



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2018**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2018

	Individual Quarter		Cumulative Quarter	
	(Unaudited) Current Year Quarter Ended 30-09-2018 RM'000	(Unaudited) Preceding Year Quarter Ended 30-09-2017 RM'000	(Unaudited) Current Year To Date 30-09-2018 RM'000	(Unaudited) Preceding Year To Date 30-09-2017 RM'000
Revenue	23,874	10,229	23,874	10,229
Cost of sales	(13,129)	(2,097)	(13,129)	(2,097)
Gross profit	10,745	8,132	10,745	8,132
Other operating income	2,766	4,926	2,766	4,926
Administrative and other expenses	(9,835)	(6,384)	(9,835)	(6,384)
Profit from operations	3,676	6,674	3,676	6,674
Finance costs	(4,988)	(4,355)	(4,988)	(4,355)
(Loss)/Profit before tax ("PBT")	(1,312)	2,319	(1,312)	2,319
Tax income/(expense)	(477)	(635)	(477)	(635)
(Loss)/Profit for the financial period	(1,789)	1,684	(1,789)	1,684
Other comprehensive income, net of tax:-				
<i>Items that may be reclassified subsequently to profit or loss</i>				
• Fair value gain/(loss) on available-for-sale financial assets	(8)	5	(8)	5
• Foreign currency translations	3,000	(2,483)	3,000	(2,483)
Total comprehensive income	1,203	(794)	1,203	(794)
Profit attributable to:-				
• Owners of the parent	(1,996)	858	(1,996)	858
• Non-controlling interests	207	826	207	826
	(1,789)	1,684	(1,789)	1,684
Total comprehensive income attributable to:-				
• Owners of the parent	772	(1,494)	772	(1,494)
• Non-controlling interests	431	700	431	700
	1,203	(794)	1,203	(794)
Earnings per ordinary share attributable to equity holders of the Company (sen)				
• Basic	(0.24)	0.1	(0.24)	0.1
• Diluted	(0.24)	0.1	(0.24)	0.1

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	Unaudited As at 30-09-2018 RM'000	Audited As At 30-06-2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	170,353	169,003
Other investments	39	46
Deferred tax assets	18,301	17,620
	<u>188,693</u>	<u>186,669</u>
Current assets		
Inventories	239,383	249,536
Land reclamation work in progress	414,447	405,735
Trade and other receivables	238,222	245,764
Current tax assets	6,945	7,101
Deposit with licensed bank	154,519	143,409
Short term funds	142	141
Cash and bank balances	1,009	13,359
	<u>1,054,667</u>	<u>1,065,045</u>
Non-current assets held for sale	11,240	11,279
TOTAL ASSETS	<u><u>1,254,600</u></u>	<u><u>1,262,993</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	365,489	365,489
Non-distributable reserves	(92,631)	(95,851)
Distributable reserve	349,512	351,404
Total equity attributable to owners of the parent	<u>622,370</u>	<u>621,042</u>
Non-controlling interests	14,190	13,759
TOTAL EQUITY	<u><u>636,560</u></u>	<u><u>634,801</u></u>
LIABILITIES		
Non-current liabilities		
Redeemable convertible secured bonds	166,855	164,973
Borrowings	16,158	13,989
Deferred tax liabilities	7,164	7,337
	<u>190,177</u>	<u>186,299</u>
Current liabilities		
Trade and other payables	229,102	239,202
Borrowings	31,868	17,223
Deferred revenue	166,811	185,388
Current tax liabilities	82	80
	<u>427,863</u>	<u>441,893</u>
TOTAL LIABILITIES	<u><u>618,040</u></u>	<u><u>628,192</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,254,600</u></u>	<u><u>1,262,993</u></u>
Net assets per share attributable to ordinary equity holders of the company (RM)	<u><u>0.78</u></u>	<u><u>0.78</u></u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2018
ATTRIBUTABLE TO OWNERS OF THE PARENT

	← Non-Distributable Reserve						Distributable Reserve →				
	Share Capital RM'000	Treasury Share RM'000	Foreign Exchange Reserve RM'000	Reverse Acquisition Reserve RM'000	Share Options Reserve RM'000	Available-For-Sale Reserve RM'000	Equity Component Of Convertible Bonds RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non-Controlling Interests Total RM'000	Total RM'000
As at 1 July 2017	360,489	(12,699)	42,026	(146,070)	1,674	(14)	25,226	354,436	625,068	11,659	636,727
Profit for the financial year	-	-	-	-	-	-	-	858	858	826	1,684
Fair value of the available-for-sale financial assets, net of tax	-	-	-	-	-	5	-	-	5	-	5
Foreign currency translations, net of tax	-	-	(2,357)	-	-	-	-	-	(2,357)	(126)	(2,483)
Total comprehensive income	-	-	(2,357)	-	-	5	-	858	(1,494)	700	(794)
Transactions with owners:-											
• Share repurchased	-	(4)	-	-	-	-	-	-	(4)	-	(4)
• Dividend paid	-	-	-	-	-	-	-	-	-	-	-
As at 30 September 2017	360,489	(12,703)	39,669	(146,070)	1,674	(9)	25,226	355,294	623,570	12,359	635,929

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2018 (“CONT’D”)

	ATTRIBUTABLE TO OWNERS OF THE PARENT							Distributable Reserve	Total	Non-Controlling Interests Total	Total
	Non-Distributable Reserve										
	Share Capital RM'000	Treasury Share RM'000	Foreign Exchange Reserve RM'000	Reverse Acquisition Reserve RM'000	Share Options Reserve RM'000	Available-For-Sale Reserve RM'000	Equity Component Of Convertible Bonds RM'000	Distributable Retained Earnings RM'000	RM'000	RM'000	RM'000
As at 1 July 2018	365,489	(12,703)	34,635	(146,070)	3,077	(16)	25,226	351,404	621,042	13,759	634,801
Profit for the financial year	-	-	-	-	-	-	-	(1,996)	(1,996)	207	(1,789)
Fair value of the available-for-sale financial assets, net of tax	-	-	-	-	-	(8)	-	-	(8)	-	(8)
Foreign currency translations, net of tax	-	-	2,776	-	-	-	-	-	2,776	224	3,000
Total comprehensive income	-	-	2,776	-	-	(8)	-	(1,996)	772	431	1,203
Transactions with owners:-											
• Option forfeited under the Share Issuance Scheme	-	-	-	-	(104)	-	-	104	-	-	-
• Options granted under the Share Issuance Scheme	-	-	-	-	556	-	-	-	556	-	556
As at 30 September 2018	365,489	(12,703)	37,411	(146,070)	3,529	(24)	25,226	349,512	622,370	14,190	636,560

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2018**

	Unaudited 30 Sep 2018 RM'000	Unaudited 30 Sep 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(1,312)	2,319
Adjustments for:-		
Depreciation of property, plant and equipment	3,482	3,759
Impairment losses on other receivables and prepayments	566	-
Non-cash and operating items	7,696	66
Operating profit before changes in working capital	10,432	6,144
Changes in working capital:-		
Inventories	460	(5,629)
Land reclamation work in progress	(8,712)	(49,541)
Land held for sale	9,693	(133)
Trade and other receivables	6,966	9,061
Trade and other payables	(13,082)	39,126
Deferred revenue	(18,578)	(1,559)
Cash generated from operations	(12,821)	(2,531)
Tax paid – net	(1,175)	(26)
Net cash generated from operating activities	(13,996)	(2,557)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividend received	829	766
Placement of short term fund	(1)	(1)
Uplift of fixed deposits pledged with licensed financial institution	500	-
(Placement)/Withdrawal of deposits charged in favour of the Security Trustee pursuant to RCSB	(823)	(727)
Purchase of property, plant and equipment	(2,629)	(713)
Advances from related parties	-	(211)
Net cash used in investing activities	(2,124)	(886)
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings and hire purchase	5,465	-
Repayment of borrowings and hire purchase	(1,533)	(1,812)
Interest paid	(3,106)	(2,653)
Shares repurchased	-	(4)
Net cash used in financing activities	826	(4,469)
Net (decrease)/increase in cash and cash equivalents	(15,294)	(7,912)
Cash and cash equivalents at beginning of period	1,566	9,232
Effects of exchange rate changes	863	(841)
Cash and cash equivalents at the end of period	(12,865)	479

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2018 (CONT'D)**

	Unaudited 30 Sep 2018 RM'000	Unaudited 30 Sep 2017 RM'000
Cash and cash equivalents comprise the following:-		
Cash and bank balances	1,009	3,088
Deposit with licensed bank	154,519	145,255
Bank overdraft	<u>(13,873)</u>	<u>(3,060)</u>
	141,655	145,283
Less: Deposits pledged as collateral	(22,814)	(22,724)
Less: Deposits charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds	<u>(131,706)</u>	<u>(122,080)</u>
	<u><u>(12,865)</u></u>	<u><u>479</u></u>

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED
 30 SEPTEMBER 2018**
NOTES TO THE INTERIM FINANCIAL REPORT
1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for financial year ended 30 June 2018. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2018.

2.1 MFRSs, Amendments to MFRSs and IC Interpretation

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

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

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

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

4. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial period ended 30 September 2018.

6. CHANGES IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR INTERIM PERIODS OF THE CURRENT FINANCIAL YEAR OR IN PRIOR FINANCIAL YEARS

There were no changes in estimates that had any material effect on the current financial period ended 30 September 2018.

7. DIVIDENDS PAID

No dividend was paid during the current quarter ended 30 September 2018.

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8. SEGMENTAL REPORTING

The Group's segmental report for the current financial period ended 30 September 2018 as follows:-

	Marine Construction		Vessel	Ship	Others	Elimination	Total
	Land	Land	Chartering	Building			
	Reclamation	Disposal					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External – Sales	2,803	18,578	2,493	-	-	-	23,874
Inter - segment sales	3,641	-	1,290	-	-	(4,931)	-
Total revenue	6,444	18,578	3,783	-	-	(4,931)	23,874
Results							
Segment results	(3,533)	6,388	349	(157)	(200)	-	2,847
Interest and dividend income	1	-	-	5	823	-	829
Finance costs	(294)	-	-	(6)	(4,688)	-	(4,988)
Profit/(Loss) before tax	(3,826)	6,388	349	(158)	(4,065)	-	(1,312)
Income tax expense	793	(1,524)	(24)	7	271	-	(477)
(Loss)/Profit for the period	(3,033)	4,864	325	(151)	(3,794)	-	(1,789)
Other information							
• Depreciation	(2,002)	-	(1,417)	(63)	-	-	(3,482)

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9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

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

There was no valuation of the property, plant & equipment in the current financial quarter ended 30 September 2018.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENT

There were no material events subsequent to the current financial quarter ended 30 September 2018 and up to 23 November 2018, being the latest practicable date (“**LPD**”) which is not earlier than seven (7) days from the date of issuance of this quarterly report, that have not been reflected in this quarterly report, except as disclosed in Note 22 and Note 24.

11. DEBT AND EQUITY SECURITIES

11.1 Current financial period

11.1.1 Share buyback

During the current financial period, there is no share buyback by the Company. As at 30 September 2018, the Company holds 12,715,400 shares as treasury shares at an average price of RM1.00 per share.

11.2 End of financial period 30 September 2018 and up to LPD

Other than the issuance of Private Placement as disclosed in Note 22.2 below, the Company did not undertake any issuance and/ or repayment of debt and equity securities, share buy-back, share cancellations and/or resale of treasury shares subsequent to the end of current financial period ended and up to LPD which is not earlier than seven (7) days from the date of issuance of this quarterly report.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 30 September 2018, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

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13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS
RM'000

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

14. CAPITAL COMMITMENTS
RM'000

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

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Nature of transactions⁽¹⁾	Transaction value based on billings	Balance Outstanding as at 30-09-2018
	RM'000	RM'000
Provision of marine construction works (payment in kind) to companies in which certain directors of the company have substantial financial interest ⁽²⁾	65	75,551
Purchase of vessels from companies in which certain directors of the company have substantial financial interest	-	(47,226)
Provision of marine construction work from a company in which certain directors of the company have substantial financial interest	-	(19)

Notes:-

- (1) The related party transactions reflect transactions of all the subsidiaries with the respective group of companies; and
 (2) This amount represents the value of the land portion pending land alienation process which the Group is entitled to receive as settlement for the marine construction contracts undertaken. It would subsequently be reclassified as "land held for sale" following the alienation process.

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16. REVIEW OF PERFORMANCE OF THE GROUP
16.1 CURRENT YEAR-TO-DATE VERSUS PREVIOUS YEAR-TO-DATE

	Cumulative First (1 st) Quarter 30 Sep 2018 RM'000	Cumulative First (1 st) Quarter 30 Sep 2017 RM'000	Variance	
			RM'000	%
Revenue (LBT)/PBT	23,874 (1,312)	10,229 2,319	13,645 (3,631)	133.40 (156.58)

For the cumulative three (3) months ended 30 September 2018, the Group has recorded an increase in revenue against the corresponding period for last year, with total revenue registered at RM 23.9 million (FPE Q1'2017: RM10.2 million). The increase in revenue was mainly due to land disposal recognition in the current period (FPE Q1'2019: RM17.7 million, FPE Q1'2017: RM Nil).

In the meantime, significant reclamation works have been undertaken by the subsidiaries of the Group for our projects located at Tanjung Piai and Pengerang (both in Johor), whereby approximately RM 414.4 million of development costs have been incurred and capitalised as land reclamation work-in-progress. As the Development Agreements for these projects (which grant us the exclusive right to undertake the reclamation and development of the projects) were entered into with the State Government of Johor directly, no revenue or profit can be recognised throughout the reclamation and development process according to accounting standards. Any revenue or profit can only be recognised upon successful disposal and/or leasing of the said land to third parties.

For the cumulative three (3) months ended 30 September 2018, the Group recorded a LBT of RM1.3 million, representing a decrease of approximately RM3.6 million against the corresponding period for last year, mainly attributable to:-

Description	RM'000	Note
Increase in gross profit	2,612	1
Decrease in other operating income	(2,158)	2
Increase in administrative and other expenses	(3,452)	2
Increase in finance costs	(633)	
Net decrease in PBT	(3,631)	

Notes:-

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

	Cumulative Q1'19 RM'mil	Cumulative Q1'18 RM'mil	Variance RM'mil
Unrealised/realised gain/(loss) on forex (net)	(3.0)	0.2	(3.2)
Reversal of impairment losses on receivables	-	3.2	(3.2)
	<u>(3.0)</u>	<u>3.4</u>	<u>(6.4)</u>

17. VARIATION IN RESULTS AGAINST PRECEDING QUARTER

	Current First (1 st) Quarter 30 Sep 2018 RM'000	Previous Fourth (4 th) Quarter 30 Jun 2018 RM'000	Variance	
			RM'000	%
Revenue	23,874	27,418	(3,544)	(12.93)
LBT	(1,312)	(8,001)	6,689	83.60

For the current quarter under review, in comparison with the preceding quarter, the Group registered a decrease in revenue of approximately RM 3.5 million. The decrease in revenue was mainly due to lesser vessel chartering income in the current period (FPE Q1'19: RM2.4 million, FPE Q4'18: RM6.0 million).

The Group registered a LBT of RM 1.3 million, mainly attributable to:-

Description	RM'000	Note
Decrease in gross profit	(5,441)	1
Decrease in other operating income	(1,720)	2
Decrease in administrative and other expenses	13,908	2
Increase in finance costs	(58)	
Net decrease in LBT	6,689	

Notes:-

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

	Q1'19 RM'mil	Q4'18 RM'mil	Variance RM'mil
<i>Inventories written down</i>	-	(0.7)	0.7
<i>Impairment of vessels</i>	-	(12.2)	12.2
	-	(12.9)	12.9

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18. PROSPECTS

Despite the prevailing challenges faced by the Group within its operating environment, the Board and Management remain optimistic in assessing the outlook for the Group. The positive outlook is in sync with the continued and sustained recovery of the overall economy and is based on the fact that 112.38 acres of land, forming the subject matter of Sale & Purchase Agreements (“Land Sale SPAs”) already signed, will generate sales revenue of approximately RM152.18 million. In addition, a land reclamation contract secured by the Group in May 2014 covering 415 acres of land for a contract sum of RM203.9 million, of which RM68.5 million has yet to be recognised as revenue, as well as the revenue yet to be recognised arising from the new rock revetment contract secured in April 2018, amounting of RM18.33 million (out of the contract sum of RM20.33 million), will ensure that the Group has a stable stream of revenue of approximately RM239.01 million to be recognised.

To date, the Group also has in excess of 150 acres of land bank in Melaka already reclaimed, issued with land titles and available for sale, and more than 200 acres which have yet to be reclaimed under its own concession agreements. The continued resilience in demand for the Group’s reclaimed land bank in Melaka arising from surrounding upcoming developments is an added source of optimism for the Group.

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

Further to that, the Group’s Tanjung Piai Maritime Industrial Park (“TPMIP”) project, has commenced since the DOE’s approval on its DEIA was secured. The Management is currently in discussions with a number of interested parties to sell and/or jointly develop the first 100-acre plot at TPMIP.

In relation to the Group’s reclamation and development works for its Pengerang Maritime Industrial Park (“PMIP”) project at Teluk Ramunia, Johor, measuring 1,672 acres, the Group has secured approval from the DOE and reclamation works are currently underway. The Management is bullish on PMIP’s potential due to its close proximity to Petronas’ RAPID project, which is slated to come on-stream in the first quarter of 2019, whereupon PMIP will be well placed to capture the spill-over demand for downstream support services which are necessitated by such a catalytic development like RAPID.

With energy deals picking up pace more broadly in recent months and as the oil and gas industry is gradually becoming more optimistic on a global scale, the Group’s two (2) main flagship projects in Johor, namely TPMIP and PMIP, are expected to propel the Group to the next level of growth, enabling the Group to capitalise on the abundant opportunities stemming from downstream activities within the Oil and Gas sector.

19. PROFIT FORECAST AND PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee in any public document.

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20. PROFIT / (LOSS) FOR THE PERIOD

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

	Current Quarter	Year-To-Date
	RM'000	RM'000
Interest income	828	828
Other income including investment income	1,930	1,930
Interest expense	(4,988)	(4,988)
Depreciation	(3,482)	(3,482)
Impairment on other receivable	(566)	(566)
Impairment/write-off of property, plant and equipment	N/A	N/A
Impairment of property held for sale	N/A	N/A
Reversal of impairment losses of receivables	N/A	N/A
Gain or Loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Unrealised exchange loss – net	(2,337)	(2,337)
Realised exchange loss – net	(645)	(645)
Loss on disposal of property, plant and equipment	N/A	N/A
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

Note:

N/A = Not applicable.

21. TAXATION

	Current Quarter	Year-To-Date
	RM'000	RM'000
Over/ (Under) provision in prior year		
- Deferred tax	(98)	(98)
Current year provision		
- Income tax	(1,331)	(1,331)
- Deferred tax	952	952
	<u>(477)</u>	<u>(477)</u>

The Group's effective tax rate is higher than the statutory tax rate of 24% mainly attributable by certain subsidiaries which were making losses and certain non-deductible expenses such as unrealised loss of forex.

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22. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS

22.1 Utilisation of proceeds from Redeemable Convertible Secured Bond issuance

On 29 April 2015, the Company announced the completion of the RM 200 million nominal value of 7-year Redeemable Convertible Secured Bond ("RCSB") issuance.

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

Description	Proposed utilisation RM'000	Reallocate of utilisation RM'000	Actual utilisation RM'000	Deviation		Estimated timeframe for utilisation (iv)	Note
				RM'000	%		
Land reclamation projects of the Benalec Group	146,500	-	(104,388)	42,112	28.75	Within 48 months	(i)
Working capital and reserve requirement for a debt service account	31,170	9	(31,179)	-	-	Within 12 months	(ii)
Defray expenses	3,500	(9)	(3,491)	-	-	Within 12 months	(iii)
Total	181,170	-	(139,058)	42,112	23.24		

(i) Land reclamation projects of the Benalec Group

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

The utilisation of proceeds will include the funding of the reclamation works in respect of lands (to be reclaimed) for which sale and purchase agreement(s) or contracts or letter of award ("Agreements") have been entered into, and assigned as collateral for the RCSB.

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

The amount shall be utilised:

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

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

(iii) Defray expenses

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

(iv) Estimated timeframe for utilisation:-

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

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

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

22.2 Proposed Private Placement

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

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

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

The utilisation of the proceeds is as follows: -

Details of Utilisation	Proposed Utilisation RM'000 (i)	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation		Note
				RM	%	
Proceeds from the Private Placement						
- First Tranche		5,000				
- Second Tranche		3,000				
- Third Tranche		3,000				
		<u>11,000</u>				
Land reclamation projects	12,074	(3,257)	Within 12 months	8,817	73%	(ii)
Working capital requirements	10,000	(6,260)	Within 12 months	3,740	37%	(ii)
Estimated expenses in relation to the Private Placement	300	(124)	Within 1 month	176	59%	(ii)
Total Gross Proceeds	22,374	(9,641)		12,733	57%	

Note: -

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

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23. BORROWINGS

The Group's borrowings as at 30 September 2018 presented as follows:-

	RM'000
Long Term Borrowings	
Secured:-	
• Hire purchase and lease creditors	5,056
• Term loans	11,102
	16,158
	RM'000
Short Term Borrowings	
Secured:-	
• Term loans	856
• Revolving Credit	10,000
• Hire purchase and lease creditor	5,744
• Trust receipt	1,395
• Bank Overdraft	13,873
	31,868
	48,026
 (1) Total	 48,026

Note:-

(1) *The borrowings are denominated in Ringgit Malaysia.*

24. MATERIAL LITIGATION

- (a) On 30 April 2015, Benalec Sdn Bhd ("BSB"), a wholly-owned subsidiary of Benalec Holdings Berhad, received a Writ of Summons and Statement of Claim dated 21 April 2015 filed by Sentosacove Sdn Bhd ("SSB").

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

The Group is rigorously contesting the alleged claims and is of the view that the SSB's claims are without merit. In a Counter Claim Action, BSB had on 15 May 2015 filed a defence and counter claim in the High Court of Malaya at Kuala Lumpur against SSB, Datuk Leaw Tua Choon and Datuk Leaw Ah Chye as 1st, 2nd and 3rd Defendants in the Counter Claim.

The trial of this suit has been completed on 29 March 2018. Subsequently, the Court fixed a date for Decision on 30 October 2018.

On the Decision date, the learned Judge delivered his Lordship's judgment as follows:

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

24. MATERIAL LITIGATION (CONT'D)

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

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

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

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

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

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

The Group had filed a striking-out application on 4 September 2018 on the grounds that the Plaintiff's action against Defendant is scandalous, frivolous and vexatious or may prejudice, embarrass or delay the fair trial of the action and an abuse of the process of the court and ought to be struck out. Subsequently, the Plaintiff filed and served a Notice of Application for summary judgment. On 22 October 2018, the Court dismissed the striking-out application with no order as to costs and fixed the case management on 15 November 2018.

On the case management date, the Court has fixed for further Case Management on 10 December 2018 pending the mediation between the parties.

The Group takes the view that the claim of RM100,000.00 will not have a material effect on the financial position of the Group.

25. DIVIDEND

The Board does not recommend any interim dividend for the current period ended 30 September 2018.

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26. EARNINGS PER SHARE (“EPS”)

26.1 Basic EPS

The basic earnings per share are calculated based on the net profit attributable to equity holders of the parent for the period divided by the weighted average number of ordinary shares and presented as below: -

	Three (3) Months		Year-to-date	
	Ended 30-09-2018	Ended 30-09-2017	Ended 30-09-2018	Ended 30-09-2017
Net profit attributable to equity holders of the parent for the period (RM'000)	(1,996)	858	(1,996)	858
Weighted average number of ordinary shares ('000)	819,087	799,094	819,087	799,094
Basic EPS (sen)	(0.24)	0.1	(0.24)	0.1

26.2 Diluted EPS

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

	Three (3) Months		Year-to-date	
	Ended 30-09-2018	Ended 30-09-2017	Ended 30-09-2018	Ended 30-09-2017
Net profit attributable to equity holders of the parent for the period (RM'000)	(1,996)	858	(1,996)	858
Weighted average number of ordinary shares as per basic EPS ('000)	819,087	799,094	819,087	799,094
Effect of dilution on shares under :				
- Share Issuance Scheme ('000)	- (1)	- (1)	- (1)	- (1)
- Redeemable Convertible Secured Bonds (“RCSB”) ('000)	- (1)	- (1)	- (1)	- (1)
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)	819,087	799,094	819,087	799,094
Diluted EPS (sen)	(0.24)	0.1	(0.24)	0.1

Note:-

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

**27. REALISED AND UNREALISED PROFITS / (LOSSES) DISCLOSURE**

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

	As at 30-09-2018 (Unaudited) RM'000	As at 30-09-2017 (Unaudited) RM'000
Total retained profits of the Company and its subsidiaries:-		
• realised	318,391	331,313
• unrealised	8,800	6,307
	<u>327,191</u>	<u>337,620</u>
Add: Consolidation adjustments	22,321	17,674
	<u>349,512</u>	<u>355,294</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

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