BENALEC HOLDINGS BERHAD

Company No. 200501020529 (702653-V)

ANNUAL REPORT 2019

OUR ORGANISATION

GOVERNANCE

OUR FLAGSHIP PROJECTS

CHC CHENG HO CITY SDN BHD

TGPIAI MARITIME INDUSTRIAL PARK

PENGERANG MARITIME INDUSTRIAL PARK

INSIDE THIS REPORT

FINANCIAL STATEMENTS

OTHERS

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2. Run the QR Code Reader app and point your camera to the QR Code
3. Get access to the softcopy of our Annual Report

Access the full version of this report, or view a summary of our FYE 2019 performance at *www.benalec.com.my*

KEY INDICATORS

WHAT WE DO

Marine Construction Service

Vessel Chartering and Marine Transportation

Shipyard For Ship Building, Repair, Maintenance, Fabrication & Refurbishment

REVENUE

RM **135.92** MILLION

NET ASSETS PER SHARE

64 SEN

LOSS BEFORE TAXATION

RM **64.11** MILLION

TOTAL ASSETS

RM **866.73** MILLION

CORPORATE INFORMATION

BOARD OF DIRECTORS

1 Wong Yoke Nyen

Chairman, Independent Non-Executive Director

Member:
Audit Committee
Remuneration Committee
Nomination Committee
Option Committee
Evaluation Committee

2 Dato' Leaw Seng Hai

Group Managing Director / Chief Executive Officer

Member:
Evaluation Committee

3 Koo Hoong Kwan

Senior Independent Non-Executive Director

Chairman:
Audit Committee
Remuneration Committee
Nomination Committee
Option Committee
Evaluation Committee

4 Fazrin Azwar bin Md. Nor

Independent Non-Executive Director

Member:
Audit Committee
Remuneration Committee
Nomination Committee
Option Committee

5 Leaw Ai Lin

Executive Director

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
: 03-2783 9191
: 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
: 03-2783 9299
: 03-2783 9222

COMPANY SECRETARIES

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

AUDITORS

BDO PLT
(LLP0018825-LCA & AF 0206)
Chartered Accountants
Level 8, BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
: 03-2616 2888
: 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
www.tgpiaimaritime.com.my
www.pengerangmaritime.com.my

CORPORATE PROFILE

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.

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

Corporate Profile
(continued)

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.

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.

KEY MILESTONES

THE JOURNEY BEGINS

1978

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

1993

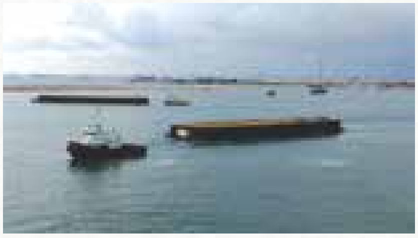
Awarded two coastal protection works project in Sungai Belukang and Sungai Tiang, Perak by JPS which marks our first foray into the marine construction industry

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

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



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

Expanded our shipbuilding business activities through Benalec Shipyard

2009

Benalec's ISO upgraded to ISO 9001:2008

2010

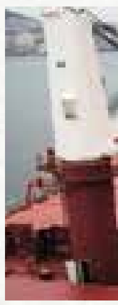
Benalec Singapore Branch obtained ISO 9001:2008 and OHSAS 18001:2007

Land reclamation for Pulau Indah, Port Klang

THE JOURNEY CONTINUES

2019

Commencement of the coal affreightment contract for TNB Fuel Services



Key Milestones
(continued)

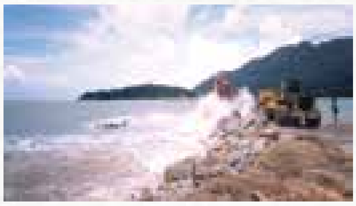
Built our first vessel, a Twin Screw Anchor Handling Tugboat

1995

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

1996

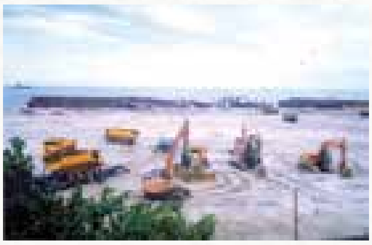
First turnkey Design & Build, Construction of Jetty, Helipad, Staircase and Associated Works at Pulau Perak, Kedah



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

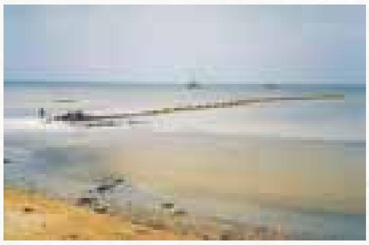
2000

Maiden large-scale land reclamation project in Melaka



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

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

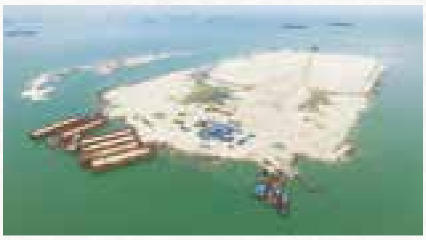


2003

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

2011

Commencement of reclamation at Tanjung Piai Maritime Industrial Park



2015

Commencement of reclamation at Pengerang Maritime Industrial Park

2017

Construction, completion and maintenance of rock revetment and associated works for Oriental Boon Siew (M) Sdn. Bhd. in Melaka

2018

CORPORATE STRUCTURE
AS AT 11 JUNE 2020

BENALEC HOLDINGS BERHAD
Company No. 200501020529 (702653-V)

100%
BENALEC SDN BHD
197801002024 (39054-A)

100%
BENALEC SHIPYARD SDN BHD
197901005672 (49956-P)

51%
BENALEC CETEAU ASIA SDN BHD
201001014614 (898848-K)

100%
BENALEC CONSTRUCTION SDN BHD
201101039633 (967755-P)

100%
BENALEC DIVERSITY SDN BHD
199901003385 (478285-A)

100%
BENALEC LAND SDN BHD
200401036172 (674683-H)

100%
BENALEC MARITIME SDN BHD
200701028467 (786489-A)

100%
BENALEC VENTURE SDN BHD
201101041260 (969382-X)

49%
GABUNGAN KHAS SDN BHD
201401006909 (1082987-X)

100%
GOLDNET SYNERGY SDN BHD
201101019250 (947383-W)

100%
HERITAGE LAND DEVELOPMENT SDN BHD
200901017249 (860345-V)

100%
HERITAGE LAND REALTY SDN BHD
200901017256 (860352-M)

100%
HERITAGE LAND SDN BHD
200901015335 (858409-T)

100%
HERITAGE PROPERTY SDN BHD
200901010817 (853839-T)

100%
JAYAMAS CEKAP SDN BHD
201101001007 (929141-T)

100%
JEWEL EAST SDN BHD
201101018761 (946897-U)

- **100%**
  CHENG HO CITY SDN BHD
  201101018146 (946282-W)
- **100%**
  ICONIC ISLAND SDN BHD
  201101020854 (948991-V)
- **100%**
  ONE WORLD ISLAND SDN BHD
  201101018765 (946901-K)
- **100%**
  ZHENG ISLAND SDN BHD
  201101018145 (946281-X)

100%
KLEBANG PROPERTY SDN BHD
200901010815 (853837-M)

Corporate Structure
As at 11 June 2020 (continued)

100%
OCEANLINER PTE LTD
(200910031W)

100%
OCEANVIEW REALTY SDN BHD
201001014645 (898879-K)

100%
OG MARINE SDN BHD
200201030023 (597686-X)

100%
ORIENTALCOVE PROPERTY SDN BHD
200601017623 (737375-M)

100%
ORIENTALCOVE REALTY SDN BHD
200601017630 (737382-W)

100%
PENGERANG MARITIME INDUSTRIES SDN BHD
201101016494 (944630-X)

- **70%**
  SPEKTRUM BUDI SDN BHD
  201101012585 (940725-W)

100%
SENTOSACOVE DEVELOPMENT SDN BHD
200801024339 (825663-A)

100%
STRATEGIC COVE SDN BHD
201001014604 (898838-A)

100%
STRATEGIC LAND SDN BHD
201001014611 (898845-T)

100%
TANJUNG PIAI MARITIME INDUSTRIES SDN BHD
201101015140 (943274-D)

- **70%**
  SPEKTRUM KUKUH SDN BHD
  201101013821 (941961-V)

100%
WILAJATI SDN BHD
200801023570 (824893-W)

51%
ATLANTIC OCEAN LTD
(LL11686)

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)

PROFILE OF DIRECTORS

WONG YOKE NYEN

Chairman, Independent Non-Executive Director

AGE 61
Male
Malaysian

Wong Yoke Nyen, was appointed as an Independent Non-Executive Director of the Company on 5 October 2010. He was subsequently redesignated as the Chairman of the Board on 26 November 2019. He is also a member of the Audit 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 six (6) out of seven (7) board meetings held during the financial period from 1 July 2018 to 31 December 2019.

Profile of Directors
(continued)

DATO' LEAW SENG HAI

Group Managing Director / Chief Executive Officer

AGE 58
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 (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 thirty (30) 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.

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 all seven (7) board meetings held during the financial period from 1 July 2018 to 31 December 2019.

Profile of Directors
(continued)

KOO HOONG KWAN

Senior Independent Non-Executive Director

AGE 75

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 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 seven (7) board meetings held during the financial period from 1 July 2018 to 31 December 2019.

Profile of Directors
(continued)

FAZRIN AZWAR BIN MD. NOR

Independent Non-Executive Director

AGE 54

Male

Malaysian

Fazrin Azwar bin Md. Nor, was appointed as an Independent Non-Executive Director of the Company on 27 February 2019. He is a member of the Audit Committee, Nomination Committee, Remuneration Committee and Option Committee of the Company.

He graduated from the University of Malaya with a Bachelor of Law (LLB) Honours Degree in 1990. He is an Advocate and Solicitor and a member of the Malaysian Bar. He is currently the Managing Partner of Messrs Azwar & Associates. He is also a chartered member of The Malaysian Institute of Directors and The Institute of Internal Auditors Malaysia.

His directorships in other public companies include Mercury Industries Berhad, Poh Kong Holdings Berhad and Tong Herr Resources Berhad. He does not have any conflict of interest with the Company nor has he any family relationship with any other Directors and/or major shareholders of the Company. He has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor received any public sanction or penalty imposed by the relevant regulatory bodies during the financial period. He has attended all the three (3) Board meetings held after his appointment to the Board during the financial period from 1 July 2018 to 31 December 2019.

Profile of Directors
(continued)

LEAW AI LIN

Executive Director

AGE 28
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 seven (7) board meetings held during the financial period from 1 July 2018 to 31 December 2019.

PROFILE OF KEY MANAGEMENT

CHIN WEI EE
Chief Financial Officer

36
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).

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 as a Group Accountant and was promoted as Financial Controller in 2016. She was promoted to her current position in 2019 and currently oversees the financial management 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 not conflict of interest with the Company. She does not hold any securities in the Company. She has not been convicted of any offences within the past five (5) years.

KOID HENG HUA
Project Director

55
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-five (25) 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 as Senior Project Manager in 2014. He is now the Project Director 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 does not hold any securities in the Company. He has not been convicted of any offences within the past five (5) years.

NORAZIRA BINTI SAIDUN
Head of Contracts & Operations

40
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 Head of Contracts cum 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 does not hold any securities in the Company. She has not been convicted of any offences within the past five (5) years.

TAN GUAN CHONG
Manager, Operations & Strategy

30
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 as Project Manager in March 2017 and was assigned with the responsibility of monitoring site activities for Johor projects. With hands-on operational experience at the project sites of the Group, he was redesignated to his current position in 2019 and currently responsible for the operational planning and project implementation from a managerial position, while continuously handles the management of site operations for the projects of the Group based in Melaka and 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 as 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.

Profile of Key Management
(continued)

NORMALAWATI NADZRI
Senior Manager,
Operations & Human Resources and Admin

45
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 to oversee the Human Resource and Admin potfolio. She was redesignated to her current position in 2019.

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 does not hold any securities in the Company. She has not been convicted of any offences within the past five (5) years.

SALEHUDIN BIN OMAR
Marine & Admin Manager

49
Male
Malaysian

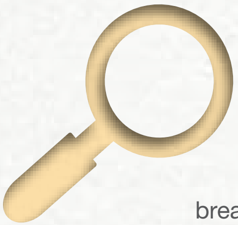
Salehudin, completed his Sijil Tinggi Pelajaran Malaysia ("STPM") pre-university education. He started his career with Equator Engineering Sdn Bhd from 1993 to 2010. In August 2010, he joined the Group as Human Resource & Admin Assistant. Progressively, he expanded his role into marine administration and was promoted to his current position in 2019, 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 does not hold any securities in the Company. He has not been convicted of any offences within the past five (5) years.

MANAGEMENT DISCUSSION AND ANALYSIS

"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."

WONG YOKE NYEN
Chairman



The principal activity of Benalec Holdings Berhad ("Benalec" or "the Group") is in marine construction 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.

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.

Management Discussion and Analysis
(continued)

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.

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.

FINANCIAL RESULTS AND REVIEW OF OPERATING ACTIVITIES

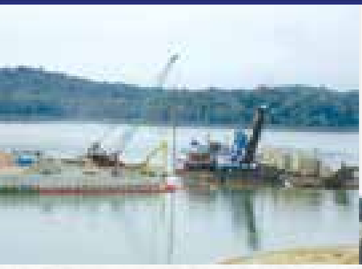
The Group has four (4) operating segments that are managed separately according to their attributes and operational characteristics. The reportable segments are as follows:-

(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.

During the current financial period, the Group has extended its financial year from a 12-month period ending 30 June 2019 to an 18-month period ending 31 December 2019 ("FY 2019").

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 RM135.9 million for the FY 2019, compared to RM116.3 million in FY 2018. Gross profit was recorded at RM30.4 million or 22.4% of total revenue in FY 2019 compared to RM47.7 million or 41.0% of total revenue earned in the previous financial year. The respective segmental contribution to the Group's revenue are as detailed below:-



Management Discussion and Analysis
(continued)

(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 period under review, accounting for approximately 64.6% in FY 2019 and 68.8% in FY 2018 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 FY 2018 and has another two (2) land sale SPAs signed and pending completion. Due to the aggressive marketing carried out, an additional five (5) land sale SPAs were also signed throughout FY 2019.

As at the date of this Annual Report, the Group has existing landbank of 105.69 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 300 acres of land reclamation concession/agreements in Melaka which have yet to be reclaimed. The Group expects the demand for its land bank in Melaka to remain resilient despite the recent economic downturn 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 FY 2019 was recorded at RM30.7 million, compared to RM3.6 million recorded in FY 2018.

The outstanding order book of the Group for all land reclamation contracts in Melaka and Pulau Indah as at FY 2019 stands at RM241.7 million and the Group is confident that this segment of revenue will contribute significantly to its improved financial performance in the ensuing financial years.

In addition to the land reclamation revenue recognition in Melaka and Pulau Indah, the Group has continued to undertake land reclamation works at TPMIP and PMIP. As of FY 2019, approximately RM428.1 million of development expenditure has been 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 - foreseeable global recession mainly caused by the Covid-19 pandemic; recent change of government in Malaysia; belt tightening by corporates brought on by imposition of the Movement Restriction Order (MRO) by the Malaysian government to combat Covid-19; geopolitical risks arising from the trade war between the US and China, Brexit as well as the Hong Kong riot; oil price volatility; market makers and players adopting a wait-and-see approach and tightening of financial markets.

(b) Vessel Chartering and Marine Transportation Segment

The Group's vessel chartering operations and marine transportation recorded a revenue of RM9.6 million or 7% of the total revenue of the Group in FY 2019. A part of the Group's fleet was deployed during the period 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 – time charter to a diversified clientele base within the land reclamation and dredging industry. During FY 2019, the Group has also managed to secure a new Coal of Affreightment contract, estimated to contribute towards the revenue of the Group by approximately RM32 million within a year.

(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 are recorded at RM25.9 million in FY 2019. The decrease by RM219.9 million was mainly due to impact of adoption of MFRS 9 and MFRS 15 as disclosed in Note 41.1 of the financial statements and certification of land reclamation works carried out by sub-contractors.

Similarly, the certification of reclamation works and the release of retention sum to the sub-contractors have also substantially reduced the Group's trade and other payables by an amount of approximately RM59.8 million during the current financial period.

As at 31 December 2019, the Group had cash and bank balances of RM30.1 million, including deposits pledged as security for the Group's Redeemable Convertible Secured Bond ("RCSB") in favour of the Security Trustee, deposits pledged with licensed financial institutions and short term funds. The main decrease of RM126.8 million from FY 2018 is mainly due to the partial redemption of the RCSB by the Group. The Group has in aggregate made partial redemption of RM147 million on the nominal value of the RCSB up to 29 April 2020, being the initial Put Option Date. The Bondholder has approved the resolution granting the Company an extension of time for a period of up to three (3) months from the Put Option Date, until 29 July 2020, for the redemption of the balance outstanding RCSB amounting to RM53 million in nominal value. The salient terms of the RCSB are disclosed in Note 19 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. During the current FY 2019, the Group has performed full assessment on those vessels based on fair value less disposal cost (as estimated by an independent valuer).

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 period under review, the Group has recognised an one-off impairment loss totalling RM16.6 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) in a time-efficient manner. 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 884.5 acres of land in Melaka to-date, amounting to more than RM1.23 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 18 million tourist arrivals recorded in 2019 compared to 17.2 million tourist recorded in 2018 (both domestic and international); an increase of 4.65% from 2018. 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. In year 2019, tourists from China have been growing steadily at a rate of 13% from 2018. In 2019, Chinese tourist arrivals to Melaka numbered approximately 2 million compared to 1.77 million in year 2018; making them the largest group of tourists visiting Melaka followed by tourists from Singapore, Indonesia, Taiwan and Vietnam.

Aside from the tourist-centric and purpose-built tourist-themed developments such as Impression City Melaka and Melaka Gateway, Melaka has seen launches of new developments within FY 2019 despite the general slowdown of the property market in Malaysia. Launches such as the Yaxin Sheraton City, The Sail Melaka and Hasbro-themed water park 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's Selangor Bio-Bay, a mixed development comprising industrial, commercial and residential developments focused on promoting biotech and life-science sectors, is located immediately adjacent to the Group's land bank. Moreover, large scale projects which have been announced in the past include IKEA's RM900 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 RM10 billion port expansion over the next 25 years comprising expansion of its Container Terminal 10 (CT10) to 17 (CT17) via a 146.4-hectare of leasehold land acquisition. This eight additional berths will support and strengthen Port Klang's role as the pre-eminent port for the nation's gateway trade, which is mainly operated by Westport's current container terminal facilities comprising CT1 to CT9 already operating at a 77% capacity. Westports is located only 8km from the Group's landbank in Pulau Indah.

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 near future.

Management Discussion and Analysis
(continued)

Johor - Tanjung Piai Maritime Industrial Park ("TPMIP")

Reclamation works at the Group's TPMIP project have commenced since the Detailed Environmental Impact Assessment ("DEIA") approval was obtained. To-date, around 163 acres of land have been reclaimed for immediate expansion should the requirement arises.

The Group is pleased to be in collaboration and discussions with several parties to explore TPMIP's suitability as the project site for different projects ranging from power plants, storage terminals, aromatic plants, refineries and steel mills. The new International Maritime Organisation (IMO) regulation for a global sulphur cap of max 0.5% for marine fuels (reduced from its previous level of 3.5%) officially started since 1 January 2020. This has significantly changed the regional landscape of demand for low sulphur fuel, therefore significantly impacting the trading patterns as well as the storage market within the region. New demand for desulphurization plants to remove or decrease Sulphur contents in fuel has arisen and smaller storage tanks with greater flexibility for blending activities are more sought after. This unprecedented change in the market presented new opportunities 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.

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.

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 achieve its Commercial Operational Date in the first quarter of 2020. While pending for the RAPID refinery to be commercially operational, we have started seeing additional interests for the Group's industrial land development at PMIP. The Group firmly believes that PMIP is extremely 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 and represents a great push factor that will render significant benefits to Johor and Malaysia as a whole. Firstly, it would enhance the country's energy security and storage facilities for crude oil, natural gas and refined oil and petrochemical products. Secondly, it is also expected to enhance Malaysia's status in the downstream sector as the country becomes a net exporter of refined petroleum products. Lastly, the success of this phase one (RAPID) stands to attract much more foreign direct investments into the country for the subsequent phases of PIPC up to its 5th phase, potentially turning PIPC into a global petrochemical cluster.

PMIP has cleared the requisite DEIA 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. To-date, a stock pile measuring about 45 acres has been positioned at the project site for immediate expansion as soon as the requirement arises.

With the availability of large tracts of vacant land for massive oil & gas developments and its inherent competitive advantages, the Group is confident to secure a commitment at PMIP in the near future, in tandem with the commencement of commercial operations of the RAPID refinery.

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)

Dividends

The Company's dividend pay-out is subject to:-

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

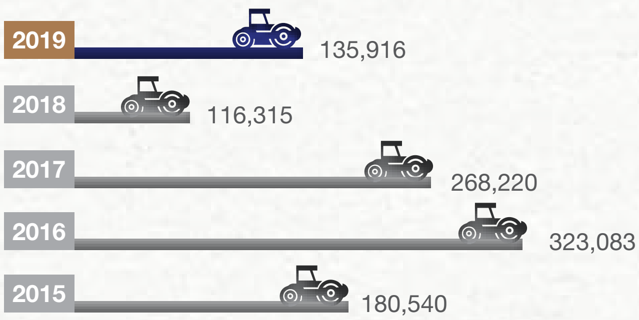
The Board did not recommend any dividend for the current financial period. The Group is currently committed to, and have embarked on, two (2) mega projects, namely the TPMIP and PMIP projects in Johor; these projects are highly capital-intensive and are expected to stretch our financial resources. As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

GROUP FINANCIAL HIGHLIGHTS

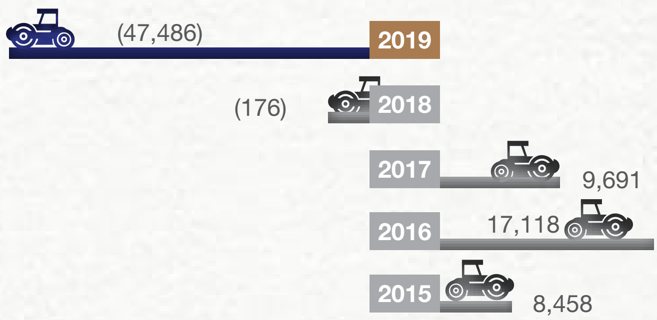
Year ended		2019[1]	2018[2]	2017[2]	2016[2]	2015[2]
Revenue	(RM'000)	**135,916**	116,315	268,220	323,083	180,540
(Loss)/Profit Before Taxation	(RM'000)	**(64,110)**	4,404	21,324	32,012	19,161
(Loss)/Profit After Taxation	(RM'000)	**(53,256)**	2,382	11,336	18,055	8,474
(Loss)/Profit Attributable to Owners of the Parent	(RM'000)	**(47,486)**	(176)	9,691	17,118	8,458
Paid-up Capital	(RM'000)	**371,489**	365,489	360,489	202,951	202,951
No. of Shares (units)	(RM'000)	**861,803**[3]	831,803[4]	811,803[5]	811,803[6]	811,803[7]
Equity Attributable to Owners of the Parent	(RM'000)	**552,116**	621,042	625,068	613,398	591,601
Basic Earnings Per Share	(sen)	**(5.64)**	(0.02)	1	2	1
Diluted Earnings Per Share	(sen)	**(5.64)**	(0.02)	1	2	1
Net Assets Per Share	(sen)	**64**	75	77	76	73

Notes:
[1] For the financial period from 1 July 2018 to 31 December 2019
[2] For financial year ended 30 June
[3] 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.
[4] 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.
[5] 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.
[6] 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.
[7] 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.

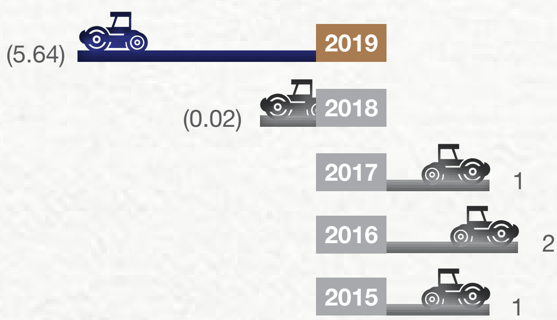
Revenue
(RM'000)



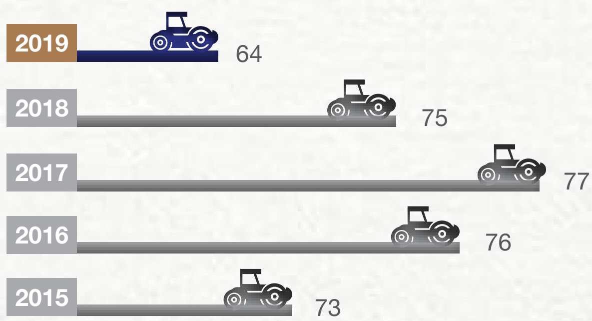
(Loss)/Profit Attributable to Owners of the Parent
(RM'000)



Basic Earnings Per Share
(Sen)



Net Assets Per Share
(Sen)



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 2019 ("CG Report") of the Company which is accessible online at the Company's website 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
Wong Yoke Nyen	Chairman, Independent Non-Executive Director
Dato' Leaw Seng Hai	Group Managing Director/Chief Executive Officer
Koo Hoong Kwan	Senior Independent and Non-Executive Director
Fazrin Azwar bin Md. Nor*	Independent Non-Executive Director
Leaw Ai Lin	Executive Director

*Note: * Appointed with effect from 27 February 2019*

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 10 to 14 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 decisions 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 Executive Directors, Group Managing Director/Chief Executive Officer 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 authorised, 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 directions, plans and policies of the Company and the Group;
- Assessing business opportunities which are of potential benefits 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.

3. Board Charter

The Board has adopted a Board Charter which sets out the roles, functions, compositions, operations and processes of the Board and is intended to ensure that all the Board members acting on behalf of the Company are fully aware of their obligations 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.

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 seven (7) times during the financial period from 1 July 2018 to 31 December 2019. A summary of attendance for each of the Board of Directors are as follows:

Name of Directors	No. of meetings attended
Wong Yoke Nyen	6 out of 7
Dato' Leaw Seng Hai	7 out of 7
Koo Hoong Kwan	7 out of 7
Fazrin Azwar bin Md. Nor*	3 out of 3
Leaw Ai Lin	7 out of 7

*Note: * Appointed with effect from 27 February 2019*

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 Committee (renamed with effect from 28 February 2020)
- Nomination Committee
- Remuneration Committee
- Option Committee
- Evaluation Committee

(i) Audit Committee

The Audit Committee, was established on 30 November 2010. In line with the recommendation of the MCCG 2017, the Committee has been assisting the Board in carrying out, among others, the responsibility of overseeing the Group's risk management framework and policies. The Audit Committee was renamed as Audit and Risk Management Committee on 29 August 2018. However, in its meeting held on 28 February 2020, the Committee decided to revert to its initial name which is short, precise and practical. The Audit Committee comprises three (3) Independent Non-Executive Directors. The functions of the Audit 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 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 Committee are set out in the Audit Committee Report on pages 44 to 46 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
- **Wong Yoke Nyen** *(Independent Non-Executive Director)* - Member
- **Fazrin Azwar bin Md. Nor*** *(Independent Non-Executive Director)* - Member

*Note: * Appointed with effect from 30 May 2019*

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, 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 the discharge of its duties during the financial period from 1 July 2018 to 31 December 2019 are as follows:-

- Recommending the re-election of Directors retiring at the Annual General Meeting 2019;
- Assessing compliance of Board Committees with their respective Terms of Reference;
- Recommending revisions/amendments to the Terms of Reference of the Board Committees;
- Conducting the annual assessment in respect of its Board Committees and individual Directors; and
- Evaluating and make recommendations of the suitable candidates for appointment to the Board/ Board Committees of Benalec.

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 period 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
- **Wong Yoke Nyen** *(Independent Non-Executive Director)* - Member
- **Fazrin Azwar bin Md. Nor*** *(Independent Non-Executive Director)* - Member

*Note: * Appointed with effect from 30 May 2019*

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 period under review.

Corporate Governance Overview Statement
(continued)

A. BOARD OF DIRECTORS (CONTINUED)

5. Board Committees (continued)

(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
- **Wong Yoke Nyen** *(Independent Non-Executive Director)* - Member
- **Fazrin Azwar bin Md. Nor*** *(Independent Non-Executive Director)* - Member

*Note: * Appointed with effect from 27 February 2019*

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/Chief Executive Officer)* - 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.

6. Independence

In accordance with Paragraph 1.01 and Practice Note 13 of the MMLR, the Board recognises the important contribution that Independent Directors make 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 period, 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 period 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.

Corporate Governance Overview Statement
(continued)

A. BOARD OF DIRECTORS (CONTINUED)

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 Clause 78 of the Company's Constitution, any Director 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. Clause 76(3) 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 will be disclosed in a separate Notice of AGM.

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 are two (2) independent directors of the Company whose tenures have exceeded a cumulative terms of nine (9) years since 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.

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:

	Gender		Race/Ethnicity			Age Group (years)		
	Male	Female	Malay	Chinese	Others	20-39	40-59	60 and above
No. of Directors	4	1	1	4	-	1	2	2

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.

A. BOARD OF DIRECTORS (CONTINUED)

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/her 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 period, the Directors have attended various training programmes, forum and seminars as follows:-

Name of Directors	Title of Seminar/Forum/Courses	Date of Attendance
Wong Yoke Nyen	Malaysia Post GE14's Trade and Foreign Policies: Impact on Malaysia Capital Market	10 April 2019
	Psychology of Investing: Victory Over Your Thoughts, Success if Yours!	15 May 2019
Dato' Leaw Seng Hai	The Board of Directors of the 21st Century: When Disruption Meets Tradition	27 June 2019
Koo Hoong Kwan	Malaysian Financial Reporting Standards (MFRS) made simple for Directors and Senior Management	22 March 2019
	Practical Approach and Guideline for Risk Management & Internal Control	22 October 2019
Fazrin Azwar bin Md. Nor	Corporate Governance Symposium 2019: Building Governance Eco-System	7 March 2019
	Audit Committee Conference 2019	15 April 2019
	Risk Management Conference 2019	5 September 2019
Leaw Ai Lin	Allowed Financial Assistance & Benefits to Directors	24 May 2019
	Malaysian Financial Reporting System (MFRS) 9, 15 and 16	5 July 2019

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.

Corporate Governance Overview Statement
(continued)

A. BOARD OF DIRECTORS (CONTINUED)

11. Supply and Dissemination of Information (continued)

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 Director 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.

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 period to discuss and recommend the remuneration structure and packages for the financial period from 1 July 2018 to 31 December 2019 of the Directors for review by the Board.

The aggregate remuneration of Directors for the financial period from 1 July 2018 to 31 December 2019 is as follows:-

Directors' Remuneration

	Company			Group		
Category	Executive Directors RM	Non-Executive Directors RM	Total RM	Executive Directors RM	Non-Executive Directors RM	Total RM
Directors' Fees	-	705,000	705,000	540,333	705,000	1,245,333
Directors' Salaries	-	-	-	6,930,000	-	6,930,000
Other Emoluments	139,530	27,000	166,530	1,433,115	27,000	1,460,115
Benefits in kind	-	5,313	5,313	227,008	5,313	232,321
Options granted under the Share Issuance Scheme	-	-	-	55,293	-	55,293
TOTAL	**139,530**	**737,313**	**876,843**	**9,185,749**	**737,313**	**9,923,062**

Corporate Governance Overview Statement
(continued)

B. REMUNERATION (CONTINUED)

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	-	2	2	-	2	2
RM150,001 to RM300,000	-	2	2	-	2	2
RM300,001 to RM800,000	-	-	-	1	-	1
RM8,000,001 to RM9,000,000	-	-	-	1	-	1
TOTAL	**-**	**4**	**4**	**2**	**4**	**6**

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

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 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.

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

Corporate Governance Overview Statement
(continued)

D. ACCOUNTABILITY AND AUDIT (CONTINUED)

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 47 of this Annual Report.

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, compliance 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 41 to 43 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 Committee in relation to the external auditors is described in the Audit 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 26 June 2020.

ADDITIONAL COMPLIANCE INFORMATION

1 Utilisation of proceeds from Redeemable Convertible Secured Bond issuance

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

The status of utilisation of proceeds arising from the issuance, amounting to RM181.17 million as at 31 December 2019 is as follows:-

Description	Proposed utilisation	Reallocate of utilisation	Actual utilisation	Deviation		Estimated timeframe for utilisation (iv)	Note
	RM'000	RM'000	RM'000	RM'000	%		
Land reclamation projects of the Benalec Group	146,500	(42,112)	(104,388)			Within 60 months	*(i)*
Working capital and reserve requirement for a debt service account	31,170	9	(31,179)	-	-	Within 12 months	*(ii)*
Defray expenses	3,500	(9)	(3,491)	-	-	Within 12 months	*(iii)*
Partial Early Redemption	-	42,112	(42,112)			-	*(v)*
Total	**181,170**	**-**	**(181,170)**	**-**	**-**		

(i) Land reclamation projects of the Benalec Group

The Group intends to utilise the proceeds to fund its ongoing and future land reclamation projects. Expenditures relating to land reclamation works include operating expenses such as cost of raw materials, payments to license holders or sand concessionaires for the rights to dredge sand ex-seabed, payments to suppliers, direct labour costs, payment for sub-contracted services for loading, unloading and levelling sea sand, rock revetment/ replacement works, and lorry hire.

(ii) Working capital and reserve requirement for a debt service account

The amount shall be utilised:

(a) as additional working capital to finance the day-to-day operations of the Group including the payment of salaries, administrative and other operating expenses, such as tax payment and finance costs; and

(b) to maintain an amount equivalent to 6 months' coupon payment of all the outstanding RCSB, which shall be maintained throughout the tenure of the RCSB in a debt service reserve account that may be utilised to pay coupon due under the RCSB in the event that the Company has insufficient operational funds.

(iii) Defray expenses

The estimated expenses comprise, among others, professional fees, fees payable to the relevant authorities, printing costs and other miscellaneous expenses.

(iv) Estimated timeframe for utilisation:-

(a) From the date of RCSB issuance i.e. 29 April 2015.

(b) On 16 May 2017, the Company announced the extension of time for utilisation of the balance of proceeds arising from the RCSB for another twenty-four (24) months until 29 April 2019.

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

(v) Partial Redemption:-

As of 29 April 2020, being the Put Option Date, the Company has made partial redemption of RM147 million in aggregate. The holder of the RCSB has approved the resolution granting the Company an extension of time for a period of up to three (3) months from the Put Option Date, until 29 July 2020, for the redemption of the balance outstanding of the RCSB amounting to RM53 million in nominal amount.

Additional Compliance Information
(continued)

2 Proposed Private Placement

On 26 April 2019, the Company announced the completion of the Private Placement following the expiry of the approval from Bursa Securities for the listing of and quotation for up to 112,221,000 new ordinary shares of the Company.

Pursuant to the Private Placement, a total of 50,000,000 new ordinary shares were placed out via three (3) tranches raising gross proceeds of RM11,000,000.

The utilisation of the proceeds is as follows:-

Description	Proposed utilisation *(i)*	Proposed utilisation of actual Placement *(ii)*	Actual utilisation	Deviation	
	RM'000	RM'000	RM'000	RM'000	%
Land reclamation projects	12,074	4,616	(4,616)	-	-
Working capital requirement	10,000	6,260	(6,260)	-	-
Expenses in relation to Private Placement	300	124	(124)	-	-
Total	**22,374**	**11,000**	**(11,000)**	**-**	**-**

Note:-

(i) The proposed utilisation is as per the Minimum Scenario detailed in the Company's announcement to Bursa Securities dated 11 April 2018 for the issuance of up to 112,221,000 new ordinary shares.

(ii) The proposed utilisation is as per the actual proceeds of RM11,000,000 raised from the three (3) tranches of placements.

3 Audit and Non-Audit Fees Paid

During the financial period from 1 July 2018 to 31 December 2019, the amount of audit and non-audit fees paid by the Company and the Group to the External Auditors are as follows:

	Group	Company
	RM	RM
Audit Fees	657,951	160,000
Non-Audit Fees	169,428	51,500

4 Material Contracts

There was no material contracts entered into by the Company involving the interests of the Directors and major shareholder during the financial period from 1 July 2018 to 31 December 2019, save as disclosed in the Prospectus dated 28 December 2010 and Related Party Disclosure presented in the Financial Statements of this Annual Report.

5 Recurrent Related Party Transactions

The recurrent related party transactions or trading nature conducted by the Group during the financial period from 1 July 2018 to 31 December 2019 did not exceed the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") is pleased to present its Statement on Risk Management and Internal Control in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("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 period 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 Committee reviews the results of this process. The Board confirms that this process is in place for the period 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 period under review:-

1. The Board of Directors has reviewed the adequacy and effectiveness of the risk management and internal control system;

2. The Board of Directors 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.

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.

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)

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

The whistle-blowing reporting process forming part of the Code 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 of Directors. The Code reinforces the Group's core value on integrity by providing general guidance on moral and ethical behaviour that is expected from all employees. This includes general prohibition on involvement of its personnel in any act of commercial corruption either direct or indirect.

The Group's Code of Ethics and Conduct is published in the Company's website at 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 Committee. In particular, the internal auditors appraise and contribute towards improving the Group's internal control system and reports to the Audit Committee on a quarterly basis. The Audit 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 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 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 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.

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 of Directors.

Statement on Risk Management and Internal Control
(continued)

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

4. Control Framework (continued)

(b) Performance Reporting and Monitoring

Quarterly financial statements are presented to the Audit 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 period 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 26 June 2020.

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 of Directors and management thereon. Based on their procedures performed, the External Auditors have reported to the Board of Directors 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 COMMITTEE REPORT

During the financial period, the Audit Committee ("AC" or the "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 of Directors ("Board") of Benalec Holdings Berhad is pleased to present the AC Report for the period from 1 July 2018 to 31 December 2019.

MEMBERSHIP AND MEETING ATTENDANCES

The AC comprises three (3) members, all of whom are Independent Non-Executive Directors as follows:-

- **Koo Hoong Kwan*** *(Chairman, Senior Independent Non-Executive Director)*
- **Wong Yoke Nyen** *(Member, Independent Non-Executive Director)*
- **Fazrin Azwar bin Md. Nor**** *(Member, Independent Non-Executive Director)*

*Note * Member of Malaysian Institute of Accountants ("MIA")*
*** Appointed with effect from 27 February 2019*

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. However, in its meeting held on 28 February 2020, the Committee decided to revert to its initial name which is short, precise and practical. The present AC consists entirely of Independent Non-Executive Directors. The Company has complied with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), which require all the AC members to be Non-Executive Directors, with a majority of them being Independent Directors. In addition, one of the members of the AC is a member of the Malaysian Institute of Accountants ("MIA").

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

The AC held seven (7) meetings during the financial period from 1 July 2018 to 31 December 2019 and the attendance of each members of the Committee are as follows:

Name	No. of meetings attended
Koo Hoong Kwan	7/7
Wong Yoke Nyen	6/7
Fazrin Azwar bin Md. Nor	3/3

TERMS OF REFERENCE

The Terms of Reference of the AC which lays down the duties and responsibilities of its members is accessible via the Company's website at www.benalec.com.my. The Board is satisfied that the AC had discharged their duties and responsibilities in accordance with its Terms of Reference in ensuring that the Company upholds the appropriate Corporate Governance standards.

SUMMARY OF ACTIVITIES AND WORK OF THE COMMITTEE

During the financial period from 1 July 2018 to 31 December 2019, 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 AC 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.

Audit Committee Report
(continued)

SUMMARY OF ACTIVITIES AND WORK OF THE COMMITTEE (CONTINUED)

(i) Financial Reporting (continued)

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 period from 1 July 2018 to 31 December 2019 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 AC 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 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 AC.

The AC has full and direct access to the Internal Auditors, review the reports on all audits performed and monitors its performance. The AC 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 AC.

A summary of the Internal Audit activities undertaken during the financial period 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 period from 1 July 2018 to 31 December 2019, the internal auditors carried out its audit on the following functions:-

a. Worker's Payroll (Johor Project);
b. Purchasing (Tanjung Piai Project);
c. Site Project and Maintenance (Malacca project);
d. Follow-up on Site Project and Maintenance (Malacca project);
e. Finance and Payables Management; and
f. Follow-up on Site Project and Maintenance (Malacca Project), Finance and Payables Management.

Based on these audits, the outsourced internal auditors provided the AC 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 Committee; and

(iii) Presented internal audit reports to the AC 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 period amounted to RM135,000.

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 period and of the results and the cash flow of the Company and of the Group for the financial period.

In preparing the financial statements for the financial period from 1 July 2018 to 31 December 2019, 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

Purpose

Sustainability Vision: To focus on sustainability opportunities to ensure our services take account of the economic, social and environmental impacts.

The Business: We are dedicated to actively participate as one of the foremost homegrown Marine construction Solution providers contributing positively to the economy of Malaysia.

Scope

Our scope is to report on all material economic, environmental and social aspects with respect to Benalec.

Our sustainability report is aimed at communicating the Group's performance on economic, environmental and social issues, in recognising the importance of wider engagement with stakeholders in sustainability management.

This report covers all material business areas of Benalec and contains qualitative and quantitative results for all indicators presented.

Reporting Period

The scope of this Sustainability Report refers to the period of 1 July 2018 to 31 December 2019, unless specified otherwise.

Our Approach

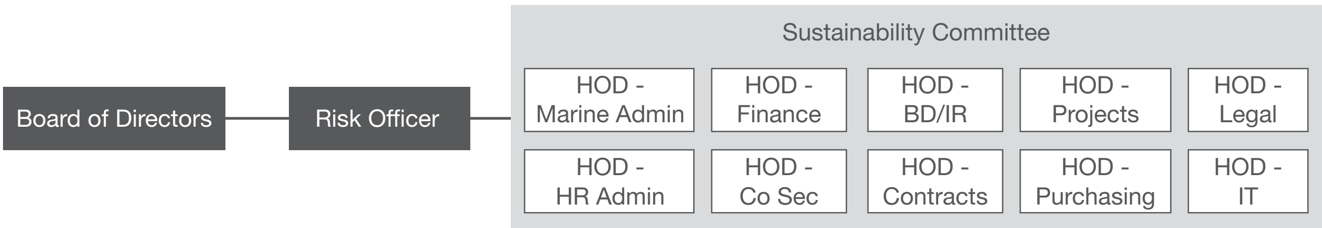
This is Benalec's Sustainability Report, covering responsibilities to stakeholders and commitments to transparency and accountability. This Sustainability Report is written in accordance with and guided by:

- Bursa Malaysia Main Market Listing Requirements, The Sustainability Reporting Guide

For this report we collected data throughout the period from 1 July 2018 to 31 December 2019.

Governance Structure

As guided by the Group's corporate governance principles, the Board is committed to ensure economic, social, and environmental issues of our stakeholders are managed with sustainability in mind. A working Sustainability Committee, comprising of key personnel from relevant departments was formed to review the sustainability performance of Benalec.



Board of Directors responsibility:-

- Reviews and approves the Sustainability Report
- Aligning corporate and division priorities, tolerances and strategies
- Communicating and enforcing policies regarding sustainability

The Risk officer is responsible for:-

- Reviewing and monitoring effectiveness of sustainability treatment measures
- Making the appropriate recommendation to the Board on sustainability management matters
- Aggregating and reporting sustainability achievements
- Reviewing the reports of sustainability management activities of the departments

The Sustainability Committee is responsible for:-

- Materiality Assessment
- Identification and Monitoring of Initiatives and Actions
- Execution of Initiatives and Actions
- Reviewing the reports of sustainability management activities of the departments
- Reviewing sustainability exposures of departments and the sufficiency of action plans to achieve sustainability targets

Sustainability Narrative Statement
(continued)

Materiality Assessment

Our first materiality assessment was conducted with participation and contributions from key personnel from respective departments.

While the materiality assessment did not involve any external stakeholders, key personnel took into consideration both internal and external perspectives during the material matters prioritisation process.

The materiality assessment process adopted a four-step approach as outlined below:

Stakeholder Identification	Determine Sustainability Issues	Categorisation and Prioritisation	Process Review
▶ Identify the Group's key stakeholders	▶ Stakeholder Engagement ▶ Determine material sustainability concerns for each stakeholder	▶ Categorise and prioritise key sustainability issues ▶ Action planning and reporting of key sustainability issues	▶ Review materiality assessment process

Moving forward, further emphasis on materiality assessment and its sample broaden to include the external stakeholders.

Our Stakeholders

Core to the success of our business is our ability to develop strong and meaningful relationships with all our stakeholders. We have put in place various communication channels designed to allow us to regularly engage with our stakeholders so that we can better understand their needs and interests.

A summary of our key stakeholders and how we engage them through the financial period is presented below:-

No	Key Stakeholders	Area of Interest	How we engage	How frequently we engage	Their expectations	How we address their expectations
1	Regulatory Bodies	• Compliance • Safety and Health procedures	• Reports and compliance • Periodic meetings	• Annually • Monthly	• To ensure company procedures and policies is compliant to regulatory bodies (Department of Environment)	• Timely adherence to legislation and guidelines
2	Employees	• Equal opportunities • Good Health & Safety • Diversity & inclusivity • Career progression • Benefits and rewards	• Employee satisfaction survey • Employee mentorship programs • Internal communications • Events and functions • CSR programs	• Daily • Yearly • When required • Yearly • Yearly	• To provide fair and equal opportunities • To ensure employee development and progression	• Transparent, open and consistent approach to appraisals • Trainings and team building
3	Customers	• Quality • Competitive prices	• Meetings • Emails and phone calls • Corporate website	• When required • On case-to-case basis • When required	• To ensure commitment to quality	• Internal training and professional development to always maintain quality for our customers
4	Vendors	• Ethical and fair procurement	• Site visits • Direct contact • Email correspondences	• When required • When required • When required	• To ensure transparent dealings with vendors	• Ethical and professional approach to sourcing business from vendors

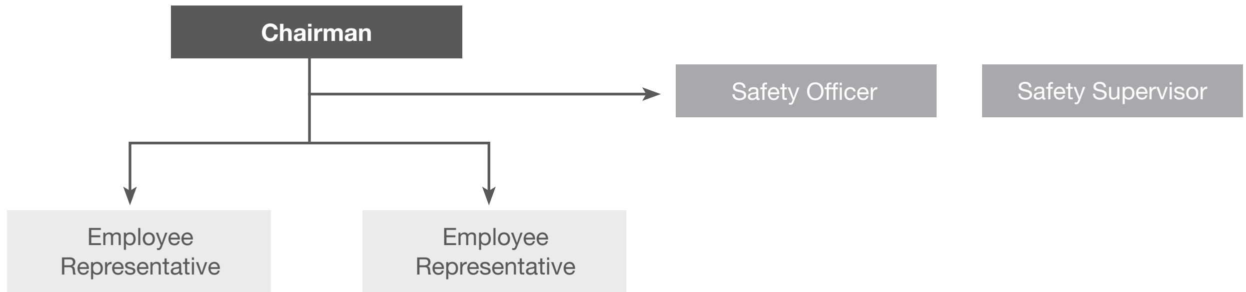
Sustainability Narrative Statement
(continued)

No	Key Stakeholders	Area of Interest	How we engage	How frequently we engage	Their expectations	How we address their expectations
5	Neighbouring Businesses and Surrounding Communities	• Social and economic development contribution • Socio-economic impacts • Pollution and cleanliness	• Volunteerism	• Annually	• To give back to the community in which we operate and improve the welfare of families in need	• Alignment of sustainability goals with our CSR objectives
6	Financial institutions, Shareholders and Investors	• Sustainability profitability matters • Company's performance and targets • Compliance with relevant requirements	• Annual General Meetings • Investor Relations Initiatives • Annual Reports • Quarterly Announcements	• Annual • When required • Annual • Quarter yearly	• To engage existing and potential shareholders	• Robust corporate governance procedures in place

Health & Safety

Our qualified Safety Officers and Supervisors supervise project sites with formally defined policies and procedures with zero tolerance for compromise. We encourage the highest standards of health and safety, facilitated by our **Environmental, Safety and Health Committee** and **Emergency Response Team**.

Environmental, Safety and Health Committee Organization Chart



Our Safety and Health committee periodically monitor and measure health and safety standards for all site operations personnel through key performance criteria such as:-

- Participation of employees in Safety programs
- Minor, moderate and major Health & Safety violations
- Near misses
- Frequency and severity of accident rates
- Safety award campaigns

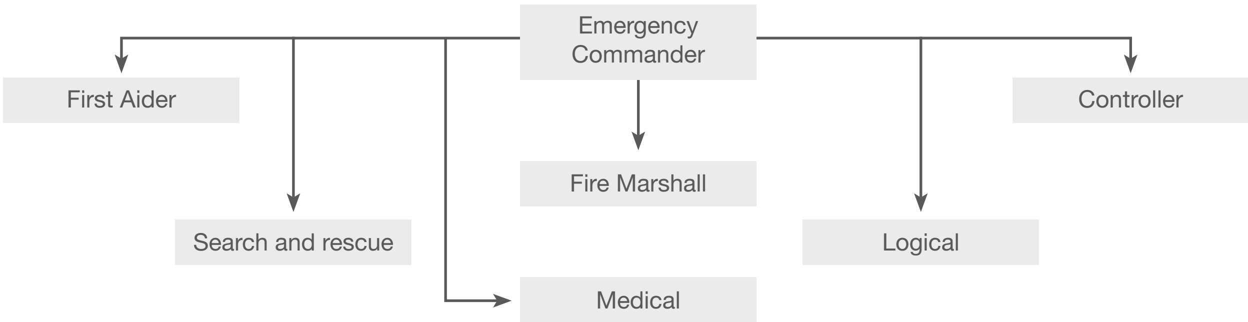
We ensure that employees remain motivated to achieve health and safety objectives through performance-reward systems of Benalec.

For example, one of the key performance criteria we use to measure and monitor health and safety standards is accident frequency rates. We have not had any major accident during this financial period.

Our emergency response team headed by our Emergency commander ensure that health and safety of employees and all other parties at construction sites are and will continue to be of utmost priority as Benalec aspires to be exemplary.

Sustainability Narrative Statement
(continued)

Emergency Response Team Organization Chart



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

Talent Retention and Development

Benalec recognises that professional development needs of its staff are equally as important for high employee satisfaction levels and organisational performance. We facilitate the development through ensuring that our employees are always equipped with the technical and practical knowledge to contribute positively to the organisation and surrounding communities alike.

We therefore ensure that our employees attend arrays of training in all areas.

Significant Training programs conducted in 2018/19

Environmental	Functional	Development
"Protecting our rivers" - International river seminar	Workplace Harassment Training	Using Artificial Intelligence to analyse Business trends
Fire Safety Talk	Annual Health & Safety conference	Trademark-Do-It-Yourself
Seminar Pengurusan Buangan Terjadual	Corporate Liability under the MACC Act 2009	Developing Human Resource Documentation

Our in-house mentorship program, which involves pairing an employee with a mentor, has facilitated learning and fostered development of the employees as they are able to learn the ropes from veterans with a wealth of experience.

We are always focused on keeping employees motivated and satisfied and we recognize that by managing our employee retention, we are able to retain talented and motivated employees who truly want to be a part of Benalec and who are dedicated to contributing to Benalec's overall success.

As a result of consistent professional development, rigorous training and a healthy company culture, our annual employee turnover rates have decreased by 1.59% this financial period compared to the previous financial year as shown below:

Turnover Rates (%)	FY2018	FY2019
Benalec Holdings Berhad	3.28%	1.69%

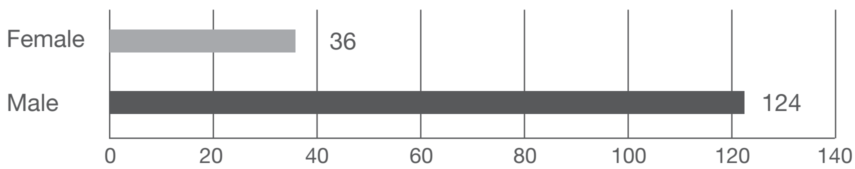
At Benalec, we believe that a diverse workforce is imperative to achieving our goals. Diversity allows us to better respond in the most strategic and effective manner to increasing demands and expectations of our various stakeholders.

Sustainability Narrative Statement
(continued)

Employee Breakdown by age 2019

We foster and encourage females to join our Benalec family and make a difference. As at 2019, 23% of our employees are female despite being in a male dominated industry.

Employee Breakdown by Gender 2019



Electricity, Water, Paper, Flora and Fauna Conservation

At water outlet areas, electrical switches and print stations, resource conservation reminders are placed to educate employees and 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 Department of Environment ("DOE") to ensure 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 and treated as significant. The silt curtain installation by Benalec allows contractors to do their reclamation work while protecting marine environment.

Building our surrounding communities

Benalec's long term aspirations for this community are to empower people so that the community is self-sustaining.

Benalec aims to positively affect the surrounding communities and also preserve and protect the environments we operate.

- **Blood Donation**

  We conducted a blood donation campaign at our Head office as part of our Company Corporate Social Responsibility (CSR) initiative with objectives to support our community by donating blood to the Government hospital blood bank. We responded to **Hospital Tengku Ampuan Rahimah's** call for blood donors to assist and we saw this as a way to help our surrounding communities.

- **Coastal cleaning activity (Melaka)**

  As a corporation that is passionate about environmental conservation, we actively practice environmental protection throughout the Company. It is an integral part of our business strategy and all Benalec employees are obliged to protect the environment and conserve natural resources. As part of our CSR initiative this period, we organized a Beach cleaning event at Eye On Beach, Melaka.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 1 July 2018 to 31 December 2019.

PRINCIPAL ACTIVITIES

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

CHANGE OF FINANCIAL YEAR END

The Group and the Company have changed their financial year end from 30 June to 31 December. Accordingly, the financial statements of the Group and of the Company for the financial period ended 31 December 2019 cover an 18 month period compared to the 12 month period ended 30 June 2018.

RESULTS

	Group RM	Company RM
Loss for the financial period	(53,255,621)	(1,181,529)
Attributable to:		
Owners of the parent	(47,486,432)	(1,181,529)
Non-controlling interests	(5,769,189)	-
	(53,255,621)	(1,181,529)

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend in respect of the current financial period ended.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period.

ISSUE OF SHARES AND DEBENTURES

During the financial period, the issued and fully paid-up ordinary share capital of the Company was increased from 831,802,500 ordinary shares to 861,802,500 ordinary shares by way of issuance of 30,000,000 new ordinary shares amounting to RM6,000,000 pursuant to the private placement undertaken by the Company at an issue price of RM0.20 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 period.

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial period 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 of the option is granted with a discount of not more than 10% if deemed appropriate;

(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:

		Number of options over ordinary shares					
Date of offer	**Exercise price**	**Outstanding as at 1 July 2018**	**Granted**	**Exercised**	**Forfeited**	**Outstanding as at 31 December 2019**	**Exercisable as at 31 December 2019**
16 April 2012	RM1.06	3,257,500	-	-	(144,000)	3,113,500	3,113,500
3 January 2014	RM0.78	600,000	-	-	(200,000)	400,000	400,000
28 January 2014	RM0.79	6,253,500	-	-	(572,500)	5,681,000	5,681,000
18 July 2017	RM0.38	15,660,000	-	-	(3,490,000)	12,170,000	12,170,000
		25,771,000	-	-	(4,406,500)	21,364,500	21,364,500

Directors' Report
(continued)

REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 28 November 2018, the shareholders of the Company by an ordinary resolution renewed the mandate given to the Company to repurchase its own shares based, amongst others, on the following terms:

(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

(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.

The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 861,802,500 (30.6.2018: 831,802,500) issued and fully paid ordinary shares as at 31 December 2019, 12,715,400 (30.6.2018: 12,715,400) ordinary shares purchased for RM12,703,204 (30.6.2018: 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 849,087,100 (30.6.2018: 819,087,100) as disclosed in Note 18(a) to the financial statements.

DIRECTORS

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

<u>Benalec Holdings Berhad</u>

Dato' Leaw Seng Hai
Koo Hoong Kwan
Wong Yoke Nyen
Leaw Ai Lin
Fazrin Azwar bin Md. Nor (Appointed on 27 February 2019)
Datuk Aznam bin Mansor (Resigned on 28 November 2018)

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

<u>Subsidiaries of Benalec Holdings Berhad</u>

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial period 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 Tijl Pieter De Zwart)
Rosly bin Ahmad
Salehudin bin Omar
Tijl Pieter De Zwart
Tunku Ismail Idris Ibni Tunku Ibrahim
Yan Su Wen
Yan Binghua
Yvonne Tan (Chen Xianglian)
Yap Lee Chor

Directors' Report
(continued)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial period and their beneficial interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial period from 1 July 2018 to 31 December 2019 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:

	Number of ordinary shares			
	Balance as at 1.7.2018	**Bought**	**Sold**	**Balance as at 31.12.2019**
Shares in the Company				
Direct interests				
Dato' Leaw Seng Hai	444,100	-	-	444,100
Koo Hoong Kwan	270,000	-	-	270,000
Indirect interest				
Dato' Leaw Seng Hai	334,780,400	-	-	334,780,400[1]

[1] *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").*

	Number of options over ordinary shares			
	Balance as at 1.7.2018	**Granted**	**Forfeited**	**Balance as at 31.12.2019**
Options in the Company				
Direct interests				
Dato' Leaw Seng Hai	4,800,000	-	-	4,800,000
Koo Hoong Kwan	400,000	-	-	400,000
Wong Yoke Nyen	400,000	-	-	400,000

	Number of ordinary shares			
	Balance as at 1.7.2018	**Bought**	**Sold**	**Balance as at 31.12.2019**
Shares in the immediate holding company, Oceancove				
Direct interest				
Dato' Leaw Seng Hai	482	-	-	482
Indirect interest				
Dato' Leaw Seng Hai	5,100	-	-	5,100[2]

[2] *Deemed interest by virtue of his interest in Oceanview.*

	Number of ordinary shares			
	Balance as at 1.7.2018	**Bought**	**Sold**	**Balance as at 31.12.2019**
Shares in the ultimate holding company, Oceanview				
Direct interest				
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.

None of the other Directors holding office at the end of the financial period held any interest in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial period.

Directors' Report
(continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those 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 following:

(a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
(b) certain Directors who received remuneration from subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 37 to the financial statements.

There were no arrangements made during and at the end of the financial period, 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 22 to the financial statements.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 35 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors, officers and auditors of the Group and of the Company during the financial period.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL PERIOD

(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 all known bad debts had been 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 have 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 period have not been substantially affected by any item, transaction or event of a material and unusual nature except for the effects arising from the following as disclosed in Notes 29 and 31 to the financial statements respectively.

  (i) gain on disposal of non-current asset held for sale, resulting in a decrease in the Group's loss for the financial period by RM14,405,754;
  (ii) impairment losses on contract assets and land reclamation work-in-progress, resulting in an increase in the Group's loss for the financial period by RM25,609,992 and RM2,541,106 respectively; and
  (iii) renouncement of dividend by a non-controlling interest, resulting in a decrease in the Group's loss for the financial period by RM5,063,538.

Directors' Report
(continued)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

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

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material 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 period 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 period which will or may affect the ability 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 period 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 period.

(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.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 40 to the financial statements.

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 PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial period from 1 July 2018 to 31 December 2019 are disclosed in Note 31 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Dato' Leaw Seng Hai
Director

Leaw Ai Lin
Director

Selangor
26 June 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 65 to 131 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 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial period from 1 July 2018 to 31 December 2019.

On behalf of the Board,

Dato' Leaw Seng Hai
Director

Leaw Ai Lin
Director

Selangor
26 June 2020

STATUTORY DECLARATION

I, Chin Wei Ee (CA 34935), 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 131 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)
26 June 2020)

Chin Wei Ee

Before me:

W. 663
Baloo A/L T.Pichai

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BENALEC HOLDINGS BERHAD
(Incorporated in Malaysia)

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 31 December 2019 of the Group and of the Company, and the 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 period from 1 July 2018 to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 131.

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 31 December 2019, and of their financial performance and their cash flows for the financial period from 1 July 2018 to 31 December 2019 in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). 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 period. 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 31 December 2019, the carrying amounts of barges and dredgers of the Group were RM50,211,267 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.

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

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 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; and

(iv) Challenged the significant assumptions and critical judgemental areas, including assessment on present physical condition and estimated replacement cost of those barges and dredgers.

Independent Auditors' Report

To the Members of Benalec Holdings Berhad (continued)
(Incorporated In Malaysia)

Key audit matters (continued)

2. Recognition of revenue from settlement in kind contract works and infrastructure works

We refer to Note 27 to the financial statements on the recognition of revenue in accordance with MFRS 15 *Revenue from Contracts with Customers*.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the satisfaction of performance obligations as stated in the contracts with the customers, transaction price allocations and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which are judgemental in the context of contract. Transaction prices were determined based on estimated profit margins prior to its allocation to the identified performance obligations.

The Group also estimates total contract costs in applying the input method to recognise revenue over time. In estimating the total costs to complete, the Group considers the completeness and accuracy of its costs estimation, including its obligations to contract variations, claims and cost contingencies.

Audit response

Our audit procedures included the following:

(i) reviewed contracts with customers to identify distinct and material performance obligations, and compared our findings to the findings of the Group;

(ii) recomputed transaction prices based on historical profit margins of the Group, and compared these transaction prices allocated to profit margins of similar contracts subsequent to the end of reporting period;

(iii) assessed estimated total costs to complete through inquiries with operational and financial personnel of the Group;

(iv) inspected documentation to support cost estimates made including contract variations and cost contingencies;

(v) compared contract budgets to actual outcomes to assess reliability of management budgeting process and controls; and

(vi) recomputed the results of the input method determined by management for revenue recognition based on verified actual costs incurred to-date and budgeted costs.

3. Ability of the Group and the Company to meet their obligations to the Bondholder of the Redeemable Convertible Secured Bonds ("RCSB") ("Bondholder")

Based on Note 19 to the financial statements, the carrying amount of RCSB of the Group and the Company of RM51,656,577 is due on 29 July 2020 pursuant to the put option exercised by and extension of time granted by the Bondholder.

Based on Note 38(b)(ii) to the financial statements, the Company signed loan agreements with several third parties ('Lenders') for net amounts of RM44,854,000 subsequent to the end of the reporting period to repay the Bondholder.

As at the date of authorisation of the financial statements, management is undertaking steps to meet the Conditions Precedent ("CP") of these loan agreements to facilitate timely disbursement of funds from the Lenders.

We determined this to be a key audit matter because it requires management to exercise significant judgement in assessing the timeliness and likelihood of disbursement of funds from the Lenders to repay the Bondholder.

Independent Auditors' Report
To the Members of Benalec Holdings Berhad (continued)
(Incorporated In Malaysia)

Key audit matters (continued)

3. **Ability of the Group and the Company to meet their obligations to the Bondholder of the Redeemable Convertible Secured Bonds ("RCSB") ("Bondholder") (continued)**

   Audit response

   Our audit procedures included the following:

   (i) Discussed with management, including the Directors, and assessed the basis of ensuring timely disbursement of funds from the Lenders to repay the Bondholder;

   (ii) Obtained an understanding on the obligations of the Group and of the Company on the RCSB redemption process, including the requirements of the CPs;

   (iii) Reviewed the signed loan agreements between the Company and the Lenders; and

   (iv) Reviewed the legal view obtained by the Directors on the execution of the CPs.

We have determined that there are no other key audit matters to be communicated in our auditors' report of the audit of the separate financial statements of the Company.

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 MFRSs, IFRSs 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 ISAs 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.

Independent Auditors' Report

To the Members of Benalec Holdings Berhad (continued)
(Incorporated In Malaysia)

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 ISAs, 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 internal control of the Group and of the Company.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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 ability of the Group or of the Company 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 period 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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Francis Cyril A/L S.R Singam
03056/04/2021 J
Chartered Accountant

Kuala Lumpur
26 June 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 31.12.2019 RM	Group 30.6.2018 RM	Company 31.12.2019 RM	Company 30.6.2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	103,420,473	169,002,885	-	-
Investments in subsidiaries	6	-	-	348,369,559	153,821,745
Other investments	7	50,199	45,945	-	-
Deferred tax assets	8	24,449,633	17,620,286	-	-
		127,920,305	186,669,116	348,369,559	153,821,745
Current assets					
Inventories	9	627,562,032	655,270,159	-	-
Trade and other receivables	11	25,896,313	245,764,148	96,701,737	282,119,640
Contract assets	13	51,033,545	-	-	-
Current tax assets		4,247,171	7,101,258	-	180,364
Short term funds	14	148,611	141,358	-	-
Cash and bank balances	15	29,923,791	156,767,718	5,555,721	130,921,479
		738,811,463	1,065,044,641	102,257,458	413,221,483
Non-current assets held for sale	16	-	11,279,365	-	-
TOTAL ASSETS		866,731,768	1,262,993,122	450,627,017	567,043,228
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	371,488,527	365,488,527	371,488,527	365,488,527
Reserves	18	180,627,088	255,553,531	25,150,785	29,397,980
		552,115,615	621,042,058	396,639,312	394,886,507
Non-controlling interests	6(f)	3,120,574	13,758,526	-	-
TOTAL EQUITY		555,236,189	634,800,584	396,639,312	394,886,507
LIABILITIES					
Non-current liabilities					
Redeemable convertible secured bonds ("RCSB")	19	-	164,973,346	-	164,973,346
Borrowings	20	13,327,508	13,988,374	-	-
Contract liabilities	13	72,114,914	-	-	-
Deferred tax liabilities	8	754,258	7,337,368	404,488	4,947,745
Trade and other payables	23	59,921,906	-	-	-
		146,118,586	186,299,088	404,488	169,921,091
Current liabilities					
Trade and other payables	23	83,192,621	239,202,436	1,554,855	2,235,630
Redeemable convertible secured bonds ("RCSB")	19	51,656,577	-	51,656,577	-
Borrowings	20	30,052,264	17,222,611	-	-
Contract liabilities	13	42,408	-	-	-
Deferred revenue	24	-	185,388,395	-	-
Current tax liabilities		433,123	80,008	371,785	-
		165,376,993	441,893,450	53,583,217	2,235,630
TOTAL LIABILITIES		311,495,579	628,192,538	53,987,705	172,156,721
TOTAL EQUITY AND LIABILITIES		866,731,768	1,262,993,122	450,627,017	567,043,228

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 31 DECEMBER 2019

		Group		Company	
	Note	**1.7.2018 to 31.12.2019 RM**	**1.7.2017 to 30.6.2018 RM**	**1.7.2018 to 31.12.2019 RM**	**1.7.2017 to 30.6.2018 RM**
Revenue	27	135,916,404	116,315,406	-	-
Cost of sales	28	(105,514,248)	(68,579,791)	-	-
Gross profit		30,402,156	47,735,615	-	-
Other income	29	48,711,302	25,256,987	27,743,240	14,924,541
Administrative and other expenses		(109,773,976)	(50,315,083)	(4,232,414)	(1,561,314)
Finance costs	30	(33,449,589)	(18,273,777)	(28,344,066)	(16,143,514)
(Loss)/Profit before tax	31	(64,110,107)	4,403,742	(4,833,240)	(2,780,287)
Taxation	32	10,854,486	(2,021,540)	3,651,711	619,620
(Loss)/Profit for the financial period/year		(53,255,621)	2,382,202	(1,181,529)	(2,160,667)
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Fair value loss on available-for-sale financial assets		-	(2,760)	-	-
Foreign currency translations		1,483,159	(7,850,772)	-	-
Total other comprehensive income/(loss), net of tax		1,483,159	(7,853,532)	-	-
Total comprehensive loss		(51,772,462)	(5,471,330)	(1,181,529)	(2,160,667)
(Loss)/Profit attributable to:					
Owners of the parent		(47,486,432)	(176,414)	(1,181,529)	(2,160,667)
Non-controlling interests	6(f)	(5,769,189)	2,558,616	-	-
		(53,255,621)	2,382,202	(1,181,529)	(2,160,667)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(46,198,048)	(7,570,130)	(1,181,529)	(2,160,667)
Non-controlling interests	6(f)	(5,574,414)	2,098,800	-	-
		(51,772,462)	(5,471,330)	(1,181,529)	(2,160,667)

Loss per ordinary share attributable to owners of the parent:

		Group	
	Note	**1.7.2018 to 31.12.2019 sen**	**1.7.2017 to 30.6.2018 sen**
Basic	33(a)	(5.64)	(0.02)
Diluted	33(b)	(5.64)	(0.02)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 31 DECEMBER 2019

Group	Note	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	Total equity RM
		← Non-distributable						→	Distributable			
Balance as at 1 July 2017		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)
Transactions with owners												
Dividend paid	34	-	-	-	-	-	-	-	(3,196,348)	(3,196,348)	-	(3,196,348)
Issuance of ordinary shares pursuant to private placement	17	5,000,000	-	-	-	-	-	-	-	5,000,000	-	5,000,000
Options granted under the Share Issuance Scheme	36	-	-	-	-	1,744,641	-	-	-	1,744,641	-	1,744,641
Options forfeited under the Share Issuance Scheme	22	-	-	-	-	(341,035)	-	-	341,035	-	-	-
Share repurchased	18	-	(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
Balance as at 30 June 2018		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
Balance as at 1 July 2018 (as previously reported)		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
Effects of adoption of MFRSs:	41.1											
MFRS 9		-	-	-	-	-	16,334	-	(4,059,619)	(4,043,285)	-	(4,043,285)
MFRS 15		-	-	-	-	-	-	-	(25,240,637)	(25,240,637)	-	(25,240,637)
Balance as at 1 July 2018 (restated)		365,488,527	(12,703,204)	34,635,461	(146,069,559)	3,077,332	-	25,225,506	322,104,073	591,758,136	13,758,526	605,516,662
Loss for the financial period		-	-	-	-	-	-	-	(47,486,432)	(47,486,432)	(5,769,189)	(53,255,621)
Foreign currency translations, net of tax		-	-	1,288,384	-	-	-	-	-	1,288,384	194,775	1,483,159
Total comprehensive loss		-	-	1,288,384	-	-	-	-	(47,486,432)	(46,198,048)	(5,574,414)	(51,772,462)
Transactions with owners												
Issuance of ordinary shares pursuant to private placement	17	6,000,000	-	-	-	-	-	-	-	6,000,000	-	6,000,000
Renounced of dividend by a non-controlling interest	29	-	-	-	-	-	-	-	-	-	(5,063,538)	(5,063,538)
Options vested under the Share Issuance Scheme	36	-	-	-	-	555,527	-	-	-	555,527	-	555,527
Options forfeited under the Share Issuance Scheme	22	-	-	-	-	(611,834)	-	-	611,834	-	-	-
Total transactions with owners		6,000,000	-	-	-	(56,307)	-	-	611,834	6,555,527	(5,063,538)	1,491,989
Balance as at 31 December 2019		371,488,527	(12,703,204)	35,923,845	(146,069,559)	3,021,025	-	25,225,506	275,229,475	552,115,615	3,120,574	555,236,189

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 31 DECEMBER 2019

		← Non-distributable			→	Distributable	
Company	**Note**	**Share capital RM**	**Treasury shares RM**	**Share options reserve RM**	**Equity component of RCSB RM**	**Retained earnings RM**	**Total equity RM**
Balance at 1 July 2017		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)
Transactions with owners							
Dividend paid	34	-	-	-	-	(3,196,348)	(3,196,348)
Issuance of ordinary shares pursuant to private placement	17	5,000,000	-	-	-	-	5,000,000
Options granted under the Share Issuance Scheme	36	-	-	1,744,641	-	-	1,744,641
Options forfeited under the Share Issuance Scheme	22	-	-	(341,035)	-	341,035	-
Share repurchased	18	-	(4,249)	-	-	-	(4,249)
Total transactions with owners		5,000,000	(4,249)	1,403,606	-	(2,855,313)	3,544,044
Balance at 30 June 2018		365,488,527	(12,703,204)	3,077,332	25,225,506	13,798,346	394,886,507
Balance as at 1 July 2018 (as previously reported)		365,488,527	(12,703,204)	3,077,332	25,225,506	13,798,346	394,886,507
Effects of adoption of MFRSs:							
MFRS 9	41	-	-	-	-	(3,621,193)	(3,621,193)
Balance as at 1 July 2018 (restated)		365,488,527	(12,703,204)	3,077,332	25,225,506	10,177,153	391,265,314
Loss for the financial period		-	-	-	-	(1,181,529)	(1,181,529)
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	(1,181,529)	(1,181,529)
Transactions with owners							
Issuance of ordinary shares pursuant to private placement	17	6,000,000	-	-	-	-	6,000,000
Options vested under the Share Issuance Scheme	36	-	-	555,527	-	-	555,527
Options forfeited under the Share Issuance Scheme	22	-	-	(611,834)	-	611,834	-
Total transactions with owners		6,000,000	-	(56,307)	-	611,834	6,555,527
Balance at 31 December 2019		371,488,527	(12,703,204)	3,021,025	25,225,506	9,607,458	396,639,312

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JULY 2018 TO 31 DECEMBER 2019

	Note	Group 1.7.2018 to 31.12.2019 RM	Group 1.7.2017 to 30.6.2018 RM	Company 1.7.2018 to 31.12.2019 RM	Company 1.7.2017 to 30.6.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax		(64,110,107)	4,403,742	(4,833,240)	(2,780,287)
Adjustments for:					
Accretion of non-current amount owing to related parties	29	(5,227,156)	-	-	-
Depreciation of property, plant and equipment	5	18,468,629	14,325,928	-	-
Dividend income	29	(12,250)	(7,926)	-	-
(Gain)/Loss on disposal of:					
- non-current asset held for sale	29	(14,405,754)	-	-	-
- property, plant and equipment	29,31	(2,186,345)	95,640	-	-
Fair value adjustment on other investments	7	(4,254)	-	-	-
Impairment losses on:					
- contract asset	13(b)	25,609,992	-	-	-
- investment in a subsidiary	6	-	-	452,186	-
- land reclamation work-in-progress	10(b)	2,541,106	-	-	-
- property, plant and equipment	5	16,621,013	16,206,018	-	-
- trade and other receivables		599,606	-	-	-
Interest expense	30	33,449,589	18,273,777	28,344,066	16,143,514
Interest income		(7,179,735)	(5,861,005)	(25,639,441)	(14,924,541)
Inventories written down	9(d)	-	666,667	-	-
Options vested/granted under Share Issuance Scheme	36	555,527	1,744,641	-	78,060
Write off of:					
- amounts owing by related parties	31	105	-	-	-
- amounts owing by subsidiaries	31	-	-	1,659,135	-
- property, plant and equipment	31	1,129,419	6	-	-
- trade and other receivables	31	2,937,072	-	-	-
Renouncement of dividend by a non-controlling interest	29	(5,063,538)	-	-	-
Reversal of impairment loss on:					
- trade and other receivables		(442,206)	(3,178,500)	-	-
- amounts owing by subsidiaries	11(1)	-	-	(2,103,799)	-
Unrealised loss/(gain) on foreign exchange	29,31	4,450,290	(3,292,768)	-	-
Waiver of amounts owing to trade payables	29	(406,797)	-	-	-
Operating profit/(loss) before changes in working capital		7,324,206	43,376,220	(2,121,093)	(1,483,254)
Changes in working capital:					
Contract assets		(967,329)	-	-	-
Contract liabilities		(13,058,334)	-	-	-
Deferred revenue		-	15,090,805	-	-
Inventories		50,323,987	45,888,414	-	-
Land reclamation work in progress		(24,859,550)	(118,691,647)	-	-
Trade and other receivables		29,288,416	(13,870,012)	5,791	(10,580)
Trade and other payables		(68,115,833)	38,112,117	146,061	105,596
Cash (used in)/generated from operations		(20,064,437)	9,905,897	(1,969,241)	(1,388,238)
Interest received		-	1,975,491	-	-
Tax refunded		4,050,021	213,679	199,966	28,278
Tax paid		(3,400,725)	(4,869,133)	(539,363)	(364,864)
Net cash (used in)/from operating activities		(19,415,141)	7,225,934	(2,308,638)	(1,724,824)

Statements of Cash Flows (continued)
For the Financial Period from 1 July 2018 to 31 December 2019

	Note	Group 1.7.2018 to 31.12.2019 RM	Group 1.7.2017 to 30.6.2018 RM	Company 1.7.2018 to 31.12.2019 RM	Company 1.7.2017 to 30.6.2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received		12,250	7,926	-	-
Interest received		7,179,735	3,885,514	5,135,343	3,246,323
Placements of fixed deposits pledged with licensed financial institutions		(482,431)	(589,316)	-	-
Placements of short term funds		(7,253)	(4,511)	-	-
Proceeds from disposal of:					
- non-current asset held for sale		25,685,119	-	-	-
- property, plant and equipment		5,690,274	267,588	-	-
Purchase of property, plant and equipment	5(e)	(1,594,826)	(3,263,557)	-	-
Advances from a subsidiary		-	-	8,295,208	15,245,410
Repayments to a related party		(18,144,967)	-	-	-
Withdrawals/(Placements) of deposits and bank balances charged in favour of the Security Trustee pursuant to RCSB		125,350,189	(9,545,304)	125,350,189	(9,545,304)
Net cash from/(used in) investing activities		143,688,090	(9,241,660)	138,780,740	8,946,429
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	34	-	(3,196,348)	-	(3,196,348)
Drawdown of borrowings		30,025,801	11,054,378	-	-
Interest paid		(13,992,998)	(11,179,578)	(13,487,671)	(9,049,315)
Partial redemption of RCSB	19	(129,000,000)	-	(129,000,000)	-
Proceeds from issuance of ordinary shares pursuant to private placement	17	6,000,000	5,000,000	6,000,000	5,000,000
Repayments of borrowings		(32,780,874)	(7,251,016)	-	-
Shares repurchased	18	-	(4,249)	-	(4,249)
Net cash used in financing activities		(139,748,071)	(5,576,813)	(136,487,671)	(7,249,912)
Net decrease in cash and cash equivalents		(15,475,122)	(7,592,539)	(15,569)	(28,307)
Effects of exchange rate changes on cash and cash equivalents		(5,824)	(73,482)	-	-
Cash and cash equivalents at beginning of financial period/year		1,566,174	9,232,195	23,221	51,528
Cash and cash equivalents at end of financial period/year	15	(13,914,772)	1,566,174	7,652	23,221

Statements of Cash Flows (continued)
For the Financial Period from 1 July 2018 to 31 December 2019

Reconciliation of liabilities arising from financing activities:

Group	Hire purchase liabilities (Note 20) RM	Revolving credit (Note 20) RM	Term loans (Note 20) RM	Trust receipts (Note 20) RM	Invoice financing (Note 20) RM
At 1 July 2018	7,684,870	10,000,000	11,482,255	1,054,378	-
Cash flows	(4,745,180)	-	2,084,883	(222,207)	127,431
Non-cash flows:					
Purchase of property, plant and equipment (Note 5(e))	746,000	-	673,083	-	-
At 31 December 2019	3,685,690	10,000,000	14,240,221	832,171	127,431
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(e))	296,400	-	1,283,476	-	-
At 30 June 2018	7,684,870	10,000,000	11,482,255	1,054,378	-

NOTES TO THE FINANCIAL STATEMENTS

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 period from 1 July 2018 to 31 December 2019 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 Group and the Company have changed their financial year end from 30 June to 31 December. Accordingly, the financial statements of the Group and of the Company for the financial period ended 31 December 2019 cover an 18 month period compared to the 12 month period ended 30 June 2018.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 26 June 2020.

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company 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 period. The new MFRSs and Amendments to MFRSs adopted during the financial period are disclosed in Note 41 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial period, using the cumulative effect method as at 1 July 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial period.

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.

The Group and the Company have carried out cash flow reviews for the next twelve (12) months to ensure that the business operations have sufficient available funds to meet their obligations as and when they fall due. Therefore, notwithstanding that the Group and the Company incurred net cash outflows in operating activities and the Group was in an overall cash deficit position as disclosed in the statements of cash flows, the Directors are confident that the Group and the Company are able to generate sufficient cash flows for the next twelve months from the date of the end of the financial period to meet their cash flow requirements to realise their assets and discharge their liabilities in the normal course of business, including the redemption of the outstanding RCSB of RM53,000,000 in nominal value on or before 29 July 2020. Further details on the Group's and the Company's liquidity and cash flow risk assessment is set out in Note 38(b)(ii) to the financial statements.

4. OPERATING SEGMENTS

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), 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 services

Providing marine construction services, which include the following:

i. land reclamation, dredging and beach nourishment;
ii. rock revetment works, shore protection works and breakwater construction;
iii. pre-bore and marine piling;
iv. construction of marine structures, bridges, jetties, ports and other offshore and ancillary services; and
v. sales 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 and marine transportation

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 and properties held for sale.

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

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 financial period and previous financial year.

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
(continued)

4. OPERATING SEGMENTS (continued)

(a) Operating segments

31.12.2019	← Marine construction: Land reclamation services RM	Marine construction →: Disposal of land held for sale RM	Vessel chartering and marine transportation RM	Shipbuilding RM	Others RM	Total RM
Revenue						
Total revenue	52,824,277	87,789,068	10,118,079	-	11,438,500	162,169,924
Inter-segment revenue	(22,132,060)	-	(552,960)	-	(3,568,500)	(26,253,520)
Revenue from external customers	**30,692,217**	**87,789,068**	**9,565,119**	**-**	**7,870,000**	**135,916,404**
Interest income	2,039,111	-	5,273	8	5,135,343	7,179,735
Finance costs	(5,011,101)	-	-	(5,569)	(28,432,919)	(33,449,589)
Net finance (expense)/income	(2,971,990)	-	5,273	(5,561)	(23,297,576)	(26,269,854)
Segment (loss)/profit before tax	**(60,037,391)**	**31,321,583**	**(32,489,635)**	**20,862,556**	**(2,953,575)**	**(43,296,462)**
Taxation	12,879,731	(4,383,180)	24,132	(1,272,953)	3,606,756	10,854,486
Other information						
Depreciation of property, plant and equipment	(11,311,350)	-	(7,139,591)	(17,688)	-	(18,468,629)
Loss on disposal of property, plant and equipment	(541,167)	-	(10,897)	(1,917,982)	-	(2,470,046)
Accretion of non-current amount owing to related parties	1,584,273	-	-	3,642,883	-	5,227,156
Fair value adjustment on other investments	4,254	-	-	-	-	4,254
Impairment losses on:						
- contract asset	(25,609,992)	-	-	-	-	(25,609,992)
- land reclaimed work in progress	(2,541,106)	-	-	-	-	(2,541,106)
- property, plant and equipment	(2,096,153)	-	(14,524,860)	-	-	(16,621,013)
- other receivables	(560,000)	-	-	-	(39,606)	(599,606)
Waiver of debts by trade payables	406,797	-	-	-	-	406,797
Written off on:						
- amount owing by related parties	(105)	-	-	-	-	(105)
- property, plant and equipment	(680)	-	(11,041)	(1,117,698)	-	(1,129,419)
- trade and other receivables	(627,915)	-	(27,524)	(2,281,633)	-	(2,937,072)
Reversal of impairment losses on trade and other receivables	442,206	-	-	-	-	442,206
Gain on disposal of non-current asset held for sale	-	-	14,405,754	-	-	14,405,754
Gain on disposal of property, plant and equipment	4,083,713	-	-	572,678	-	4,656,391
Additions to non-current assets	3,013,909	-	-	-	-	3,013,909
Segment assets	**581,511,061**	**188,716,803**	**(1,939,543)**	**41,906,869**	**27,789,575**	**837,984,765**
Segment liabilities	**179,888,440**	**42,408**	**443,186**	**54,619,549**	**75,314,615**	**310,308,198**

4. OPERATING SEGMENTS (continued)

(a) Operating segments (continued)

30.6.2018	Marine construction: Land reclamation services RM	Marine construction: Disposal of land held for sale RM	Vessel chartering RM	Shipbuilding RM	Others RM	Total RM
Revenue						
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)
Revenue from external customers	**3,609,445**	**79,989,640**	**31,176,321**	**-**	**1,540,000**	**116,315,406**
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)
Segment (loss)/profit before tax	**(1,516,766)**	**25,446,130**	**(1,902,911)**	**116,118**	**(2,949,874)**	**19,192,697**
Taxation	1,610,519	(4,570,098)	291,403	28,926	617,710	(2,021,540)
Other information						
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)
Loss on disposal of property, plant and equipment	(95,640)	-	-	-	-	(95,640)
Reversal of impairment loss on trade receivables	3,178,500	-	-	-	-	3,178,500
Write off of trade and other receivables	7,000	-	-	-	-	7,000
Additions to non-current assets	4,791,970	-	51,463	-	-	4,843,433
Segment assets	**669,595,406**	**310,148,280**	**91,880,574**	**13,164,854**	**153,436,519**	**1,238,225,633**
Segment liabilities	**(183,872,603)**	**(185,388,395)**	**(65,893,084)**	**(3,182,303)**	**(182,438,777)**	**(620,775,162)**

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

	31.12.2019 RM	30.6.2018 RM
(Loss)/Profit for the financial period		
Total profit for reportable segments	(43,296,462)	19,192,697
Elimination of inter-segment profits	(20,813,645)	(13,044,314)
Effects of share-based payments (Note 22(h))	-	(1,744,641)
(Loss)/Profit before tax	(64,110,107)	4,403,742
Taxation	10,854,486	(2,021,540)
(Loss)/Profit for the financial period/year of the Group per consolidated statement of profit or loss and other comprehensive income	(53,255,621)	2,382,202

Notes to the Financial Statements
(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 (continued):

	31.12.2019 RM	30.6.2018 RM
Assets		
Total assets for reportable segments	837,984,765	1,238,225,633
Unallocated assets:		
- Other investments	50,199	45,945
- Current tax assets	4,247,171	7,101,258
- Deferred tax assets	24,449,633	17,620,286
Assets of the Group	866,731,768	1,262,993,122
Liabilities		
Total liabilities for reportable segments	310,308,198	620,775,162
Unallocated liabilities:		
- Current tax liabilities	433,123	80,008
- Deferred tax liabilities	754,258	7,337,368
Liabilities of the Group	311,495,579	628,192,538

(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.

(i) Revenue from external customers

	Group	
	31.12.2019 RM	30.6.2018 RM
Malaysia	135,916,404	116,315,406

(ii) Non-current assets

	Group	
	31.12.2019 RM	30.6.2018 RM
Malaysia	82,632,556	137,866,814
Singapore	20,787,917	31,136,071
	103,420,473	169,002,885

(c) Major customers

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

	Revenue	
	31.12.2019 % of total	30.6.2018 % of total
Marine construction segment		
Customer A	16%	-
Customer B	34%	-
Customer C	-	26%
Customer D	-	23%
Customer E	-	19%
Customer F	14%	-
	64%	68%

The above customers are related to the marine construction segment.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold 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
31.12.2019									
Cost									
At 1 July 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
Additions	-	155,296	-	-	217,222	64,000	1,855,508	721,883	3,013,909
Disposals	(1,749,860)	(2,649,637)	(5,735,304)	(37,406,332)	(51,754)	(82,500)	(813,533)	-	(48,488,920)
Write-offs	-	-	(516,199)	(7,240,704)	(1,427,952)	(522,184)	(896,710)	-	(10,603,749)
Transfers	-	3,424,776	-	-	-	-	-	(3,424,776)	-
Translation adjustments	-	20,851	27,962	3,591,658	6,995	2,266	-	5,438	3,655,170
At 31 December 2019	13,607,055	15,144,980	42,304,488	210,601,123	5,282,521	1,314,453	13,337,983	502,767	302,095,370
Accumulated depreciation									
At 1 July 2018	-	1,395,877	18,725,136	87,206,873	4,172,294	845,976	9,781,383	-	122,127,539
Charge for the financial period	-	494,096	6,039,602	8,804,386	528,148	205,851	2,396,546	-	18,468,629
Disposals	-	(839,978)	(1,862,931)	(8,941,412)	(5,606)	(71,603)	(641,333)	-	(12,362,863)
Write-offs	-	-	(446,704)	(2,317,342)	(1,275,559)	(387,585)	(896,659)	-	(5,323,849)
Translation adjustments	-	3,077	18,067	1,063,331	3,781	1,421	-	-	1,089,677
At 31 December 2019	-	1,053,072	22,473,170	85,815,836	3,423,058	594,060	10,639,937	-	123,999,133
Accumulated impairment losses									
At 1 July 2018	-	-	63,832	62,943,957	255,188	23,815	-	101,744	63,388,536
Charge for the financial period	-	-	-	16,621,013	-	-	-	-	16,621,013
Disposals	-	-	-	(1,938,451)	-	-	-	-	(1,938,451)
Write-offs	-	-	(63,832)	(3,807,646)	(255,188)	(23,815)	-	-	(4,150,481)
Translation adjustments	-	-	-	755,147	-	-	-	-	755,147
At 31 December 2019	-	-	-	74,574,020	-	-	-	101,744	74,675,764

Notes to the Financial Statements
(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
30.6.2018										
Cost										
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 16)	-	(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
Accumulated depreciation										
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 16)	-	(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
Accumulated impairment losses										
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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group	
	31.12.2019	**30.6.2018**
	RM	**RM**
Carrying amount		
Freehold land	13,607,055	15,356,915
Buildings	14,091,908	12,797,817
Plant and machinery	19,831,318	29,739,061
Barges and dredgers	50,211,267	101,505,671
Tools and office equipment	1,859,463	2,110,528
Furniture and fittings	720,393	983,080
Motor vehicles	2,698,046	3,411,335
Construction-in-progress	401,023	3,098,478
	103,420,473	169,002,885

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment except for freehold land are stated at cost less 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 estimated useful lives represent common life expectancies applied in the various business segments of the Group. The principal annual rates used are as follows:

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 unlimited useful life and is not depreciated.

Property, plant and equipment under construction represent building under construction. Property, plant and equipment under construction are 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 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	
	31.12.2019	**30.6.2018**
	RM	**RM**
Motor vehicles	1,450,014	2,053,772
Plant and machinery	7,367,967	10,215,854
Buildings	3,235,000	-
Furniture and fittings	355,475	-
Tools and office equipment	157,020	-
	12,565,476	12,269,626

Notes to the Financial Statements
(continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) 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 20(d) to the financial statements are as follows:

	Group	
	31.12.2019	**30.6.2018**
	RM	**RM**
Freehold land	13,607,055	15,356,915
Buildings	9,019,844	6,192,140
Construction-in-progress	-	2,702,893
	22,626,899	24,251,948

(e) During the financial period/year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	31.12.2019	**30.6.2018**
	RM	**RM**
Additions of property, plant and equipment	3,013,909	4,843,433
Additions via hire purchase arrangements	(746,000)	(296,400)
Addition via term loan	(673,083)	(1,283,476)
Cash outflow for acquisition of property, plant and equipment	1,594,826	3,263,557

(f) Impairment of property, plant and equipment

The Group assessed whether there were any indicators of impairment during the financial period. In doing this, the management considered the performance of the cash generating unit (“CGU”).

The Directors have made an estimate on the asset’s recoverable amount. An asset recoverable amount is the higher of an assets’ fair value less costs to sell and its value in use (“VIU”). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or group assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

During the financial period, the Group recognised impairment losses of RM16,621 ,013 (30.6.2018: RM16,206,018) on certain barges and dredgers.

The Group has performed impairment assessment on those barges and dredgers which have an indication of impairment. The recoverable amounts of those barges and dredgers are derived from their fair value less cost to sell estimated by an independent valuer. The fair value measurement was categorised as Level 3 fair value.

The valuation was made based on the comparison method with reference to the 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.

Notes to the Financial Statements
(continued)

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	31.12.2019 RM	**30.6.2018 RM**
Unquoted shares, at cost	157,499,998	157,499,998
Less: Accumulated impairment loss	(4,130,439)	(3,678,253)
Equity loans to a subsidiary	195,000,000	-
	348,369,559	153,821,745

Movement in accumulated impairment losses:

	Company	
	31.12.2019 RM	**30.6.2018 RM**
Balance as at 1 July 2018/2017	3,678,253	3,678,253
Impairment losses recognised in profit or loss	452,186	-
Balance as at 31 December 2019/30 June 2018	4,130,439	3,678,253

(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.

(b) Equity loans to a subsidiary are unsecured, interest-free and settlement are neither planned nor likely to occur in the foreseeable future for the purposes of providing the subsidiary with a long term source of additional capital.

(c) Details of the subsidiaries are as follows:

Name of company	**Country of incorporation/ Principal place of business**	**Effective interest in equity 31.12.2019 %**	**30.6.2018 %**	**Principal activities**
Direct subsidiaries				
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. *("Oceanliner")* (1)	Singapore	100	100	Charter of vessels
Subsidiaries of BSB				
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

Notes to the Financial Statements
(continued)

6. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity 31.12.2019 %	30.6.2018 %	Principal activities
Subsidiaries of BSB (continued)				
Benalec Diversity Sdn. Bhd.[(1)]	Malaysia	100	100	Marine construction and civil engineering
Benalec Venture Sdn. Bhd.[(1)]	Malaysia	100	100	Marine construction and civil engineering
Benalec Construction Sdn. Bhd.[(1)]	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.[(1)(3)]	Malaysia	-	100	Property investment holding
Heritage Land Sdn. Bhd. [(1)]	Malaysia	100	100	Property investment holding
Heritage Property Sdn. Bhd.[(1)]	Malaysia	100	100	Property investment holding
Sentosacove Development Sdn. Bhd.[(1)]	Malaysia	100	100	Property investment holding
Jewel East Sdn. Bhd. ("JESB")[(1)]	Malaysia	100	100	Property investment holding
Goldnet Synergy Sdn. Bhd. ("GSSB")[(1)]	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.[(1) (2)]	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.[(1)]	Malaysia	100	100	Dormant
Oceanfront Property Sdn. Bhd.[(1) (3)]	Malaysia	-	100	Dormant
Benalec CeTeau Asia Sdn. Bhd.[(1)]	Malaysia	51	51	To carry on the business of installing geo-technical prefabricated vertical drains.
Oceanview Realty Sdn. Bhd.[(1)]	Malaysia	100	100	Dormant
Orientalcove Realty Sdn. Bhd.[(1)]	Malaysia	100	100	Dormant
Orientalcove Property Sdn. Bhd.[(1)]	Malaysia	100	100	Dormant
Heritage Land Development Sdn. Bhd.[(1)]	Malaysia	100	100	Dormant
Heritage Land Realty Sdn. Bhd.[(1)]	Malaysia	100	100	Dormant
Strategic Cove Sdn. Bhd.[(1)]	Malaysia	100	100	Dormant
Strategic Land Sdn. Bhd.[(1)]	Malaysia	100	100	Dormant
Wilajati Sdn. Bhd. [(1)]	Malaysia	100	100	Dormant
Integrasi Mekar Sdn. Bhd.[(1)(3)]	Malaysia	-	100	Dormant
Indera Tenggara Sdn. Bhd.[(1)(3)]	Malaysia	-	100	Dormant
Atlantic Pacific Ltd	Labuan	100	100	Dormant

Notes to the Financial Statements
(continued)

6. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity 31.12.2019 %	Effective interest in equity 30.6.2018 %	Principal activities
Subsidiaries of JESB				
Iconic Island Sdn. Bhd.[(1)]	Malaysia	100	100	Property investment holding
One World Island Sdn. Bhd.[(1)]	Malaysia	100	100	Property investment holding
Cheng Ho City Sdn. Bhd.[(1)]	Malaysia	100	100	Property investment holding
Zheng Island Sdn. Bhd.[(1)]	Malaysia	100	100	Property investment holding
Subsidiary of PMISB				
Spektrum Budi Sdn. Bhd.	Malaysia	70	70	Marine construction
Subsidiary of TPMISB				
Spektrum Kukuh Sdn. Bhd.	Malaysia	70	70	Marine construction and civil engineering
Subsidiary of GSSB				
Neptune Paradise Sdn. Bhd.[(1)(3)]	Malaysia	-	100	General trading

(1) *Subsidiaries not audited by BDO PLT or BDO member firms.*

(2) *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.*

(3) *Details of cessation of interests in subsidiaries during the financial period are disclosed in Note 6(d) to the financial statements.*

(d) During the financial period:

(i) Disposal of Integrasi Mekar Sdn. Bhd. ("IMSB")

On 1 July 2019, Benalec Sdn. Bhd., a wholly owned subsidiary of the Company, had disposed of IMSB for a nominal cash consideration of RM2.

(ii) Disposal of Crystal Land Property Sdn. Bhd. ("CLPSB")

On 30 September 2019, Benalec Sdn. Bhd., a wholly owned subsidiary of the Company, had disposed of CLPSB for a nominal cash consideration of RM2.

(iii) Disposal of Indera Tenggara Sdn. Bhd. ("ITSB")

On 24 October 2019, Benalec Sdn. Bhd., a wholly owned subsidiary of the Company, had disposed ITSB for a nominal cash consideration of RM2.

Notes to the Financial Statements
(continued)

6. INVESTMENTS IN SUBSIDIARIES (continued)

(d) During the financial period (continued):

(iv) Disposal of Neptune Paradise Sdn. Bhd. ("NPSB")

On 17 November 2019, Goldnet Synergy Sdn. Bhd., an indirect wholly owned subsidiary of the Company, had disposed of NPSB for a nominal cash consideration of RM2.

The subsidiaries disposed during the financial period have ceased to be wholly-owned subsidiaries of the Group with effect from 31 December 2019. The financial results of the subsidiaries being disposed are insignificant to the Group.

(v) Strike-off of Oceanfront Property Sdn. Bhd. ("OPSB")

On 24 December 2019, OPSB, a wholly owned subsidiary of Benalec Sdn. Bhd., had submitted a strike off application to the Companies Commission of Malaysia. OPSB had been dissolved and ceased to be a wholly-owned subsidiary of the Group with effect from 31 December 2019. The financial results of the subsidiary being deregistered are insignificant to the Group.

(e) Costs of investment in a subsidiary amounting to RM452,186 (30.6.2018: RM Nil) had been fully impaired and recognised due to its recoverable amounts being lower than its carrying amount.

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

31.12.2019	**Spektrum Budi Sdn. Bhd.**	**Spektrum Kukuh Sdn. Bhd.**	**Ocean Pacific Ltd**	**Benalec CeTeau Asia Sdn. Bhd.**	**Others**	**Total**
NCI percentage of ownership interest and voting interest	30%	30%	49%	49%		
Carrying amount of NCI (RM)	552,257	1,137,858	(475)	1,421,832	9,102	3,120,574
Loss allocated to NCI (RM)	(880,779)	(203,706)	(3,951,086)	(589,418)	(144,200)	(5,769,189)
Total comprehensive loss allocated to NCI (RM)	(880,779)	(203,706)	(3,758,205)	(589,418)	(142,306)	(5,574,414)
30.6.2018						
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

6. INVESTMENTS IN SUBSIDIARIES (continued)

(g) 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:

	Spektrum Budi Sdn. Bhd. RM	Spektrum Kukuh Sdn. Bhd. RM	Ocean Pacific Ltd RM	Benalec CeTeau Asia Sdn. Bhd. RM
31.12.2019				
Assets and liabilities				
Non-current assets	3,333	452,489	-	1,029,326
Current assets	23,558,391	446,940,101	15,871	1,896,821
Current liabilities	(25,280,341)	(447,082,179)	(16,840)	(24,448)
Net (liabilities)/assets	(1,718,617)	310,411	(969)	2,901,699
Results				
Revenue	-	-	1,070,141	-
Loss for the financial period	(2,935,929)	(679,020)	(8,063,440)	(1,202,893)
Total comprehensive loss	(2,935,929)	(679,020)	(7,669,806)	(1,202,893)
Cash flows used in operating activities	(952,659)	(77,195,361)	(2,172,371)	(1,078,824)
Cash flows from investing activities	939,676	77,170,132	2,153,837	1,693,789
Cash flows used in financing activities	-	-	-	(641,483)
Net decrease in cash and cash equivalents	(12,983)	(25,229)	(18,534)	(26,518)
30.06.2018				
Assets and liabilities				
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
Results				
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

Notes to the Financial Statements
(continued)

7. OTHER INVESTMENTS

	Group	
	31.12.2019 RM	**30.6.2018 RM**
Financial assets at fair value through profit or loss		
Quoted ordinary shares in Malaysia		
As at 1 July 2018/2017	45,945	48,705
Fair value gain/(loss)	4,254	(2,760)
As at 31 December 2019/30 June 2018	50,199	45,945

(a) Other investments are classified as financial assets at fair value through profit or loss.

(b) 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.

(c) 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 period.

8. DEFERRED TAX

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

	Group		Company	
	31.12.2019 RM	**30.6.2018 RM**	**31.12.2019 RM**	**30.6.2018 RM**
Balance as at 1 July 2018/2017	(10,282,918)	(5,283,381)	4,947,745	5,993,221
Recognised in profit or loss (Note 32)	(13,412,457)	(4,999,537)	(4,543,257)	(1,045,476)
Balance as at 31 December 2019/ 30 June 2018	(23,695,375)	(10,282,918)	404,488	4,947,745
Presented after appropriate offsetting:				
Deferred tax assets, net	(24,449,633)	(17,620,286)	-	-
Deferred tax liabilities, net	754,258	7,337,368	404,488	4,947,745
	(23,695,375)	(10,282,918)	404,488	4,947,745

Notes to the Financial Statements
(continued)

8. DEFERRED TAX (continued)

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

Deferred tax assets of the Group

	Property, plant and equipment RM	Unused tax losses and unabsorbed capital allowances RM	Contract liabilities RM	Deferred revenue RM	Other RM	Total RM
At 1 July 2018	5,598,754	885,686	-	20,451,757	-	26,936,197
Recognised in profit or loss	1,763,849	333,678	17,317,757	(20,451,757)	6,146,398	5,109,925
At 31 December 2019 (before offsetting)	7,362,603	1,219,364	17,317,757	-	6,146,398	32,046,122
Offsetting						(7,596,489)
At 31 December 2019						24,449,633
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

Deferred tax liabilities of the Group

	Property, plant and equipment RM	RCSB RM	Others RM	Total RM
At 1 July 2018	11,705,534	4,947,745	-	16,653,279
Recognised in profit or loss	(4,639,265)	(4,543,257)	879,990	(8,302,532)
At 31 December 2019 (before offsetting)	7,066,269	404,488	879,990	8,350,747
Offsetting				(7,596,489)
At 31 December 2019				754,258
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

Notes to the Financial Statements
(continued)

8. DEFERRED TAX (continued)

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

Deferred tax liabilities of the Company

	RCSB RM	Total RM
At 1 July 2018	4,947,745	4,947,745
Recognised in profit or loss (Note 32)	(4,543,257)	(4,543,257)
At 31 December 2019	404,488	404,488
At 1 July 2017	5,993,221	5,993,221
Recognised in profit or loss (Note 32)	(1,045,476)	(1,045,476)
At 30 June 2018	4,947,745	4,947,745

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

	Group	
	31.12.2019 RM	30.6.2018 RM
Other taxable temporary differences	1,274,348	263,978
Unabsorbed capital allowances	781,495	174,926
Unused tax losses	13,511,911	12,904,089
	15,567,754	13,342,993

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.

For the Malaysian entities, the unused tax losses of the Group up to the period of assessment 2019 shall be deductible until year of assessment 2026. The unused tax losses for the year 2020 onwards will expire in seven (7) years. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and the tax legislation of the respective countries in which the subsidiaries operate.

9. INVENTORIES

		Group	
	Note	31.12.2019 RM	30.6.2018 RM
At cost			
Consumables	(b)	227,408	227,408
Land held for sale	(c)	188,447,067	229,385,465
Land reclamation work in progress	10	404,942,626	405,734,578
Properties held for sale	(d)	356,585	355,498
		593,973,686	635,702,949
At net realisable value			
Properties held for sale	(d)	10,477,950	19,567,210
Land reclamation work in progress	10	23,110,396	-
		627,562,032	655,270,159

9. INVENTORIES (continued)

(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.

(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.

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

	Group	
	31.12.2019 RM	**30.6.2018 RM**
As at 1 July 2018/2017	229,385,465	276,659,669
Costs incurred during the financial period/year	8,899,000	7,263,480
Less: Recognised in profit or loss during the financial period/year	(49,837,398)	(54,537,684)
As at 31 December 2019/30 June 2018	188,447,067	229,385,465

(iii) Land held for sale represents reclaimed leasehold land with remaining lease terms ranging from 92 to 96 years (30.6.2018: 93 to 97 years).

(iv) Land held for sale of the Group with carrying amount of RM104,852,022 (30.6.2018: RM104,502,703) are charged to the Security Trustee as collateral for the issuance of RCSB as disclosed in Note 19(k)(i) to the financial statements. Subsequent to the first partial redemption of RCSB as disclosed in Note 19, land held for sale charged to the Security Trustee as collateral for the issuance of RCSB amounted to RM95,346,521.

(d) Properties held for sale

(i) Properties held for sale are in respect of seven (7) units (30.6.2018: thirteen (13)) 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) In the previous financial year, properties held for sale written down recognised in profit or loss amounted to RM666,667.

(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 recoverable amount. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trends 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
(continued)

10. LAND RECLAMATION WORK IN PROGRESS

	Group	
	31.12.2019 RM	30.6.2018 RM
At cost	404,942,626	405,734,578
At net realisable value	23,110,396	-
Land reclamation work in progress	428,053,022	405,734,578

(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.

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

	Group	
	31.12.2019 RM	30.6.2018 RM
Balance as at 1 July 2018/2017	405,734,578	287,042,931
Costs incurred during the financial period/year	24,859,550	118,691,647
Written down during the period/year	(2,541,106)	-
Balance as at 31 December 2019/30 June 2018	428,053,022	405,734,578

(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.

(d) Land reclamation work-in-progress written down during the financial period amounted to RM2,541,106 (30.6.2018: RM Nil) had been recognised as administrative and other expenses of the Group.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.2019 RM	30.6.2018 RM	31.12.2019 RM	30.6.2018 RM
Trade receivables				
Third parties	6,676,088	89,766,806	-	-
Less: Impairment losses	-	(1,886,966)	-	-
	6,676,088	87,879,840	-	-
Amounts due from contract customers (Note 12)				
- third parties	-	27,590,291	-	-
- related parties	-	79,663,627	-	-
	-	107,253,918	-	-
Less: Impairment losses				
- third parties	-	(468,658)	-	-
	-	106,785,260	-	-

Notes to the Financial Statements
(continued)

11. TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	31.12.2019 RM	30.6.2018 RM	31.12.2019 RM	30.6.2018 RM
Other receivables and deposits				
Other receivables	3,001,552	42,627,186	19,151	22,822
Amounts owing by related parties	1,106	228	-	-
Amounts owing by subsidiaries	-	-	98,309,524	282,204,242
Deposits	14,217,955	7,062,511	5,000	5,000
	17,220,613	49,689,925	98,333,675	282,232,064
Less: Impairment losses				
- third parties	(1,307,021)	(1,307,021)	-	-
- subsidiaries	-	-	(1,631,938)	(114,544)
- deposits	(610,016)	-	-	-
	(1,917,037)	(1,307,021)	(1,631,938)	(114,544)
Total other receivables and and deposits	15,303,576	48,382,904	96,701,737	282,117,520
	21,979,664	243,048,004	96,701,737	282,117,520
Prepayments				
Prepayments	3,916,649	2,716,144	-	2,120
	25,896,313	245,764,148	96,701,737	282,119,640

(a) Total receivables are classified as financial assets measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranged from 14 days to 30 days (30.6.2018: 60 days to 180 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.

In the previous financial year, included in trade receivables of the Group was amounts owing by a third party amounting to RM80,762,815, which represented proceeds receivable from disposals of land held for sale. Upon adoption of MFRS 15, approximately RM57,401,900 of this amount has been adjusted/reclassified as part of the impact of the adoption of MFRS 15 as disclosed in Note 41.1(b).

In the previous financial year, included in trade receivables of the Group was an amount of RM3,316,976 which represented proceeds receivable from a land reclamation contract, which was assigned to the Security Trustee for the issuance of RCSB as disclosed in Note 19(k)(ii) to the financial statements.

(c) Included in trade receivables of the Group are retention sums for contract works amounting to RM1,406,331 (30.6.2018: RM15,700). The retention sums are unsecured, interest free and are expected to be collected as follows:

	Group	
	31.12.2019 RM	30.6.2018 RM
Within one (1) year	957,369	-
Within two (2) years	448,962	15,700
	1,406,331	15,700

(d) Currency exposure of trade and other receivables (excluding prepayments) of the Group are as follows:

	Group		Company	
	31.12.2019 RM	30.6.2018 RM	31.12.2019 RM	30.6.2018 RM
Ringgit Malaysia	21,977,064	243,041,635	96,701,737	282,117,520
Singapore Dollar	456	6,369	-	-
United States Dollar	2,144	-	-	-
	21,979,664	243,048,004	96,701,737	282,117,520

Notes to the Financial Statements
(continued)

11. TRADE AND OTHER RECEIVABLES (continued)

(e) Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions of the Group to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables are adjusted by forward looking information on macroeconomic factors and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. The Group had identified the lending interest rate and Gross Domestic Product ("GDP") as the key macroeconomic factors.

For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative and other expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

No expected credit loss is recognised arising from trade receivables as it is negligible.

(f) Movements in the impairment losses for trade receivables are as follows:

	Lifetime ECL Group RM
At 1 July 2018 under MFRS 139	1,886,966
Restated through opening retained earnings	-
Opening impairment loss of trade receivables in accordance with MFRS 9	1,886,966
Reversal of impairment loss	(396,750)
Written off	(1,490,216)
As at 31 December 2019	-
At 1 July 2017 under MFRS 139	5,065,466
Reversal of impairment losses	(3,178,500)
At 30 June 2018	1,886,966

(g) Aging analysis of trade receivables of the Group are as follows:

31.12.2019	**Gross RM**	**Impaired RM**	**Total RM**
Current	6,334,594	-	6,334,594
Past due:			
1 to 30 days	327,195	-	327,195
31 to 60 days	-	-	-
61 to 90 days	-	-	-
91 to 120 days	-	-	-
More than 120 days	14,299	-	14,299
	341,494	-	341,494
	6,676,088	-	6,676,088

11. TRADE AND OTHER RECEIVABLES (continued)

(g) Aging analysis of trade receivables of the Group are as follows (continued):

30.6.2018*	**Gross RM**	**Impaired RM**	**Total RM**
Current	84,049,294	-	84,049,294
Past due:			
1 to 30 days	-	-	-
31 to 60 days	-	-	-
61 to 90 days	513,570	-	513,570
91 to 120 days	-	-	-
More than 120 days	5,203,942	(1,886,966)	3,316,976
	5,717,512	(1,886,966)	3,830,546
	89,766,806	(1,886,966)	87,879,840

* Comparative information as required under MFRS 139 *Financial Instruments: Recognition and Measurement*.

(h) Included in deposits of the Group is an amount of RM11,006,360 (30.6.2018: RM4,009,611) paid as deposit for the acquisition of a parcel of land.

(i) Current amounts owing from subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and repayable within the next twelve (12) months in cash and cash equivalents.

(j) Impairment for other receivables, amounts owing from subsidiaries and related parties are recognised based on general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. The Group and the Company defined significant increase in credit risk when there is changes in contractual terms and delay in payment. As at the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those which credit risk has increased significantly, lifetime expected credit losses along with gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment of other receivables, amounts owing from subsidiaries and related parties are adjusted by forward looking information (lending interest rates and Malaysian construction output index) and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for the other receivables, amounts owing from subsidiaries and related parties.

It requires management to exercise significant judgement in determining the probability of default by other receivables, amounts due from subsidiaries and related parties, appropriate forward looking information and significant increase in credit risk.

Notes to the Financial Statements
(continued)

11. TRADE AND OTHER RECEIVABLES (continued)

(k) The reconciliation of movements in the impairment losses on other receivables and deposits is as follows:

	Lifetime ECL - not credit impaired RM	Lifetime ECL - credit impaired RM	Total allowance RM
Group			
At 1 July 2018 under MFRS 139	-	1,307,021	1,307,021
Restated through opening retained earnings (Note 41.1)	55,866	-	55,866
Opening impairment loss of other receivables and deposits in accordance with MFRS 9	55,866	1,307,021	1,362,887
Charge for the financial period	39,606	560,000	599,606
Reversal of impairment losses	(45,456)	-	(45,456)
At 31 December 2019	50,016	1,867,021	1,917,037
At 1 July 2017 under MFRS 139	-	1,307,021	1,307,021
Reversal of impairment losses	-	-	-
At 30 June 2018	-	1,307,021	1,307,021

	Lifetime ECL - not credit impaired RM	Lifetime ECL - credit impaired RM	Total allowance RM
Company			
At 1 July 2018 under MFRS 139	-	114,544	114,544
Restated through opening retained earnings (Note 41.1)	3,621,193	-	3,621,193
Opening impairment loss of other receivables and deposits in accordance with MFRS 9	3,621,193	114,544	3,735,737
Reversal of impairment losses	(1,989,255)	(114,544)	(2,103,799)
At 31 December 2019	1,631,938	-	1,631,938
At 1 July 2017 under MFRS 139	-	114,544	114,544
Reversal of impairment losses	-	-	-
At 30 June 2018	-	114,544	114,544

(l) As at the end of each reporting period, the credit risks exposures and concentration relating to trade receivables of the Group are summarised in the table below:

	Group 31.12.2019 RM	Group 30.6.2018 RM
Maximum exposure	6,676,088	87,879,840
Collateral obtained	-	-
Net exposure to credit risk	6,676,088	87,879,840

During the financial period, the Group did not renegotiate the terms of any trade receivables.

11. TRADE AND OTHER RECEIVABLES (continued)

(m) The Group determines concentrations of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's total trade receivables at the end of the reporting period is as follows:

	31.12.2019		30.6.2018	
	RM	**% of total**	**RM**	**% of total**
By country				
Malaysia	6,676,088	100.00%	87,879,840	100.00%
By industry sectors				
Marine construction				
- Land reclamation services	4,922,854	73.74%	3,332,676	3.79%
- Disposal of land held for sale	-	-	80,762,815	91.90%
Vessel chartering and marine transportation	1,685,766	25.25%	3,784,349	4.31%
Others	67,468	1.01%	-	-
	6,676,088	100.00%	87,879,840	100.00%

At the end of each reporting period, there was no significant concentration of credit risk for the Company other than amounts owing by subsidiaries, net of impairment to the Company of RM96,677,586 (30.6.2018: RM282,089,698).

(n) Sensitivity analysis of RM against foreign currencies at the end of the reporting period is not presented as it is immaterial.

12. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	Group 30.6.2018 RM
Aggregate costs incurred to date	590,834,296
Add: Attributable profits	106,934,251
	697,768,547
Less: Progress billings	(592,098,209)
	105,670,338
Less: Impairment loss (Note 11)	(468,658)
	105,201,680
Analysed as:	
Amounts due from contract customers (Note 11)	106,785,260
Amounts due to contract customers (Note 23)	(1,583,580)
	105,201,680

13. CONTRACT ASSETS/(LIABILITIES)

	Group 31.12.2019 RM
Contract assets	
Land reclamation contracts	51,033,545
Contract liabilities	
Deferred revenue	
- Non-current	(72,114,914)
- Current	(42,408)
	(72,157,322)

Notes to the Financial Statements
(continued)

13. CONTRACT ASSETS/(LIABILITIES) (continued)

(a) Contract assets and contract liabilities represent the timing differences in revenue recognition and the milestone billings.

Contract assets of the Group shall be settled by way of apportionment of completed reclaimed land. Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group received the apportionment of completed reclaimed land.

Contract liabilities are recognised as revenue when performance obligations are satisfied.

There were no significant changes in the contract assets and liabilities during the financial period.

(b) Contract assets from land reclamation contracts

	31.12.2019 RM
At 1 July 2018, as previously reported (Note 12)	105,201,680
Effect on adoption of MFRS 15	(25,538,053)
Effect on adoption of MFRS 9 (Note 41.1)	(3,987,419)
At 1 July 2018, as restated	75,676,208
Additions	2,591,600
Impairment of contract assets	(25,609,992)
Revenue recognised during the period	(1,624,271)
At 31 December 2019	51,033,545
Aggregate costs incurred to date	55,628,824
Add: Attributable profits	21,014,713
	76,643,537
Less: Progress billings	-
	76,643,537
Less: Accumulated impairment loss	(25,609,992)
	51,033,545

(c) Contract liabilities from deferred revenue

	31.12.2019 RM
At 1 July 2018, as previously reported (Note 24)	(185,388,395)
Effect on adoption of MFRS 15 (Note 41.1)	100,172,739
At 1 July 2018, as restated	(85,215,656)
Revenue recognised during the period	22,344,168
Progress billings	(9,285,834)
At 31 December 2019	(72,157,322)
Aggregate costs incurred to date	68,190,233
Add: Attributable profits	23,038,212
	91,228,445
Less: Progress billings	(163,385,767)
	(72,157,322)

13. CONTRACT ASSETS/(LIABILITIES) (continued)

(d) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	Group 31.12.2019 RM
Within 1 year	42,408
More than 1 year	72,114,914
	72,157,322

Non-current contract liabilities do not contain significant financing component because the customers paid for the unsatisfied performance obligations in advance and the timing of the transfer of those unsatisfied performance obligations are at the discretion of the customers.

(e) Impairment for contract assets that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 11(e) to the financial statements.

	Group 31.12.2019 RM
Expected loss rate	33.41%
Gross carrying amount (RM)	76,643,537
Lifetime ECL (RM)	25,609,992

The reconciliation of movements in the impairment accounts in contract assets is as follows:

	Group 31.12.2019 RM
At 1 July 2018, as previously reported	-
Effects of adoption of MFRS 9 (Note 41.1)	3,987,419
At 1 July 2018, as restated	3,987,419
Charge for the financial period	25,609,992
Written off	(3,987,419)
At 31 December 2019	25,609,992

(f) The amount of RM19,416,580 (30.06.2018: RM Nil) recognised in contract liabilities at the beginning of the financial period had been recognised as revenue for the financial period from 1 July 2018 to 31 December 2019.

14. SHORT TERM FUNDS

	Group	
	31.12.2019 RM	30.6.2018 RM
Financial assets at fair value through profit or loss		
Unit trust quoted in Malaysia	148,611	141,358

(a) Short term funds are classified as fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss. The fair value is categorised as Level 1 in 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.

Notes to the Financial Statements
(continued)

15. CASH AND BANK BALANCES

	Group		Company	
	31.12.2019 RM	**30.6.2018 RM**	**31.12.2019 RM**	**30.6.2018 RM**
Cash and bank balances	585,428	13,359,295	13,593	10,826,860
Deposits with licensed financial institutions	29,338,363	143,408,423	5,542,128	120,094,619
As reported in the statements of financial position	29,923,791	156,767,718	5,555,721	130,921,479
Less:				
Bank overdraft (Note 20)	(14,494,259)	(989,482)	-	-
Fixed deposits pledged with licensed financial institutions (Note a)	(23,796,235)	(23,313,804)	-	-
Deposits and bank balances charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds (Note b)	(5,548,069)	(130,898,258)	(5,548,069)	(130,898,258)
Cash and cash equivalents included in statements of cash flows	(13,914,772)	1,566,174	7,652	23,221

(a) Deposits with licensed financial institutions of the Group amounting to RM23,796,235 (30.6.2018: RM23,313,804) were pledged as security for banking facilities granted to certain subsidiaries of the Group as disclosed in Note 20(d) to the financial statements.

(b) Deposits and bank balances of the Group and of the Company amounting to RM5,548,069 (30.6.2018: RM130,898,258) were charged in favour of the Security Trustee of the Group pursuant to RCSB as disclosed in Note 19(k)(iii) to the financial statements.

(c) Deposits with licensed banks are subject to fixed weighted average effective interest rates of 2.56% (30.6.2018: 2.84%).

(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) Currency exposure of cash and bank balances is as follows:

	Group		Company	
	31.12.2019 RM	**30.6.2018 RM**	**31.12.2019 RM**	**30.6.2018 RM**
Ringgit Malaysia	29,723,287	156,553,364	5,555,721	130,921,479
Singapore Dollar	103,911	98,573	-	-
United States Dollar	96,593	115,781	-	-
	29,923,791	156,767,718	5,555,721	130,921,479

Sensitivity analysis of RM against foreign currencies at the end of the reporting period is not presented as it is immaterial.

(f) Cash and bank balances are classified as financial assets measured at amortised cost.

(g) No expected credit losses were recognised arising from the cash at banks, deposits with licensed banks because the probability of default by these financial institutions were negligible.

16. NON-CURRENT ASSETS HELD FOR SALE

In the previous financial year, 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.*

	Group 30.6.2018 RM
Cost (Note 5)	13,003,201
Less: Accumulated depreciation (Note 5)	(1,723,836)
Carrying amount	11,279,365

In the previous financial year, the non-current assets held for sale of the Group were pledged to a licensed financial institution for credit facilities granted to the Group as disclosed in Note 20(d)(iv) to the financial statements.

The disposal was completed during the current financial period.

17. SHARE CAPITAL

	Group and Company			
	31.12.2019		30.6.2018	
	Number of ordinary shares	RM	Number of ordinary shares	RM
Issued and fully paid up ordinary shares				
At beginning of financial period/year	831,802,500	365,488,527	811,802,500	360,488,527
Issuance of ordinary shares pursuant to private placement	30,000,000	6,000,000	20,000,000	5,000,000
At end of financial period/year	861,802,500	371,488,527	831,802,500	365,488,527

(a) 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 meetings of the Company. All ordinary shares rank pari passu with regards to the residual assets of the Company.

(b) During the current financial period, the issued and fully paid-up ordinary share capital of the Company was increased from 831,802,500 ordinary shares to 861,802,500 ordinary shares by way of issuance of 30,000,000 new ordinary shares amounting to RM6,000,000 pursuant to the private placement undertaken by the Company at an issue price of RM0.20 per share.

18. RESERVES

	Group		Company	
	31.12.2019 RM	30.6.2018 RM	31.12.2019 RM	30.6.2018 RM
Non-distributable:				
Treasury shares	(12,703,204)	(12,703,204)	(12,703,204)	(12,703,204)
Exchange translation reserve	35,923,845	34,635,461	-	-
Reverse acquisition debit	(146,069,559)	(146,069,559)	-	-
Share options reserve	3,021,025	3,077,332	3,021,025	3,077,332
Available-for-sale reserve	-	(16,334)	-	-
Equity component of RCSB (Note 19(k))	25,225,506	25,225,506	25,225,506	25,225,506
Distributable:				
Retained earnings	275,229,475	351,404,329	9,607,458	13,798,346
	180,627,088	255,553,531	25,150,785	29,397,980

Notes to the Financial Statements
(continued)

18. RESERVES (continued)

(a) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 28 November 2018, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back").

The Company did not repurchase any of its issued ordinary shares from the open market during the financial period.

In the previous financial year, the Company repurchased 10,000 of its own 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 in the previous financial year.

Of the total 861,802,500 (30.6.2018: 831,802,500) issued and fully paid ordinary shares as at 31 December 2019, 12,715,400 (30.6.2018: 12,715,400) ordinary shares purchased for RM12,703,204 (30.6.2018: 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 849,087,100 (30.6.2018: 819,087,100).

(b) Exchange translation reserve

Exchange translation reserve is used to record foreign 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:

	Group RM
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	146,069,559

(d) Share options reserve

Share options reserve represents the effect of equity-settled share 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. Share options reserve in relation to unexercised option at the expiry of the share option scheme will be transferred to retained earnings.

(e) Available-for-sale reserve

The reserve arose from gains or losses of financial assets classified as available-for-sale. As at 1 July 2018, other investments were reclassified from available-for-sale to financial assets at FVTPL. Therefore, related fair value losses of RM16,334 were transferred from the available-for-sale reserve to retained earnings on 1 July 2018.

(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 19 to the financial statements.

Notes to the Financial Statements
(continued)

19. REDEEMABLE CONVERTIBLE SECURED BONDS ("RCSB")

	Group and Company	
	31.12.2019 RM	**30.6.2018 RM**
Non-current liabilities		
Liability component at beginning of financial period/year	164,973,346	157,829,832
Finance costs (Note 30)	-	7,143,514
Reclassification to current liabilities	(164,973,346)	-
Liability component as at end of financial period/year	-	164,973,346
Current liabilities		
Liability component at beginning of financial period/year	-	-
Reclassification from non-current liabilities	164,973,346	-
First partial redemption of RCSB	(129,000,000)	-
Finance costs (Note 30)	15,683,231	-
Liability component as at end of financial period/year	51,656,577	-

(a) The liability component of RCSB is measured at amortised cost.

(b) On 6 May 2019, the Directors sought consent of the Bondholder to revise the terms and conditions of the Bonds, the Trust Deed, the A&C (Designated Accounts) and all other relevant documents which includes the consent for early redemption of part of the Bonds amounting to RM127,000,000 in nominal value at par plus all accrued and unpaid coupon payment and to extend the Put Option period to up to the maturity period of the Bonds which is 29 April 2022.

(c) On 27 September 2019, the Bondholder notified that it was agreeable to pass certain special resolutions which included the early redemption to take place after the effective date of the first partial redemption on 29 October 2019 of the amount of RM129,000,000 in nominal value. However, the extension to the Put Option period to up to the maturity date of the bonds had been rejected and the coupon rate had been revised to 5.50% per annum payable semi-annually in arrears.

(d) On 29 October 2019, the Company completed the first partial redemption of the RCSB amounting to RM129,000,000 in nominal value.

(e) The salient terms of the RCSB up to the point of the first partial redemption of RM129,000,000 on 29 October 2019 was 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 bears 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
(continued)

19. REDEEMABLE CONVERTIBLE SECURED BONDS ("RCSB") (continued)

(f) The salient terms after the first partial redemption of RCSB is as follows:

(i) Conversion rights and rates

No change in conversion rights and rates subsequent to the redemption of RCSB.

(ii) Tenure

No change in tenure subsequent to the redemption of RCSB.

(iii) Coupon rate

The RCSB bears a coupon rate of 5.50% per annum payable semi-annually in arrears subsequent to the first partial redemption.

(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 2020.

(g) On 24 January 2020, the Company received a Put Option notice from the Bondholder to fully redeem all of the outstanding RCSB of RM71,000,000 on 29 April 2020 ("Put Option Date").

(h) On 17 March 2020, the Directors proposed a second partial redemption of RM18,000,000 on the Put Option Date and submitted a proposed repayment plan to the Bondholder with respect to the balance outstanding amount. Subsequently, on 28 April 2020, special resolutions were passed by the Bondholder to allow the second partial redemption of RM18,000,000 by Put Option Date in which the Company successfully redeemed subsequent to the financial period.

(i) On 28 April 2020, the Bondholder gave an extension of time for the redemption of the outstanding bonds of RM53,000,000 for a period of up to three (3) months from the Put Option date, which is 29 April 2020, until 29 July 2020 at a coupon rate of 7.44% per annum payable semi-annually in arrears.

(j) The Directors are of the view that some delays in the finalisation of relevant documentation and the satisfaction of certain CPs in relation to the new loans as of the date of this report are attributable to the Movement Control Order ("MCO") and the Conditional Movement Control Order ("CMCO") implemented between March and June 2020. Therefore, if any administrative and procedural matters relating to the CPs are not addressed by the redemption date due to reasons beyond the control of the Company, the Directors are confident that further indulgence from the Bondholder would be sought and the Directors are confident that such indulgence would not be unreasonably withheld.

(k) At the point of inception of the RCSB, the net proceeds received from the issue of the RCSB was 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:

	Group and Company RM
Proceeds received	181,170,000
RCSB issuance expenses	(3,357,157)
	177,812,843
Deferred tax liability	(7,965,949)
Liability component	(144,621,388)
Equity component (Note 18)	25,225,506

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 15(b) to the financial statements.

Notes to the Financial Statements
(continued)

19. REDEEMABLE CONVERTIBLE SECURED BONDS ("RCSB") (continued)

(l) 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:

Group and Company	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
31.12.2019				
RCSB	73,288,332	-	-	73,288,332
Total undiscounted financial liabilities	73,288,332	-	-	73,288,332
30.6.2018				
RCSB	9,000,000	225,520,548	-	234,520,548
Total undiscounted financial liabilities	9,000,000	225,520,548	-	234,520,548

(m) RCSB are subject to fixed effective interest rates of 5.48% (30.6.2018: 5.06%).

(n) 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.

(o) 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:

	31.12.2019		30.6.2018	
Group	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
RCSB	51,656,577	73,288,332	164,973,346	188,776,363

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 period.

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.

20. BORROWINGS

	Group	
	31.12.2019 RM	**30.6.2018 RM**
Non-current liabilities		
Secured		
Hire purchase liabilities (Note 21)	601,783	3,360,142
Term loans	12,725,725	10,628,232
	13,327,508	13,988,374

Notes to the Financial Statements
(continued)

20. BORROWINGS (continued)

	Group	
	31.12.2019 RM	**30.6.2018 RM**
Current liabilities		
Secured		
Hire purchase liabilities (Note 21)	3,083,907	4,324,728
Bank overdraft (Note 15)	14,494,259	989,482
Trust receipts	832,171	1,054,378
Revolving credit	10,000,000	10,000,000
Term loans	1,514,496	854,023
Invoice financing	127,431	-
	30,052,264	17,222,611
Total borrowings		
Hire purchase liabilities (Note 21)	3,685,690	7,684,870
Bank overdraft	14,494,259	989,482
Trust receipts	832,171	1,054,378
Revolving credit	10,000,000	10,000,000
Term loans	14,240,221	11,482,255
Invoice financing	127,431	-
	43,379,772	31,210,985

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Borrowings are denominated in Ringgit Malaysia.

(c) Fair value of the borrowings of the Group is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial period.

(d) Borrowings of the Group are secured by:

(i) Legal charge over certain property, plant and equipment of the Group as disclosed in Note 5(d) to the financial statements;

(ii) Deposits of the Group as disclosed in Note 15(a) to the financial statements;

(iii) 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; and

(iv) In the previous financial year, borrowings were also secured by a legal charge over non-current assets held for sale of the Group as disclosed in Note 16 to the financial statements.

(e) Term loan agreements entered into by the Group include repayment based on contractual terms 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.

(f) Interest rate profile of the borrowings are as follows:

	Group	
	31.12.2019 RM	**30.6.2018 RM**
Fixed rate	7,030,537	7,684,870
Floating rate	36,349,235	23,526,115
	43,379,772	31,210,985

20. BORROWINGS (continued)

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

	31.12.2019 %	30.6.2018 %
Fixed rate		
Hire purchase liabilities	4.06	3.94
Term loans	9.00	-
Floating rate		
Bank overdraft	7.64	8.25
Invoice financing	4.99	-
Revolving credit	8.51	8.46
Term loans	5.16	4.88
Trust receipt	8.01	7.89

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

	Group	
	31.12.2019 RM	30.6.2018 RM
Effects of 30bp changes to (loss)/profit after tax		
Floating rate instruments	(82,876)	53,640

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.

(i) The carrying amounts of floating rate borrowings are reasonable approximation of their fair values due to they are re-priced to market interest rates on or near the end of each reporting period.

(j) 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:

	31.12.2019		30.6.2018	
Group	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Hire purchase liabilities	3,685,690	3,396,251	7,684,870	7,008,627
Term loans	3,344,847	2,606,046	-	-

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

(k) 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
31.12.2019				
Hire purchase liabilities	3,202,952	631,780	-	3,834,732
Bank overdraft	14,494,259	-	-	14,494,259
Trust receipts	832,171	-	-	832,171
Revolving credit	10,157,282	-	-	10,157,282
Term loans	2,310,466	8,526,352	7,415,002	18,251,820
Invoice financing	127,431	-	-	127,431
Total undiscounted financial liabilities	31,124,561	9,158,132	7,415,002	47,697,695

Notes to the Financial Statements
(continued)

20. BORROWINGS (continued)

(k) 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: (continued)

Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
30.6.2018				
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

21. HIRE PURCHASE LIABILITIES

	Group 31.12.2019 RM	Group 30.6.2018 RM
Minimum hire purchase payments:		
- not later than one (1) year	3,202,952	4,702,219
- later than one (1) year and not later than five (5) years	631,780	3,468,726
	3,834,732	8,170,945
Less: Future interest charges	(149,042)	(486,075)
Present value of hire purchase liabilities	3,685,690	7,684,870
Repayable as follows:		
Current liabilities		
- not later than one (1) year (Note 20)	3,083,907	4,324,728
Non-current liabilities		
- later than one (1) year and not later than five (5) years (Note 20)	601,783	3,360,142
	3,685,690	7,684,870

22. 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%;

(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;

Notes to the Financial Statements
(continued)

22. SHARE ISSUANCE SCHEME (continued)

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

(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.

(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 1.7.2018	Movements during the financial period Granted	Exercised	Forfeited	Outstanding as at 31.12.2019	Exercisable as at 31.12.2019
31.12.2019							
16 April 2012	1.06	3,257,500	-	-	(144,000)	3,113,500	3,113,500
3 January 2014	0.78	600,000	-	-	(200,000)	400,000	400,000
28 January 2014	0.79	6,253,500	-	-	(572,500)	5,681,000	5,681,000
18 July 2017	0.38	15,660,000	-	-	(3,490,000)	12,170,000	12,170,000
		25,771,000	-	-	(4,406,500)	21,364,500	21,364,500
Weighted average exercise prices (RM)		0.57	-	-	0.47	0.60	0.60
Weighted average remaining contractual life (months)		31					13

Date of offer	Exercise price RM	Number of options over ordinary shares Outstanding as at 1.7.2017	Movements during the financial period Granted	Exercised	Forfeited	Outstanding as at 30.6.2018	Exercisable as at 30.6.2018
30.6.2018							
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

Notes to the Financial Statements
(continued)

22. 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 (continued):

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

	Exercise price RM	Exercise period
2012 options [1]	1.06	16.1.2017 - 15.1.2021[2]
2014 options [3]	0.78	16.1.2017 - 15.1.2021[2]
2014 options [3]	0.79	16.1.2017 - 15.1.2021[2]
2018 options [4]	0.38	18.7.2017 - 15.1.2021[2]

(1) *50% exercisable during the financial year ended 30 June 2012 and the remaining 50% exercisable commencing 30 April 2014 and thereafter.*

(2) *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.*

(3) *50% exercisable during the financial year ended 30 June 2014 and the remaining 50% exercisable commencing 28 January 2016 and thereafter.*

(4) *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 First Grant	2014 Second Grant	2014 Third Grant	2018 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	
	31.12.2019 RM	30.6.2018 RM	31.12.2019 RM	30.6.2018 RM
Options granted under the Share Issuance Scheme	-	1,744,641	-	78,060

During the financial period, there were 4,406,500 (30.6.2018: 2,510,500) options being forfeited as a result of termination of employment of the Eligible Executives of the Group and accordingly an amount of RM611,834 (30.6.2018: RM341,035) has been transferred from the share options reserve to retained earnings.

Notes to the Financial Statements
(continued)

23. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.2019 RM	30.6.2018 RM	31.12.2019 RM	30.6.2018 RM
Non-current liabilities				
Other payables				
Amounts owing to related parties	59,921,906	-	-	-
Current liabilities				
Trade payables				
- third parties	15,716,716	75,526,737	-	-
- a related party	18,923	18,923	-	-
- amounts due to contract customers (Note 12)	-	1,583,580	-	-
	15,735,639	77,129,240	-	-
Other payables				
Other payables	38,365,873	37,247,743	166,079	115,018
Accruals	5,134,356	19,044,751	1,384,116	2,115,952
Amounts owing to related parties	23,956,753	105,780,702	4,660	4,660
	67,456,982	162,073,196	1,554,855	2,235,630
Total current payables	83,192,621	239,202,436	1,554,855	2,235,630
Total payables	143,114,527	239,202,436	1,554,855	2,235,630

(a) Trade and other payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables, including amount owing to a related party, are non-interest bearing and the normal trade credit terms granted to the Group ranged from 30 days to 90 days (30.6.2018: 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 amounting to RM19,827,516 (30.6.2018: RM7,665,303), deposits received from third party customers for the sale of land held for sale amounting to RM4,612,394 (30.6.2018: RM Nil) and coupon interests payable in respect of the RCSB of the Group and of the Company amounting to RM652,616 (30.6.2018: RM1,479,452).

(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 except for RM59,921,906 which is not repayable within the next twelve months.

(e) Currency exposure of trade and other payables of the Group and of the Company is as follows:

	Group		Company	
	31.12.2019 RM	30.6.2018 RM	31.12.2019 RM	30.6.2018 RM
Ringgit Malaysia	93,213,893	184,317,178	1,554,855	2,235,630
Singapore Dollar	49,618,635	52,356,977	-	-
United States Dollar	281,999	2,528,281	-	-
	143,114,527	239,202,436	1,554,855	2,235,630

(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	
	31.12.2019 RM	30.6.2018 RM
Effects of 10% changes in		
(Loss)/Profit after tax		
- RM/SGD	3,771,016	(3,979,130)
- RM/USD	21,432	(192,149)

Notes to the Financial Statements
(continued)

23. TRADE AND OTHER PAYABLES (continued)

(g) The table below summarises the maturity profile of the trade and other payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligations:

	On demand or within one year RM	One to five years RM	Total RM
31.12.2019			
Group			
Trade and other payables	83,192,621	65,149,062	148,341,683
Company			
Trade and other payables	1,554,855	-	1,554,855
30.6.2018			
Group			
Trade and other payables	239,202,436	-	239,202,436
Company			
Trade and other payables	2,235,630	-	2,235,630

24. DEFERRED REVENUE

	Group 30.6.2018 RM
Deferred revenue	185,388,395

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

	Reclaimed land component RM	Infrastructure cost component RM	Total RM
Group			
At 1 July 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

The deferred revenue balance as at 1 July 2018 was RM Nil arising from reclassification and adjustments following the adoption of MFRS 15 by the Group as disclosed in Note 41.1(b)(i) to the financial statements.

Notes to the Financial Statements
(continued)

25. 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	
	31.12.2019 RM	**30.6.2018 RM**
Not later than one (1) year	162,716	147,276
Later than one (1) year but not later than five (5) years	161,208	58,232
	323,924	205,508

(b) Capital commitment

	Group	
	31.12.2019 RM	**30.6.2018 RM**
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	-	6,687,500

26. CONTINGENT LIABILITIES

	Group	
	31.12.2019 RM	**30.6.2018 RM**
Secured		
Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiaries	42,755,682	24,346,114

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.

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.

Notes to the Financial Statements
(continued)

27. REVENUE

	Group	
	1.7.2018 to 31.12.2019 RM	**1.7.2017 to 30.6.2018 RM**
Revenue from contracts with customers:		
Marine construction		
- Contract works	27,435,234	3,609,445
- Sale of marine construction materials	3,256,983	-
- Disposal of land held for sale		
- reclaimed land	65,444,900	65,554,609
- Infrastructure works	22,344,168	14,435,031
Disposal of properties held for sale	7,870,000	1,540,000
Marine transportation	8,289,182	-
	134,640,467	85,139,085
Other revenue:		
Vessels chartering	1,275,937	31,176,321
	135,916,404	116,315,406
Timing of revenue recognition:		
Transferred over time	49,779,402	18,044,476
Transferred at a point in time	84,861,065	67,094,609
	134,640,467	85,139,085

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 4 to the financial statements.

(a) Revenue from construction contracts

(i) Cash-settlement contract

Revenue from contract works, of which the settlement of the contract sum is via progress payment in cash, is recognised over the period of the contract using the output method by reference to the progress towards complete satisfaction of that performance obligation if control of the asset transfers over time. The output method recognises revenue on the basis of direct measurements of value to the customer of the construction work performed to date relative to the remaining construction work promised under the contract.

(ii) Settlement-in-kind contract

Revenue from contract works, of which the settlement of the contract sum is in kind (via allocation of land portion reclaimed), is recognised over the period of the contract using the input method by reference to the cost incurred for work performed to date against the estimated costs to completion if control of the asset transfers over time.

Significant judgement is required in determining performance obligations as stated in the contracts with customers, transaction price allocation and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which are judgmental in the context of contract. Transaction prices are determined based on estimated profit margins prior to its allocation to the identified performance obligation. The Group also estimates total contract costs in applying the input method to recognise revenue over time. 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.

27. REVENUE (continued)

(b) Disposal of land held for sale

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

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

(i) Reclaimed land component

The Group recognises revenue at a point in time for disposal of reclaimed land component, when the control of the reclaimed land has been transferred to the purchasers, being when vacant possession of reclaimed land delivered to the customers and the Company retains neither continuing managerial involvement over the land, which coincides with the delivery of land and acceptance by customers.

(ii) Infrastructure cost component

The Group recognises revenue at a point over time for infrastructure cost component using the input method by reference to the expected cost plus a margin approach.

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 contract liabilities in relation to the infrastructure cost component would be reversed and recognised in profit or loss.

Significant judgement is required in determining performance obligations as stated in the contracts with customers, transaction price allocation and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which are judgmental in the context of contract. Transaction prices are determined based on estimated profit margins prior to its allocation to the identified performance obligation. The Group also estimates total contract costs in applying the input method to recognise revenue over time. 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.

(c) Disposal of properties held for sale

The Group recognises revenue at a point in time for the disposal of properties held for sale, net of discount, when the control of the properties has been transferred to the purchasers, being when the properties have been delivered to the customers and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the assets sold.

There is no significant financing component in the revenue arising from sale of completed properties as the sales are made on the normal credit terms not exceeding twelve months.

(d) Sale of marine construction materials

Revenue from sale of marine construction materials is recognised at a point in time when the goods has been transferred to the customers coincides with the delivery of goods and acceptance by customers.

There is no significant financing component in the revenue arising from sale of completed properties as the sales are made on the normal credit terms not exceeding twelve months.

(e) Marine transportation

Revenue from marine transportation is recognised at a point in time when the service has been rendered to the customer and coincides with the delivery of services and acceptance by customers.

There is no right of return and warranty provided to the customers on the services rendered.

There is no significant financing component in the revenue arising from services rendered as the services are made on the normal credit terms not exceeding twelve months.

(f) Vessels chartering

Revenue from vessels chartering is accounted for on a straight line basis over the lease term of an ongoing lease.

Notes to the Financial Statements
(continued)

28. COST OF SALES

	Group	
	1.7.2018 to 31.12.2019 RM	**1.7.2017 to 30.6.2018 RM**
Marine construction:		
- Contract works	24,909,183	1,782,871
- Sales of marine construction materials	573,530	-
- Disposal of land held for sale		
- reclaimed land	46,638,741	46,512,535
- infrastructure works	9,785,280	8,030,147
Disposal of properties held for sale	9,355,610	1,545,117
Vessels chartering	6,522,966	10,588,597
Marine transportation	7,728,938	-
Shipbuilding, repair and maintenance	-	120,524
	105,514,248	68,579,791

29 OTHER INCOME

	Group		Company	
	1.7.2018 to 31.12.2019 RM	**1.7.2017 to 30.6.2018 RM**	**1.7.2018 to 31.12.2019 RM**	**1.7.2017 to 30.6.2018 RM**
Accretion of non-current amounts owing to related parties	5,227,156	-	-	-
Foreign exchange gain:				
- realised	5,354,256	551,363	-	-
- unrealised	4,342,939	5,645,392	-	-
Fair value adjustment on other investments (Note 7)	4,254	-	-	-
Gain on disposal of:				
- non-current asset held for sale	14,405,754	-	-	-
- property, plant and equipment	4,656,391	-	-	-
Gross dividend received from shares quoted in Malaysia	12,250	7,926	-	-
Interest income from:				
- a subsidiary	-	-	20,504,098	11,678,218
- fixed deposits	6,122,664	3,875,089	5,134,585	3,245,877
- late payment interests	1,053,376	1,975,491	-	-
- others	3,695	10,425	758	446
Renouncement of dividend by a non-controlling interest	5,063,538	-	-	-
Reversal of impairment loss on trade and other receivables	442,206	3,178,500	2,103,799	-
Sales of used scraps	1,295,361	9,893,854	-	-
Waiver of amount owing to trade payables	406,797	-	-	-
Others	320,665	118,947	-	-
	48,711,302	25,256,987	27,743,240	14,924,541

(a) Interest income is recognised as it accrues, using the effective interest method.

Notes to the Financial Statements
(continued)

30. FINANCE COSTS

	Group		Company	
	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM
Bank overdraft	1,516,562	446,425	-	-
Hire purchase liabilities	797,078	692,281	-	-
RCSB:				
- unwinding of discount (Note 19)	15,683,231	7,143,514	15,683,231	7,143,514
- coupon interests	12,660,835	9,000,000	12,660,835	9,000,000
Term loans	2,294,535	833,540	-	-
Trust receipts	303,676	115,044	-	-
Others	193,672	42,973	-	-
	33,449,589	18,273,777	28,344,066	16,143,514

31. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM
After charging:				
Auditors' remuneration:				
BDO PLT and member firms:				
- statutory audit	582,079	392,460	160,000	80,000
- non-statutory audit	18,000	18,000	18,000	18,000
Other auditors:				
- Statutory audit	75,872	58,063	-	-
Impairment losses on:				
- contract assets (Note 13)	25,609,992	-	-	-
- cost of investment in a subsidiary (Note 6)	-	-	452,186	-
- land reclamation work in progress (Note 10)	2,541,106	-	-	-
- property, plant and equipment (Note 5)	16,621,013	16,206,018	-	-
- other receivables (Note 11)	599,606	-	-	-
Inventory written down	-	666,667	-	-
Loss on disposal of property, plant and equipment	2,470,046	95,640	-	-
Loss on foreign exchange:				
- realised	2,503,227	3,522,943	-	-
- unrealised	8,793,229	2,352,624	-	-
Rental expense on:				
- jetty	1,200	-	-	-
- land and premises	102,150	-	-	-
- motor vehicle	940	-	-	-
- plant and machineries	196,845	4,372,000	-	-
- office	16,691	-	-	-
- tools and equipment	17,580	-	-	-
Write off of:				
- amounts owing by related parties	105	-	-	-
- amounts owing by subsidiaries	-	-	1,659,135	-
- property, plant and equipment	1,129,419	6	-	
- trade and other receivables	2,937,072	-	-	-

Notes to the Financial Statements
(continued)

32. TAXATION

	Group		Company	
	1.7.2018 to 31.12.2019 RM	**1.7.2017 to 30.6.2018 RM**	**1.7.2018 to 31.12.2019 RM**	**1.7.2017 to 30.6.2018 RM**
Current income tax				
- Malaysian income tax	1,003,552	5,021,506	904,737	360,524
- Foreign income tax	444	81,104	-	-
Real property gains tax	1,425,953	-	-	-
Under/(Over) provision in prior years	128,022	1,918,467	(13,191)	65,332
	2,557,971	7,021,077	891,546	425,856
Deferred tax (Note 8(a))::				
- Origination and reversal of temporary differences	(12,929,084)	(5,146,681)	(4,543,257)	(1,045,476)
- Over/(Under) provision in prior years	(483,373)	147,144	-	-
	(13,412,457)	(4,999,537)	(4,543,257)	(1,045,476)
Taxation recognised in profit or loss	(10,854,486)	2,021,540	(3,651,711)	(619,620)

(a) Malaysian income tax is calculated at the statutory tax rate of 24% (30.6.2018: 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 (loss)/profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	1.7.2018 to 31.12.2019 RM	**1.7.2017 to 30.6.2018 RM**	**1.7.2018 to 31.12.2019 RM**	**1.7.2017 to 30.6.2018 RM**
(Loss)/Profit before tax	(64,110,107)	4,403,742	(4,833,240)	(2,780,287)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(15,386,425)	1,056,898	(1,159,978)	(667,269)
Tax effects in respect of:				
Non-allowable expenses	1,556,053	2,689,952	2,569,626	1,027,793
Non-taxable income	(5,573,842)	(4,967,043)	(5,048,168)	(1,045,476)
Real property gains tax	1,425,953	-	-	-
Deferred tax assets not recognised	1,404,966	44,246	-	-
Difference in foreign tax rates and exemptions	6,945,184	1,131,876	-	-
Utilisation of previously unrecognised deferred tax asset	(871,024)	-	-	-
	(10,499,135)	(44,071)	(3,638,520)	(684,952)
Under/(Over)-provision in prior years				
- current tax expense	128,022	1,918,467	(13,191)	65,332
- deferred tax expense	(483,373)	147,144	-	-
Tax (income)/expense	(10,854,486)	2,021,540	(3,651,711)	(619,620)

Notes to the Financial Statements
(continued)

32. TAXATION (continued)

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

	Before tax RM	Tax effect RM	After tax RM
Group			
Items that may be reclassified subsequently to profit or loss			
31.12.2019			
Foreign currency translations	1,483,159	-	1,483,159
30.6.2018			
Fair value gain 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)

33. LOSS PER ORDINARY SHARE

(a) Basic loss per ordinary share

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

	Group	
	1.7.2018 to 31.12.2019	**1.7.2017 to 30.6.2018**
Loss attributable to owners of the parent	(47,486,432)	(176,414)
Weighted average number of ordinary shares in issue	842,092,564[(1)]	799,307,922[(2)]

(1) *Based on the treasury shares held as at 31 December 2019 and issuance of private placement in the current financial period of 30,000,000, which translate to the effect of weighted average number of ordinary shares of 7,284,600 shares.*

(2) *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.*

	Group	
	1.7.2018 to 31.12.2019 sen	**1.7.2017 to 30.6.2018 sen**
Basic loss per ordinary share	(5.64)	(0.02)

Notes to the Financial Statements
(continued)

33. LOSS PER ORDINARY SHARE (continued)

(b) Diluted loss per ordinary share

Diluted loss per ordinary share for the financial period is calculated by dividing the loss for the financial period/year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial period/year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM
Loss attributable to owners of the parent	(47,486,432)	(176,414)
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	842,092,564	799,307,922
- Redeemable Convertible Secured Bonds	-[3]	-[3]
- Share Issuance Schemes	-[3]	-[3]
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	842,092,564	799,307,922

	Group	
	1.7.2018 to 31.12.2019 sen	30.6.2018 1.7.2017 to sen
Diluted loss per ordinary share	(5.64)	(0.02)

[3] *The RCSB and Share Issuance Schemes 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.*

34. DIVIDENDS

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year.

	Group and Company			
	1.7.2018 to 31.12.2019		1.7.2017 to 30.6.2018	
	Dividend per ordinary share sen	Amount of dividend sen	Dividend per ordinary share sen	Amount of dividend sen
Final dividend paid in respect of financial period ended	-	-	0.4	3,196,348

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

35. DIRECTORS' REMUNERATION

	Group		Company	
	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM
Directors of the Company:				
Executive:				
Fees	540,333	273,659	-	-
Salaries	6,930,000	4,651,460	-	-
Other emoluments	1,433,115	1,011,092	139,530	140,350
Share options granted under Share Issuance Scheme	55,293	204,907	-	-
	8,958,741	6,141,118	139,530	140,350
Non-Executive:				
Fees	705,000	540,000	705,000	540,000
Other emoluments	27,000	32,000	27,000	32,000
Share options granted under Share Issuance Scheme	-	78,060	-	78,060
	732,000	650,060	732,000	650,060
Total Director's remuneration	9,690,741	6,791,178	871,530	790,410

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM232,321 (1.7.2017-30.6.2018: RM100,288) and RM5,313 (1.7.2017-30.6.2018: RM10,625) respectively.

36. EMPLOYEE BENEFITS

	Group		Company	
	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM
Wages, salaries and bonuses	17,835,057	9,354,813	-	-
Contribution to defined contribution plan	2,253,939	1,387,021	-	-
Share options vested/granted under Share Issuance Scheme				
- Director	55,293	282,967	-	78,060
- Other employees	500,234	1,461,674	-	-
Other benefits	748,741	372,729	226,556	190,100
	21,393,264	12,859,204	226,556	268,160
Capitalised in amounts due from contract customers and land reclamation work in progress				
Salaries, wages, bonuses and allowances	-	8,956,505	-	-
Contribution to defined contribution plan	-	607,529	-	-
	-	9,564,034	-	-
Capitalised in contract assets and land reclamation work in progress				
Salaries, wages, bonuses and allowances	8,238,296	-	-	-
Contribution to defined contribution plan	512,337	-	-	-
Other benefits	63,583	-	-	-
	8,814,216	-	-	-
	30,207,480	22,423,238	226,556	268,160

Notes to the Financial Statements
(continued)

36. EMPLOYEE BENEFITS (continued)

Compensation of key management personnel

Remuneration of Directors and other key management personnel (including a resigned Director) during the financial period/year are as follows:

	Group		Company	
	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM
Directors' fees	1,245,333	813,659	705,000	540,000
Salaries and other short term employee benefits:				
Directors	8,445,408	5,977,519	166,530	250,410
Other key management personnel	2,247,374	1,665,745	-	-
	10,692,782	7,643,264	166,530	250,410

37. 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 period:

	Group		Company	
	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM	1.7.2018 to 31.12.2019 RM	1.7.2017 to 30.6.2018 RM
With related parties in which a Director has substantial financial interests:				
Contract works derived from:				
- Oceanfront Land Sdn. Bhd. - Oceanic Sdn. Bhd. - Oceanview Property Sdn. Bhd. - Atlantic Property Sdn. Bhd.	(1,624,271)	1,604,680	-	-
- Sentosacove Sdn. Bhd.	314,515	-	-	-
With a Director				
Disposal of leasehold building	2,050,200	-	-	-
Rental expense	86,000	-	-	-
With a subsidiary				
Interest income receivable from BSB	-	-	20,504,098	11,678,218

The related party transactions described above were carried out on agreed contractual terms and conditions and in the ordinary course of business between the related parties of the Group and the Company.

37. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

The remuneration of the Directors and other members of key management are disclosed in Note 36 to the financial statements.

38. 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 period/year ended 31 December 2019 and 30 June 2018.

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.

	Group		Company	
	31.12.2019 RM	**30.6.2018 RM**	**31.12.2019 RM**	**30.6.2018 RM**
RCSB	51,656,577	164,973,346	51,656,577	164,973,346
Borrowings	43,379,772	31,210,985	-	-
Trade and other payables	143,114,527	239,202,436	1,554,855	2,235,630
Financial debts	238,150,876	435,386,767	53,211,432	167,208,976
Less:				
Short term funds	(148,611)	(141,358)	-	-
Cash and bank balances	(29,923,791)	(156,767,718)	(5,555,721)	(130,921,479)
Net debts	208,078,474	278,477,691	47,655,711	36,287,497
Total equity	552,115,615	621,042,058	396,639,312	394,886,507
Net debts	208,078,474`	278,477,691	47,655,711	36,287,497
Total equity plus net debts	760,194,089	899,519,749	444,295,023	431,174,004
Gearing ratio (%)	27.37	30.96	10.73	8.42

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 period ended 31 December 2019.

Notes to the Financial Statements
(continued)

38. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(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.

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 14 days, extending up to one (1) month 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.

The credit risk analysis has been disclosed in Note 11 to the financial statements.

(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 executing its 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. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

As at 31 December 2019, the nominal amount due by the Group and the Company to the RCSB Bondholder was RM71,000,000. As disclosed in Note 19 to the financial statements, subsequent to the end of the financial period, RM18,000,000 in nominal value of the RCSB was redeemed, leaving a balance of RM53,000,000 for which the Bondholder had granted an extension of time for the redemption of this sum for a period of three (3) months from the Put Option date of 29 April 2020 to 29 July 2020.

As part of the consideration of the payment to the Bondholder, subsequent to the end of the financial period, the Company had signed several loan agreements with several third parties ("Lenders") for net amounts of RM44,854,000.

Prior to the release of these loans, several Conditions Precedent ("CPs") are required to be met by the Group and the Company. The Directors have obtained legal views on these CPs and collectively through their own assessments are of the view that these CPs are administrative and procedural in nature and there is no foreseeable circumstances that will prevent the CPs from being met by 29 July 2020.

The Directors are of the view that all CPs are within the control of the Group and of the Company except for those that requires intervention by regulatory bodies, e.g. land office but are deemed administrative and procedural in nature, which include the registration of private caveats in favour of the Lenders, registration of charges over relevant properties in favour of the Lenders, submission and collection of the issue documents of titles to reflect the successful registration of charges in favour of the Lenders as well as the lodgement of charges statement of particulars at the Registrar of Companies.

The Directors are confident should any delays arise due to matters beyond the control of the Group and of the Company, indulgence for further extension of time from the Bondholder may be sought and the Directors are confident that such indulgence would not be unreasonably withheld.

38. **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 (continued):

(ii) Liquidity and cash flow risk (continued)

The Directors have also assessed the ability of the Lenders to disburse the monies when required and have confirmed that Redemption Statements cum Letter of Undertakings which have been agreed by all parties have been issued by the Trustee to commence the redemption process.

In addition, during the current financial period from 1 July 2018 to 31 December 2019, the Group and the Company incurred net cash outflows in operating activities and the Group was in an overall cash deficit position as disclosed in the statements of cash flows as at 31 December 2019.

The Group and the Company have also prepared the cash flow forecasts for the twelve months from the date of the end of the financial statements based on their past performance after considering the current economic conditions subsequent to the end of the financial period as disclosed in Note 40 to the financial statements.

Based on the cash flow forecasts, the Directors are confident that the Group and the Company are able to generate sufficient cash flows for the next twelve months from the reporting date to meet their cash flows requirements to realise their assets and to discharge their liabilities in the normal course of business, which includes the redemption of the outstanding RCSB of RM53,000,000 in nominal value on 29 July 2020.

The Group's liquidity performance and cash flow forecast take into account expected sale receipts arising from several Sale and Purchase Agreements ("SPAs") signed with third parties where the balance payment of approximately RM25,000,000 is due to be received within the stipulated timeline in the SPAs within twelve (12) months from the end of the financial period; cash inflows of approximately RM5,000,000 associated with the commencement of a reclamation project by the last quarter of the 2020 financial period previously awarded to the Group amounting to RM69,000,000 and unused banking facilities of approximately RM27,700,000. The Group also expects to generate cash flows from normal operating activities including the realisation of their existing inventories as disclosed in Note 9 to the financial statements. The Company's liquidity performance and cash flow forecast take into account the funds to be received by the Lenders to redeem the outstanding RCSB as mentioned above and funds to be received from key operating subsidiaries.

(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
(continued)

39. MATERIAL LITIGATION

(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 rigorously contested 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.

On 20 October 2018, the Group received a decision of the High Court in favour of the Group against SSB. As at date of this report, the Group has yet to receive written grounds of judgement from the High Court.

SSB filed a notice of appeal on 26 November 2018 and 22 April 2019 against the High Court's decision in dismissing its claims substantially. As at date of this report, there is no hearing date fixed for the appeals.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claim is necessary.

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

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

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

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

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

During a mediation on 20 December 2018, both the Plaintiff and the Defendant (the "Parties") had reached a settlement wherein the Defendant had agreed to pay a sum of RM70,000 as a full and final settlement between the Parties on a without prejudice and without admission of liability basis.

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

On the same day, the Court struck out both the Plaintiff's claim and the Defendant's counterclaim without liberty to file afresh and with no orders as to costs.

40. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was subsequently extended until 12 May 2020, followed by a Conditional MCO until 9 June 2020 and then, Recovery MCO until 31 August 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial period from 1 July 2018 to 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

(a) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers' ability to move freely;
(b) Lack of investment in capital improvements and construction, thus reducing demand for goods and services of the Group; and
(c) Potential impairment of assets of the Group and Company.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19, if any, would be recognised in the financial statements of the Group during the financial year ending 31 December 2020. 125

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

41.1 New MFRSs adopted during the financial period

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

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 15 and MFRS 9 described in the following sections.

Notes to the Financial Statements
(continued)

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

41.1 New MFRSs adopted during the financial period (continued)

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted MFRS 9 with an initial application date of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

41.1 New MFRSs adopted during the financial period (continued)

(a) MFRS 9 *Financial Instruments* (conitnued)

(ii) Impairment of financial assets (continued)

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables, amounts owing by related parties and amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 July 2018:

	Classification		Carrying amount	
Group	**Existing under MFRS 139**	**New under MFRS 9**	**Existing under MFRS 139 RM**	**New under MFRS 9 RM**
Financial assets				
Other investments	AFS	FVTPL	45,945	45,945
Trade and other receivables, net of prepayment	L&R	AC	243,048,004	242,992,138
Short term funds	L&R	FVTPL	141,358	141,358
Cash and bank balances	L&R	AC	156,767,718	156,767,718
Financial liabilities				
Trade and other payables	OFL*	AC	239,202,436	239,202,436
Borrowings	OFL*	AC	31,210,985	31,210,985
RCSB	OFL*	AC	164,973,346	164,973,346

Notes to the Financial Statements
(continued)

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

41.1 New MFRSs adopted during the financial period (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification and measurement (continued)

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 July 2018 (continued):

	Classification		Carrying amount	
	Existing under MFRS 139	**New under MFRS 9**	**Existing under MFRS 139**	**New under MFRS 9**
Company				
Financial assets				
Trade and other receivables, net of prepayment	L&R	AC	282,117,520	278,496,327
Cash and bank balances	L&R	AC	130,921,479	130,921,479
Financial liabilities				
Trade and other payables	AC	AC	2,235,630	2,235,630
RCSB	OFL*	AC	164,973,346	164,973,346

* Other Financial Liabilities at Amortised Cost.

The following tables are reconciliations of the carrying amount of the statements of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 July 2018:

	Existing under MFRS 139			New under MFRS 9
Group	**Carrying amount as at 30 June 2018 RM**	**Reclassification RM**	**Remeasurement RM**	**Carrying amount as at 1 July 2018 RM**
Other investment				
- AFS	45,945	(45,945)	-	-
- FVTPL	-	45,945	-	45,945
Trade and other receivables:				
Opening balance	243,048,004	-	-	243,048,004
Increase in impairment loss	-	-	(55,866)	(55,866)
Total trade and other receivables	243,048,004	-	(55,866)	242,992,138
Contract assets				
Opening balance	-	-	-	-
Increase in impairment loss	-	-	(3,987,419)	(3,987,419)
Total contract assets	-	-	(3,987,419)	(3,987,419)
Retained earnings:				
Opening balance	351,404,329	-	-	351,404,329
Increase in impairment loss for:				
- trade and other receivables	-	-	(55,866)	(55,866)
- contract assets	-	-	(3,987,419)	(3,987,419)
Reclassification from AFS reserve	-	-	(16,334)	(16,334)
Total retained earnings	351,404,329	-	(4,059,619)	347,344,710

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

41.1 New MFRSs adopted during the financial period (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification and measurement (continued)

The following tables are reconciliations of the carrying amount of the statements of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 July 2018 (continued):

	Existing under MFRS 139			**New under MFRS 9**
Company	**Carrying amount as at 30 June 2018 RM**	**Reclassifi-cation RM**	**Remeasure-ment RM**	**Carrying amount as at 1 July 2018 RM**
Other receivables:				
Opening balance	282,117,520	-	-	282,117,520
Increase in impairment losses on amounts owing by subsidiaries	-	-	(3,621,193)	(3,621,193)
Total other receivables	282,117,520	-	(3,621,193)	278,496,327
Retained earnings:				
Opening balance	13,798,346	-	-	13,798,346
Increase in impairment losses on amounts owing by subsidiaries	-	-	(3,621,193)	(3,621,193)
Total retained earnings	13,798,346	-	(3,621,193)	10,177,153

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 July 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The following table summarises the impact, net of tax, of transition to MFRS 15 on retained earnings at 1 July 2018.

Group	**Impact on adopting MFRS 15 on 1 July 2018 RM**
Retained earnings	
Performance obligation not satisfied	(25,240,637)
Impact at 1 July 2018	(25,240,637)

The following summarises the impact of adopting MFRS 15 on the statement of financial position of the Group as at 30 June 2018 and its statement of profit or loss and OCI for the financial period then ended for each of the line items affected.

Notes to the Financial Statements
(continued)

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

41.1 New MFRSs adopted during the financial period (continued)

(b) MFRS 15 *Revenue from Contracts with Customers* (continued)

(i) Statements of financial position of the Group as at 30 June 2018

	As previously reported RM	Reclassifi-cation RM	Adjustments RM	As restated under MFRS 15 RM
Non-current assets	186,669,116	-	-	186,669,116
Current assets				
Inventories	655,270,159	297,416	-	655,567,575
Trade and other receivables	245,764,148	(79,961,043)	(105,611,541)	60,191,564
Contract assets	-	79,663,627	-	79,663,627
Other assets	175,289,699	-	-	175,289,699
Total current assets	1,076,324,006	-	(105,611,541)	970,712,465
Total assets	1,262,993,122	-	(105,611,541)	1,157,381,581
Equity and liabilities				
Equity				
Retained earnings	351,404,329	-	(25,240,637)	326,163,692
Other	283,396,255	-	-	283,396,255
Total equity	634,800,584	-	(25,240,637)	609,559,947
Non-current liabilities				
Contract liabilities	-	65,799,076	-	65,799,076
Other non-current liabilities	186,299,088	-	-	186,299,088
	186,299,088	65,799,076	-	252,098,164
Current liabilities				
Trade and other payables	239,202,436	-	19,801,835	259,004,271
Contract liabilities	-	19,416,580	-	19,416,580
Deferred revenue	185,388,395	(85,215,656)	(100,172,739)	-
Other current liabilities	17,302,619	-	-	17,302,619
Total current liabilities	441,893,450	(65,799,076)	(80,370,904)	295,723,470
Total liabilities	628,192,538	-	(80,370,904)	547,821,634
Total equity and liabilities	1,262,993,122	-	(105,611,541)	1,157,381,581

41.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 16 Leases	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020

41. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

41.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019 (continued)

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company (continued):

Title	Effective Date
Amendment to MFRS 16 *Covid-19-Related Rent Concessions*	1 June 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MRFS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

42. FINANCIAL REPORTING UPDATES

42.1 IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group anticipates an increase in lease liabilities and corresponding right-of-use assets arising from the reassessment of the lease term of existing leasing arrangements due to this final agenda decision.

The Group is in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2020.

42.2 IFRIC Agenda Decision - *Over time transfer of constructed good*, which may have impacts on the Group's financial statements on adoption

The IFRS Interpretations Committee ('IFRIC') received a submission about the capitalisation of borrowing costs in relation to the construction of a residential multi-unit real estate development.

Based on the fact pattern described in the submission, the request asked whether the entity has a qualifying asset as defined in IAS 23 *Borrowing Costs* and, therefore, capitalises any directly attributable costs.

The IFRIC concluded in March 2019 that, in the fact pattern described in the request:

(i) Any receivable and contract asset that the entity recognises is not a qualifying asset.

(ii) Any inventory (work-in-progress) for unsold units under construction that the entity recognises is also not a qualifying asset because the unsold units are ready for its intended use or sale.

The MASB announced on 20 March 2019 that an entity shall apply the change in accounting policy as a result of this Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group is in the process of obtaining new information and adapting its systems to implement this change in accounting policy. The implementation results would be reported during the financial year ending 31 December 2021.

GROUP PROPERTIES
AS AT 31 DEC 2019

A. Summary of Land Held for Sale

No.	Lot No. / PT No.	PN No. / HS(D) No.	Description	Land Area (acres)	Existing usage	Tenure / Expired date	NBV as at 31/12/2019 (RM)	Date of acquisition (based on title date)
1	Lot 12037 - 12044 (formerly PT 508-515)	PN 53823 - 53830 (formerly HS(D) 70799 - 70806)	Pekan Klebang Sek. II, Melaka Tengah, Melaka	41.56	Vacant land / Commercial	Leasehold & expiring on 24/04/2111	37,966,264	25/04/2012
2	Lot 12047 (formerly PT 550)	PN 56439 (formerly HS(D) 75531)	Pekan Klebang Sek. II, Melaka Tengah, Melaka	8.80	Vacant land / Commercial	Leasehold & expiring on 29/07/2112	9,541,543	30/07/2013
3	PT 193 - 194 (formerly PT 551-552)	HS(D) 84460-84461 (formerly HS(D) 75532 - 75533)	Pekan Klebang Sek. II, Melaka Tengah, Melaka	26.09	Vacant land/ Commercial	Leasehold & Expiring on 29/07/2112	29,724,533	30/07/2013
4	Lot 12102-12104 (formerly PT 560- 562)	PN 65038, 65041 - 65042 (formerly HS(D) 75678 - 75680)	Pekan Klebang Sek. II, Melaka Tengah, Melaka	34.35	Vacant land / Commercial	Leasehold & expiring on 02/10/2112	37,105,711	03/10/2013
5	PT 150 - 155	HS(D) 80967 - 80972	Pekan Klebang Sek. III, Melaka Tengah, Melaka	29.37	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	23,669,195	21/04/2016
6	Lot 12167 (formerly PT 159)	PN 65671 (formerly HS(D) 80992)	Pekan Klebang Sek. III, Melaka Tengah, Melaka	5.21	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	5,561,360	21/04/2016
7	Lot 12176 (formerly PT 168)	PN 65682 (formerly HS(D) 81001)	Pekan Klebang Sek. III, Melaka Tengah, Melaka	5.36	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	5,717,675	21/04/2016
8	Lot 12181 - 12182 (formerly PT 169 - 170)	PN65666 - 65667 (formerly HS(D) 80984 - 80985)	Pekan Klebang Sek. III, Melaka Tengah, Melaka	23.30	Vacant land / Commercial	Leasehold & expiring on 21/04/2115	24,855,767	22/04/2016
9	Lot 12179 (formerly PT 176) PT 177	PN65665 (formerly HS(D) 80982) HS(D) 80983	Pekan Klebang Sek. III, Melaka Tengah, Melaka	13.41	Vacant land / Commercial	Leasehold & expiring on 20/04/2115	14,305,019	21/04/2016
		Total		**187.45**			**188,447,067**	

Group Properties (continued)
As at 31 Dec 2019

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	NBV as at 31/12/2019 (RM)	Date of acquisition / SPA
1	PT 16050	HS(D) 102236	No. 36, Jalan Pengacara U1/48, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor	9,601	3 Storey semi-detached factory	Freehold	4,354,439	22/07/2011
2	PT 001790	HS(D) 0070078	No. 2, Jalan KL 3/9, Taman Kota Laksamana Sek. 3, 75200 Melaka	6,088	3 storey shop office (Melaka site office)	Leasehold & expiring on 29/05/2110	1,292,419	01/06/2011
3	PT 16149	HS(D) 102335	No. 23, Jalan Perintis U1/52, Glenmarie Temasya, Seksyen U1, 40150 Shah Alam, Selangor	21,797	Semi-detached double storey factory (Headquarter of the Group)	Freehold	18,777,409	18/03/2016
4	PTD 216346	HS(D) 520590	A-62-02 Menara A, The Astaka, Astaka Boulevard, 1 Bukit Senyum, Jalan Tebrau, 80200 Johor Bahru, Johor	2,659	Service Apartment (Vacant)	Freehold	3,274,696	10/08/2015
						Total (RM)	**27,698,963**	

C. Information on Properties Held For Sale

No.	PT No.	Lot No.	Location	Built up area (sq. ft)	Description Existing usage	Tenure / Date of expiry of lease	NBV as at 31/12/2019 (RM)	Date of acquisition / SPA
1	LOT 19479	C-6	Cheng Business Park, Melaka Tengah, Melaka	1,248	1 1/2 storey shop office (Vacant)	Leasehold & expiring on 03/10/2096	356,584	27/03/2015
2	PT 21608	C-3	Kompleks Perniagaan Musai Bistari, Melaka	7,758	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	1,954,968	27/03/2015
3	PT 21608	C-4	Kompleks Perniagaan Musai Bistari, Melaka	7,654	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	1,952,450	27/03/2015
4	PT 21608	C-5	Kompleks Perniagaan Musai Bistari, Melaka	7,550	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	1,952,221	27/03/2015
5	PT 21608	C-6	Kompleks Perniagaan Musai Bistari, Melaka	7,446	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	1,952,096	27/03/2015
6	PT 21608	C-7	Kompleks Perniagaan Musai Bistari, Melaka	7,345	5 storey shop office (Vacant)	Leasehold & expiring on 04/07/2103	1,951,925	27/03/2015
7	LOT 64251	C-1	Gangsa Avenue, Daerah Alor Gajah, Melaka	4,370	2 storey shop office (Vacant)	Freehold	714,291	03/06/2015
						Total (RM)	**10,834,535**	

ANALYSIS OF SHAREHOLDINGS
AS AT 11 JUNE 2020

SHARE CAPITAL

Number of Issued Shares	:	861,802,500
Adjusted Number of Issued Shares	:	849,087,100 (exclude 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	0.275	479	0.000
100 to 1,000	475	4.680	366,105	0.043
1,001 to 10,000	4,761	46.911	29,376,371	3.459
10,001 to 100,000	4,105	40.447	146,601,417	17.265
100,001 to 42,454,354*	779	7.675	337,962,328	39.803
42,454,354 and above**	1	0.009	334,780,400	39.428
Total	**10,149**	**100.000**	**849,087,100+**	**100.000**

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	%^	No. of Shares	%^
Oceancove Sdn Bhd	334,780,400	39.428	-	-
Dato' Leaw Seng Hai	444,100	0.052	334,780,400[1]	39.428
Datuk Leaw Ah Chye	1,000	0.000	334,780,400[1]	39.428
Oceanview Cove Sdn Bhd	-	-	334,780,400[2]	39.428

Notes:

^ The percentage of shareholdings have been computed based on Adjusted Number of Issued Shares.

(1) Deemed interst 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").

(2) 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	%^	No of Shares	%^
Wong Yoke Nyen	-	-	-	-
Dato' Leaw Seng Hai	444,100	0.052	334,780,400[1]	39.428
Koo Hoong Kwan	270,000	0.031	-	-
Fazrin Azwar bin Md. Nor	-	-	-	-
Leaw Ai Lin	-	-	-	-

Notes:

^ The percentage of shareholdings have been computed based on Adjusted Number of Issued Shares.

(1) 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").

Analysis of Shareholdings (continued)
As at 11 June 2020

DIRECTORS' INTERESTS UNDER THE SHARE ISSUANCE SCHEME OF BENALEC HOLDINGS BERHAD AS AT 11 JUNE 2020

Name of Directors	Grant	Date of offer	Amount of options granted	Amount of options exercised	Number of outstanding options as at 11 June 2020
Dato' Leaw Seng Hai	1st grant	16 April 2012	1,500,000	-	1,500,000
	2nd grant	3 January 2014	-	-	-
	3rd grant	28 January 2014	1,600,000	-	1,600,000
	4th grant	18 July 2017	1,700,000	-	1,700,000
Koo Hoong Kwan	1st grant	16 April 2012	-	-	-
	2nd grant	3 January 2014	200,000	-	200,000
	3rd grant	28 January 2014	-	-	-
	4th grant	18 July 2017	200,000	-	200,000
Wong Yoke Nyen	1st grant	16 April 2012	-	-	-
	2nd grant	3 January 2014	200,000	-	200,000
	3rd grant	28 January 2014	-	-	-
	4th grant	18 July 2017	200,000	-	200,000
Fazrin Azwar bin Md. Nor	1st grant	-	-	-	-
	2nd grant	-	-	-	-
	3rd grant	-	-	-	-
	4th grant	-	-	-	-
Leaw Ai Lin	1st grant	-	-	-	-
	2nd grant	-	-	-	-
	3rd grant	-	-	-	-
	4th grant	-	-	-	-

LIST OF TOP 30 HOLDERS
(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	39.428
2.	Daing A Malek bin Daing A Rahaman	20,000,000	2.355
3.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-NR)	11,967,000	1.409
4.	Tiong Nam Logistics Holdings Berhad	10,500,000	1.236
5.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ong Yoong Nyock	7,746,000	0.912
6.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siaw Teck Siong (E-PDG)	5,038,300	0.593
7.	Tham Kin Foong (John)	4,492,100	0.529
8.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for TNTT Realty Sdn Bhd	4,385,800	0.516
9.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan Foong Cheng (Tmn Cheras-CL)	3,059,000	0.360
10.	Lim Siu Luan	3,000,000	0.353
11.	Ong Chin Kang	3,000,000	0.353
12.	Wong Chee Thong	3,000,000	0.353

Analysis of Shareholdings (continued)

As at 11 June 2020

LIST OF TOP 30 HOLDERS (CONTINUED)

(Without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name of Shareholders	No. of Shares	%
13.	Ong Sock Keng	2,925,000	0.344
14.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wendy Lee Yoke Peng (CEB)	2,888,000	0.340
15.	Tham Kin Yee	2,736,000	0.322
16.	Tham Kin Yip	2,736,000	0.322
17.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Yoon Meng @ Loh Yoon Min (E-IMO)	2,689,800	0.316
18.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Bakat Impian Sdn Bhd (8124505)	2,480,000	0.292
19.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheang Fook Sam	2,415,000	0.284
20.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Lee Choon Phooi (PB)	2,192,900	0.258
21.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chau Pak See	1,900,000	0.223
22.	Tham Kin Kiong	1,897,200	0.223
23.	Beh Sui Loon	1,841,000	0.216
24.	Esplanade Land Sdn. Bhd.	1,727,100	0.203
25.	Loo Kian Kwong	1,702,800	0.200
26.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chun Hoe	1,700,000	0.200
27.	Loh Yuen Kok	1,700,000	0.200
28.	Teo Yu Hong	1,700,000	0.200
29.	AMSEC Nominees (Tempatan) Sdn Bhd Toh Seng Tat	1,691,000	0.199
30.	Liew Wei Kin	1,671,500	0.196

BENALEC HOLDINGS BERHAD

NOTE TO **SHAREHOLDERS**

Notice of Annual General Meeting, Statement Accompanying Notice of Annual General Meeting and Proxy Form will be circulated separately to the shareholders.

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