to the Company. The Board Charter serves as a source of reference and primary induction literature to provide insights to prospective Board members and Senior Management. In addition, it also assists the Board in the assessment of its own performance and that of its individual Directors.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available for reference at the Company's website at [www.benalec.com.my](http://www.benalec.com.my).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## A. BOARD OF DIRECTORS (CONTINUED)

### 4. Board Meetings

The Board conducts at least five (5) scheduled meetings annually, with additional matters being addressed by way of circular resolutions and additional meetings to be convened as and when necessary.

The Board met six (6) times during the financial year ended 30 June 2018. A summary of attendance for each of the Board of Directors are as follows:

Name of Directors	No. of meetings attended
Datuk Aznam bin Mansor	5 out of 6
Dato' Leaw Seng Hai	5 out of 6
Koo Hoong Kwan	6 out of 6
Wong Yoke Nyen	6 out of 6
Leaw Ai Lin	6 out of 6

### 5. Board Committees

The Board may from time to time establish Board Committees as it considers appropriate to assist the Board in discharging its duties and responsibilities.

The Board has formed the following Committees, each with its own functions and responsibilities. The Committees operate within their respective defined terms of reference approved by the Board and, where necessary, by way of specific authority delegated by the Board. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

- Audit and Risk Management Committee (renamed with effect from 29 August 2018)
- Nomination Committee
- Remuneration Committee
- Option Committee
- Evaluation Committee

#### (i) **Audit and Risk Management Committee**

The Audit Committee was established on 30 November 2010. In line with the recommendation of the MCCG 2017, the Committee which has been assisting the Board in carrying out, among others, the responsibility of overseeing the Group's risk management framework and policies was renamed as Audit and Risk Management Committee on 29 August 2018. The Audit and Risk Management Committee comprises three (3) Independent Non-Executive Directors. The functions of the Audit and Risk Management Committee include reviewing of audit findings of the external and internal auditors together with management response thereon, deliberating on financial statements and reviewing accounting policies. The Audit and Risk Management Committee has full access to both internal and external auditors and is empowered to conduct investigations of any activities within its terms of reference.

The terms of reference and summary of activities of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Report on pages 45 to 47 of this Annual Report.

#### (ii) **Nomination Committee**

The Nomination Committee was established on 30 November 2010 and comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Nomination Committee are as follows:

- **Koo Hoong Kwan**  
(Senior Independent Non-Executive Director) - Chairman
- **Datuk Aznam bin Mansor**  
(Independent Non-Executive Director) - Member
- **Wong Yoke Nyen**  
(Independent Non-Executive Director) - Member

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## A. BOARD OF DIRECTORS (CONTINUED)

### 5. Board Committees (continued)

#### (ii) Nomination Committee (continued)

The terms of reference of the Nomination Committee, which is made available at the Company's website at [www.benalec.com.my](http://www.benalec.com.my), are reviewed by the Board annually and updated as appropriate. Among others, the responsibilities of the Nomination Committee include:

- Identifying, nominating and orientating new Directors;
- Reviewing the mix of skills, knowledge, expertise and experience of the Directors and other qualities, including core competencies required for the Board;
- Recommending to the Board the directors to fill the seats on the various Board committees;
- Developing and maintaining the criteria to be used in the recruitment process and the annual assessment of Directors;
- Assisting the Board in an annual review of the independence of the Independent Non-Executive Directors; and
- Assessing the effectiveness of the Board as a whole, as well as that of the Board Committees and the contribution of each individual Director.

A summary about the activities of the Nomination Committee in discharge of its duties during the financial year ended 30 June 2018 are as follows:

- Recommending the re-election of Directors retiring at the Annual General Meeting 2018;
- Assessing compliance of Board Committees with their respective Term of References;
- Recommending revisions/amendments to the Term of Reference of the Board Committees; and
- Conducting the annual assessment in respect of its Board Committees and individual Directors.

The Board views that the evaluation of the suitability of the candidates as Board members based on their competency, experience, time commitment and other qualities in meeting the needs of the Group, should remain as priority among others, for consideration.

The Nomination Committee met once during the financial year to review the performance of all the Board members and of the Board Committees, both individually and collectively.

#### (iii) Remuneration Committee

The Remuneration Committee was established on 30 November 2010 and comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Remuneration Committee are as follows:

- **Koo Hoong Kwan**  
(Senior Independent Non-Executive Director) - Chairman
- **Datuk Aznam bin Mansor**  
(Independent Non-Executive Director) - Member
- **Wong Yoke Nyen**  
(Independent Non-Executive Director) - Member

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## A. BOARD OF DIRECTORS (CONTINUED)

### 5. Board Committees (continued)

#### (iii) Remuneration Committee (continued)

The terms of reference of the Remuneration Committee are reviewed by the Board annually and are updated as appropriate. Among others, the responsibilities of the Remuneration Committee include the following:

- Recommending to the Board the remuneration package for Non-Executive Directors and remuneration packages for each Executive Director and Senior Management;
- Ensuring that the compensation and other benefits encourage Executive Directors to act in ways that enhance the Company's long term profitability and value; and
- Recommending to the Board a Remuneration Framework on the fee structure and level of remuneration for the Executive Directors and Senior Management.

The Remuneration Committee met once during the year under review.

#### (iv) Option Committee

The Option Committee was established on 1 December 2010 and comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Option Committee are as follows:

- **Koo Hoong Kwan**  
(Senior Independent Non-Executive Director) - Chairman
- **Datuk Aznam bin Mansor**  
(Independent Non-Executive Director) - Member
- **Wong Yoke Nyen**  
(Independent Non-Executive Director) - Member

The primary responsibility of the Option Committee is to administer the implementation of the Share Issuance Scheme ("Scheme") in accordance with the objectives and regulations as set out in the By-Laws of the Scheme and in such manner as it shall in its absolute discretion deem fit and within such powers and duties as are conferred upon it by the Board.

#### (v) Evaluation Committee

The Evaluation Committee was established on 23 April 2013. The members of the Evaluation Committee are as follows:-

- **Koo Hoong Kwan**  
(Senior Independent Non-Executive Director) - Chairman
- **Dato' Leaw Seng Hai**  
(Group Managing Director) - Member
- **Wong Yoke Nyen**  
(Independent Non-Executive Director) - Member

The Evaluation Committee is a sub-committee of the Board, formed to consider and review all tenders and/or offers received in conjunction with land sale and to also deliberate on contracts with a value exceeding RM5 million to be awarded to sub-contractor(s) ("the offers") by the Benalec Group. The Evaluation Committee shall provide objective advice and recommendations on the selected offers to the Board, thus ensuring that all the offers selected are made in the best interest of the Group, as and when required.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## A. BOARD OF DIRECTORS (CONTINUED)

### 6. Independence

In accordance with Paragraph 1.01 and Practice Note 13 of the MMLR, the Board recognises the important contribution that Independent Directors made to ensure good corporate governance. The Independent Non-Executive Directors play a crucial role of bringing objectivity to the decisions made by the Board and to provide independent judgment, experience and objectivity without being subordinated to operational considerations to the exclusion of other relevant factors. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board. They also ensure that the Board practices good governance in discharging its duties and responsibilities. The Board, as a whole, exercises overall control of the Group.

The independence of an Independent Directors is assessed annually through the Assessment of Independence of Independent Directors in conjunction with Board evaluation process. The assessment of independence is based on the criteria prescribed under the MMLR and the Corporate Governance Guide.

During the financial year, none of the Independent Directors disclosed any relationships and/or transactions that could materially interfere with their independent judgements and decisions. The independence assessment undertaken for the financial year has shown that all the Independent Directors have demonstrated their ability to act independently. The Board was satisfied with the level of independence of all Independent Directors.

### 7. Appointment to the Board

The MCCG 2017 recommends that the assessment of new candidates for appointment as directors is to be made by the Nomination Committee. In making these recommendations, the Nomination Committee considers the criteria such as the required mix of skills, experience and knowledge which the Directors bring to the Board. The decision in respect of the appointment of new directors is a matter for deliberation by the Board as a whole.

### 8. Re-appointment and Re-election of the Directors

In accordance with Article 112 of the Company's Constitution, all Directors appointed by the Board either to fill a casual vacancy or as an additional Director to the existing Board are subject to re-election at the next Annual General Meeting ("AGM") following their appointment. Article 108 of the Company's Constitution also provide that at least one-third (1/3) of the remaining directors be subjected to re-election by rotation at each AGM provided always that all Directors shall retire from office at least once every three (3) years but be eligible for re-election.

The list of Directors who are subject to re-election or re-appointment are presented to the Nomination Committee for endorsement. The names of Directors seeking for re-election or re-appointment at the forthcoming AGM are disclosed in the Notice of AGM in this Annual Report.

With the aim of enhancing the overall Board effectiveness, the Nomination Committee and the Board have always considered the length of service of a Director as a key element in their review of any renewal of a Board position. The tenure of an independent director shall not exceed a cumulative term of nine (9) years. Subject to the assessment of the Nomination Committee and the shareholders' approval, the Board may retain an independent director who has served a cumulative term of nine (9) years or more. Presently, there is no independent director of the Company whose tenure has exceeded a cumulative term of nine (9) years as the Company was listed on 17 January 2011.

The composition and size of the Board are reviewed on an annual basis to ensure its effectiveness.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## A. BOARD OF DIRECTORS (CONTINUED)

### 9. Board Diversity

The Board strongly views that diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. Having a diverse range of skills, background, expertise and experience are critical elements in ensuring an effective Board.

The Board takes note of the recommendation of the MCCG 2017 pertaining to the need to establish a policy formalising the approach to boardroom diversity for gender, age and ethnicity and to set targets and measures for the adoption of the said recommendation.

The current diversity in the gender, race/ethnicity and age distribution of the existing Board is as follows:

No. of Directors	Gender		Race/Ethnicity			Age Group (years)		
	Male	Female	Malay	Chinese	Others	20-39	40-59	60 and above
	4	1	1	4	-	1	3	1

The Board takes the view that, for the time being, the status quo of the Board, in terms of composition and structure, should be maintained. However, the Board acknowledges that there is always room for improving diversity in ensuring continuous efficient functioning of the Board and remains open to changes as and when appropriate.

### 10. Directors' Training and Development

The Board as a whole will evaluate and establish or recommend the development programmes, the attendance of which may be required of each Board member so as to better equip him/her for discharging his/hers duties and responsibilities. The Board members will also, from time to time, review programmes suitable for their development needs for furtherance of their duties and responsibilities as directors. In addition to attending seminars and other training programmes, the Board members are expected to constantly keep up to date with articles on market development, industry news, changes in regulations and related issues. The Nomination Committee would also assess the training needs of the Board from time to time.

All of the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP") as required by Bursa Securities. During the financial year, the Directors have attended various training programmes, forum and seminars as follows:

Name of Directors	Title of Seminar/Forum/Courses	Date of Attendance
Datuk Aznam bin Mansor	Bursa Risk Management Programme – "I Am Ready to Manage Risks"	13 September 2017
Dato' Leaw Seng Hai	Post GE 14: Malaysia Capital Market Outlook and Direction	22 June 2018
Koo Hoong Kwan	Anti-Money Laundering Act, Market Misconduct, Chinese Wall & Prevention of Insider Trading	7 June 2018
Wong Yoke Nyen	Sun Tzu's Art of War for Traders and Investors Series: Effective Corporate Strategy in Current Environment	16 November 2017
	MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure	18 January 2018
Leaw Ai Lin	Iclif CG Breakfast Series for Directors: Leading change @ the Brain	5 December 2017
	Anti-Money Laundering Act, Market Misconduct, Chinese Wall & Prevention of Insider Trading	7 June 2018

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## A. BOARD OF DIRECTORS (CONTINUED)

### 10. Directors' Training and Development (continued)

All the Directors will continue to attend relevant training and education programmes in order to keep themselves abreast with the latest developments in the market place covering laws, rules and regulations, capital market developments, business environment, corporate governance, risk management, general economic, industry and technical developments. The Board is also regularly updated on new and relevant statutory as well as regulatory guidelines from time to time during the Board meetings. This will enable the Board to discharge their duties effectively and ensure the sustenance of active participation in Board deliberations.

### 11. Supply and Dissemination of Information

Board meetings are structured with pre-determined agendas. Appropriate and complete Board papers are prepared prior to each Board meeting. These are distributed to the Board in sufficient time to enable the Directors to obtain further information and explanation, where necessary. The Board also has unfettered access to all information within the Group in furtherance of their duties. Members of senior management and external advisers are invited to attend these meetings to provide additional insights and professional views on specific items on the Agenda.

There are matters reserved specifically for the Board's decision, including the approval of acquisitions and disposals of assets and investments that are material to the Group.

Minutes of the Board of Directors and Board Committee meetings are circulated to Directors for their perusal prior to the confirmation of the minutes at the following Board and Board Committee meetings. The Directors may request for further clarification or raise comments on the minutes prior to the confirmation of the minutes.

The Directors or the Board as a whole or in their individual capacity, in furtherance of their duties, may take independent professional advice, as and when they deem necessary, and at the Group's expense. All Directors have direct access to the Senior Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties. The Directors also have access to the advice and services of the Company Secretary and relevant external and independent consultants for their professional advice and assistance in furtherance of their duties.

## B. REMUNERATION

The Group's policy on Directors' remuneration serves to attract, retain and motivate Directors, whereby the level of remuneration of the Directors is such as to be sufficient to attract and retain Directors needed to manage the Group effectively. The remuneration system is structured to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the level of responsibilities undertaken by the particular non-executive director concerned.

The authority, functions and responsibilities of the Remuneration Committee are set out in its terms of reference. The Remuneration Committee will review the remuneration packages of each individual Executive Directors from time to time to ensure that the remuneration packages remain competitive in order to attract and retain competent executives who can manage the Group successfully. The Executive Directors play no part in decisions pertaining to their own remuneration.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## B. REMUNERATION (CONTINUED)

The determination of remuneration packages of Non-Executive Directors is a matter of the Board as a whole. The level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors. The Non-Executive Directors concerned do not partake in decisions affecting their remuneration.

The Remuneration Committee met during the financial year to discuss and recommend the remuneration structure and packages for the financial year ended 30 June 2018 of the Directors for review by the Board.

The aggregate remuneration of Directors for the financial year ended 30 June 2018 is as follows:

### Directors' Remuneration

Category	Company			Group		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
	RM	RM	RM	RM	RM	RM
Directors' Fees	-	540,000	540,000	273,659	540,000	813,659
Directors' Salaries	-	-	-	4,651,460	-	4,651,460
Other Emoluments	140,350	32,000	172,350	1,011,092	32,000	1,043,092
Benefits in kind	-	10,625	10,625	89,663	10,625	100,288
Options granted under the Share Issuance Scheme	-	78,060	78,060	204,907	78,060	282,967
<b>TOTAL</b>	<b>140,350</b>	<b>660,685</b>	<b>801,035</b>	<b>6,230,781</b>	<b>660,685</b>	<b>6,891,466</b>

The number of Directors (including a resigned Director) whose total remuneration falls within the following bands is as follows:

Range of Remuneration	Company			Group		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
RM50,001 to RM150,000	-	-	-	1	-	1
RM150,001 to RM250,000	-	3	3	-	3	3
RM250,001 to RM600,000	-	-	-	1	-	1
RM5,500,001 to RM6,000,000	-	-	-	1	-	1
<b>Total</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>6</b>

The Board is of the view that the transparency and accountability aspects of the MCGG 2017 as applicable to Directors' remuneration are appropriately served by the "band disclosure" in accordance with the MMLR.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## C. STAKEHOLDERS COMMUNICATION

### 1. Investor Relations Function

The Board values and encourages dialogue with the shareholders in order to promote better understanding of the Company's objectives and performance parameters.

The AGM and Extraordinary General Meetings provide appropriate forums for the shareholders to participate in questions and answers sessions. Directors and Senior Management staff are present at the AGM to attend to shareholders' questions. The Company is committed to disseminate information in strict adherence to the disclosure standards of the MMLR. The Company ensures that material information relating to the Group is disclosed by way of announcement to the Bursa Securities, in annual report as well as, where appropriate, circulars and press releases. The Board will regularly review the information disseminated to ensure that consistent and accurate information is provided to shareholders of the Company.

The Company has established its website [www.benalec.com.my](http://www.benalec.com.my) which allows shareholders and the public access to corporate information, financial statements, news and events relating to the Group.

### 2. Dialogue between the Company and Stakeholders

The Group recognises the importance of stakeholders communication and has an established a dedicated Investor Relations Department to manage the interests of shareholders and other stakeholders of the Company. This is an important channel for minority shareholders and relevant stakeholders to air their concerns to the Company and Management. Communication and feedback from investors can also be directed to [ir@benalec.com.my](mailto:ir@benalec.com.my).

## D. ACCOUNTABILITY AND AUDIT

### 1. Financial Reporting

In presenting the annual financial statements and quarterly results, the Board aims to present a balanced and comprehensible assessment of the Group's position and prospects.

The Audit and Risk Management Committee assists the Board in examining information to be disclosed to ensure the completeness, accuracy and authenticity of such information.

### 2. Directors' Responsibility Statement

The Directors are required by the Act to direct Management to prepare the financial statements for each financial year in accordance with the provisions of the Act and applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

The Statement of Directors' Responsibility in preparing financial statements of the Company and Group is as outlined on page 48 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## D. ACCOUNTABILITY AND AUDIT (CONTINUED)

### 3. Risk Management and Internal Control

The Board has the overall responsibility of monitoring a sound internal control system that covers effective and efficient operations, compliant with the Law, relevant Regulations and risk management. This is to safeguard shareholders' investments and the Group's assets apart from assuring financial controls.

Detailed information on internal control is set out in the Statement on Risk Management & Internal Control on pages 42 to 44 of this Annual Report.

Risk management is given priority by the establishment of policies to identify, evaluate and manage the Company's corporate risk profile to mitigate possible adverse effects arising therefrom.

### 4. Relationship with the External Auditors

The Board has established a formal and transparent relationship with the external auditors of the Company. The role of the Audit and Risk Management Committee in relation to the external auditors is described in the Audit and Risk Management Committee Report of this Annual Report.

## COMPLIANCE STATEMENT

Pursuant to paragraph 15.25 and 15.08A of the MMLR of Bursa Securities, the Board is pleased to report that this Statement provides the corporate governance practices of the Company with reference to the MCCG 2017. This Statement sets out the manner in which the Company has applied the principles as prescribed in the MCCG 2017.

This Statement was approved by the Board on 3 October 2018.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. Utilisation of proceeds from Redeemable Convertible Secured Bond issuance

On 29 April 2015, the Company announced the completion of the issuance of RM200 million nominal value of 7-year Redeemable Convertible Secured Bond ("RCSB").

The status of utilisation of proceeds arising from the issuance, amounting to RM181.17 million as at 3 October 2018 is as follows:-

Description	Proposed utilisation	Relocate of utilisation	Actual utilisation	Deviation		Estimated timeframe for utilisation	Note
	RM'000	RM'000	RM'000	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)
<b>Total</b>	<b>181,170</b>	<b>-</b>	<b>(139,058)</b>	<b>42,112</b>	<b>23.24</b>		

### 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:

- 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
- 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:-

- From the date of RCSB issuance i.e 29 April 2015.
- 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.

## ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

### 2 Audit and Non-Audit Fees Paid

During the financial year ended 30 June 2018, the amount of audit and non-audit fees paid by the Company and the Group to the External Auditors are as follows:

	Group RM	Company RM
Audit Fees	450,523	80,000
Non-Audit Fees	206,545	112,000

### 3 Material Contracts

There was no material contracts entered into by the Company involving the interests of the Directors and substantial shareholders during the financial year ended 30 June 2018, save as disclosed in the Prospectus dated 28 December 2010 and Related Party Disclosure presented in the Financial Statements of this Annual Report.

### 4 Recurrent Related Party Transactions

The recurrent related party transactions or trading nature conducted by the Group during the financial year ended 30 June 2018 did not exceed the threshold prescribed under Paragraph 10.09(1) of the MMLR.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present its Statement on Risk Management and Internal Control in compliance with Paragraph 15.26(b) of the MMLR of Bursa Securities and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Securities.

The following statement outlines the nature and scope of the risk management and internal control within Benalec Holdings Berhad and its subsidiaries (“the Group”) during the financial year under review.

## **BOARD’S RESPONSIBILITY**

The Board is fully committed to maintaining a sound system of risk management and internal control system to safeguard the shareholders’ interest and the Group’s assets. The Board is responsible for the Group’s system of internal control including the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The system of internal control does not only cover financial controls but also organisational, operational and compliance controls and risk management procedures. In view of the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. The Board through its Audit and Risk Management Committee reviews the results of this process. The Board confirms that this process is in place for the year under review and that it accords with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The following activities have taken place as part of establishing the risk management and internal control during the year under review:

1. The Board has reviewed the adequacy and effectiveness of the risk management and internal control system;
2. The Board has commented on the adequacy and effectiveness of the risk management and internal control system; and
3. Assurance was obtained from Group Managing Director/Chief Executive Officer and Chief Financial Officer/ Finance Controller that the Company’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company.

## **GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

The Board has established an appropriate control environment and risk management framework, ensuring through a review process on the adequacy and integrity thereof.

### **1. Control Environment and Risk Management Framework**

The Board recognises that an effective risk management framework will allow the Group to identify, evaluate and manage risks that affect the achievement of the Group’s business objectives within defined risk parameters in a timely and effective manner.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

## GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONTINUED)

### 1. Control Environment and Risk Management Framework (Continued)

Accordingly, the Board has put in place a formal enterprise risk management framework that allows a more structured and focused approach to identify, evaluate, monitor and report the principal risks that affect the achievement of the Group's business objectives and enables the adoption of a risk-based internal control system. The following activities have taken place as part of establishing this formal framework:

- Risk profile had been developed for the Company.
- Risk Management Policy had been developed which incorporates, amongst others, a structured process for identifying, evaluating and prioritising risks as well as clearly defining the risk responsibilities and escalation process.
- Risk Manager has been appointed with key roles and responsibilities to champion risk awareness and training efforts of the Group which include the identification of risk, reviewing action plans and ensuring that the action plans are acted upon and addressed.

In order to inculcate a standard of ethical behaviour for directors and employees of the Group, a Code of Ethics and Conduct has been established and communicated to all directors and employees of the Group.

The whistle-blowing reporting process forming part of the Group's Code of Ethics and Conduct allows employees to raise concerns without fear of reprisals on suspected breach or violation of the Code. The employee should immediately report any malpractice that exists in the work place to his/her immediate superior or Head of Department. However, if the employee feels reluctant to do so, the employee has an option to report it to the Board.

The Group's Code of Ethics and Conduct is published in the Company's website at [www.benalec.com.my](http://www.benalec.com.my).

### 2. Group Structure

This is achieved through clearly defined operating and reporting structures with clear lines of accountability and responsibilities. Changes in the Group structure are duly communicated to Management team of the Group. In addition, details of directorships within the Group are regularly updated and highlighted to ensure that related parties are duly identified on a timely basis, as necessary.

The Board is responsible for setting the business direction and for overseeing the conduct of the Group's operations through various Board Committees.

### 3. Internal Audit Function

In addition, the Group has engaged an independent professional firm which carries out the internal audit function in the Group by providing independent advice and assurance on the effectiveness of the Group's system of internal controls. The findings of the internal auditors are regularly reported to the Audit and Risk Management Committee. In particular, the internal auditors appraise and contribute towards improving the Group's internal control system and reports to the Audit and Risk Management Committee on a quarterly basis. The Audit and Risk Management Committee meets with the Board to discuss significant issues found during the internal audit process and makes necessary recommendations to the Board. The internal auditors also review the internal controls on the key activities and processes of the Group's businesses and present an annual internal audit plan to the Audit and Risk Management Committee for prior approval before carrying out the review. The internal audit function adopts a risk-based approach and prepares its internal audit plan based on the risk profiles of the Company.

The Audit and Risk Management Committee reviews the results of the risk monitoring and compliance procedure, and ensures that an appropriate mix of effective techniques is used to obtain the level of assurance required by the Board. The Audit and Risk Management Committee considers reports from internal audit and from the Management, before reporting and making recommendations to the Board in strengthening the risk management, internal control and governance systems. The Committee presents its findings to the Board on a quarterly basis, or earlier, as appropriate.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

## GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONTINUED)

### 4. Control Framework

#### a. Financial Information and Information System

Management constantly monitors financial performances, business plan achievement and the progress of corrective actions/implementation for highlighted issues and is committed to rectifying the highlighted issues. In addition, communication channels such as email and teleconferencing are used to encourage effective and "free-flow" or open communication within the organisation. As computers are used for transmitting information and storing data, the Management shall maintain a proper IT security controls, which include user and password access rights and backup of data.

Proposals for major capital expenditure and new investment by the Group are reviewed and approved by the Board.

#### b. Performance Reporting and Monitoring

Quarterly financial statements are presented to the Audit and Risk Management Committee and the Board for review and discussion.

#### c. Standardisation of Policies and Procedures

Standardised policies and procedures are implemented to address the financial and operational controls of the Group.

## CONCLUSION

The Board is pleased to conclude that the state of Group's risk management and internal control system are generally adequate and effective. There were no material losses incurred during the current financial year as a result of weakness risk management and internal control system. The Management will continue to ensure proper management of risks and take adequate measures to ensure ongoing adequacy and effectiveness of internal controls.

The Board has received the assurance from the Group Managing Director/Chief Executive Officer and Chief Financial Officer/Financial Controller that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal system of the Group.

The above Statement is made in accordance with the approval given by the Directors during the Board Meeting held on 3 October 2018.

## REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants and procedures have been performed to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the Directors have adopted.

AAPG 3 does not require the External Auditors to consider whether this Statement on Risk Management and Internal Control covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system of the Group including the assessment and opinion by the Board and management thereon. Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is not prepared, in all material respects in accordance with the disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

During the financial year, the Audit and Risk Management Committee carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the internal auditors, external auditors and relevant members of Management. The Board is pleased to present the Audit and Risk Management Committee Report for the year ended 30 June 2018.

## MEMBERSHIP AND MEETING ATTENDANCES

The Audit and Risk Management Committee comprises three (3) members, all of whom are Independent Non-Executive Directors as follows:

- **Koo Hoong Kwan\***  
*(Chairman, Senior Independent Non-Executive Director)*
- **Datuk Aznam bin Mansor**  
*(Member, Independent Non-Executive Director)*
- **Wong Yoke Nyen**  
*(Member, Independent Non-Executive Director)*

\* *Member of Malaysian Institute of Accountants ("MIA")*

The Audit Committee was established on 30 November 2010 and has been renamed as Audit and Risk Management Committee with effect from 29 August 2018. The present Audit and Risk Management Committee consists entirely of Independent Non-Executive Directors. The Company has complied with the MMLR of Bursa Securities, which require all the Audit and Risk Management Committee members to be Non-Executive Directors, with a majority of them being Independent Directors. In addition, one of the members of the Audit and Risk Management Committee is a member of the Malaysian Institute of Accountants ("MIA").

In the event of any vacancy of the Audit and Risk Management Committee resulting in the non-compliance with Paragraph 15.19 of the MMLR, the Board shall appoint a new member within three (3) months.

The Audit and Risk Management Committee held nine (9) meetings during the financial year ended 30 June 2018 and the attendance of each members of the Audit and Risk Management Committee are as follows:

Name	No. of meetings attended
Koo Hoong Kwan	9/9
Datuk Aznam bin Mansor	8/9
Wong Yoke Nyen	8/9

## TERMS OF REFERENCE

The Terms of Reference of the Audit and Risk Management Committee which lays down the duties and responsibilities of its members is accessible via the Company's website at [www.benalec.com.my](http://www.benalec.com.my). The Board is satisfied that the Audit and Risk Management Committee had discharged their duties and responsibilities in accordance with its Terms of Reference in ensuring that the Company upholds the appropriate Corporate Governance standards.



# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONTINUED)

## SUMMARY OF ACTIVITIES AND WORK OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

During the financial year ended 30 June 2018, the Committee had worked closely with the external auditors, internal auditors and management to carry out its functions and duties in line with the Terms of Reference.

A summary of the activities and work of the Audit and Risk Management Committee in discharging its duties includes the following:-

### i. Financial Reporting

- a. Reviewed the unaudited quarterly financial results of the Group including draft announcements pertaining thereto before recommending the same for the Board's approval and release to Bursa Securities and Securities Commission of Malaysia.
- b. Reviewed the audited financial statements of the Group and the external audit report with the External Auditors prior to the submission to the Board for approval.
- c. Reviewed the impacts of any changes to the accounting policies and adoption of new accounting standards as well as significant matters highlighted in the financial statements.

### ii. External Audit

- a. Reviewed the Audit Plan of the Group for the financial year ended 30 June 2018 prepared by the External Auditors setting out their responsibilities, scope of work and key audit areas in connection with their audit of the Group.
- b. Reviewed with the External Auditors the results of the audit, the report and the management letter, including management's response.
- c. Evaluated the performance and assessed the independence and objectivity of the External Auditors in providing their services and made recommendations to the Board on their re-appointment and remuneration.
- d. Held private sessions with the External Auditors without the presence of Executive Directors and Management.

### iii. Internal Audit

- a. Reviewed the annual internal audit plan to ensure adequate scope and comprehensive coverage over the activities of the Group.
- b. Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's responses. Discussed with Management on actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- c. Reported to the Board on significant audit issues and concerns discussed during the Committee's meetings which have significant impact on the Group from time to time, for consideration and deliberation by the Board.

### iv. Related Party Transactions

- a. Reviewed on a quarterly basis the related party transaction(s) entered into by the Group and any conflict of interest situation that may arise within the Group.

### v. Other Matters

- a. Reviewed the Audit and Risk Management Committee Report and Statement of Risk Management and Internal Control prior to the submission of the same to the Board for consideration and inclusion in the Annual Report of the Company.
- b. Reviewed the Risk Management Report on the risk profile of the Group and the adequacy of internal control systems to manage these risks.
- c. Reviewed the Share Buy-back Statement in relation to the Proposed Renewal of Share Buy-Back Authority.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONTINUED)

## INTERNAL AUDIT FUNCTION

The Group engaged the internal audit services from a professional internal audit service provider to ensure that the outsourced internal auditor is independent as it has no involvement in the operations of the Group. The outsourced internal auditors is responsible for the review and appraisal of the effectiveness of risk management, internal control and governance processes in the Group and reports directly to the Audit and Risk Management Committee.

The Audit and Risk Management Committee has full and direct access to the Internal Auditors, review the reports on all audits performed and monitors its performance. The Audit and Risk Management Committee also reviews the adequacy of the scopes, functions, competency and resources of the outsourced internal audit functions.

The outsourced internal auditors carried out internal audits within the Group based on a risk-based audit plan approved by the Audit and Risk Management Committee.

A summary of the Internal Audit activities undertaken during the financial year is as follows:-

- i. Performed operational audits on business units of the Group in accordance with the pre-approved audit plan which covers review of internal control system, risk management and follow up audits to address observations reported in preceding internal audit visits;

During the financial year ended 30 June 2018, the internal auditors carried out its audit on the following functions:-

- a. Contracts Department;
- b. Sub-Contractor's Progress Payments (Johor Project);
- c. Maintenance (Malacca & Johor);
- d. Follow-up Audit on Project Department (Tanjung Piai Maritime Industrial Park); and
- e. Internal Control Review on Procurement Process Flow (Tanjung Piai Maritime Industrial Park).

Based on these audits, the outsourced internal auditors provided the Audit and Risk Management Committee with reports highlighting observations, recommendations and management action plans to improve the system of internal controls.

- ii. Conducted follow-up reviews to determine the adequacy, effectiveness and timeliness of action taken by the Management on audit recommendations and provided updates on their status to the Audit and Risk Management Committee; and
- iii. Presented internal audit reports to the Audit and Risk Management Committee for review and provide recommendations, if any for improvement of the internal control policies and procedures.

The fee incurred for internal audit function in respect of the financial year amounted to RM90,000.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

## **DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS**

The Directors are required to take reasonable steps to ensure that the financial statements of the Company and the Group are properly drawn up in accordance with the provisions of the Companies Act 2016, applicable approved Malaysian Financial Reporting Standards ("MFRS") and the MMLR of Bursa Securities so as to give a true and fair view of the state of affairs of the Company and of the Group as at the end of financial year and of the results and the cash flow of the Company and of the Group for the financial year.

In preparing the financial statements for the year ended 30 June 2018, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- exercise judgment and made estimates that are reasonable and prudent;
- ensured adoption of applicable accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company and the Group maintains accounting records that disclose with reasonable accuracy at all times the financial position of the Company and of the Group to enable them to ensure that the financial statements comply with the Companies Act 2016 and MFRS.

The Directors have general responsibilities for taking such steps to ensure that appropriate systems are reasonably available to them to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities and material misstatements. Such systems, by their nature, can only provide reasonable, but not absolute assurance against material misstatement, loss or fraud.

# SUSTAINABILITY NARRATIVE STATEMENT

## BENALEC'S SUSTAINABILITY ROOTS & PRESENT-DAY THEMES

Our nature of business here at Benalec necessitates robust Sustainability themed business strategies as sustained success of our operations is dependant on Benalec's ability to critically analyse and act on risks and opportunities present in our internal and external stakeholder environment groups.

These points of view are core philosophies of our business practises which have been inculcated since Benalec's humble beginnings in 1978 (then known as Leaw Eng Chang Construction Co. Sdn. Bhd.). Under the then stewardship of the late Mr. Leaw Eng Chang and his management team, conventional profits-only mind-sets were worked to be eradicated. Teachings and values instilled to the workforce have stood the test of time and are very much part of how Benalec is managed and operated today.

Our present-day Sustainability themes consider three core areas that ensure sustainable success of our business; they are our workforce, the communities around us and our environment. Benalec's related Sustainability themes and taglines are as follows:



For the purpose of this **Narrative Statement**, the following sections detail how Benalec identified its Sustainability themes, its Sustainability governance structure, practices and accomplishments within each Sustainability theme and concluding commentary on Benalec's plans for this financial year ended 2018.

## HOW WE IDENTIFIED OUR SUSTAINABILITY THEMES

For holistic consideration of Sustainability themes, risks and opportunities arising from Benalec's operations, the interests of Internal Stakeholders and a select group of External Stakeholders such as the Department of Safety and Health ("DOSH") and Department of Environment ("DOE") were discussed and deliberated.

To ensure that appropriate attention was given to the interests of respective stakeholder groups, key management personnel overseeing business processes pertaining to Construction Projects, Human Resources and Safety and Health were engaged in critical thinking and round table discussion sessions for better understanding of the fundamental Sustainability issues essential to Benalec. These discussions provided perspective and presently serve as the foundation of Benalec's present-day Sustainability themes.

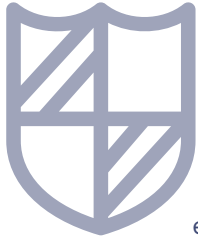
## MANAGING SUSTAINABILITY RISKS AND OPPORTUNITIES

In 2015, Benalec adopted and implemented the COSO Enterprise Risk Management ("ERM") model for identifying, evaluating, monitoring and reporting key business risks and opportunities. Similar to how Sustainability themes were identified; the ERM model was implemented upon completion of multiple facilitated risk discussion sessions with key management and board personnel.

Respective business process owners monitor and manage day-to-day risks with oversight from the Senior Human Resources and Administrations Manager who acts also as Benalec's Risk Officer. The Risk Officer together with other key management personnel from various business functions forms the risk management working group. The working group periodically monitors the relevance and completeness of key risks within the ERM model; Sustainability risks and opportunities arising from Sustainability themes illustrated above are included within the existing ERM model. Key risks identified within the ERM model are assessed periodically by Benalec's outsourced Internal Auditors who report directly to the board's Audit and Risk Management Committee.



## SUSTAINABILITY NARRATIVE STATEMENT (CONTINUED)



### SAFETY AND HEALTH

Our projects warrant the highest standards of health and safety with zero tolerance for compromise; qualified Safety Officers and Supervisors supervise project sites with formally defined policies, procedures and performance objectives endorsed by Benalec's Health and Safety working committee.

The Safety and Health working committee is chaired by the Group Managing Director and its performance effectiveness monitored against DOSH standards/requirements.

Safety and Health objectives are however very much also the responsibility of all site operations personnel. Performance-reward systems of Benalec are designed to ensure that employees stay motivated to achieve short and long term Safety and Health objectives.

Prior to the commencement of every construction work shift, Safety personnel hold toolbox meetings to ensure that all personnel have appropriate and sufficient safety equipment, reiterate safety protocols and communicate developments of any site safety and health matters. Attendance of all personnel to these meetings is monitored and the matters discussed within each meeting are minuted by the Safety personnel.

Benalec also ensures that heavy machinery assets utilised on-site are certified fit for use by the relevant authorities and its usage is restricted to authorised personnel with the right license qualifications and experience. Benalec also ensures that the technical skills of its authorised Safety Personnel stay relevant through sponsoring of attendance for continuous professional development courses.

All other site operations personnel are provided with Safety and Health induction training programmes. Periodically, site personnel are required to attend safety and health refresher courses. The safety and health of employees and all other parties at construction sites are and will continue to be of utmost priority to Benalec.

Participation of employees in Safety and Health training programmes on near misses, instances of minor, moderate and major Safety and Health violations, instances of violations against regulatory requirements, and, timeliness, accuracy and completeness of reporting to regulatory authorities are amongst present key performance criteria monitored and measured periodically by the Safety and Health department and the committee of Benalec.

### TALENT RETENTION AND DEVELOPMENT

At Benalec, meritocracy and diversity are two key principles of business practiced and held true till today; approximately 45% of senior office staff involved in decision making roles are women. The balance in sexes creates a harmonious and conducive work environment; gender diversity targets are however not pursued at the expense of meritocracy. Benalec is a place where passionate and deserving individuals can truly succeed.



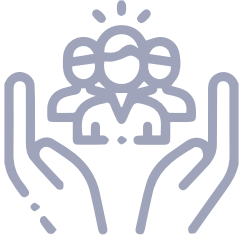
For greater camaraderie in the workforce, Benalec practices an open office culture for removing virtual barriers between operational, tactical and strategic personnel. Greater camaraderie has not been the only success from this initiative. The removal of virtual barriers has also enabled quick and efficient dissemination of useful information. As part of Benalec's ongoing effort to create conducive working environments for its employees, the Human Resources & Administration's ("HRA") department kick-started a Corporate Fitness programme with the underlying theme and agenda being "employee health and wellness". This programme consists of weekly indoor and outdoor sports activities and is open to all employees.

Benalec also recognises that professional development needs of its staff are equally as important for high employee satisfaction levels and organisational performance. As show of support towards this initiative, Benalec has sponsored some of its staff for further training courses in their respective fields of expertise; furthermore, the HRA department would also negotiate flexible work and study arrangements with the staff.

The performance appraisal process is also designed to ensure that Benalec's employees' voices are heard as during appraisal sessions; employees are encouraged to give honest and open constructive criticism without fear of repercussion.

Employee feedback suggestions received are analysed and deliberated by a committee comprising senior Human Resources and other key management personnel; this process ultimately ensures that the development needs of employees are met through.

## SUSTAINABILITY NARRATIVE STATEMENT (CONTINUED)



### BUILDING OUR SURROUNDING COMMUNITIES

Benalec's aspirations for the surrounding communities are to ensure that they also benefit from the project from inception to post completion. Each year, Benalec strives to commit and contribute monetary donations to alleviate the burdens of its surrounding communities from rising costs of living. Donations were made to places of worship, various agencies, and charity organisations. Benalec's long term aspirations are to empower people in its community so that the community can be self-sustaining.

### ELECTRICITY, WATER, PAPER, FLORA AND FAUNA CONSERVATION

Resource conservation reminders are placed at water outlet areas, electrical switches and print stations to educate employees and to illustrate management's views on conservation. Office staff are also reminded and encouraged to always print on both available sides of paper.

Benalec also works closely with DOE to ensure that the construction activities at land reclamation project sites do not cause water pollution and siltation and affect the habitat of marine life. Formal environmental policies and work procedures are in place to ensure this environmental-opportunity is viewed, monitored and treated as significant. Our projects warrant the highest standards of environmental protection with employment of qualified Environmental Officers to monitor the project sites to ensure compliance to formally defined guidelines stipulated by DOE.



### CONCLUSION

Benalec's spirit and aspirations for long term business Sustainability mark exciting times for the organisation and its team of personnel. Key Sustainability plans for the financial year ended 2018 include revisiting and reassessing the scope and coverage of present-day sustainability themes, and, formalisation and reporting on of key performance indicators for each sustainability theme.

The support received thus far from you, our shareholders, has been remarkable and we hope that you will continue to be with us as we persevere towards Sustainability excellence.

Thank you.



# FINANCIAL STATEMENTS

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**FINANCIAL  
PERFORMANCE**



# DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities. The principal activities and the details of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	2,382,202	(2,160,667)
Attributable to:		
Owners of the parent	(176,414)	(2,160,667)
Non-controlling interests	2,558,616	-
	<u>2,382,202</u>	<u>(2,160,667)</u>

## DIVIDENDS

Dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	Company RM
In respect of the financial year ended 30 June 2017:	
Final single tier dividend of 0.4 sen per ordinary share, paid on 2 February 2018	<u>3,196,348</u>

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 811,802,500 to 831,802,500 by way of issuance of 20,000,000 new ordinary shares pursuant to the private placement undertaken by the Company at an issue price of RM0.25 per share.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.



## DIRECTOR'S REPORT (CONTINUED)

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year apart from the issue of options pursuant to the Share Issuance Scheme as disclosed below.

The Share Issuance Scheme of the Company came into effect on 17 January 2011. The Share Issuance Scheme should be in force for a period of five (5) years until 16 January 2016 ("the option period"). Pursuant to the Clause 20.1 of the Share Issuance Scheme By-Laws, the Company extended the Scheme, which expired on 16 January 2016 for another five (5) years until 15 January 2021. The main features of the Share Issuance Scheme are as follows:

- (a) Eligible Directors and executives ("Eligible Executives") are those who are confirmed employees of the Group and have served full time for at least a period of six (6) months of continuous services before the date of offer;
- (b) The total number of ordinary shares offered under the Share Issuance Scheme shall not, in aggregate, exceed 15% of the issued and paid-up share capital of the Company at any time during the existence of the Share Issuance Scheme;
- (c) The option price under the Share Issuance Scheme shall be the five (5) days weighted average market price of the ordinary shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at RM0.25 each, whichever is higher;
- (d) The aggregate number of ordinary shares that may be offered and allotted to any of the Eligible Executives of the Group shall not exceed the allowable allotment set out in the By-Laws and not more than 10% of the ordinary shares available under the Share Issuance Scheme shall be allocated to any individual Director or eligible employees who, either singly or collectively through persons connected with that Director or eligible employee, holds 20% or more of the issued and paid-up share capital of the Company;
- (e) The options granted to Eligible Executives will lapse when they are no longer in employment with the Group;
- (f) Upon exercise of the options, the ordinary shares issued will rank pari passu in all respects with the existing ordinary shares of the Company (except that they will not be entitled to any dividends, rights, allotments and/or any other distributions, which may be declared, made or paid to the shareholders, of which the entitlement date is prior to the date of the listing of the ordinary shares on the Main Market of Bursa Malaysia Securities Berhad through exercising the options); and
- (g) The Eligible Executives to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

Details of the options over the ordinary shares of the Company are as follows:

Date of offer	Exercise price	Number of options over ordinary shares					
		Outstanding as at 1 July 2017	Granted	Exercised	Forfeited	Outstanding as at 30 June 2018	Exercisable as at 30 June 2018
16 April 2012	RM1.06	3,378,500	-	-	(121,000)	3,257,500	3,257,500
3 January 2014	RM0.78	600,000	-	-	-	600,000	600,000
28 January 2014	RM0.79	6,623,000	-	-	(369,500)	6,253,500	6,253,500
18 July 2017	RM0.38	-	17,680,000	-	(2,020,000)	15,660,000	11,390,000
		10,601,500	17,680,000	-	(2,510,500)	25,771,000	21,501,000

## DIRECTOR'S REPORT (CONTINUED)

### REPURCHASE OF OWN SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 22 November 2017, approved the Company's proposal to repurchase and hold as treasury shares up to ten percent (10%) of the existing issued and paid-up share capital of the Company ("Share Buy Back").

The Directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders. The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended.

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market for a total consideration of RM4,249 at an average price of RM0.425 per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia. None of the treasury shares held were re-sold or cancelled during the financial year.

Of the total 831,802,500 issued and fully paid up ordinary shares as at 30 June 2018, 12,715,400 ordinary shares amounting to RM12,703,204 are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 819,087,100 as disclosed in Note 17 to the financial statements.

### DIRECTORS

The Directors who have held office during the financial year and during the period from the end of the financial year to the date of this report are as follows:

#### Benalec Holdings Berhad

Dato' Leaw Seng Hai  
Datuk Aznam bin Mansor  
Koo Hoong Kwan  
Wong Yoke Nyen  
Leaw Ai Lin

Dato' Leaw Seng Hai and Leaw Ai Lin are also the Directors of certain subsidiaries of the Company.

#### Subsidiaries of Benalec Holdings Berhad

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this report, not including those Directors listed above are as follows:

Dato' Daing A Malek Bin Daing Rahaman  
Hariharan A/L N R Govindapillai  
Ragunatha Naicker A/L Elumalai (*Alternate Director of Tiji Pieter De Zwart*)  
Rosly Bin Ahmad  
Salehudin Bin Omar  
Tiji Pieter De Zwart  
Tunku Ismail Idris Ibni Tunku Ibrahim  
Yan Su Wen  
Yan Binghua  
Yvonne Tan (Chen Xianglian)  
Yap Lee Chor (Appointed on 16 October 2017)  
Bernard Boey Weng Onn (Resigned on 6 September 2017)  
Kenneth Chin Kah Kiong (Resigned on 4 July 2017)

## DIRECTOR'S REPORT (CONTINUED)

### DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

Shares in the Company	Number of ordinary shares			Balance as at 30.6.2018
	Balance as at 1.7.2017	Bought	Sold	
<b>Direct interests</b>				
Dato' Leaw Seng Hai	444,100	-	-	444,100
Koo Hoong Kwan	270,000	-	-	270,000
<b>Indirect interest</b>				
Dato' Leaw Seng Hai	334,780,400	-	-	334,780,400 <sup>(1)</sup>

<sup>(1)</sup> Deemed interest by virtue of his direct interests in Oceancove Sdn. Bhd. ("Oceancove") and indirect interests in Oceancove via Oceanview Cove Sdn. Bhd. ("Oceanview") pursuant to Section 8(4) of the Companies Act 2016 in Malaysia ("the Act").

Options in the Company	Number of options over ordinary shares			Balance as at 30.6.2018
	Balance as at 1.7.2017	Granted	Forfeited	
<b>Direct interests</b>				
Dato' Leaw Seng Hai	3,100,000	1,700,000	-	4,800,000
Datuk Aznam bin Mansor	200,000	200,000	-	400,000
Koo Hoong Kwan	200,000	200,000	-	400,000
Wong Yoke Nyen	200,000	200,000	-	400,000

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows (continued):

Shares in the immediate holding company, Oceancove	Number of ordinary shares			Balance as at 30.6.2018
	Balance as at 1.7.2017	Bought	Sold	
<b>Direct interest</b>				
Dato' Leaw Seng Hai	482	-	-	482
<b>Indirect interest</b>				
Dato' Leaw Seng Hai	5,100	-	-	5,100 <sup>(2)</sup>

<sup>(2)</sup> Deemed interest by virtue of his interest in Oceanview.

## DIRECTOR'S REPORT (CONTINUED)

### DIRECTORS' INTERESTS (continued)

	Number of ordinary shares			Balance as at 30.6.2018
	Balance as at 1.7.2017	Bought	Sold	
<b>Shares in the ultimate holding company, Oceanview</b>				
<b><u>Direct interest</u></b>				
Dato' Leaw Seng Hai	7,843	-	-	7,843

By virtue of Section 8(4) of the Companies Act 2016 in Malaysia, Dato' Leaw Seng Hai is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

The other Directors holding office at the end of the financial year did not have any interest in ordinary shares and options over ordinary shares in the Company or ordinary shares, options over ordinary shares and debentures of its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the transaction entered into the ordinary course of business with companies in which the Directors of the Company has substantial financial interest as disclosed in Note 35 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the options granted pursuant to the Share Issuance Scheme as disclosed in Note 21 to the financial statements.

### DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 34(c) to the financial statements.

### INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect Dato' Leaw Seng Hai against potential costs and liabilities arising from claims brought against him. The total amount of insurance premium effected for him was RM140,350. There was no insurance effected for other Directors or officers of the Group and of the Company during the financial year.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.



# DIRECTOR'S REPORT

## (CONTINUED)

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

#### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

#### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
  - (i) which would necessitate the writing off for bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
  - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the abilities of the Group and of the Company to meet their obligations as and when they fall due.

#### (III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## DIRECTOR'S REPORT (CONTINUED)

### IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The Directors regard Oceancove Sdn. Bhd. as the immediate holding company and Oceanview Cove Sdn. Bhd. as the ultimate holding company, both of which are companies incorporated in Malaysia.

### AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 June 2018 are disclosed in Note 30 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Dato' Leaw Seng Hai**  
Director

Selangor  
3 October 2018

**Leaw Ai Lin**  
Director

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 65 to 120 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

**Dato' Leaw Seng Hai**  
Director

**Leaw Ai Lin**  
Director

Selangor  
3 October 2018

# STATUTORY DECLARATION

I, Chin Wei Ee, being the officer primarily responsible for the financial management of Benalec Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 65 to 120 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )  
declared by the abovenamed at )  
Kuala Lumpur this )  
3 October 2018 )

**Chin Wei Ee**  
CA 34935

Before me:

W. 663  
Baloo A/L T.Pichai

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BENALEC HOLDINGS BERHAD

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Benalec Holdings Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Impairment assessment of barges and dredgers

As at 30 June 2018, the carrying amounts of barges and dredgers of the Group were RM101,505,671 as disclosed in Note 5 to the financial statements. Management assessed and estimated the recoverable amounts of the barges and dredgers by referring to the market values provided by an independent external valuer and/or the available market data.

The impairment review was significant to our audit as the assessment process and the determination of their recoverable amounts involved significant management judgement.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF BENALEC HOLDINGS BERHAD

### (CONTINUED)

#### Key Audit Matters (continued)

##### 1. Impairment assessment of barges and dredgers (continued)

###### *Audit response*

Our audit procedures included the following:

- (i) Assessed the competence, capabilities and objectivity of independent external valuer vis-à-vis the expert's qualifications, membership of a professional body or industry association, and license to practice;
- (ii) Enquired with the management to obtain an understanding of the conditions of the barges and dredgers and performed physical sighting of barges and dredgers;
- (iii) Interviewed the independent external valuer and evaluated the appropriateness of valuation method used to estimate the market values of the barges and dredgers;
- (iv) Assessed the reasonableness of the assumptions used by management to estimate the recoverable amounts of those barges and dredgers that were not valued by the independent external valuer; and
- (v) Challenged the significant assumptions and critical judgemental areas, including intensity of use, present physical condition and estimated replacement cost of those barges and dredgers.

##### 2. Revenue recognition for contract revenue and profit

We refer to Note 26 to the financial statements on the recognition of revenue for construction contracts of the Group, which is based on percentage of completion method.

Contract revenue and profit recognition involves significant judgements in estimating the stage of completion of construction activities and assessing the estimated total costs to complete.

In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variations, claims and cost contingencies. The total cost to complete including sub-contractor costs, varies with market conditions and may also be inaccurately forecasted due to unforeseen events during construction.

###### *Audit response*

Our audit procedures included the following:

- (i) Obtained an understanding of management's process relating to revenue recognition including the determination of the percentage of completion and timing of revenue recognition;
- (ii) Assessed the estimated total costs to complete through inquiries with the operational and financial personnel of the Group;
- (iii) Inspected documentation to support cost estimates made including contract variations and cost contingencies;
- (iv) Compared contract budgets to actual outcomes to assess reliability of management budgeting process and controls; and
- (v) Inspected correspondences from sub-contractors in relation to variations and claims to corroborate key judgement applied by management.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF BENALEC HOLDINGS BERHAD

### (CONTINUED)

#### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF BENALEC HOLDINGS BERHAD

### (CONTINUED)

#### **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

#### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO**  
AF: 0206  
Chartered Accountants

**Tan Yeong Tat**  
03315/07/2019 J  
Chartered Accountant

3 October 2018  
Kuala Lumpur

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	169,002,885	212,843,297	-	-
Investments in subsidiaries	6	-	-	153,821,745	153,821,745
Other investments	7	45,945	48,705	-	-
Deferred tax assets	8	17,620,286	13,989,681	-	-
		186,669,116	226,881,683	153,821,745	153,821,745
<b>Current assets</b>					
Inventories	9	249,535,581	296,090,662	-	-
Land reclamation work in progress	10	405,734,578	287,042,931	-	-
Trade and other receivables	11	245,764,148	235,866,376	282,119,640	284,009,671
Current tax assets		7,101,258	9,432,415	180,364	269,634
Short term funds	13	141,358	136,847	-	-
Cash and bank balances	14	156,767,718	153,309,637	130,921,479	121,404,482
		1,065,044,641	981,878,868	413,221,483	405,683,787
Non-current assets held for sale	15	11,279,365	-	-	-
<b>TOTAL ASSETS</b>		<b>1,262,993,122</b>	<b>1,208,760,551</b>	<b>567,043,228</b>	<b>559,505,532</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	16	365,488,527	360,488,527	365,488,527	360,488,527
Reserves	17	255,553,531	264,579,617	29,397,980	33,014,603
		621,042,058	625,068,144	394,886,507	393,503,130
Non-controlling interests	6(c)	13,758,526	11,659,726	-	-
<b>TOTAL EQUITY</b>		<b>634,800,584</b>	<b>636,727,870</b>	<b>394,886,507</b>	<b>393,503,130</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Redeemable convertible secured bonds ("RCSB")	18	164,973,346	157,829,832	164,973,346	157,829,832
Borrowings	19	13,988,374	17,582,595	-	-
Deferred tax liabilities	8	7,337,368	8,706,300	4,947,745	5,993,221
		186,299,088	184,118,727	169,921,091	163,823,053
<b>Current liabilities</b>					
Trade and other payables	22	239,202,436	210,314,052	2,235,630	2,179,349
Borrowings	19	17,222,611	7,255,670	-	-
Deferred revenue	23	185,388,395	170,297,590	-	-
Current tax liabilities		80,008	46,642	-	-
		441,893,450	387,913,954	2,235,630	2,179,349
<b>TOTAL LIABILITIES</b>		<b>628,192,538</b>	<b>572,032,681</b>	<b>172,156,721</b>	<b>166,002,402</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,262,993,122</b>	<b>1,208,760,551</b>	<b>567,043,228</b>	<b>559,505,532</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	26	116,315,406	268,219,600	-	3,500,000
Cost of sales	27	(68,579,791)	(189,490,437)	-	-
Gross profit		47,735,615	78,729,163	-	3,500,000
Other income	28	25,256,987	10,923,791	14,924,541	14,426,530
Administrative and other expenses		(50,315,083)	(50,963,090)	(1,561,314)	(1,299,940)
Finance costs	29	(18,273,777)	(17,365,860)	(16,143,514)	(15,464,823)
Profit/(Loss) before tax	30	4,403,742	21,324,004	(2,780,287)	1,161,767
Taxation	31	(2,021,540)	(9,988,069)	619,620	790,650
Profit/(Loss) for the financial year		2,382,202	11,335,935	(2,160,667)	1,952,417
<b>Other comprehensive (loss)/income, net of tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value (loss)/gain on available-for-sale financial assets	31(d)	(2,760)	12,308	-	-
Foreign currency translations	31(d)	(7,850,772)	7,893,443	-	-
Total other comprehensive (loss)/income		(7,853,532)	7,905,751	-	-
Total comprehensive (loss)/income		(5,471,330)	19,241,686	(2,160,667)	1,952,417
Profit/(Loss) attributable to:					
Owners of the parent		(176,414)	9,690,796	(2,160,667)	1,952,417
Non-controlling interests	6(c)	2,558,616	1,645,139	-	-
		2,382,202	11,335,935	(2,160,667)	1,952,417
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(7,570,130)	17,273,390	(2,160,667)	1,952,417
Non-controlling interests	6(c)	2,098,800	1,968,296	-	-
		(5,471,330)	19,241,686	(2,160,667)	1,952,417

(Loss)/Earnings per ordinary share attributable to owners of the parent:

	Note	Group	
		2018 sen	2017 sen
Basic	32	(0.02)	1.21
Diluted	32	(0.02)	1.21

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Group	Note	Non-distributable					Distributable			Total equity RM			
		Share capital RM	Treasury shares RM	Share premium RM	Exchange translation reserve RM	Reverse acquisition debit RM	Share options reserve RM	Available-for-sale reserve RM	Equity component of RCSB RM		Retained earnings RM	Total attributable to owners of parent RM	Non-controlling interests RM
<b>Balance as at 1 July 2016</b>		202,950,625	(12,689,959)	157,537,902	34,456,131	(146,069,559)	1,917,863	(25,882)	25,225,506	350,094,873	613,397,500	7,731,430	621,128,930
Profit for the financial year		-	-	-	-	-	-	-	-	9,690,796	9,690,796	1,645,139	11,335,935
Fair value gain on available-for-sale financial assets, net of tax		-	-	-	-	-	-	12,308	-	-	12,308	-	12,308
Foreign currency translations, net of tax		-	-	-	7,570,286	-	-	-	-	-	7,570,286	323,157	7,893,443
Total comprehensive income		-	-	-	7,570,286	-	-	12,308	-	9,690,796	17,273,390	1,968,296	19,241,686
<b>Transactions with owners</b>													
Dividend paid	33	-	-	-	-	-	-	-	-	(5,593,750)	(5,593,750)	-	(5,593,750)
Options forfeited under the Share Issuance Scheme	21	-	-	-	-	-	(244,137)	-	-	244,137	-	-	-
Share repurchased	17	-	(8,996)	-	-	-	-	-	-	-	(8,996)	-	(8,996)
Subscription of new shares by non-controlling interest of a subsidiary	6(b)	-	-	-	-	-	-	-	-	-	-	1,960,000	1,960,000
Total transactions with owners		-	(8,996)	-	-	-	(244,137)	-	-	(5,349,613)	(5,602,746)	1,960,000	(3,642,746)
Transfer pursuant to Companies Act 2016	16	157,537,902	-	(157,537,902)	-	-	-	-	-	-	-	-	-
<b>Balance as at 30 June 2017</b>		360,488,527	(12,698,955)	-	42,026,417	(146,069,559)	1,673,726	(13,574)	25,225,506	354,436,056	625,068,144	11,659,726	636,727,870



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### (CONTINUED)

Group	Note	Non-distributable					Distributable				Total equity RM	
		Share capital RM	Treasury shares RM	Exchange translation reserve RM	Reverse acquisition debit RM	Share options reserve RM	Available-for-sale reserve RM	Equity component of RCSB RM	Retained earnings RM	Total attributable to owners of parent RM		Non-controlling interests RM
<b>Balance as at 1 July 2017</b>		360,488,527	(12,698,955)	42,026,417	(146,069,559)	1,673,726	(13,574)	25,225,506	354,436,056	625,068,144	11,659,726	636,727,870
(Loss)/Profit for the financial year		-	-	-	-	-	-	-	(176,414)	(176,414)	2,558,616	2,382,202
Fair value loss on available-for-sale financial assets, net of tax		-	-	-	-	-	(2,760)	-	-	(2,760)	-	(2,760)
Foreign currency translations, net of tax		-	-	(7,390,956)	-	-	-	-	-	(7,390,956)	(459,816)	(7,850,772)
Total comprehensive loss		-	-	(7,390,956)	-	-	(2,760)	-	(176,414)	(7,570,130)	2,098,800	(5,471,330)
<b>Transactions with owners</b>												
Dividend paid	33	-	-	-	-	-	-	-	(3,196,348)	(3,196,348)	-	(3,196,348)
Issuance of ordinary shares pursuant to private placement	16	5,000,000	-	-	-	-	-	-	-	5,000,000	-	5,000,000
Options granted under the Share Issuance Scheme	21	-	-	-	-	1,744,641	-	-	-	1,744,641	-	1,744,641
Options forfeited under the Share Issuance Scheme	21	-	-	-	-	(341,035)	-	-	341,035	-	-	-
Share repurchased	17	-	(4,249)	-	-	-	-	-	-	(4,249)	-	(4,249)
Total transactions with owners		5,000,000	(4,249)	-	-	1,403,606	-	-	(2,855,313)	3,544,044	-	3,544,044
<b>Balance as at 30 June 2018</b>		365,488,527	(12,703,204)	34,635,461	(146,069,559)	3,077,332	(16,334)	25,225,506	351,404,329	621,042,058	13,758,526	634,800,584

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Company	Note	Non-distributable				Distributable		Total equity RM
		Share capital RM	Treasury shares RM	Share premium RM	Share options reserve RM	Equity component of RCSB RM	Retained earnings RM	
<b>Balance at 1 July 2016</b>		202,950,625	(12,689,959)	157,537,902	1,917,863	25,225,506	22,211,522	397,153,459
Profit for the financial year		-	-	-	-	-	1,952,417	1,952,417
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	1,952,417	1,952,417
<b>Transactions with owners</b>								
Dividend paid	33	-	-	-	-	-	(5,593,750)	(5,593,750)
Options forfeited under the Share Issuance Scheme	21	-	-	-	(244,137)	-	244,137	-
Share repurchased	17	-	(8,996)	-	-	-	-	(8,996)
Total transactions with owners		-	(8,996)	-	(244,137)	-	(5,349,613)	(5,602,746)
Transfer pursuant to Companies Act 2016	16	157,537,902	-	(157,537,902)	-	-	-	-
<b>Balance at 30 June 2017</b>		360,488,527	(12,698,955)	-	1,673,726	25,225,506	18,814,326	393,503,130
<b>Balance at 1 July 2017</b>		360,488,527	(12,698,955)	-	1,673,726	25,225,506	18,814,326	393,503,130
Loss for the financial year		-	-	-	-	-	(2,160,667)	(2,160,667)
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	(2,160,667)	(2,160,667)
<b>Transactions with owners</b>								
Dividend paid	33	-	-	-	-	-	(3,196,348)	(3,196,348)
Issuance of ordinary shares pursuant to private placement	16	5,000,000	-	-	-	-	-	5,000,000
Options granted under the Share Issuance Scheme		-	-	-	1,744,641	-	-	1,744,641
Options forfeited under the Share Issuance Scheme	21	-	-	-	(341,035)	-	341,035	-
Share repurchased	17	-	(4,249)	-	-	-	-	(4,249)
Total transactions with owners		5,000,000	(4,249)	-	1,403,606	-	(2,855,313)	3,544,044
<b>Balance at 30 June 2018</b>		365,488,527	(12,703,204)	-	3,077,332	25,225,506	13,798,346	394,886,507

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
Note	2018 RM	2017 RM	2018 RM	2017 RM	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax	4,403,742	21,324,004	(2,780,287)	1,161,767	
Adjustments for:					
Depreciation of property, plant and equipment	5 14,325,928	14,375,187	-	-	
Dividend income	(7,926)	(78,478)	-	(3,500,000)	
Loss/(Gain) on disposal of property, plant and equipment	95,640	(1,513,525)	-	-	
Impairment losses on:					
- property, plant and equipment	5 16,206,018	7,747,243	-	-	
- trade and other receivables	11(i) -	120,647	-	-	
Interest expense	29 18,273,777	17,365,860	16,143,514	15,464,823	
Interest income	(5,861,005)	(4,379,396)	(14,924,541)	(14,426,530)	
Inventories written off	9(b) -	221,150	-	-	
Inventories written down	9(d) 666,667	3,175,522	-	-	
Options granted under Share Issuance Scheme	21 1,744,641	-	78,060	-	
Property, plant and equipment written off	6	-	-	-	
Reversal of impairment loss on trade receivables	11(i) (3,178,500)	(722,488)	-	-	
Unrealised (gain)/loss on foreign exchange	(3,292,768)	3,324,668	-	-	
Operating profit/(loss) before changes in working capital	43,376,220	60,960,394	(1,483,254)	(1,299,940)	
Changes in working capital:					
Inventories	45,888,414	111,574,829	-	-	
Land reclamation work in progress	(118,691,647)	(136,937,714)	-	-	
Trade and other receivables	(13,870,012)	156,718,236	(10,580)	6,476	
Trade and other payables	38,112,117	28,172,792	105,596	(41,987)	
Deferred revenue	15,090,805	(186,270,754)	-	-	
Cash generated from/(used in) operations	9,905,897	34,217,783	(1,388,238)	(1,335,451)	
Interest received	1,975,491	-	-	-	
Tax refunded	213,679	2,177	28,278	1,000	
Tax paid	(4,869,133)	(10,536,293)	(364,864)	(429,437)	
Net cash from/(used in) operating activities	7,225,934	23,683,667	(1,724,824)	(1,763,888)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Repayments from a subsidiary	-	-	15,245,410	15,369,210	
Dividend received	7,926	78,478	-	6,000,000	
Interest received	3,885,514	4,379,396	3,246,323	3,239,277	
Placements of fixed deposits pledged with licensed financial institutions	(589,316)	(388,746)	-	-	
Placements of short term funds	(4,511)	(4,902)	-	-	
Placements of deposits and bank balances charged in favour of the Security Trustee pursuant to RCBSB	(9,545,304)	(8,431,867)	(9,545,304)	(8,431,867)	
Proceeds from disposal of property, plant and equipment	267,588	8,506,203	-	-	
Purchase of property, plant and equipment	5(f) (3,263,557)	(8,854,634)	-	-	
Net cash (used in)/from investing activities	(9,241,660)	(4,716,072)	8,946,429	16,176,620	

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018  
(CONTINUED)

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid	33	(3,196,348)	(5,593,750)	(3,196,348)	(5,593,750)
Drawdown of borrowings		11,054,378	5,861,565	-	-
Interest paid		(11,179,578)	(10,901,037)	(9,049,315)	(8,975,343)
Ordinary share capital contributed by non-controlling interest of a subsidiary		-	1,960,000	-	-
Proceeds from issuance of ordinary shares pursuant to private placement	16	5,000,000	-	5,000,000	-
Repayments of borrowings		(7,251,016)	(26,742,239)	-	-
Shares repurchased	17(a)	(4,249)	(8,996)	(4,249)	(8,996)
Net cash used in financing activities		(5,576,813)	(35,424,457)	(7,249,912)	(14,578,089)
Net decrease in cash and cash and cash equivalents		(7,592,539)	(16,456,862)	(28,307)	(165,357)
Effects of exchange rate changes on cash and cash equivalents		(73,482)	583,625	-	-
Cash and cash equivalents at beginning of financial year		9,232,195	25,105,432	51,528	216,885
Cash and cash equivalents at end of financial year	14(g)	1,566,174	9,232,195	23,221	51,528

Reconciliation of liabilities arising from financing activities:

	Hire purchase liabilities (Note 19) RM	Revolving credit (Note 19) RM	Term loans (Note 19) RM	Trust receipts (Note 19) RM
<b>Group</b>				
At 1 July 2017	13,046,674	-	11,081,177	710,414
Cash flows	(5,658,204)	10,000,000	(882,398)	343,964
Non-cash flows:				
Purchase of property, plant and equipment (Note 5(f))	296,400	-	1,283,476	-
At 30 June 2018	7,684,870	10,000,000	11,482,255	1,054,378

Material non-cash transactions taken into consideration in the preparation of the statements of cash flows are as follows:

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Dividend receivable from a subsidiary	26	-	-	-	3,500,000

*The accompanying notes form an integral part of the financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### 1. CORPORATE INFORMATION

Benalec Holdings Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 23, Jalan Perintis U1/52, Temasya Glenmarie, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.

The immediate holding company and ultimate holding company of the Company are Oceancove Sdn. Bhd. and Oceanview Cove Sdn. Bhd. respectively, both of which are incorporated in Malaysia.

The consolidated financial statements for the financial year ended 30 June 2018 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 3 October 2018.

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 65 to 120 have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 38(a) to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018  
(CONTINUED)

## 4. OPERATING SEGMENT

The Company and its subsidiaries are principally engaged in marine construction and civil engineering, disposal of land held for sale, vessel chartering, shipbuilding (including ship repair, maintenance, fabrication and refurbishment) and ship trading and investment holding. The marine construction and civil engineering activities and disposal of land held for sale of the Group are mainly undertaken by Benalec Sdn. Bhd., a wholly-owned subsidiary of the Company.

The Group arrived at four (4) reportable segments that are organised and managed separately according to the nature of the operations, which require different business strategies. The reportable segments are summarised as follows:

(a) Marine construction

(i) Land reclamation and ancillary services, which include the following:

- land reclamation, dredging and beach nourishment;
- rock revetment works, shore protection works and breakwater construction;
- pre-bore and marine piling;
- construction of marine structures, bridges, jetties, ports and other offshore and ancillary services; and
- sale of marine construction materials.

(ii) Disposal of land held for sale

Disposal of reclaimed land received as compensation for in-kind settlement contracts, which are available for immediate sale in its present condition.

(b) Vessel chartering

Chartering of vessels on time and voyage charters.

(c) Shipbuilding

Shipbuilding and providing ship repair, maintenance, fabrication and refurbishment services.

(d) Other operating segment comprises investment holding

The Group evaluates performance on the basis of profit or loss from operations before tax, excluding non-recurring losses, the effects of share-based payments and retirement benefit obligations.

Inter-segment revenue is priced along the same lines as sales to external customers and conditions and is eliminated on the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliations from segment assets and liabilities to the financial position of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 4. OPERATING SEGMENTS (continued)

##### (a) Operating segments

2018	← Marine construction →		Vessel chartering RM	Shipbuilding RM	Others RM	Total RM
	Land reclamation services RM	Disposal of land held for sale RM				
<b>Revenue</b>						
Total revenue	117,988,995	79,989,640	40,207,322	-	1,540,000	239,725,957
Inter-segment revenue	(114,379,550)	-	(9,031,001)	-	-	(123,410,551)
<b>Revenue from external customers</b>	<b>3,609,445</b>	<b>79,989,640</b>	<b>31,176,321</b>	<b>-</b>	<b>1,540,000</b>	<b>116,315,406</b>
Interest income	2,591,067	-	3,308	20,307	3,246,323	5,861,005
Finance costs	(2,030,345)	-	-	(99,918)	(16,143,514)	(18,273,777)
Net finance income/ (expense)	560,722	-	3,308	(79,611)	(12,897,191)	(12,412,772)
<b>Segment (loss)/ profit before tax</b>	<b>(1,516,766)</b>	<b>25,446,130</b>	<b>(1,902,911)</b>	<b>116,118</b>	<b>(2,949,874)</b>	<b>19,192,697</b>
Taxation	1,610,519	(4,570,098)	291,403	28,926	617,710	(2,021,540)
<b>Other information</b>						
Depreciation of property, plant and equipment	(8,095,748)	-	(5,971,919)	(258,261)	-	(14,325,928)
Impairment losses on property, plant and equipment	(1,687,227)	-	(14,518,791)	-	-	(16,206,018)
Inventories written down	-	(567,494)	-	-	(99,173)	(666,667)
Reversal of impairment loss on trade receivables	3,178,500	-	-	-	-	3,178,500
Additions to non-current assets	4,791,970	-	51,463	-	-	4,843,433
<b>Segment assets</b>	<b>669,595,406</b>	<b>310,148,280</b>	<b>91,880,574</b>	<b>13,164,854</b>	<b>153,436,519</b>	<b>1,238,225,633</b>
<b>Segment liabilities</b>	<b>(183,872,603)</b>	<b>(185,388,395)</b>	<b>(65,893,084)</b>	<b>(3,182,303)</b>	<b>(182,438,777)</b>	<b>(620,775,162)</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018  
(CONTINUED)

## 4. OPERATING SEGMENTS (continued)

### (a) Operating segments (continued)

2017	← Marine construction →		Vessel chartering RM	Shipbuilding RM	Others RM	Total RM
	Land reclamation services RM	Disposal of land held for sale RM				
<b>Revenue</b>						
Total revenue	181,715,052	198,786,023	21,746,241	-	3,528,350	405,775,666
Inter-segment revenue	(128,850,452)	-	(5,205,614)	-	(3,500,000)	(137,556,066)
<b>Revenue from external customers</b>	<b>52,864,600</b>	<b>198,786,023</b>	<b>16,540,627</b>	<b>-</b>	<b>28,350</b>	<b>268,219,600</b>
Interest income	1,103,466	-	6,490	20,404	3,249,036	4,379,396
Finance costs	(1,890,700)	-	-	(10,312)	(15,464,848)	(17,365,860)
Net finance (expense)/ income	(787,234)	-	6,490	10,092	(12,215,812)	(12,986,464)
<b>Segment (loss)/profit before tax</b>	<b>(28,933,222)</b>	<b>44,615,402</b>	<b>2,341,934</b>	<b>(1,372,736)</b>	<b>(2,603,869)</b>	<b>14,047,509</b>
Taxation	4,216,614	(14,804,322)	(214,089)	28,926	784,802	(9,988,069)
<b>Other information</b>						
Depreciation of property, plant and equipment	(7,266,534)	-	(6,759,574)	(349,079)	-	(14,375,187)
Impairment losses on:						
- property, plant and equipment	(2,868,063)	-	(4,434,601)	(444,579)	-	(7,747,243)
- trade and other receivables	(120,647)	-	-	-	-	(120,647)
Inventories written down	-	-	-	-	(3,175,522)	(3,175,522)
Inventories written off	-	-	(221,150)	-	-	(221,150)
Reversal of impairment loss on trade receivables	722,488	-	-	-	-	722,488
Additions to non-current assets	19,781,759	-	-	-	-	19,781,759
<b>Segment assets</b>	<b>527,234,240</b>	<b>356,782,975</b>	<b>120,217,256</b>	<b>12,693,939</b>	<b>168,361,340</b>	<b>1,185,289,750</b>
<b>Segment liabilities</b>	<b>(161,380,910)</b>	<b>(170,297,590)</b>	<b>(68,758,958)</b>	<b>(1,148,818)</b>	<b>(161,693,463)</b>	<b>(563,279,739)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 4. OPERATING SEGMENTS (continued)

##### (a) Operating segments (continued)

Reconciliations of reportable profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	2018 RM	2017 RM
<b>Profit for the financial year</b>		
Total profit for reportable segments	19,192,697	14,047,509
Elimination of inter-segment profits	(13,044,314)	7,276,495
Effects of share-based payments (Note 21(h))	(1,744,641)	-
Profit before tax	4,403,742	21,324,004
Tax expense	(2,021,540)	(9,988,069)
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	2,382,202	11,335,935
<b>Assets</b>		
Total assets for reportable segments	1,238,225,633	1,185,289,750
Unallocated assets:		
- Other investments	45,945	48,705
- Current tax assets	7,101,258	9,432,415
- Deferred tax assets	17,620,286	13,989,681
Assets of the Group	1,262,993,122	1,208,760,551
<b>Liabilities</b>		
Total liabilities for reportable segments	620,775,162	563,279,739
Unallocated liabilities:		
- Current tax liabilities	80,008	46,642
- Deferred tax liabilities	7,337,368	8,706,300
Liabilities of the Group	628,192,538	572,032,681

##### (b) Geographical segments

The operations of the Group are carried out primarily in Malaysia (which includes the Federal Territory of Labuan). In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the assets of the Group. The non-current assets do not include financial instruments and deferred tax assets.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018  
(CONTINUED)

## 4. OPERATING SEGMENTS (continued)

### (b) Geographical segments (continued)

#### (i) Revenue from external customers

	Group	
	2018 RM	2017 RM
Malaysia	116,315,406	268,219,600

#### (ii) Non-current assets

	Group	
	2018 RM	2017 RM
Malaysia	137,866,814	178,449,695
Singapore	31,136,071	34,393,602
	169,002,885	212,843,297

### (c) Major customers

The following are major customers with revenue equal to or more than ten percent (10%) of Group revenue:

	Revenue	
	2018 % of total	2017 % of total
<b>Marine construction segment</b>		
Customer A	-	13%
Customer B	-	42%
Customer C	26%	-
Customer D	23%	-
Customer E	19%	-
Customer F	-	23%
	68%	78%

The above customers are related to the marine construction segment.



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Barges and dredgers RM	Tools and office equipment RM	Furniture and fittings RM	Motor vehicles RM	Construction-in-progress RM	Total RM
<b>At 30 June 2018</b>										
<b>Cost</b>										
At 1 July 2017	15,356,915	11,919,537	11,693,560	49,158,235	269,498,915	6,188,065	1,200,382	13,003,423	3,495,977	381,515,009
Additions	-	-	279,920	-	-	359,812	58,687	416,198	3,728,816	4,843,433
Disposals	-	-	-	(500,978)	(2,656,610)	-	-	-	-	(3,157,588)
Write-offs	-	-	-	-	(2,923,136)	-	-	(226,903)	-	(3,150,039)
Transfers	-	-	3,386,700	-	-	14,389	598,351	-	(3,999,440)	-
Transfer to non-current assets held for sale (Note 15)	-	(11,919,537)	(1,083,664)	-	-	-	-	-	-	(13,003,201)
Translation adjustments	-	-	(82,822)	(129,228)	(12,262,668)	(24,256)	(4,549)	-	(25,131)	(12,528,654)
At 30 June 2018	15,356,915	-	14,193,694	48,528,029	251,656,501	6,538,010	1,852,871	13,192,718	3,200,222	354,518,960
<b>Accumulated depreciation</b>										
At 1 July 2017	-	1,352,023	1,316,565	14,458,001	85,117,798	3,839,114	750,145	8,365,459	-	115,199,105
Charge for the financial year	-	205,371	257,148	4,486,256	7,288,880	347,328	98,124	1,642,821	-	14,325,928
Disposals	-	-	-	(137,750)	(1,089,919)	-	-	-	-	(1,227,669)
Write-offs	-	-	-	-	(796,213)	-	-	(226,897)	-	(1,023,110)
Transfer to non-current assets held for sale (Note 15)	-	(1,557,394)	(166,442)	-	-	-	-	-	-	(1,723,836)
Translation adjustments	-	-	(11,394)	(81,371)	(3,313,673)	(14,148)	(2,293)	-	-	(3,422,879)
At 30 June 2018	-	-	1,395,877	18,725,136	87,206,873	4,172,294	845,976	9,781,383	-	122,127,539
<b>Accumulated impairment losses</b>										
At 1 July 2017	-	-	-	63,832	53,028,028	255,188	23,815	-	101,744	53,472,607
Charge for the financial year	-	-	-	-	16,206,018	-	-	-	-	16,206,018
Disposals	-	-	-	-	(1,566,691)	-	-	-	-	(1,566,691)
Write-offs	-	-	-	-	(2,126,923)	-	-	-	-	(2,126,923)
Translation adjustments	-	-	-	-	(2,596,475)	-	-	-	-	(2,596,475)
At 30 June 2018	-	-	-	63,832	62,943,957	255,188	23,815	-	101,744	63,388,536

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018  
(CONTINUED)

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Barges and dredgers RM	Tools and office equipment RM	Furniture and fittings RM	Motor vehicles RM	Construction-in-progress RM	Total RM
<b>At 30 June 2017</b>										
<b>Cost</b>										
At 1 July 2016	15,356,915	11,919,537	11,624,568	39,473,011	261,541,535	5,841,171	1,005,092	12,142,274	2,389,981	361,294,084
Additions	-	-	-	14,748,838	658,180	331,632	191,478	1,561,758	2,289,873	19,781,759
Disposals	-	-	-	(5,195,865)	(6,022,488)	(8,100)	-	(700,609)	-	(11,927,062)
Transfers	-	-	-	-	1,209,596	-	-	-	(1,209,596)	-
Translation adjustments	-	-	68,992	132,251	12,112,092	23,362	3,812	-	25,719	12,366,228
At 30 June 2017	15,356,915	11,919,537	11,693,560	49,158,235	269,498,915	6,188,065	1,200,382	13,003,423	3,495,977	381,515,009
<b>Accumulated depreciation</b>										
At 1 July 2016	-	1,146,652	1,074,995	11,496,554	77,620,478	3,439,395	660,634	7,389,744	-	102,828,452
Charge for the financial year	-	205,371	233,458	3,919,335	8,026,397	389,810	87,967	1,512,849	-	14,375,187
Disposals	-	-	-	(1,026,093)	(3,369,517)	(1,640)	-	(537,134)	-	(4,934,384)
Translation adjustments	-	-	8,112	68,205	2,840,440	11,549	1,544	-	-	2,929,850
At 30 June 2017	-	1,352,023	1,316,565	14,458,001	85,117,798	3,839,114	750,145	8,365,459	-	115,199,105
<b>Accumulated impairment losses</b>										
At 1 July 2016	-	-	-	-	43,463,767	-	-	-	-	43,463,767
Charge for the financial year	-	-	-	63,832	7,302,664	255,188	23,815	-	101,744	7,747,243
Translation adjustments	-	-	-	-	2,261,597	-	-	-	-	2,261,597
At 30 June 2017	-	-	-	63,832	53,028,028	255,188	23,815	-	101,744	53,472,607

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group	
	2018 RM	2017 RM
<b>Carrying amount</b>		
Freehold land	15,356,915	15,356,915
Leasehold land	-	10,567,514
Buildings	12,797,817	10,376,995
Plant and machinery	29,739,061	34,636,402
Barges and dredgers	101,505,671	131,353,089
Tools and office equipment	2,110,528	2,093,763
Furniture and fittings	983,080	426,422
Motor vehicles	3,411,335	4,637,964
Construction-in-progress	3,098,478	3,394,233
	169,002,885	212,843,297

(a) Each class of property, plant and equipment are measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

(b) Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and annual rates used are as follows:

Leasehold land	60 years
Buildings	2%
Plant and machinery	10%
Barges and dredgers	4% - 10%
Tools and office equipment	10%
Furniture and fittings	10%
Motor vehicles	20%

Freehold land has an unlimited useful life and is not depreciated. Construction-in-progress is not depreciated until such time when the assets are available for use.

The useful lives are based on the historical experience of the Group with similar assets and taking into account the anticipated technological changes. The depreciation charge for future period is adjusted if there are significant changes from previous estimates.

(c) The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for leasehold land as finance leases in accordance with MFRS 117 *Leases*.

(d) The carrying amount of the property, plant and equipment of the Group held under hire purchase arrangements at the end of the reporting period are as follows:

	Group	
	2018 RM	2017 RM
Motor vehicles	2,053,772	2,763,976
Plant and machinery	10,215,854	16,642,611
Tools and office equipment	-	245,333
	12,269,626	19,651,920

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018 (CONTINUED)

### 5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (e) The carrying amount of property, plant and equipment of the Group pledged to licensed financial institutions for credit facilities granted to the Group as disclosed in Note 19(c) to the financial statements are as follows:

	Group	
	2018 RM	2017 RM
Freehold land	15,356,915	15,356,915
Leasehold land	-	10,567,514
Buildings	6,192,140	6,333,614
Construction-in-progress	2,702,893	-
	<u>24,251,948</u>	<u>32,258,043</u>

- (f) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2018 RM	2017 RM
Additions of property, plant and equipment	4,843,433	19,781,759
Additions via hire purchase arrangements	(296,400)	(10,927,125)
Addition via term loan	(1,283,476)	-
Cash outflow for acquisition of property, plant and equipment	<u>3,263,557</u>	<u>8,854,634</u>

- (g) Impairment of property, plant and equipment

During the financial year, the Group recognised impairment losses of RM16,206,018 (2017: RM7,302,664) on certain barges and dredgers.

The Group has performed impairment assessment on those barges and dredgers that have an indication of impairment. The recoverable amounts of those barges and dredgers are derived from either their fair value less cost estimated by an independent valuer, or by management's estimations based on adjusted available market data. The fair value measurement was categorised as Level 3 fair value.

The valuation was made based on the comparison method and depreciated replacement cost method that made reference to available market data by comparing to recent transactions involving other similar barges and dredgers and estimating the current new replacement costs of the barges and dredgers and therefrom less the accrued depreciation for age and obsolescence. The intensity of use, present physical condition and estimated replacement cost of those barges and dredgers were the significant key assumptions used by independent valuer and management.

### 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted shares, at cost	157,499,998	157,499,998
Less: Accumulated impairment loss	(3,678,253)	(3,678,253)
	<u>153,821,745</u>	<u>153,821,745</u>

- (a) Investments in subsidiaries are stated at cost less impairment loss. Non-controlling interests are measured at their proportionate share of the net assets of subsidiaries, unless another measurement basis is required by MFRSs. Management reviews the investments in subsidiaries for impairment when there is an indication of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 6. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2018 %	2017 %	
<b>Direct subsidiaries</b>				
Benalec Sdn. Bhd. ("BSB")	Malaysia	100	100	Marine construction and civil engineering
Benalec Shipyard Sdn. Bhd. ("BSSB")	Malaysia	100	100	Ship repair, ship maintenance, shipbuilding, fabrication, refurbishment and ship trading
Oceanliner Pte Ltd. <sup>(1)</sup> ("Oceanliner")	Singapore	100	100	Charter of vessels
<b>Subsidiaries of BSB</b>				
OG Marine Sdn. Bhd. ("OGMSB")	Malaysia	100	100	Charter of vessels
Pacific Ltd	Labuan	100	100	Charter/leasing of vessels
Ocean Marine Ltd	Labuan	100	100	Charter/leasing of vessels
Pacific Marine Ltd	Labuan	100	100	Charter/leasing of vessels
Ocean Pacific Ltd	Labuan	51	51	Charter/leasing of vessels
Atlantic Ocean Ltd	Labuan	51	51	Charter/leasing of vessels
Oceanline (Labuan) Ltd	Labuan	100	100	Charter/leasing of vessels and the business of trading of vessels
Benalec Land Sdn. Bhd.	Malaysia	100	100	Property investment holding
Benalec Maritime Sdn. Bhd. ("BMSB")	Malaysia	100	100	Marine construction and civil engineering
Benalec Diversity Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Marine construction and civil engineering
Benalec Venture Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Marine construction and civil engineering
Benalec Construction Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Marine construction and civil engineering
Pengerang Maritime Industries Sdn. Bhd. ("PMISB")	Malaysia	100	100	Marine engineering services
Tanjung Piai Maritime Industries Sdn. Bhd. ("TPMISB")	Malaysia	100	100	Marine engineering services
Crystal Land Property Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Property investment holding
Heritage Land Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Property investment holding
Heritage Property Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Property investment holding
Sentosacove Development Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Property investment holding
Jewel East Sdn. Bhd. ("JESB") <sup>(1)</sup>	Malaysia	100	100	Property investment holding
Goldnet Synergy Sdn. Bhd. ("GSSB") <sup>(1)</sup>	Malaysia	100	100	Investment holding company
Pacific Link Ltd	Labuan	100	100	Trading and investment holding
Pacific Shipping Ltd	Labuan	100	100	Trading and investment holding
Gabungan Khas Sdn. Bhd. <sup>(1) (2)</sup>	Malaysia	49	49	Acting as agent for clearance of vessels with port authorities
Jayamas Cekap Sdn. Bhd.	Malaysia	100	100	Dormant
Klebang Property Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Oceanfront Property Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Benalec CeTeau Asia Sdn. Bhd. (formerly known as Oceanview Project Sdn. Bhd.) ("BCASB") <sup>(1) (3)</sup>	Malaysia	51	51	To carry on the business of installing geo-technical prefabricated vertical drains.



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018 (CONTINUED)

### 6. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2018 %	2017 %	
<b>Subsidiaries of BSB (continued)</b>				
Oceanview Realty Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Orientalcove Realty Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Orientalcove Property Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Heritage Land Development Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Heritage Land Realty Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Strategic Cove Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Strategic Land Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Wilajati Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Integrasi Mekar Sdn. Bhd.	Malaysia	100	100	Dormant
Indera Tenggara Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Dormant
Atlantic Pacific Ltd	Labuan	100	100	Dormant
<b>Subsidiaries of JESB</b>				
Iconic Island Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Property investment holding
One World Island Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Property investment holding
Cheng Ho City Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Property investment holding
Zheng Island Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	Property investment holding
<b>Subsidiary of PMISB</b>				
Spektrum Budi Sdn. Bhd.	Malaysia	70	70	Marine construction
<b>Subsidiary of TPMISB</b>				
Spektrum Kukuh Sdn. Bhd.	Malaysia	70	70	Marine construction and civil engineering
<b>Subsidiary of GSSB</b>				
Neptune Paradise Sdn. Bhd. <sup>(1)</sup>	Malaysia	100	100	General trading

<sup>(1)</sup> Subsidiaries not audited by BDO member firms.

<sup>(2)</sup> The Group considers that it controls Gabungan Khas Sdn. Bhd. even though it owns less than fifty percent (50%) of the voting rights. This is because the Group has two (2) board representatives over a total of three (3) board members and therefore has control over the board and power to govern the relevant activities of Gabungan Khas Sdn. Bhd. via a shareholders agreement. In addition, the Executive Chairman, who is from the Group has the second or casting vote at all shareholders meeting. The remaining fifty-one percent (51%) of the equity shares in Gabungan Khas Sdn. Bhd. are held by an individual shareholder that is not related to the Group.

<sup>(3)</sup> In the previous financial year, BCASB has increased its issued and paid-up share capital from RM2 to RM4,000,000 by way of issuance of 3,999,998 new ordinary shares. BSB had subscribed 2,039,998 ordinary shares in BCASB for a cash consideration RM2,039,998, representing 51% of the additional share capital of BCASB for a purchase consideration RM2,038,998.

The remaining 1,960,000 ordinary shares were subscribed by the non-controlling interests for cash consideration of RM1,960,000.

This resulted in decrease in equity interest of BSB in BCASB from 100% to 51%.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 6. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Subsidiaries of the Group that have non-controlling interests ("NCI") are as follows:

	<b>Spektrum Budi Sdn. Bhd.</b>	<b>Spektrum Kukuh Sdn. Bhd.</b>	<b>Ocean Pacific Ltd</b>	<b>Benalec CeTeau Asia Sdn. Bhd.</b>	<b>Others</b>	<b>Total</b>
<b>2018</b>						
NCI percentage of ownership interest and voting interest	30%	30%	49%	49%		
Carrying amount of NCI (RM)	1,433,036	1,341,564	8,821,268	2,011,250	151,408	13,758,526
(Loss)/Profit allocated to NCI (RM)	(7,146)	138,457	1,790,784	258,614	377,907	2,558,616
Total comprehensive (loss)/income allocated to NCI (RM)	(7,146)	138,457	1,318,409	258,614	390,466	2,098,800
<b>2017</b>						
NCI percentage of ownership interest and voting interest	30%	30%	49%	49%		
Carrying amount of NCI (RM)	1,440,182	1,203,107	7,502,858	1,752,636	(239,057)	11,659,726
(Loss)/Profit allocated to NCI (RM)	(4,234)	(218,348)	2,131,503	(199,123)	(64,659)	1,645,139
Total comprehensive (loss)/income allocated to NCI (RM)	(4,234)	(218,348)	2,469,228	(199,123)	(79,227)	1,968,296

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 6. INVESTMENTS IN SUBSIDIARIES (continued)

- (d) Summarised financial information before inter-company elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	<b>Spektrum Budi Sdn. Bhd. RM</b>	<b>Spektrum Kukuh Sdn. Bhd. RM</b>	<b>Ocean Pacific Ltd RM</b>	<b>Benalec CeTeau Asia Sdn. Bhd. RM</b>
<b>2018</b>				
<b>Assets and liabilities</b>				
Non-current assets	4,063	533,653	16,111,466	3,833,222
Current assets	29,150,336	430,779,836	14,870,251	2,970,462
Current liabilities	(24,377,613)	(426,841,608)	(12,979,130)	(2,699,092)
Net assets	4,776,786	4,471,881	18,002,587	4,104,592
<b>Results</b>				
Revenue	-	-	6,384,768	8,200,982
(Loss)/Profit for the financial year	(23,819)	461,524	3,654,662	527,784
Total comprehensive (loss)/income	(23,819)	461,524	2,690,629	527,784
Cash flows (used in)/from operating activities	(602,206)	(5,222,065)	51,422	(47,457)
Cash flows from/(used in) investing activities	599,566	4,975,586	(51,463)	(22,785)
Cash flows from financing activities	-	-	-	83,528
Net (decrease)/increase in cash and cash equivalents	(2,640)	(246,479)	(41)	13,286
<b>2017</b>				
<b>Assets and liabilities</b>				
Non-current assets	4,550	513,927	17,854,449	4,374,087
Current assets	21,172,796	292,636,894	10,215,392	725,631
Current liabilities	(16,376,741)	(289,140,464)	(12,757,886)	(1,522,910)
Net assets	4,800,605	4,010,357	15,311,955	3,576,808
<b>Results</b>				
Revenue	-	-	6,667,440	3,720,662
(Loss)/Profit for the financial year	(14,113)	(727,827)	4,350,007	(406,374)
Total comprehensive (loss)/income	(14,113)	(727,827)	5,039,241	(406,374)
Cash flows (used in)/from operating activities	(8,807,050)	(132,929,658)	5,362,387	167,390
Cash flows from/(used in) investing activities	8,795,401	132,721,371	(5,935,838)	(4,663,265)
Cash flows from financing activities	-	-	-	4,541,783
Net (decrease)/increase in cash and cash equivalents	(11,649)	(208,287)	(573,451)	45,908

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 7. OTHER INVESTMENTS

	Group	
	2018 RM	2017 RM
<b>Available-for-sale financial assets</b>		
<b>Quoted ordinary shares in Malaysia</b>		
As at 1 July 2017/2016	48,705	36,397
Fair value (loss)/gain	(2,760)	12,308
As at 30 June 2018/2017	45,945	48,705

- (a) Quoted ordinary shares in Malaysia are classified as available-for-sale financial assets, and measured at fair value through other comprehensive income.
- (b) Quoted ordinary shares in Malaysia are listed on the Bursa Malaysia Securities and are held for strategic rather than trading purpose.
- (c) Fair value of quoted ordinary shares in Malaysia is determined by reference to the exchange quoted market price at the close of the business on the reporting date.
- (d) Fair value of quoted ordinary shares is categorised as Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

#### 8. DEFERRED TAX

- (a) Deferred tax assets and liabilities are made up of the following:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Balance as at 1 July 2017/2016	(5,283,381)	1,626,969	5,993,221	6,952,572
Recognised in profit or loss (Note 31)	(4,999,537)	(6,910,350)	(1,045,476)	(959,351)
Balance as at 30 June 2018/2017	(10,282,918)	(5,283,381)	4,947,745	5,993,221
Presented after appropriate offsetting:				
Deferred tax assets, net	(17,620,286)	(13,989,681)	-	-
Deferred tax liabilities, net	7,337,368	8,706,300	4,947,745	5,993,221
	(10,282,918)	(5,283,381)	4,947,745	5,993,221

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 8. DEFERRED TAX (continued)

(b) Components and movements of deferred tax liabilities and assets during the financial year are as follows:

##### Deferred tax assets of the Group

	Property, plant and equipment RM	Unused tax losses and unabsorbed capital allowances RM	Deferred revenue RM	Total RM
At 1 July 2017	2,169,975	560,115	20,085,147	22,815,237
Recognised in profit or loss	3,428,779	325,571	366,610	4,120,960
At 30 June 2018 (before offsetting)	5,598,754	885,686	20,451,757	26,936,197
Offsetting				(9,315,911)
At 30 June 2018				17,620,286
At 1 July 2016	173,717	1,162,722	14,743,662	16,080,101
Recognised in profit or loss	1,996,258	(602,607)	5,341,485	6,735,136
At 30 June 2017 (before offsetting)	2,169,975	560,115	20,085,147	22,815,237
Offsetting				(8,825,556)
At 30 June 2017				13,989,681

##### Deferred tax liabilities of the Group

	Property, plant and equipment RM	RCSB RM	Total RM
At 1 July 2017	11,538,635	5,993,221	17,531,856
Recognised in profit or loss	166,899	(1,045,476)	(878,577)
At 30 June 2018 (before offsetting)	11,705,534	4,947,745	16,653,279
Offsetting			(9,315,911)
At 30 June 2018			7,337,368
At 1 July 2016	10,754,498	6,952,572	17,707,070
Recognised in profit or loss	784,137	(959,351)	(175,214)
At 30 June 2017 (before offsetting)	11,538,635	5,993,221	17,531,856
Offsetting			(8,825,556)
At 30 June 2017			8,706,300

##### Deferred tax liabilities of the Company

	RCSB RM	Total RM
At 1 July 2017	5,993,221	5,993,221
Recognised in profit or loss (Note 31)	(1,045,476)	(1,045,476)
At 30 June 2018	4,947,745	4,947,745
At 1 July 2016	6,952,572	6,952,572
Recognised in profit or loss (Note 31)	(959,351)	(959,351)
At 30 June 2017	5,993,221	5,993,221

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 8. DEFERRED TAX (continued)

- (c) Amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2018 RM	2017 RM
Other taxable temporary differences	(259,850)	(226,878)
Unused tax losses	14,618,887	14,512,348
Unabsorbed capital allowances	414,322	303,532
	14,773,359	14,589,002

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised. These temporary differences do not expire under the current tax legislation.

#### 9. INVENTORIES

	Note	Group	
		2018 RM	2017 RM
<b>At cost</b>			
Consumables	(b)	227,408	545,610
Land held for sale	(c)	229,385,465	276,659,669
Properties held for sale	(d)	355,498	4,302,211
		229,968,371	281,507,490
<b>At net realisable value</b>			
Properties held for sale	(d)	19,567,210	14,583,172
		249,535,581	296,090,662

- (a) Inventories are stated at the lower of cost and net realisable value.
- (b) Consumables
- (i) Consumables represent parts purchased for future consumption in the construction of vessels and infrastructure works.
  - (ii) Cost is determined using the first-in, first-out basis. The cost comprises all costs of purchases, cost of conversion plus other costs incurred in bringing the consumables to their present location and condition.
  - (iii) In the previous financial year, cost of consumables written off recognised in profit and loss amounted to RM221,150.
- (c) Land held for sale
- (i) Cost of land held for sale comprises all reclamation costs, infrastructure costs, professional fees, stamp duties, commissions, and other costs incurred in bringing the land held for sale to their present condition.



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018 (CONTINUED)

### 9. INVENTORIES (continued)

(c) Land held for sale (continued)

(ii) Movements of the land held for sale are as follows:

	Group	
	2018 RM	2017 RM
As at 1 July 2017/2016	276,659,669	376,171,540
Costs incurred during the financial year	7,263,480	11,391,270
Less: Recognised in profit or loss during the financial year	(54,537,684)	(110,903,141)
As at 30 June 2018/2017	229,385,465	276,659,669

(iii) Land held for sale represents reclaimed leasehold land with remaining lease terms ranging from 93 to 97 years (2017: 92 to 98 years).

(iv) In the previous financial year, lien holder's caveat was created on certain land held for sale of the Group amounted to RM2,556,325 for credit facilities granted to the Group as disclosed in Note 19(c) to the financial statements.

(v) Land held for sale of the Group with carrying amount of RM104,502,703 (2017: RM103,855,584) are charged to the security trustee as collateral for the issuance of RCSB as disclosed in Note 18(c) to the financial statements.

(d) Properties held for sale

(i) Properties held for sale are in respect of thirteen (13) units (2017: twelve (12)) of properties, which are available for immediate sale.

(ii) Cost of properties held for sale is determined using cost of the acquisition of properties held for sale and direct costs attributable to the acquisition of properties held for sale.

(iii) During the financial year, properties held for sale written down recognised in profit and loss amounted to RM666,667 (2017: RM3,175,522).

(e) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 10. LAND RECLAMATION WORK IN PROGRESS

	Group	
	2018 RM	2017 RM
Land reclamation work in progress	405,734,578	287,042,931

- (a) Land reclamation work in progress represents all costs that are directly attributable to the land reclamation concession or that can be allocated on a reasonable basis to the concession. The costs incurred comprise cost to secure the land reclamation concession, construction costs and other development costs common to the entire reclamation concession including professional fees and other relevant levies.

Land reclamation work in progress is recognised as an asset and is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price of the reclaimed land in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Any expected loss is recognised immediately in profit or loss.

Upon completion of the land reclamation concession and issuance of land titles, the land reclamation work in progress is reclassified to inventories of reclaimed land. Revenue arising from the disposal of the reclaimed land would be recognised when significant risks and rewards have been transferred to the identified end purchaser.

- (b) Movements of the land reclamation work in progress are as follows:

	Group	
	2018 RM	2017 RM
Balance as at 1 July 2017/2016	287,042,931	150,105,217
Costs incurred during the financial year	118,691,647	136,937,714
Balance as at 30 June 2018/2017	405,734,578	287,042,931

- (c) Land reclamation work in progress of the Group at the end of the reporting period are costs incurred for the reclamation works in Tanjung Piai and Pengerang in the State of Johor.

#### 11. TRADE AND OTHER RECEIVABLES

Note	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Trade receivables</b>				
Third parties	89,766,806	99,979,566	-	-
Less: Impairment losses	(1,886,966)	(5,065,466)	-	-
	87,879,840	94,914,100	-	-
<b>Amounts due from contract customers</b>				
- third parties	27,590,291	20,426,454	-	-
- related parties	79,663,627	76,055,318	-	-
	107,253,918	96,481,772	-	-
Less: Impairment losses				
- third parties	(468,658)	(468,658)	-	-
12	106,785,260	96,013,114	-	-

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018  
(CONTINUED)

## 11. TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Other receivables and deposits</b>				
Other receivables	42,627,186	35,862,451	22,822	12,242
Amounts owing by related parties	228	240	-	-
Amounts owing by subsidiaries	-	-	282,204,242	284,104,853
Deposits	7,062,511	7,119,421	5,000	5,000
	49,689,925	42,982,112	282,232,064	284,122,095
Less: Impairment losses				
- third parties	(1,307,021)	(1,307,021)	-	-
- subsidiaries	-	-	(114,544)	(114,544)
	48,382,904	41,675,091	282,117,520	284,007,551
<b>Loans and receivables</b>	243,048,004	232,602,305	282,117,520	284,007,551
<b>Prepayments</b>				
Prepayments	2,716,144	3,264,071	2,120	2,120
	245,764,148	235,866,376	282,119,640	284,009,671

- (a) Trade and other receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 60 days to 180 days (2017: 60 days to 180 days) from the date of invoice. They are recognised at their original invoices amounts, which represent their fair values on initial recognition.

Included in trade receivables of the Group are amounts owing by third parties amounting to RM80,762,815 (2017: RM77,948,529), which represent proceeds receivable from disposals of land held for sale.

Included in trade receivables of the Group is an amount of RM3,316,976 (2017: RM13,524,939), which represents proceeds receivable from a land reclamation contract, which is assigned to the Security Trustee for the issuance of RCSB as disclosed in Note 18(c) to the financial statements.

- (c) Included in trade receivables of the Group are retention sums for contract works amounting to RM15,700 (2017: RM10,507,963). The retention sums are unsecured, interest free and are expected to be collected as follows:

	Group	
	2018 RM	2017 RM
Within one (1) year	-	10,507,963
Within two (2) years	15,700	-
	15,700	10,507,963

- (d) Non-trade balances owing by related parties and subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents. In the previous financial year, included in amounts owing by subsidiaries was a dividend receivable from a subsidiary amounted to RM3,500,000.
- (e) Included in deposits of the Group is an amount of RM4,009,611 (2017: RM4,009,611) paid as deposit for the acquisition of a parcel of land.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 11. TRADE AND OTHER RECEIVABLES (continued)

(f) Currency exposure profile of trade and other receivables (exclude prepayments) are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	243,041,635	232,595,600	282,117,520	284,007,551
Singapore Dollar	6,369	6,705	-	-
	<u>243,048,004</u>	<u>232,602,305</u>	<u>282,117,520</u>	<u>284,007,551</u>

(g) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2018 RM	2017 RM
<b>Effect of 10% change in</b>		
Profit after tax		
- RM/SGD	484	510

(h) Ageing analysis of trade receivables of the Group are as follows:

	Group	
	2018 RM	2017 RM
Neither past due nor impaired	84,049,294	91,297,124
Past due but not impaired		
- 61 to 90 days	513,570	3,316,976
- 91 to 120 days	-	-
- 121 to 180 days	-	-
- More than 180 days	3,316,976	300,000
Past due and impaired	3,830,546	3,616,976
	1,886,966	5,065,466
	<u>89,766,806</u>	<u>99,979,566</u>

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

#### Receivables that are past due but not impaired

Trade receivables that are past due but not impaired arose from active corporate customers with healthy business relationships, and the Group is of the view that these balances are recoverable based on historical receipts pattern.

Trade receivables of the Group that are past due but not impaired are unsecured in nature.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018 (CONTINUED)

### 11. TRADE AND OTHER RECEIVABLES (continued)

(h) Ageing analysis of trade receivables of the Group are as follows (continued):

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of each reporting period are as follows:

	Group	
	2018 RM	2017 RM
<b>Individually impaired</b>		
Trade receivables, gross	1,886,966	5,065,466
Less: Impairment losses	(1,886,966)	(5,065,466)
	-	-

(i) Reconciliation of movements in the impairment losses on the trade and other receivables is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Trade receivables</b>				
Balance as at 1 July 2017/2016	5,065,466	5,787,954	-	-
Reversal of impairment loss (Note 28)	(3,178,500)	(722,488)	-	-
Balance as at 30 June 2018/2017	1,886,966	5,065,466	-	-
<b>Other receivables</b>				
Balance as at 1 July 2017/2016	1,307,021	1,186,374	114,544	114,544
Charge for the financial year	-	120,647	-	-
Balance as at 30 June 2018/2017	1,307,021	1,307,021	114,544	114,544

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group and the Company recognise impairment of receivables based on an assessment of the recoverability of receivables. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to measure impairment of receivables.

(j) Credit risk concentration profile of the trade receivables at the end of the reporting period are as follows:

	2018		2017	
	RM	% of total	RM	% of total
<b>By country</b>				
Malaysia	87,879,840	100.00%	94,914,100	100.00%
<b>By industry sectors</b>				
Marine construction				
- Land reclamation services	3,332,676	3.79%	13,824,939	14.57%
- Disposal of land held for sale	80,762,815	91.90%	77,948,529	82.13%
Vessel chartering	3,784,349	4.31%	3,140,632	3.30%
	87,879,840	100.00%	94,914,100	100.00%

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 12. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2018 RM	2017 RM
Aggregate costs incurred to date	590,834,296	579,621,691
Add: Attributable profits	106,934,251	105,390,664
	697,768,547	685,012,355
Less: Progress billings	(592,098,209)	(590,093,443)
	105,670,338	94,918,912
Less: Impairment loss (Note 11)	(468,658)	(468,658)
	105,201,680	94,450,254
Analysed as:		
Amounts due from contract customers (Note 11)	106,785,260	96,013,114
Amounts due to contract customers (Note 22)	(1,583,580)	(1,562,860)
	105,201,680	94,450,254

The amounts due from contract customers of the Group of RM79,663,627 (2017: RM76,055,318) shall be settled by way of apportionment of completed reclaimed land.

#### 13. SHORT TERM FUNDS

	Group	
	2018 RM	2017 RM
<b>Financial assets at fair value through profit or loss</b>		
Unit trust quoted in Malaysia	141,358	136,847

(a) Short term funds are classified as fair value through profit or loss and measured at fair value categorised as Level 1 of the fair value hierarchy. Fair value of short term funds in Malaysia is determined by reference to counter parties' quotation at the close of business at the end of the reporting period.

(b) All short term funds are denominated in Ringgit Malaysia.

#### 14. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	13,359,295	9,099,928	10,826,860	62,773
Deposits with licensed financial institutions	143,408,423	144,209,709	120,094,619	121,341,709
	156,767,718	153,309,637	130,921,479	121,404,482

(a) Deposits with licensed financial institutions of the Group amounting to RM23,313,804 (2017: RM22,724,488) were pledged as security for banking facilities granted to certain subsidiaries of the Group as disclosed in Note 19(c) to the financial statements.

(b) Deposits and bank balances of the Group and of the Company amounting to RM130,898,258 (2017: RM121,352,954) were charged in favour of the Security Trustee of the Group pursuant to RCSB as disclosed in Note 18(c) to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018 (CONTINUED)

### 14. CASH AND BANK BALANCES (continued)

- (c) Deposits with licensed banks are subject to fixed weighted average effective interest rates of 2.84% (2017: 2.82%).
- (d) Sensitivity analysis of interest rate at the end of the reporting period was not presented as fixed rate instruments are not affected by changes in interest rates.
- (e) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	156,553,364	150,596,757	130,921,479	121,404,482
Singapore Dollar	98,573	1,521,098	-	-
United States Dollar	115,781	1,191,782	-	-
	<u>156,767,718</u>	<u>153,309,637</u>	<u>130,921,479</u>	<u>121,404,482</u>

- (f) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

Effect of 10% changes in	Group	
	2018 RM	2017 RM
Profit after tax		
- RM/USD	8,799	90,575
- RM/SGD	7,492	115,603

- (g) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	13,359,295	9,099,928	10,826,860	62,773
Deposits with licensed financial institutions	143,408,423	144,209,709	120,094,619	121,341,709
	<u>156,767,718</u>	<u>153,309,637</u>	<u>130,921,479</u>	<u>121,404,482</u>
Less:				
Bank overdraft (Note 19)	(989,482)	-	-	-
Fixed deposits pledged with licensed financial Institutions (Note a)	(23,313,804)	(22,724,488)	-	-
Deposits and bank balances charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds (Note b)	(130,898,258)	(121,352,954)	(130,898,258)	(121,352,954)
	<u>1,566,174</u>	<u>9,232,195</u>	<u>23,221</u>	<u>51,528</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 15. NON-CURRENT ASSETS HELD FOR SALE

On 29 June 2018, the Group had entered into a sale and purchase agreement to dispose leasehold land and building. Accordingly, management had classified the leasehold land and building as held for sale in accordance with the requirements of MFRS 5 *Non-current assets held for sale and discontinued operations*.

	<b>Group 2018 RM</b>
Cost (Note 5)	13,003,201
Less: Accumulated depreciation (Note 5)	(1,723,836)
Carrying amount	<u>11,279,365</u>

The non-current assets held for sale of the Group are pledged to a licensed financial institution for credit facilities granted to the Group as disclosed in Note 19(c) to the financial statements.

#### 16. SHARE CAPITAL

	<b>Group and Company</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Number of ordinary shares</b>	<b>RM</b>	<b>Number of ordinary shares</b>	<b>RM</b>
Issued and fully paid up ordinary shares				
At beginning of financial year	811,802,500	360,488,527	811,802,500	202,950,625
Issuance of ordinary shares pursuant to private placement	20,000,000	5,000,000	-	-
Transfer pursuant to Companies Act 2016	-	-	-	157,537,902
At end of financial year	<u>831,802,500</u>	<u>365,488,527</u>	<u>811,802,500</u>	<u>360,488,527</u>

- (a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 811,802,500 to 831,802,500 by way of issuance of 20,000,000 new ordinary shares pursuant to the private placement undertaken by the Company at an issue price of RM0.25 per share.
- (b) Owners of the parent of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meeting of the Company. All ordinary shares rank *pari passu* with regard to the residual assets of the Company.

#### 17. RESERVES

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Non-distributable:				
Treasury shares	(12,703,204)	(12,698,955)	(12,703,204)	(12,698,955)
Exchange translation reserve	34,635,461	42,026,417	-	-
Reverse acquisition debit	(146,069,559)	(146,069,559)	-	-
Share options reserve	3,077,332	1,673,726	3,077,332	1,673,726
Available-for-sale reserve	(16,334)	(13,574)	-	-
Equity component of RCSB (Note 18(c))	25,225,506	25,225,506	25,225,506	25,225,506
Distributable:				
Retained earnings	351,404,329	354,436,056	13,798,346	18,814,326
	<u>255,553,531</u>	<u>264,579,617</u>	<u>29,397,980</u>	<u>33,014,603</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 17. RESERVES (continued)

##### (a) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 22 November 2017, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 10,000 (2017: 20,000) of its own ordinary shares from the open market for a total consideration of RM4,249 (2017: RM8,996) at an average price of RM0.425 (2017: RM0.450) per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia. None of the treasury shares held were re-sold or cancelled during the financial year.

Of the total 831,802,500 (2017: 811,802,500) issued and fully paid up ordinary shares as at 30 June 2018, 12,715,400 (2017: 12,705,400) ordinary shares amounting to RM12,703,204 (2017: RM12,698,955) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 819,087,100 (2017: 799,097,100).

##### (b) Exchange translation reserve

Exchange translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items, which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

##### (c) Reverse acquisition debit

Reverse acquisition debit arose from the reverse acquisition of the Company, BSSB and Oceanliner by BSB in the previous financial years, as follows:

	<b>Group RM</b>
Issued equity of the Company for the acquisitions (comprising 629,999,992 ordinary shares)	157,499,998
Less:	
- Issued equity of BSB	(7,300,000)
- Deemed purchase consideration of the two (2) subsidiaries, BSSB and Oceanliner	(4,130,439)
Reverse acquisition debit	<u>146,069,559</u>

##### (d) Share options reserve

The share options reserve represents the effect of equity-settled options granted to Eligible Executives. This reserve is made up of the cumulative value of services received from Eligible Executives for the issue of options. When the options are exercised, an amount from the share options reserve is transferred to share premium. When the options expire or are forfeited, the carrying amount from the share options reserve is transferred to retained earnings.

##### (e) Available-for-sale reserve

The reserve arose from gains or losses of available-for-sale financial assets as disclosed in Note 7 to the financial statements.

##### (f) Equity component of RCSB

The equity component of RCSB represents the residual amount of the RCSB after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability. The salient terms of the RCSB are as disclosed in Note 18 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 18. REDEEMABLE CONVERTIBLE SECURED BONDS (“RCSB”)

	Group and Company	
	2018 RM	2017 RM
Liability component at beginning of financial year	157,829,832	151,365,009
Finance costs (Note 29)	7,143,514	6,464,823
Liability component as at end of financial year	164,973,346	157,829,832

(a) The liability component of RCSB are classified as other financial liability and measured at amortised cost using effective interest rate method.

(b) The salient terms of the RCSB are as follows:

(i) Conversion rights and rates

The RCSB are convertible to new ordinary shares in the Company during the conversion period (i.e. any time after the issue date of 29 April 2015 and up to the maturity date of 29 April 2022). The conversion price is fixed at RM0.705 per ordinary share of the Company. However, the conversion price would be subject to further price adjustments against certain dilutive events as stipulated in the Trust Deed.

The new ordinary shares to be allotted and issued upon conversion of the RCSB would rank pari passu in all respects with the existing ordinary shares of the Company.

(ii) Tenure

The RCSB are for a period of seven (7) years maturing on 29 April 2022.

(iii) Coupon rate

The RCSB bear a coupon rate of 4.50% per annum payable semi-annually in arrears.

(iv) Put option

The RCSB may be redeemed on the 5th anniversary of the issue date in whole or in part at the nominal value of the outstanding RCSB.

(v) Redemption

All outstanding RCSB would be mandatorily redeemed in full by the Company on 29 April 2022.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 18. REDEEMABLE CONVERTIBLE SECURED BONDS ("RCSB") (continued)

- (c) The net proceeds received from the issue of the RCSB have been split between the liability component and equity component, representing the fair value of the embedded option to convert the liability into equity of the Group and of the Company, as follows:

	<b>Group and Company RM</b>
Proceeds received	181,170,000
RCSB issuance expenses	(3,357,157)
	<u>177,812,843</u>
Deferred tax liability	(7,965,949)
Liability component	<u>(144,621,388)</u>
Equity component (Note 17)	<u>25,225,506</u>

The RCSB are secured by inter-alia:

- (i) legal charges over the land held for sale of the Group as disclosed in Note 9(c) to the financial statements;
  - (ii) assignment of land reclamation agreement awarded to the Group as disclosed in Note 11(b) to the financial statements; and
  - (iii) deposits and bank balances charged in favour of the Security Trustee of the Group as disclosed in Note 14(b) to the financial statements.
- (d) The table below summarises the maturity profile of the RCSB of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations:

<b>Group and Company</b>	<b>On demand or within one year RM</b>	<b>One to five years RM</b>	<b>Over five years RM</b>	<b>Total RM</b>
<b>30 June 2018</b>				
RCSB	9,000,000	225,520,548	-	234,520,548
Total undiscounted financial liabilities	<u>9,000,000</u>	<u>225,520,548</u>	<u>-</u>	<u>234,520,548</u>
<b>30 June 2017</b>				
RCSB	9,000,000	234,520,548	-	243,520,548
Total undiscounted financial liabilities	<u>9,000,000</u>	<u>234,520,548</u>	<u>-</u>	<u>243,520,548</u>

- (e) RCSB are subject to fixed effective interest rates of 5.06% (2017: 5.06%).
- (f) Sensitivity analysis of interest rate as at the end of the reporting period was not presented as fixed rate instruments and are not affected by changes in interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 18. REDEEMABLE CONVERTIBLE SECURED BONDS (“RCSB”) (continued)

- (g) The following table sets out the financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amount shown in the statements of financial position:

Group	2018		2017	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
RCSB	164,973,346	188,776,363	157,829,832	185,619,299

The fair value of RCSB is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Fair value of the RCSB is estimated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

#### 19. BORROWINGS

	Group	
	2018 RM	2017 RM
<b>Non-current liabilities</b>		
<b>Secured</b>		
Hire purchase liabilities (Note 20)	3,360,142	7,395,840
Term loans	10,628,232	10,186,755
	<u>13,988,374</u>	<u>17,582,595</u>
<b>Current liabilities</b>		
<b>Secured</b>		
Hire purchase liabilities (Note 20)	4,324,728	5,650,834
Bank overdraft (Note 14(g))	989,482	-
Trust receipts	1,054,378	710,414
Revolving credit	10,000,000	-
Term loans	854,023	894,422
	<u>17,222,611</u>	<u>7,255,670</u>
<b>Total borrowings</b>		
Hire purchase liabilities (Note 20)	7,684,870	13,046,674
Bank overdraft	989,482	-
Trust receipts	1,054,378	710,414
Revolving credit	10,000,000	-
Term loans	11,482,255	11,081,177
	<u>31,210,985</u>	<u>24,838,265</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 19. BORROWINGS (continued)

- (a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Borrowings are denominated in Ringgit Malaysia.
- (c) Borrowings of the Group are secured by:
- (i) Legal charge over certain property, plant and equipment of the Group as disclosed in Note 5(e) to the financial statements;
  - (ii) Lien holder's caveat over certain land held for sale of the Group as disclosed in Note 9(c) to the financial statements. The caveat was removed during the financial year subsequent to the disposal of the specific land held for sale;
  - (iii) Deposits of the Group as disclosed in Note 14(a) to the financial statements;
  - (iv) Legal charge over non-current assets held for sale of the Group as disclosed in Note 15 to the financial statements; and
  - (v) Assignment of insurances in favour of the financial institutions as mortgagee and loss payee covering but not limited to the hull and machinery coverage and war risks.
- (d) Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loans has been classified between current and non-current liabilities based on their repayment period.
- (e) Interest rate profile of the borrowings are as follows:

	Group	
	2018 RM	2017 RM
Fixed rate	7,684,870	13,046,674
Floating rate	23,526,115	11,791,591
	31,210,985	24,838,265

- (f) The weighted average interest rates per annum of borrowings of the Group that were effective as at end of reporting date were as follows:

	Group	
	2018 %	2017 %
<b>Fixed rate</b>		
Hire purchase liabilities	3.94	3.74
<b>Floating rate</b>		
Bank overdraft	8.25	-
Revolving credit	8.46	-
Term loans	4.88	6.67
Trust receipt	7.89	7.75

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 19. BORROWINGS (continued)

- (g) Sensitivity analysis of interest rate at the end of the reporting period, assuming that all other variables remain constant, is as follows:

	Group	
	2018 RM	2017 RM
<b>Effects of 30bp changes to profit after tax</b>		
Floating rate instruments	53,640	26,885

Sensitivity analysis for fixed rate borrowings as at the end of the reporting period was not presented as fixed rate instruments as it is not affected by changes in interest rates.

- (h) The table below summarises the maturity profile of the borrowings of the Group at the end of the reporting period based on contractual undiscounted repayment obligations:

Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>30 June 2018</b>				
Hire purchase liabilities	4,702,219	3,468,726	-	8,170,945
Bank overdraft	989,482	-	-	989,482
Trust receipts	1,054,378	-	-	1,054,378
Revolving credit	10,250,323	-	-	10,250,323
Term loans	1,355,817	5,316,394	8,183,316	14,855,527
Total undiscounted financial liabilities	18,352,219	8,785,120	8,183,316	35,320,655
<b>30 June 2017</b>				
Hire purchase liabilities	6,341,433	7,852,474	-	14,193,907
Trust receipts	710,414	-	-	710,414
Term loans	1,433,307	4,952,603	8,591,773	14,977,683
Total undiscounted financial liabilities	8,485,154	12,805,077	8,591,773	29,882,004

#### 20. HIRE PURCHASE LIABILITIES

	Group	
	2018 RM	2017 RM
Minimum hire purchase payments:		
- not later than one (1) year	4,702,219	6,341,433
- later than one (1) year and not later than five (5) years	3,468,726	7,852,474
	8,170,945	14,193,907
Less: Future interest charges	(486,075)	(1,147,233)
Present value of hire purchase liabilities	7,684,870	13,046,674
Repayable as follows:		
<b>Current liabilities</b>		
- not later than one (1) year (Note 19)	4,324,728	5,650,834
<b>Non-current liabilities</b>		
- later than one (1) year and not later than five (5) years (Note 19)	3,360,142	7,395,840
	7,684,870	13,046,674

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018 (CONTINUED)

### 20. HIRE PURCHASE LIABILITIES (continued)

The following table sets out the financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amount shown in the statements of financial position:

Group	2018		2017	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Hire purchase liabilities	7,684,870	7,008,627	13,046,674	12,166,123

The fair value of hire purchase liabilities are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Fair values of the hire purchase liabilities are estimated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

### 21. SHARE ISSUANCE SCHEME

The Share Issuance Scheme of the Company came into effect on 17 January 2011. The Share Issuance Scheme should be in force for a period of five (5) years until 16 January 2016 (“the option period”). Pursuant to the Clause 20.1 of the Share Issuance Scheme By-Laws, the Company extended the Scheme, which expired on 16 January 2016 for another five (5) years until 15 January 2021. The main features of the Share Issuance Scheme are as follows:

- (a) Eligible Directors and executives (“Eligible Executives”) are those who are confirmed employees of the Group and have served full time for at least a period of six (6) months of continuous services before the date of offer;
- (b) The total number of ordinary shares offered under the Share Issuance Scheme shall not, in aggregate, exceed 15% of the issued and paid-up share capital of the Company at any time during the existence of the Share Issuance Scheme;
- (c) The option price under the Share Issuance Scheme shall be the five (5) days weighted average market price of the ordinary shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at RM0.25 each, whichever is higher;
- (d) The aggregate number of ordinary shares that may be offered and allotted to any of the Eligible Executives of the Group shall not exceed the allowable allotment set out in the By-Laws and not more than 10% of the ordinary shares available under the Share Issuance Scheme shall be allocated to any individual Director or eligible employees who, either singly or collectively through persons connected with that Director or eligible employee, holds 20% or more of the issued and paid-up share capital of the Company;
- (e) The options granted to Eligible Executives will lapse when they are no longer in employment with the Group;
- (f) Upon exercise of the options, the ordinary shares issued will rank pari passu in all respects with the existing ordinary shares of the Company (except that they will not be entitled to any dividends, rights, allotments and/or any other distributions, which may be declared, made or paid to the shareholders, of which the entitlement date is prior to the date of the listing of the ordinary shares on the Main Market of Bursa Malaysia Securities Berhad through exercising the options); and
- (g) The Eligible Executives to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 21. SHARE ISSUANCE SCHEME (continued)

The main features of the Share Issuance Scheme are as follows (continued):

(h) Details of the options over ordinary shares of the Company are as follows:

Date of offer	Exercise price RM	Number of options over ordinary shares					Outstanding as at 30.6.2018	Exercisable as at 30.6.2018
		Outstanding as at 1.7.2017	Movements during the financial year					
			Granted	Exercised	Forfeited			
<b>2018</b>								
16 April 2012	1.06	3,378,500	-	-	(121,000)	3,257,500	3,257,500	
3 January 2014	0.78	600,000	-	-	-	600,000	600,000	
28 January 2014	0.79	6,623,000	-	-	(369,500)	6,253,500	6,253,500	
18 July 2017	0.38	-	17,680,000	-	(2,020,000)	15,660,000	11,390,000	
		10,601,500	17,680,000	-	(2,510,500)	25,771,000	21,501,000	
Weighted average exercise prices (RM)		0.88	0.38	-	0.47	0.57	0.61	
Weighted average remaining contractual life (months)		43					31	

Date of offer	Exercise price RM	Number of options over ordinary shares					Outstanding as at 30.6.2017	Exercisable as at 30.6.2017
		Outstanding as at 1.7.2016	Movements during the financial year					
			Granted	Exercised	Forfeited			
<b>2017</b>								
16 April 2012	1.06	3,974,500	-	-	(596,000)	3,378,500	3,378,500	
3 January 2014	0.78	600,000	-	-	-	600,000	600,000	
28 January 2014	0.79	7,623,000	-	-	(1,000,000)	6,623,000	6,623,000	
		12,197,500	-	-	(1,596,000)	10,601,500	10,601,500	
Weighted average exercise prices (RM)		0.88	-	-	0.89	0.88	0.88	
Weighted average remaining contractual life (months)		55					43	

The details of options outstanding at the end of each financial year are as follows:

	Weighted average exercise price RM	Exercise period
2012 options <sup>(1)</sup>	1.06	16.1.2017 - 15.1.2021 <sup>(2)</sup>
2014 options <sup>(3)</sup>	0.78	16.1.2017 - 15.1.2021 <sup>(2)</sup>
	0.79	16.1.2017 - 15.1.2021 <sup>(2)</sup>
2018 options <sup>(4)</sup>	0.38	18.7.2017 - 15.1.2021

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 21. SHARE ISSUANCE SCHEME (continued)

(h) Details of the options over ordinary shares of the Company are as follows (continued):

- <sup>(1)</sup> 50% exercisable during the financial year ended 30 June 2012 and the remaining 50% exercisable commencing 30 April 2014 and thereafter.
- <sup>(2)</sup> The expiry of the option period has been extended to 15 January 2021 pursuant to the Clause 20.1 of the Share Issuance Scheme By-Laws.
- <sup>(3)</sup> 50% exercisable during the financial year ended 30 June 2014 and the remaining 50% exercisable commencing 28 January 2016 and thereafter.
- <sup>(4)</sup> 50% exercisable during the financial year ended 30 June 2018 and the remaining 50% exercisable commencing 17 July 2018 and thereafter.

The fair value of services received in return for options granted was based on the modified fair value of options granted due to the extension of exercise period, measured using the Black Scholes model, with the following inputs:

Fair value of options and assumptions	2012	2014	2014	2018
	First Grant	Second Grant	Third Grant	Fourth Grant
Fair value at grant date (RM)	0.046	0.090	0.093	0.130
Weighted average share price (RM)	0.58	0.58	0.58	0.42
Weighted average exercise price (RM)	1.06	0.78	0.79	0.38
Expected volatility (%)	25.48	25.48	25.48	37.31
Expected life (years)	8.76	7.04	6.97	3.50
Risk free interest rate (%)	3.43	3.43	3.43	3.36

Value of services received from the Eligible Executives for issuance of options:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Options granted under the Share Issuance Scheme	1,744,641	-	78,060	-

During the financial year, there were 2,510,500 (2017: 1,596,000) options being forfeited as a result of termination of employment of the Eligible Executives of the Group and accordingly an amount of RM341,035 (2017: RM244,137) has been transferred from the share options reserve to retained earnings.

#### 22. TRADE AND OTHER PAYABLES

Trade payables	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
- third parties	75,526,737	53,173,862	-	-
- a related party	18,923	18,923	-	-
- amounts due to contract customers (Note 12)	1,583,580	1,562,860	-	-
	77,129,240	54,755,645	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 22. TRADE AND OTHER PAYABLES (continued)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Other payables</b>				
Other payables	37,247,743	28,550,622	115,018	7,432
Accruals	19,044,751	35,496,266	2,115,952	2,167,257
Amounts owing to related parties	105,780,702	91,511,519	4,660	4,660
	162,073,196	155,558,407	2,235,630	2,179,349
	239,202,436	210,314,052	2,235,630	2,179,349

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables, including amount owing to a related party, are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2017: 30 days to 90 days).
- (c) Included in other payables of the Group are deposits received from third party purchasers for the purchase of leasehold land held for sale amounting to RM7,665,303 (2017: RM7,915,303) and coupon interests payable in respect of the RCSB of the Group and of the Company amounting to RM1,479,452 (2017: RM1,528,767).
- (d) Amounts owing to related parties represent advances and payments made on behalf, which are unsecured, interest free and repayable on demand in cash and cash equivalents.
- (e) Currency exposure profile of trade and other payables of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	184,317,178	160,088,871	2,235,630	2,179,349
Singapore Dollar	52,356,977	48,231,243	-	-
United States Dollar	2,528,281	1,993,938	-	-
	239,202,436	210,314,052	2,235,630	2,179,349

- (f) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2018 RM	2017 RM
<b>Effects of 10% changes in</b>		
Profit after tax		
- RM/USD	(192,149)	(151,539)
- RM/SGD	(3,979,130)	(3,665,574)

- (g) The maturity profile of the trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligation is repayable on demand or within one year.



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 23. DEFERRED REVENUE

	Group	
	2018 RM	2017 RM
Deferred revenue	185,388,395	170,297,590

Movements of the deferred revenue from the disposals of land held for sale are as follows:

Group	Reclaimed land component RM	Infrastructure cost component RM	Total RM
At 1 July 2016	242,869,842	113,698,502	356,568,344
Recognised in profit or loss	(171,359,917)	(14,910,837)	(186,270,754)
At 30 June 2017	71,509,925	98,787,665	170,297,590
Additions during the financial year	77,457,516	17,622,929	95,080,445
Recognised in profit or loss	(65,554,609)	(14,435,031)	(79,989,640)
At 30 June 2018	83,412,832	101,975,563	185,388,395

#### 24. COMMITMENTS

##### (a) Operating lease commitments

The Group as lessee

The Group had entered into non-cancellable lease arrangements for office premises, staff housing, office equipment and a sand pump barge, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. The Group has aggregated future minimum lease commitments as at the end of each reporting period as follows:

	Group	
	2018 RM	2017 RM
Not later than one (1) year	147,276	123,376
Later than one (1) year but not later than five (5) years	58,232	15,190
	205,508	138,566

##### (b) Capital commitment

	Group	
	2018 RM	2017 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	6,687,500	8,201,937

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 25. CONTINGENT LIABILITIES

	Company	
	2018 RM	2017 RM
<b>Secured</b>		
Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiaries	24,346,114	13,081,899

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contract as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of the reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

The Directors are of the view that the chances of the financial institutions calling upon the corporate guarantees are remote. Accordingly, the fair values of the corporate guarantees are negligible.

#### 26. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Marine construction				
- Contract revenue and sales of marine construction materials	3,609,445	52,864,600	-	-
- Disposal of land held for sale	65,554,609	171,359,917	-	-
- Infrastructure works	14,435,031	14,910,837	-	-
Disposal of properties held for sale	1,540,000	12,515,269	-	-
Vessels chartering, rental and transportation income	31,176,321	16,568,977	-	-
Dividend income	-	-	-	3,500,000
	116,315,406	268,219,600	-	3,500,000

(a) Construction contracts

(i) Cash-settlement contract

Profits from contract works, of which the settlement of the contract sum is via progress payment in cash, are recognised on the percentage of completion method measured by reference to the certified surveys of work performed.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018  
(CONTINUED)

## 26. REVENUE (continued)

### (a) Construction contracts (continued)

#### (ii) Settlement-in-kind contract

Profits from contract works, of which the settlement of the contract sum is in kind (via allocation of land portion reclaimed), are recognised on the percentage of completion method determined based on the proportion of contract costs incurred for work performed to-date against total estimated costs where the outcome of the project can be estimated reliably.

When it is probable that total contract costs would exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable would be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

Significant judgement is required in estimating the total costs to complete. In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variations, claims, and cost contingencies. The total cost to complete including sub-contractor costs, varies with market conditions and may also be inaccurately forecasted due to unforeseen events during construction.

### (b) Disposal of land held for sale

Revenue from disposal of land held for sale are categorised into two (2) identifiable components, which are reclaimed land component and infrastructure cost component, using a fair and equitable basis of allocation.

Revenue in relation to the reclaimed land component would initially be deferred and only be recognised in profit or loss upon transfer of significant risk and rewards of ownership of the land to the customers and the Group retains neither continuing managerial involvement over the land, which coincides with the delivery of land and acceptance by customers.

Revenue in relation to the infrastructure cost component would initially be deferred and only be recognised in profit or loss upon rendering of services.

Revenue in relation to the infrastructure cost component are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to incur the infrastructure cost, the deferred revenue in relation to the infrastructure cost component would be reversed and recognised in profit or loss.

Management's judgements are required in determining the basis of allocation, the extent of the cost incurred, as well as the timing of revenue recognition from the disposal of land held for sale. In making these judgements, the Group evaluates its estimates based on past experience and management's expectations of market conditions.

### (c) Disposal of properties held for sale

Revenue from disposal of properties held for sale are recognised net of discount and upon transfer of significant risks and rewards of ownership to the purchasers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of the properties.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 26. REVENUE (continued)

(d) Sale of marine construction materials

Revenue from sale of marine construction materials is recognised when significant risk and rewards of ownership of the goods has been transferred to the customers and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(e) Vessels chartering and marine transportation income

Revenue from vessels chartering and marine transportation services is recognised when services are rendered.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### 27. COST OF SALES

	Group	
	2018 RM	2017 RM
Marine construction:		
- Contract works and sales of marine construction materials	1,782,871	41,134,979
- Disposals of land held for sale and other miscellaneous costs	46,512,535	108,853,875
- Infrastructure works	8,030,147	17,181,856
Disposal of properties held for sale	1,545,117	13,336,716
Shipbuilding, repair and maintenance	120,524	120,524
Vessels chartering, rental and transportation services	10,588,597	8,862,487
	68,579,791	189,490,437

#### 28. OTHER INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Foreign exchange gain:				
- realised	551,363	258,171	-	-
- unrealised	5,645,392	2,284,169	-	-
Gain on disposal of property, plant and equipment	-	1,513,525	-	-
Gross dividend received from shares quoted in Malaysia	7,926	78,478	-	-
Interest income from:				
- a subsidiary	-	-	11,678,218	11,187,253
- fixed deposits	3,875,089	4,367,261	3,245,877	3,238,761
- late payment interests	1,975,491	-	-	-
- others	10,425	12,135	446	516
Reversal of impairment loss on trade receivables (Note 11)	3,178,500	722,488	-	-
Sale of used scraps	9,893,854	1,001,394	-	-
Others	118,947	686,170	-	-
	25,256,987	10,923,791	14,924,541	14,426,530

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018  
(CONTINUED)

## 29. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Bank overdraft	446,425	20,206	-	-
Hire purchase liabilities	692,281	399,653	-	-
RCSB:				
- unwinding of discount (Note 18)	7,143,514	6,464,823	7,143,514	6,464,823
- coupon interests	9,000,000	9,000,000	9,000,000	9,000,000
Term loans	833,540	1,285,583	-	-
Trust receipts	115,044	125,919	-	-
Others	42,973	69,676	-	-
	<b>18,273,777</b>	<b>17,365,860</b>	<b>16,143,514</b>	<b>15,464,823</b>

## 30. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit/(loss) before tax is arrived at:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
After charging:				
Auditors' remuneration:				
BDO and member firms:				
- Statutory audit	392,460	366,916	80,000	73,000
- Non-statutory audit	18,000	27,400	18,000	27,400
Other auditors:				
- Statutory audit	58,063	58,426	-	-
Loss on disposal of property, plant and equipment	95,640	-	-	-
Loss on foreign exchange:				
- realised	3,522,943	3,204,468	-	-
- unrealised	2,352,624	5,608,837	-	-
Write off of property, plant and equipment	6	-	-	-

## 31. TAXATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current year income tax	5,102,610	13,053,747	360,524	402,525
Under/(Over) provision in prior years	1,918,467	3,844,672	65,332	(233,824)
	<b>7,021,077</b>	<b>16,898,419</b>	<b>425,856</b>	<b>168,701</b>
Deferred tax (Note 8):				
- Origination and reversal of temporary differences	(5,146,681)	(7,085,530)	(1,045,476)	(959,351)
- Under provision in prior years	147,144	175,180	-	-
		<b>(4,999,537)</b>	<b>(6,910,350)</b>	<b>(1,045,476)</b>
(959,351)				
Taxation recognised in profit and loss	<b>2,021,540</b>	<b>9,988,069</b>	<b>(619,620)</b>	<b>(790,650)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 31. TAXATION (continued)

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profits for the fiscal year.
- (b) Tax expense for other taxation authorities are calculated at the rates prevailing in the respective jurisdictions.
- (c) Numerical reconciliation between the taxation and the product of accounting profit/(loss) multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	1,056,898	5,117,761	(667,269)	278,824
Tax effects in respect of:				
Non-allowable expenses	2,689,952	1,715,879	1,027,793	4,350
Non-taxable income	(4,967,043)	(503,418)	(1,045,476)	(840,000)
Withholding tax	-	1,412	-	-
Deferred tax assets not recognised	44,246	121,621	-	-
Difference in foreign tax rates and exemptions	1,131,876	(485,038)	-	-
	(44,071)	5,968,217	(684,952)	(556,826)
Under/(Over) provision in prior years				
- current tax expense	1,918,467	3,844,672	65,332	(233,824)
- deferred tax expense	147,144	175,180	-	-
Tax expense/(income)	2,021,540	9,988,069	(619,620)	(790,650)

- (d) Tax on each component of other comprehensive income is as follows:

	Group		
	Before tax RM	Tax effect RM	After tax RM
<b>Items that may be reclassified subsequently to profit or loss</b>			
<b>30 June 2018</b>			
Fair value loss on available-for sale financial assets	(2,760)	-	(2,760)
Foreign currency translations	(7,850,772)	-	(7,850,772)
	(7,853,532)	-	(7,853,532)
<b>30 June 2017</b>			
Fair value gain on available-for sale financial assets	12,308	-	12,308
Foreign currency translations	7,893,443	-	7,893,443
	7,905,751	-	7,905,751



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018 (CONTINUED)

### 32. (LOSS)/EARNINGS PER ORDINARY SHARE

#### (a) Basic (loss)/earnings per ordinary share

Basic (loss)/earnings per ordinary share for the financial year is calculated by dividing the (loss)/profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018 RM	2017 RM
(Loss)/Profit attributable to owners of the parent	(176,414)	9,690,796

	Group	
	2018 RM	2017 RM
Weighted average number of ordinary shares in issue	799,307,922 <sup>(1)</sup>	799,105,511 <sup>(2)</sup>

<sup>(1)</sup> Based on the treasury shares held as at 30 June 2018 and issuance of private placement during the financial year of 12,715,400 and 20,000,000 respectively, which translate to the effect of weighted average number of ordinary shares of 12,713,756 shares.

<sup>(2)</sup> Based on the treasury shares held as at 30 June 2017 of 12,705,400, which translate to the effect of weighted average number of ordinary shares of 12,696,989 shares.

	Group	
	2018 sen	2017 sen
Basic (loss)/earnings per ordinary share	(0.02)	1.21

#### (b) Diluted (loss)/earnings per ordinary share

Diluted (loss)/earnings per ordinary share for the financial year is calculated by dividing the (loss)/profit for the financial year attributable to owners 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.

	Group	
	2018 RM	2017 RM
(Loss)/Profit attributable to owners of the parent	(176,414)	9,690,796
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	799,307,922	799,105,511
- Redeemable Convertible Secured Bonds	- <sup>(3)</sup>	- <sup>(3)</sup>
- Share Issuance Scheme	- <sup>(3)</sup>	- <sup>(3)</sup>
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	799,307,922	799,105,511

	Group	
	2018 sen	2017 sen
Diluted (loss)/earnings per ordinary share	(0.02)	1.21

<sup>(3)</sup> The RCSB and Share Issuance Scheme 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 33. DIVIDENDS

	Group and Company			
	2018		2017	
	Dividend per ordinary share Sen	Amount of dividend RM	Dividend per ordinary share Sen	Amount of dividend RM
Final dividend paid in respect of financial year ended 30 June 2017/2016	0.4	3,196,348	0.7	5,593,750

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

#### 34. EMPLOYEE BENEFITS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Administrative and other expenses</b>				
Wages, salaries and bonuses	9,354,813	9,869,189	-	-
Contribution to defined contribution plan	1,387,021	1,507,056	-	-
Share options granted under Share Issuance Scheme:				
- Director	282,967	-	78,060	-
- Other employees	1,461,674	-	-	-
Other benefits	372,729	529,429	190,100	165,914
	12,859,204	11,905,674	268,160	165,914
<b>Capitalised in amounts due from contract customers and land reclamation work in progress</b>				
Salaries, wages, bonuses and allowances	8,956,505	7,865,917	-	-
Contribution to defined contribution plan	607,529	583,355	-	-
	9,564,034	8,449,272	-	-
	22,423,238	20,354,946	268,160	165,914

- (a) Included in the employees benefit of the Group and of the Company are remuneration paid to Directors amounting to RM5,977,519 (2017: RM6,208,641) and RM250,410 (2017: RM130,293).
- (b) The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM100,288 (2017: RM87,692).
- (c) Remuneration of Directors and other key management personnel (including a resigned Director) during the financial year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors' fees	813,659	631,611	540,000	540,000
Salaries, and other short term employee benefits:				
Directors	5,977,519	6,208,641	250,410	130,293
Other key management personnel	1,665,745	907,126	-	-
	7,643,264	7,115,767	250,410	130,293

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018  
(CONTINUED)

## 35. RELATED PARTY DISCLOSURES

### (a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries and its immediate and ultimate holding companies. The Group also has related party relationship with the entities in which a Director has substantial financial interest.

### (b) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b><i>With related parties in which a Director has substantial financial interests:</i></b>				
Contract revenue earned from:				
- Sentosacove Sdn. Bhd.	-	2,508	-	-
- Oceanfront Land Sdn. Bhd.				
- Oceanic Sdn. Bhd.				
- Oceanview Property Sdn. Bhd.	1,604,680	18,212,947	-	-
- Atlantic Property Sdn. Bhd.				
<b><i>With a subsidiary</i></b>				
Dividend income receivable from BSB	-	-	-	3,500,000
Interest income receivable from BSB	-	-	11,678,218	11,187,253

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

### (c) Compensation of key management personnel

The remuneration of the Directors and other members of key management are disclosed in Note 34 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 36. CAPITAL AND FINANCIAL RISK MANAGEMENT

##### (a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2018 and 30 June 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The strategy of the Group is to maintain the balance between debt and equity and to ensure sufficient cash flows to repay its liabilities as and when they fall due. The net debts include RCSB, loans and borrowings, trade and other payables, less cash and bank balances and short term funds. Capital represents equity attributable to the owners of the parent less the fair value adjustment reserve.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
RCSB	164,973,346	157,829,832	164,973,346	157,829,832
Borrowings	31,210,985	24,838,265	-	-
Trade and other payables	239,202,436	210,314,052	2,235,630	2,179,349
Financial debts	435,386,767	392,982,149	167,208,976	160,009,181
Less:				
Short term funds	(141,358)	(136,847)	-	-
Cash and bank balances	(156,767,718)	(153,309,637)	(130,921,479)	(121,404,482)
Net debts	278,477,691	239,535,665	36,287,497	38,604,699
Total equity	621,058,392	625,081,718	394,886,507	393,503,130
Net debts	278,477,691	239,535,665	36,287,497	38,604,699
Total equity plus net debts	899,536,083	864,617,383	431,174,004	432,107,829
Gearing ratio (%)	30.96	27.70	8.42	8.93

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equals to or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 30 June 2018.

##### (b) Financial risk management

The financial risk management objective of the Group and of the Company is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The exposure to these risks arises in the normal course of the business of the Group. The overall business strategies of the Group outlines its tolerance to risk and its general risk management philosophy and is determined by the management in accordance with prevailing economic and operating conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018 (CONTINUED)

### 36. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

#### (b) Financial risk management (continued)

The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below:

##### (i) Credit risk

Cash deposits and trade and other receivables may give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Group's policy to monitor the financial standing of the counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of two (2) months, extending up to six (6) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

##### (ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group. As at the end of the financial period, the Group has unutilised banking facilities of RM50,717,823 (2017: RM49,424,586).

##### (iii) Interest rate risk

The exposure of the Group to interest rate risk arises primarily from the loans and borrowings. The Group borrows at both, floating and fixed rates of interest to generate the desired interest profile and to manage the exposure of the Group to interest rate fluctuations.

##### (iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Subsidiaries operating in the Federal Territory of Labuan, Malaysia and Republic of Singapore have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

The Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

It is not the policy of the Group to enter into foreign exchange forward contracts in managing its foreign exchange risk resulting from cash flows on transactions denominated in foreign currency as the Group primarily operates in the domestic sector with transactions to be denominated in the functional currency where possible.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

## 37. MATERIAL LITIGATIONS

- (a) On 30 April 2015, BSB received a Writ of Summons and Statement of Claim dated 21 April 2015 filed by Sentosacove Sdn. Bhd. (“SSB”).

SSB is alleging that BSB had breached its contractual and implied duties under an agreement (“Reclamation Agreement”) which was entered into between BSB and SSB on 10 September 2010. Under the Reclamation Agreement, BSB was appointed as a contractor to carry out marine reclamation works to reclaim a total area spanning 720 acres in Daerah Klebang, Melaka. SSB is claiming for, inter alia, a Declaration that BSB had breached the Reclamation Agreement and for other consequential and ancillary reliefs.

The Group is rigorously contesting the alleged claims and is of the view that the SSB’s claims are without merit and had filed a defence and counter claim in the High Court of Malaya at Kuala Lumpur on 15 May 2015 against SSB, Datuk Leaw Tua Choon and Datuk Leaw Ah Chye.

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.

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 BSB, which in turn is a wholly-owned subsidiary of BHB, 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 RM285,905;
- 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;
- b. Interest on the outstanding amount at the rate of 5% per annum from the date of filing of the writ until the date of completion of the Action;
- c. Cost of this Action; and
- d. Any other order or relief that the Court deems just and proper.

The Group 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 RM565,909 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.

All parties had reached an agreement to resolve the actions amicably. In this regard, on 7 September 2018, a consent judgement was entered at the Melaka Session Court. All parties agree to withdraw all suits with no order as to costs, no interests and without liberty to file afresh and they shall have no further claim against each other.



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### (CONTINUED)

#### 37. MATERIAL LITIGATIONS (continued)

- (c) Klebang Property Sdn. Bhd. (“Defendant”), a wholly-owned subsidiary of BSB, which in turn is wholly-owned by BHB, 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 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. During the case management on 21 September 2018, the Learned Magistrate fixed both the applications for hearing on 22 October 2018.

The Group takes the view that the claim of RM100,000 will not have a material effect on the financial position of the Group.

#### 38. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

##### (a) New MFRSs adopted during the financial year

The Group and the Company adopted the following Amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (“MASB”) during the financial year:

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Amendments did not have any material effect on the financial performance or position of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

(CONTINUED)

## 38. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards and Amendments of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

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 2014)</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
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
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 Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Amendments and Standards, since the effects would only be observable in the future financial years.

# GROUP PROPERTIES

AS AT 30 JUNE 2018

## A. Summary of Land Held for Sale

No.	PT No.	Lot No.	Description	Land Area (acres)	Existing usage	Tenure / Expired date	NBV as at 30/06/2018 (RM)	Date of acquisition (based on title date)
1	PT 508 - 515	HS (D) 70799 - 806	Pekan Klebang Sek. II, Melaka Tengah, Melaka.	41.56	Vacant land / Commercial	Leasehold & expiring on 24/04/2111	37,604,796	25/04/2012
2	PT 550 - 552	HS (D) 75531 - 33	Pekan Klebang Sek. II, Melaka Tengah, Melaka.	36.51	Vacant land / Commercial	Leasehold & expiring on 29/07/2112	39,350,977	30/07/2013
3	PT 560 - 562	HS (D) 75678 - 80	Pekan Klebang Sek. II, Melaka Tengah, Melaka	34.35	Vacant land / Commercial	Leasehold & expiring on 02/10/2112	36,883,939	03/10/2013
4	PT 150 - 155	HS (D) 80967 - 72	Pekan Klebang Sek. III, Melaka Tengah, Melaka	29.37	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	23,055,010	21/04/2016
5	PT 159 - 160	HS (D) 80992 - 3	Pekan Klebang Sek. III, Melaka Tengah, Melaka	10.87	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	11,533,669	21/04/2016
6	PT 167 - 168	HS (D) 81000 - 1	Pekan Klebang Sek. III, Melaka Tengah, Melaka	11.12	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	11,802,738	21/04/2016
7	PT 169 - 170	HS (D) 80984 - 5	Pekan Klebang Sek. III, Melaka Tengah, Melaka	23.30	Vacant land / Commercial	Leasehold & expiring on 21/04/2115	24,711,077	22/04/2016
8	PT 176 - 177	HS (D) 80982 - 3	Pekan Klebang Sek. III, Melaka Tengah, Melaka	13.41	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	14,234,920	21/04/2016
9	PT 180 - 183	HS (D) 81002 - 7	Pekan Klebang Sek. III, Melaka Tengah, Melaka	28.48	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	30,208,339	21/04/2016
<b>Total</b>				<b>228.97</b>			<b>229,385,465</b>	

## GROUP PROPERTIES

### AS AT 30 JUNE 2018

(CONTINUED)

#### B. Information on land & building

No.	PT No.	Lot No.	Location	Built up area (sq. ft)	Description Existing usage	Tenure / Date of expiry of lease	Age of Building (Years)	NBV as at 30/06/2018 (RM)	Date of acquisition / SPA
1	PT 16049	HS (D) 102235	No. 38, Jalan Pengacara U1/48, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor.	9,428.74	3 Storey semi-detached factory	Freehold	18	2,245,103	10/02/2004
2	PT 16050	HS (D) 102236	No. 36, Jalan Pengacara U1/48, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor.	9,601.49	3 Storey semi-detached factory	Freehold	18	4,396,982	22/07/2011
3	Volume 657 Folio 159	MK5 - U64905K	No. 18, Boon Lay Way, # 07 – 97, Tradehub 21, Singapore 609966.	1,431.60	1 business unit (BSB's Singapore branch office)	Leasehold & expiring on 09/12/2063	15	1,338,151	26/11/2010
4	PT 001790	HS (D) 0070078	No. 2, Jalan KL 3/9, Taman Kota Laksamana Sek. 3, 75200 Melaka.	6,088.00	3 storey shop office (Melaka site office)	Leasehold & expiring on 29/05/2110	7	1,337,957	01/06/2011
6	PT 16149	HS (D) 102335	No. 23, Jalan Perintis U1/52, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor.	2,025.00	Semi-detached double storey factory (Headquarter of the Group)	Freehold	13	18,836,539	18/03/2016
<b>Total (RM)</b>								<b>28,154,732</b>	

# GROUP PROPERTIES

## AS AT 30 JUNE 2018

### (CONTINUED)

#### C. Information on Properties Held For Sale

No.	PT No	Block No.	Location	Built up area (sq. fr)	Description Existing usage	Tenure / Date of expiry of lease	Age of Building (Years)	NBV as at 30/06/2018 (RM)	Date of acquisition / SPA
1	PT 8655	B-1	Cheng Business Park, Melaka Tengah, Melaka.	2,002.00	2 storey shop office (Vacant)	Freehold	5	755,672	27/03/2015
2	PT 8658	C-6	Cheng Business Park, Melaka Tengah, Melaka.	1,248.00	1 1/2 storey shop office (Vacant)	Freehold	6	355,498	27/03/2015
3	PT 21608	C-3	Kompleks Perniagaan Musai Bistari, Melaka.	7,758.00	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	6	1,947,138	27/03/2015
4	PT 21608	C-4	Kompleks Perniagaan Musai Bistari, Melaka.	7,654.00	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	6	1,944,734	27/03/2015
5	PT 21608	C-5	Kompleks Perniagaan Musai Bistari, Melaka.	7,550.00	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	6	1,944,646	27/03/2015
6	PT 21608	C-6	Kompleks Perniagaan Musai Bistari, Melaka.	7,446.00	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	6	1,944,599	27/03/2015
7	PT 21608	C-7	Kompleks Perniagaan Musai Bistari, Melaka.	7,345.00	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	6	1,944,535	27/03/2015
8	PT 1860	A-8-1	Melaka Boulevard, Kota Laksamana, Melaka Tengah, Melaka.	8,162.00	4 storey shop office (Vacant)	Leasehold & expiring on 30/09/2106	5	2,410,270	27/03/2015
9	PT 1860	A-12-6	Melaka Boulevard, Kota Laksamana, Melaka Tengah, Melaka.	6,639.00	4 storey shop office (Vacant)	Leasehold & expiring on 30/09/2106	5	1,731,960	27/03/2015
10	Lot 9174	C-1	Gangsa Avenue, Daerah Alor Gajah, Melaka.	4,370.00	2 storey shop office (Vacant)	Freehold	3	710,000	03/06/2015
11	Lot 125568	18	Jalan Damar Bayu 5, Telok Glenmarie, Jalan Telok Gong, 42000 Port Klang, Selangor Darul Ehsan.	6,296.89	Double storey detached house (Vacant)	Freehold	4	1,350,000	17/10/2016
12	Lot 125437	28	Jalan Damar Bayu 1, Telok Glenmarie, Jalan Telok Gong, 42000 Port Klang, Selangor Darul Ehsan.	3,699.00	Double storey detached house (Vacant)	Freehold	4	1,506,656	20/09/2017
13	Lot 125436	30	Jalan Damar Bayu 1, Telok Glenmarie, Jalan Telok Gong, 42000 Port Klang, Selangor Darul Ehsan.	4,163.00	Double storey detached house (Vacant)	Freehold	4	1,377,000	20/09/2017
<b>Total (RM)</b>								<b>19,922,708</b>	

# STATISTICS OF SHAREHOLDINGS

AS AT 1 OCTOBER 2018

## SHARE CAPITAL

Number of Issued Shares	:	831,802,500
Adjusted Number of Issued Shares	:	819,087,100 (excluding 12,715,400 treasury shares)
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share held in the case of a poll and one vote per person on a show of hands

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No of Holders	%	No. of Shares	%
Less than 100	28	0.254	455	0.000
100 to 1,000	494	4.497	386,452	0.047
1,001 to 10,000	5,229	47.609	32,450,824	3.961
10,001 to 100,000	4,488	40.863	155,295,020	18.959
100,001 to 40,954,354*	743	6.765	296,173,949	36.159
40,954,355 and above**	1	0.009	334,780,400	40.872
<b>Total</b>	<b>10,983</b>	<b>100.000</b>	<b>819,087,100<sup>+</sup></b>	<b>100.000</b>

Notes:

+ Adjusted Number of Issued Shares.

\* Less than 5% of the Adjusted Number of Issued Shares.

\*\* 5% and above of the Adjusted Number of Issued Shares.

## REGISTER OF SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% <sup>^</sup>	No. of Shares	% <sup>^</sup>
Oceancove Sdn Bhd	334,780,400	40.872	-	-
Dato' Leaw Seng Hai	444,100	0.054	334,780,400 <sup>(1)</sup>	40.872
Datuk Leaw Ah Chye	1,000	0.000	334,780,400 <sup>(1)</sup>	40.872
Oceanview Cove Sdn Bhd	-	-	334,780,400 <sup>(2)</sup>	40.872

Notes:

<sup>^</sup> The percentage of shareholdings have been computed based on Adjusted Number of Issued Shares.

<sup>(1)</sup> Deemed interest by virtue of his direct interest in Oceancove Sdn Bhd and indirect interest in Oceancove Sdn Bhd via Oceanview Cove Sdn Bhd pursuant to Section 8(4) of the Companies Act, 2016 ("the Act").

<sup>(2)</sup> Deemed interest by virtue of its interest in Oceancove Sdn Bhd pursuant to Section 8(4) of the Act.

## DIRECTORS' DIRECT AND DEEMED INTERESTS IN THE COMPANY AND/OR ITS RELATED CORPORATIONS

Directors	Direct Interest		Deemed Interest	
	No of Shares	% <sup>^</sup>	No of Shares	% <sup>^</sup>
Datuk Aznam bin Mansor	-	-	-	-
Dato' Leaw Seng Hai	444,100	0.054	334,780,400 <sup>(1)</sup>	40.872
Koo Hoong Kwan	270,000	0.032	-	-
Wong Yoke Nyen	-	-	-	-
Leaw Ai Lin	-	-	-	-

Notes:

<sup>^</sup> The percentage of shareholdings have been computed based on Adjusted Number of Issued Shares.

<sup>(1)</sup> Deemed interest by virtue of his direct interest in Oceancove Sdn Bhd and indirect interest in Oceancove Sdn Bhd via Oceanview Cove Sdn Bhd pursuant to Section 8(4) of the Act.



# STATISTICS OF SHAREHOLDINGS

## AS AT 1 OCTOBER 2018

### (CONTINUED)

#### DIRECTORS' INTERESTS UNDER THE SHARE ISSUANCE SCHEME OF BENALEC HOLDINGS BERHAD AS AT 1 OCTOBER 2018

Name of Directors	Grant	Date of offers	Number of options granted	Number of options exercised	Number of options unexercised as at 1 October 2018
Dato' Leaw Seng Hai	1 <sup>st</sup> grant	16 April 2012	1,500,000	-	1,500,000
	2 <sup>nd</sup> grant	3 January 2014	-	-	-
	3 <sup>rd</sup> grant	28 January 2014	1,600,000	-	1,600,000
	4 <sup>th</sup> grant	18 July 2017	1,700,000	-	1,700,000
Datuk Aznam bin Mansor	1 <sup>st</sup> grant	16 April 2012	-	-	-
	2 <sup>nd</sup> grant	3 January 2014	200,000	-	200,000
	3 <sup>rd</sup> grant	28 January 2014	-	-	-
	4 <sup>th</sup> grant	18 July 2017	200,000	-	200,000
Koo Hoong Kwan	1 <sup>st</sup> grant	16 April 2012	-	-	-
	2 <sup>nd</sup> grant	3 January 2014	200,000	-	200,000
	3 <sup>rd</sup> grant	28 January 2014	-	-	-
	4 <sup>th</sup> grant	18 July 2017	200,000	-	200,000
Wong Yoke Nyen	1 <sup>st</sup> grant	16 April 2012	-	-	-
	2 <sup>nd</sup> grant	3 January 2014	200,000	-	200,000
	3 <sup>rd</sup> grant	28 January 2014	-	-	-
	4 <sup>th</sup> grant	18 July 2017	200,000	-	200,000
<b>Total</b>			<b>6,000,000</b>	<b>-</b>	<b>6,000,000</b>

*Note:*

Leaw Ai Lin has yet to be granted options under the Share Issuance Scheme as she was only appointed as Executive Director of the Company on 20 January 2017.

#### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS

(Without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name of Shareholders	No. of Shares	%
1.	Oceancove Sdn Bhd	334,780,400	40.872
2.	Daing A Malek bin Daing A Rahaman	20,000,000	2.441
3.	Citigroup Nominees (Asing) Sdn Bhd (Exempt an for OCBC Securities Private Limited (Client A/C-NR))	11,972,000	1.461
4.	Citigroup Nominees (Asing) Sdn Bhd (CBNY for Dimensional Emerging Markets Value Fund)	6,111,200	0.746
5.	Citigroup Nominees (Asing) Sdn Bhd (CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc)	5,069,600	0.618
6.	AllianceGroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ong Siew Eng @ Ong Chai (8040800))	4,016,800	0.490
7.	Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Siaw Teck Siong (E-PDG))	3,688,300	0.450
8.	Citigroup Nominees (Asing) Sdn Bhd (CBNY for DFA Emerging Markets Small Cap Series)	3,370,900	0.411

## STATISTICS OF SHAREHOLDINGS

### AS AT 1 OCTOBER 2018

(CONTINUED)

#### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS ACCORDING TO THE RECORD OF DEPOSITORS

(Without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name of Shareholders	No. of Shares	%
9.	CIMSEC Nominees (Tempatan) Sdn Bhd (Pledged securities account for Chan Foong Cheng (Tmn Cheras-CL))	3,000,000	0.366
10.	Tham Kin Foong (John)	2,737,000	0.334
11.	Tham Kin Leong	2,736,000	0.334
12.	Tham Kin Yee	2,736,000	0.334
13.	Tham Kin Yip	2,736,000	0.334
14.	Public Nominees (Tempatan) Sdn Bhd (Pledged securities account for Loh Yoon Meng @ Loh Yoon Min (E-IMO))	2,689,800	0.328
15.	Maybank Nominees (Tempatan) Sdn Bhd (Soh Peek Tat)	2,450,000	0.299
16.	Lim Siu Luan	2,200,000	0.268
17.	CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum (MM0749))	1,995,200	0.243
18.	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged securities account for Wendy Lee Yoke Peng (CEB))	1,950,000	0.238
19.	Tham Kin Kiong	1,897,200	0.231
20.	Public Nominees (Tempatan) Sdn Bhd (Pledged securities account for Poh Seng Kian (TJJ/KEN))	1,858,100	0.226
21.	Beh Sui Loon	1,841,000	0.224
22.	Teo Guan Lee Holdings Sendirian Berhad	1,765,000	0.215
23.	Esplanade Land Sdn. Bhd.	1,727,100	0.210
24.	HLB Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tan Chun Hoe)	1,700,000	0.207
25.	Ong Chin Kang	1,700,000	0.207
26.	AMSEC Nominees (Tempatan) Sdn Bhd (Toh Seng Tat)	1,691,000	0.206
27.	Liew Wei Kin	1,671,500	0.204
28.	Goh Boon Soon @ Goh Yang Eng	1,630,000	0.199
29.	HSBC Nominees (Asing) Sdn Bhd (Exempt an for the Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL))	1,588,100	0.193
30.	Cheah See Han	1,572,700	0.192

# NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING

*Notice is Hereby Given* that the Thirteenth Annual General Meeting (“13<sup>th</sup> AGM”) of Benalec Holdings Berhad (“Benalec” or “Company”) will be held at **Ballroom Selangor 3, Dorsett Grand Subang Hotel, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan** on **Wednesday, 28 November 2018** at **10.00 a.m.** for the following purposes:

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 30 June 2018 and the Reports of the Directors and Auditors thereon. **Please refer to Note A**
2. To approve the payment of Directors’ fees of RM540,000 to the Non-Executive Directors for the financial year ended 30 June 2018. **Ordinary Resolution 1**
3. To approve the payment of Directors’ benefits of up to RM42,625 to the Non-Executive Directors for the period from 28 November 2018 until the next Annual General Meeting. **Ordinary Resolution 2**
4. To re-elect Datuk Aznam bin Mansor, a Director who is retiring by rotation pursuant to Article 108 of the Company’s Constitution and being eligible, has offered himself for re-election. **Ordinary Resolution 3**
5. To re-elect Mr Wong Yoke Nyen, a Director who is retiring by rotation pursuant to Article 108 of the Company’s Constitution and being eligible, has offered himself for re-election. **Ordinary Resolution 4**
6. To re-appoint Messrs BDO as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

7. Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 **Ordinary Resolution 6**  

“THAT, pursuant to Sections 75 and 76 of the Companies Act 2016 (“the Act”) and the Constitution of the Company and subject to the approvals from Bursa Malaysia Securities Berhad (“Bursa Securities”) and other relevant government/regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue shares in the Company at any time until the conclusion of the next Annual General Meeting (“AGM”) and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued during the preceding 12 months does not exceed 10% of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Board of Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Securities.”
8. Proposed Renewal of the Share Buy-Back Authority for the Company to Purchase its own shares of up to Ten Percent of the Total Number of Issued Shares of the Company **Ordinary Resolution 7**  

“THAT, subject always to the Act, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

  - a. the aggregate number of shares purchased does not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;
  - b. the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained earnings of the Company at the time of the purchase(s); and

## NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING (CONTINUED)

- c. the Directors of the Company may decide to:-
- i. retain the shares purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; and/or
  - ii. cancel the shares so purchased; and/or
  - iii. retain part of the shares so purchased as treasury shares and cancel the remainder in the manner as allowed by the Act.

THAT such authority shall commence upon passing of this resolution and shall continue to be in force until:-

- a. the conclusion of the next AGM of the Company following the forthcoming AGM at which such resolution was passed at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- b. the expiration of the period within which the next AGM of the Company after the date is required by law to be held; or
- c. revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares) in accordance with the Act, the provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Securities and/or guidelines of Bursa Securities and all other relevant governmental and/or regulatory authorities.”

9. To transact any other business of which due notice shall have been given in accordance with the Constitution of the Company and the Act.

By Order of the Board of

**BENALEC HOLDINGS BERHAD**

**WONG WAI FOONG** (MAICSA 7001358)

**LIM WEI LEE** (MAICSA 7064249)

Company Secretaries

Kuala Lumpur

Date: 30 October 2018

### **Notes:**

1. *A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a representative to attend and vote in his place. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy.*
2. *A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.*

## NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING (CONTINUED)

3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
4. *In the event a member duly executes the Proxy Form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his proxy.*
5. *Any alterations in the Proxy Form must be initialled.*
6. *To be valid, the Proxy Form duly completed must be deposited with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.*
7. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
8. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
9. *For the purpose of determining a member who shall be entitled to attend the AGM of the Company, the Company shall request Bursa Malaysia Depository Sdn Bhd, in accordance with Article 75(3) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 19 November 2018. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his stead.*

### **Explanatory Note on Ordinary Business**

#### Note A – To receive Audited Financial Statement for the financial year ended 30 June 2018

This agenda item is meant for discussion only as under the provision of Section 340(1)(a) of the Act, the audited financial statements does not require approval of the shareholders. Hence, this resolution is not put forward to the shareholders for voting.

#### Ordinary Resolution 1 and 2 - To approve the payment of Directors' fees and benefits to the Non-Executive Directors

Pursuant to Section 230(1) of the Act, any fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

- i. The proposed Ordinary Resolution 1 is on the payment of Directors' fees of RM540,000 to Non-Executive Directors in respect of the financial year ended 30 June 2018. The Board has, at its meeting held in August 2018, approved for the Directors' fees to remain unchanged for the financial year ended 30 June 2018 in accordance with the remuneration structure as set out below:-

Description	Chairman (per year)	Members (per year)
Monthly fixed fees	RM180,000	RM180,000

- ii. The Proposed Ordinary Resolution 2 is on the payment of Directors' benefits (excluding Directors' fees) of up to RM42,625 to the Non-Executive Directors from 28 November 2018 until the next AGM of the Company. The Company is seeking shareholders' approval on the benefits/emoluments payable to the Non-Executive Directors as set out below, as and when incurred:

Description	Chairman (per meeting)	Members (per meeting)
Meeting Allowances	RM1,000	RM500
Other Benefits	<ul style="list-style-type: none"> <li>• Company car for Chairman</li> <li>• Medical and insurance coverage</li> <li>• Other claimable benefits</li> </ul>	

## NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING (CONTINUED)

### **Explanatory Notes on Special Business**

#### Ordinary Resolution 6 - Authority to issue shares pursuant to Sections 75 and 76 of the Act

The proposed Ordinary Resolution 6 is the renewal of general mandate (“mandate”) under Sections 75 and 76 of the Act and if passed, will provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders’ approval so as to avoid incurring additional cost and time.

The purpose of this mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders’ approval so as to avoid incurring additional cost and time. This mandate is also meant for any possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration, which the Directors of the Company consider to be in the best interest of the Company. This authority will expire at the conclusion of the next AGM of the Company.

The mandate granted by the shareholders at the last AGM of the Company held on 22 November 2017 have been utilised via a private placement (“Private Placement”) exercise of which the first (1<sup>st</sup>) tranche of Private Placement have been completed on 27 June 2018 where 20,000,000 new ordinary shares have been issued. The proceeds of RM5,000,000 raised from the first (1<sup>st</sup>) tranche of Private Placement exercise had been utilised in the following manner as at 3 October 2018:-

<b>Details of utilisation of Private Placement</b>	<b>Total RM</b>
Proceeds from Private Placement	5,000,000
<b>Utilisations:-</b>	
Land reclamation projects	1,056,000
Working capital requirements	3,866,000
Expenses in relation to the Private Placement	78,000
As at 3 October 2018	5,000,000

#### Ordinary Resolution 7 - Proposed Renewal of the Share Buy-Back Authority for the Company to Purchase its own shares of up to Ten Percent of the total number of Issued Shares of the Company

The proposed Ordinary Resolution 7, if passed, will empower the Directors to purchase the Company’s shares through Bursa Securities up to ten percent (10%) of the total number of issued shares of the Company for the time being. This authority will expire at the conclusion of the next AGM unless earlier revoked or varied by ordinary resolution passed by shareholders at a general meeting.

For further information on this resolution, please refer to the Share Buy-back Statement dated 30 October 2018 which is despatched together with the Annual Report 2018.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) and Appendix 8A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors.

No individual is seeking election as a Director (excluding the Directors who are standing for re-election or re-appointment) at the Thirteenth Annual General Meeting (“13<sup>th</sup> AGM”) of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Details of the general mandate to allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Notes on Special Business of the Notice of the 13<sup>th</sup> AGM in this Annual Report.





CDS Account No	
No. of shares held	

I/We \_\_\_\_\_ Tel: \_\_\_\_\_

NRIC No./Company No. \_\_\_\_\_

[Full name in Block, NRIC No./Company No. and telephone number]

of \_\_\_\_\_

being a member/members of **BENALEC HOLDINGS BERHAD**, hereby appoint:

Full Name (in block)	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in block)	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, \*the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the **Thirteenth Annual General Meeting ("13<sup>th</sup> AGM")** of the Company to be held at the **Ballroom Selangor 3, Dorsett Grand Subang Hotel, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan** on **Wednesday, 28 November 2018** at **10.00 a.m.** or any adjournment thereof, and to vote as indicated below:-

NO	AGENDA	RESOLUTION	FOR	AGAINST
1.	Payment of Directors' fees of RM540,000 to the Non-Executive Directors for the financial year ended 30 June 2018	Resolution 1		
2.	Payment of Directors' benefits of up to RM42,625 to the Non-Executive Directors for the period from 28 November 2018 until the next Annual General Meeting	Resolution 2		
3.	Re-election of Datuk Aznam bin Mansor as Director pursuant to Article 108 of the Company's Constitution	Resolution 3		
4.	Re-election of Mr Wong Yoke Nyen as Director pursuant to Article 108 of the Company's Constitution	Resolution 4		
5.	Re-appointment of Messrs BDO as Auditors and to authorise the Directors to fix their remuneration	Resolution 5		
6.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016	Resolution 6		
7.	Proposed Renewal of the Share Buy-Back Authority for the Company to Purchase its own shares of up to Ten Percent of the Total Number of Issued Shares of the Company	Resolution 7		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy/proxies will vote or abstain as he/they may think fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2018

\_\_\_\_\_  
Signature of Shareholder/Common Seal

**Notes:**

- A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a representative to attend and vote in his place. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy.
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- In the event a member duly executes the Proxy Form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his proxy.
- Any alterations in the Proxy Form must be initialled.
- To be valid, the Proxy Form duly completed must be deposited with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- For the purpose of determining a member who shall be entitled to attend the Annual General Meeting of the Company, the Company shall request Bursa Malaysia Depository Sdn Bhd, in accordance with Article 75(3) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 19 November 2018. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his stead.

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The Share Registrar

**BENALEC HOLDINGS BERHAD**  
**c/o Tricor Investor & Issuing House Services Sdn Bhd**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

Affix  
stamp

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**BENALEC HOLDINGS BERHAD** (702653-V)

Listed on the Main Market of Bursa Malaysia Securities Berhad

No. 23, Jalan Perintis U1/52, Glenmarie Temasya, Seksyen U1,  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia.

Tel : +603-5569 7366 / 5569 8366 / 5569 9366

Fax : +603-5569 0366      Email : [enquiry@benalec.com.my](mailto:enquiry@benalec.com.my)

[www.benalec.com.my](http://www.benalec.com.my)