



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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2016**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2016

	Individual Quarter		Cumulative Quarter	
	(Unaudited) Current Year Quarter Ended 30-09-2016 RM'000	(Unaudited) Preceding Year Quarter Ended 30-09-2015 RM'000	(Unaudited) Current Year To Date 30-09-2016 RM'000	(Unaudited) Preceding Year To Date 30-09-2015 RM'000
Revenue	99,659	44,040	99,659	44,040
Cost of sales	(75,675)	(31,210)	(75,675)	(31,210)
Gross profit	23,984	12,830	23,984	12,830
Other operating income	4,692	13,852	4,692	13,852
Administrative and other expenses	(12,244)	(20,367)	(12,244)	(20,367)
Profit from operations	16,432	6,315	16,432	6,315
Finance costs	(4,471)	(4,314)	(4,471)	(4,314)
Profit before tax ("PBT")	11,961	2,001	11,961	2,001
Tax expense	(5,775)	(140)	(5,775)	(140)
Profit for the financial period	6,186	1,861	6,186	1,861
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	6	1	6	1
• Foreign currency translations	1,611	18,846	1,611	18,846
	7,803	20,708	7,803	20,708
Total comprehensive income				
Profit attributable to:-				
• Owners of the parent	5,623	1,232	5,623	1,232
• Non-controlling interests	563	629	563	629
	6,186	1,861	6,186	1,861
Total comprehensive income attributable to:-				
• Owners of the parent	7,240	20,079	7,240	20,079
• Non-controlling interests	563	629	563	629
	7,803	20,708	7,803	20,708
Earnings per ordinary share attributable to equity holders of the Company (sen)				
• Basic	0.9	0.2	0.9	0.2
• Diluted	0.9	0.2	0.9	0.2

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 2016 and the accompanying explanatory notes attached to the interim financial reports.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

	Unaudited As at 30-09-2016 RM'000	Audited As At 30-06-2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	212,122	215,002
Other investments	42	36
Deferred tax assets	12,553	7,905
	<u>224,717</u>	<u>222,943</u>
Current assets		
Inventories	374,811	411,063
Land reclamation work in progress	189,303	150,105
Trade and other receivables	314,987	392,091
Current tax assets	5,494	15,887
Deposit with licensed bank	187,667	139,930
Short term funds	5,133	132
Cash and bank balances	6,635	23,210
	<u>1,084,030</u>	<u>1,132,418</u>
TOTAL ASSETS	<u>1,308,747</u>	<u>1,355,361</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	202,951	202,951
Non-distributable reserves	61,965	60,352
Distributable reserve	355,718	350,095
Total equity attributable to owners of the parent	<u>620,634</u>	<u>613,398</u>
Non-controlling interests	8,294	7,731
TOTAL EQUITY	<u>628,928</u>	<u>621,129</u>
LIABILITIES		
Non-current liabilities		
Redeemable convertible secured bonds	152,903	151,365
Borrowings	13,093	4,761
Deferred tax liabilities	9,304	9,532
Trade and other payables	-	-
	<u>175,300</u>	<u>165,658</u>
Current liabilities		
Trade and other payables	197,579	179,059
Borrowings	26,006	32,809
Deferred revenue	280,796	356,569
Current tax liabilities	138	137
	<u>504,519</u>	<u>568,574</u>
TOTAL LIABILITIES	<u>679,819</u>	<u>734,232</u>
TOTAL EQUITY AND LIABILITIES	<u>1,308,747</u>	<u>1,355,361</u>
Net assets per RM0.25 share attributable to ordinary equity holders of the company	<u>0.77</u>	<u>0.77</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 2016 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 2016

	ATTRIBUTABLE TO OWNERS OF THE PARENT												
	Non-Distributable Reserve							Distributable Reserve				Non-Controlling Interests Total	Total
	Share Capital	Treasury Shares	Share Premium	Foreign Exchange Reserve	Reverse Acquisition Reserve	Share Options Reserve	Available-For-Sale Reserve	Equity Component Of Convertible Bonds	Distributable Retained Earnings	Total	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 July 2015	202,951	(12,679)	157,538	27,367	(146,070)	2,082	(23)	25,226	335,209	591,601	6,551	598,152	
Profit for the financial year	-	-	-	-	-	-	-	-	1,232	1,232	629	1,861	
Fair value of the available-for-sale financial assets	-	-	-	-	-	-	1	-	-	1	-	1	
Foreign currency translations	-	-	-	18,846	-	-	-	-	-	18,846	-	18,846	
Total comprehensive income	-	-	-	18,846	-	-	1	-	1,232	20,079	629	20,708	
Transactions with owners:-													
• Ordinary shares issued pursuant to the Share Issuance Scheme	-	-	-	-	-	-	-	-	-	-	-	-	
• Option granted under the Share Issuance Scheme	-	-	-	-	-	(39)	-	-	39	-	-	-	
• Shares repurchased	-	(6)	-	-	-	-	-	-	-	(6)	-	(6)	
As at 30 September 2015	202,951	(12,685)	157,538	46,213	(146,070)	2,043	(22)	25,226	336,480	611,674	7,180	618,854	

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2016 (“CONT’D”)

	← ATTRIBUTABLE TO OWNERS OF THE PARENT →								Distributable Reserve		Non-Controlling Interests	
	Non-Distributable Reserve								Distributable Reserve		Non-Controlling Interests	
	Share Capital RM'000	Treasury Share RM'000	Share Premium 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 2015	202,951	(12,690)	157,538	34,456	(146,070)	1,918	(26)	25,226	350,095	613,398	7,731	621,129
Profit for the financial year	-	-	-	-	-	-	-	-	5,623	5,623	563	6,186
Fair value of the available-for-sale financial assets	-	-	-	-	-	-	6	-	-	6	-	6
Foreign currency translations	-	-	-	1,611	-	-	-	-	-	1,611	-	1,611
Total comprehensive income	-	-	-	1,611	-	-	6	-	5,623	7,240	563	7,803
Transactions with owners:-												
• Options forfeited under the Share Issuance Scheme	-	-	-	-	-	-	-	-	-	-	-	-
• Shares repurchased	-	(4)	-	-	-	-	-	-	-	(4)	-	(4)
• Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
As at 30 September 2016	202,951	(12,694)	157,538	36,067	(146,070)	1,918	(20)	25,226	355,718	620,634	8,294	628,928

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements financial year ended 30 June 2016 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 2016**

	Unaudited 30 Sep 2016 RM'000	Restated 30 Sep 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,961	2,001
Adjustments for:-		
Depreciation of property, plant and equipment	3,473	3,579
Inventories written off	-	-
Impairment losses on property, plant and equipment	102	-
Impairment losses on trade and other receivables	-	-
Loss/(gain) on disposal of property, plant and equipment	(444)	(289)
Non-cash and operating items	4,527	7,776
Operating profit before changes in working capital	19,619	13,067
Changes in working capital:-		
Land reclamation work in progress	(39,198)	33,447
Land held for sale	36,252	(44,694)
Trade and other receivables	77,104	47,631
Trade and other payable	18,520	(51,257)
Deferred revenue	(75,773)	26,597
Cash generated from operations	36,524	24,791
Tax paid – net	(256)	(5,566)
Net cash (used in)/generated from operating activities	36,268	19,225
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividend received	997	1,124
Proceed from disposal of property, plant and equipment	1,000	840
Withdrawal/(Placement) of deposits – pledged	1,631	(1,500)
(Placement)/withdrawal of short-term fund	(5,001)	-
Withdrawal/(placement) of deposits charged in favour of the Security Trustee pursuant to RCSB	(1,181)	61,961
Purchase of property, plant and equipment	(385)	(14,189)
Advances from/(repayments to) related parties	-	824
Net cash used in investing activities	(2,939)	49,060
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of borrowings and hire purchase	5,529	-
Repayment of borrowings and hire purchase	(1,317)	(2,321)
Interest expense	(698)	(4,314)
Proceed from issuance of new shares under ESOS	-	-
Shares repurchased	(4)	(6)
Net cash generated from/(used in) financing activities	3,510	(6,641)
Net increase/(decrease) in cash and cash equivalents	36,839	61,644
Cash and cash equivalents at beginning of period	25,105	6,229
Effects of exchange rate changes	(2,544)	(4,698)
Cash and cash equivalents at the end of period	59,400	⁽¹⁾ 63,175

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)**

	Unaudited 30 Sep 2016 RM'000	Restated 30 Sep 2015 RM'000
Cash and cash equivalents comprise the following:-		
Cash and bank balances	6,635	7,895
Deposit with licensed bank	187,667	195,122
Bank overdraft	(95)	-
	<u>194,207</u>	<u>203,017</u>
Less: Deposits pledged as collateral	(20,706)	(19,817)
Less: Deposits charged in favour of the Security Trustee pursuant to Redeemable Convertible Secured Bonds	(114,101)	(120,025)
	<u>59,400</u>	⁽¹⁾ <u>63,175</u>

Note:

(1) *The Cash and cash equivalents previously reported has been restated to conform with current presentation.*

	RM'000
Cash and cash equivalents as previously reported	183,327
Less: Deposits charged in favour of the Trustee pursuant to Redeemable Convertible Bonds	(120,025)
Less: Short-term fund	(127)
	<u>63,175</u>
Cash and cash equivalents as restated	=====

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial reports.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED
30 SEPTEMBER 2016**
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 2016. 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 2016.

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 2016.

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
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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 2016.

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 2016.

7. DIVIDENDS PAID

A final tax exempt (single tier) dividend of 0.3 sen per ordinary share amounting to RM2,397,381 in respect of the financial year ended 30 June 2015 was paid on 15 February 2016.

The Directors proposed a final single tier dividend of 0.7 sen per ordinary share, amounting to RM5,593,820 in respect of the financial year ended 30 June 2016, which is subject to the approval of members at the forthcoming Annual General Meeting.

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8. SEGMENTAL REPORTING

The Group's segmental report for the current financial period ended 30 September 2016 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	18,610	75,773	5,267	-	9	-	99,659
Inter - segment sales	180,360	60,773	3,276	-	-	(244,409)	-
Total revenue	198,970	136,546	8,543	-	9	(244,409)	99,659
Results							
Segment results	(2,832)	14,989	3,884	(384)	(222)	-	15,435
Interest and dividend income	196	-	-	5	796	-	997
Finance costs	(665)	-	-	-	(3,806)	-	(4,471)
(Loss)/Profit before tax	(3,301)	14,989	3,884	(379)	(3,232)	-	11,961
Income tax expense	-	(6,119)	123	(7)	228	-	(5,775)
(Loss)/Profit for the period	(3,301)	8,870	4,007	(386)	(3,004)	-	6,186
Other information							
• Depreciation	(1,730)	-	(1,656)	(87)	-	-	(3,473)

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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 2016.

10. MATERIAL EVENTS NOT REFLECTED IN THE FINANCIAL STATEMENT

There were no material events subsequent to the current financial quarter ended 30 September 2016 and up to 21 November 2016, 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 Movement of shares

During the financial period to date, the Group has executed a buy-back of 10,000 shares at an average exercise price of RM0.43.

The movement of shares by the Group during the current financial year to-date were as follows:-

Date	Description	No. of shares	Average price paid (RM)	Total consideration paid (RM)
02 Sep 2016	Share buyback ⁽¹⁾	(10,000)	0.43	(4,300)
		(10,000)	0.43	(4,300)

Note (1):-

As at 30 Sep 2016, the Company holds 12,695,400 shares as treasury shares at an average price of RM1.00.

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 2016, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Corporate guarantees given to licensed financial institutions	RM'000
For credit facilities granted to subsidiaries	<u>33,549</u>

14. CAPITAL COMMITMENTS

Capital expenditure in respect of purchase of property, plant & equipment:	RM'000
Contracted but not provided for	<u>13,164</u>

**15. SIGNIFICANT RELATED PARTY TRANSACTIONS**

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

Nature of transactions⁽¹⁾	Transaction value based on billings RM'000	Balance Outstanding as at 30-09-2016 RM'000
Provision of marine construction works (payment in kind) to companies in which certain directors of the company have substantial financial interest ⁽²⁾	13,729	69,394
Purchase of vessels from companies in which certain directors of the company have substantial financial interest	-	(45,911)
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 entities to receive as settlement for the marine construction contracts. 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

	Current First (1 st) Quarter 30 Sep 2016 RM'000	Previous First (1 st) Quarter 30 Sep 2015 RM'000	Variance	
			RM'000	%
Revenue	99,659	44,040	55,619	126.29
PBT	11,961	2,001	9,960	497.75

For the cumulative three (3) months ended 30 September 2016, the Group has recorded an increase in revenue by 126.29% as against the corresponding period for last year, with total revenue registered at RM99.7 million (FPE Q1'2016: RM44.0 million). The increase in revenue was mainly due to land disposal recognition in the current year to-date (FPE Q1'2017: RM75.8 million; FPE Q1'2016: RM27.3 million).

For the cumulative 3 months, the Group recorded a PBT of RM12.0 million, representing an increase of approximately RM10.0 million against the corresponding period for last year, mainly attributable by the following:-

Description	RM'000	Note
Increase in gross profit	11,154	1
Decrease in other operating income	(9,160)	2
Decrease in administrative and other expenses	8,123	2
Increase in finance costs	(157)	3
Net increase in PBT	9,960	

Notes:-

(1) Increase in gross profit was mainly due to factors as stated above.

(2) The decrease in other income as well as admin & other expenses were mainly due to:

	Q1'17 RM'mil	Q1'16 RM'mil	Variance RM'mil
Unrealised & realised loss on forex (nett)	(1.6)	(4.2)	2.6
Impairment losses on capital in progress	(0.1)	-	(0.1)
Depreciation of PPE	(1.8)	(1.2)	(0.6)
Management and professional fees	(0.3)	(1.2)	0.9
Staff cost	(2.7)	(1.3)	(1.4)
	<u>(6.5)</u>	<u>(7.9)</u>	<u>1.4</u>

(3) Increase in finance cost was mainly due to bond interest expense recognised in current year to-date (Q1'17: RM3.8 million; Q1'16: RM3.6 million).

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17. VARIATION IN RESULTS AGAINST PRECEDING QUARTER

	Current First (1 st) Quarter 30 Sep 2016 RM'000	Current Fourth (4 th) Quarter 30 Jun 2016 RM'000	Variance	
			RM'000	%
Revenue	99,659	97,170	2,489	2.56
PBT	11,961	11,647	314	2.70

For the current quarter under review, in comparison with the preceding quarter, the Group registered an increase in revenue of approximately RM2.5 million. The increase in revenue was mainly due to land disposal recognition in the current year quarter (Q4' 16: RM75.8 million, FPE Q4'16: RM58.7 million).

The Group registered PBT of RM12.0 million (FPE Q4 '2016 PBT: RM11.6 million) representing an increase of RM0.3 million. The increase was mainly due to:-

Description	RM'000	Note
Decrease in gross profit	(14,254)	1
Increase in other operating income	1,268	
Decrease in administrative and other expenses	12,167	2
Decrease in finance costs	1,133	3
Net increase in PBT	314	

Notes:-

(1) *Decrease in gross profit was mainly due to recognition of the unrealised profit in preceding quarter. The unrealised profit was eliminated in prior years upon consolidation & will be realised upon completion of land disposal SPA to third party buyer.*

(2) *Decrease in admin & other expenses were mainly due to:-*

	Q1'17 RM'mil	Q4'16 RM'mil	Variance RM'mil
<i>(Loss)/gain on disposal of PPE</i>	-	(6.3)	6.3
<i>Impairment losses on receivable</i>	-	(2.3)	2.3
<i>Depreciation of PPE</i>	(1.8)	(3.0)	1.2
<i>Staff cost</i>	(2.7)	(3.9)	1.2
	<u>(4.5)</u>	<u>(15.5)</u>	<u>11.0</u>

(3) *Decrease in finance cost was mainly due to fair value interest expense recognised in preceding quarter (Q1'17: nil; Q4'16: RM1.2 million).*

18. PROSPECTS

Despite the challenging business environment, the Board and Management of the Group remain optimistic in assessing the outlook for the Group over the next several years. This optimism is based on the fact that 115.79 acres of land, forming the subject matter of Sale & Purchase Agreements ("Land Sale SPAs") already signed and publicly announced, will generate sales revenue of approximately of RM211.82 million. Added to that, the 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 RM103.1 million has yet to be recognised as revenue, will ensure that the Group has a stable stream of revenue of approximately RM314.9 million which can be recognised in the financial years 2017 and 2018.

The continuing resilience in the demand for the Group's reclaimed land-bank in Melaka is an added source of optimism for the Group both in the near term, as well as in the mid-term.

18. PROSPECTS (CONT'D)

The Group had on 23 January 2015 and 17 June 2016, received the Department of Environment's ("DOE") official approval of the Detailed Environmental Impact Assessment ("DEIA") report, permitting the reclamation works for the Group's Tanjung Piai Integrated Petroleum & Petrochemical Hub and Maritime Industrial Park ("TPMIP") project to proceed. The DEIA approval encompasses the reclamation works for all 3 phases of TPMIP with a total area of 3,485 acres, to be sited off the south-western coast of Johor.

Separately, 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 the approval from the DOE on 7 January 2016.

These two projects are expected to propel the Group to the next level of growth, enabling the Group to capitalise on the opportunities that abound predominantly in the downstream activities arena within the Oil and Gas sector despite the prevailing challenges confronting the said sector.

19. PROFIT FORECAST AND PROFIT GUARANTEE

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

20. PROFIT / (LOSS) FOR THE PERIOD

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

	Current Quarter RM'000	Year-To-Date RM'000
Interest income	996	996
Other income including investment income	14	14
Interest expense	(4,471)	(4,471)
Depreciation	(3,473)	(3,473)
Gain on disposal of fixed assets	444	444
Unrealised exchange loss – net	(1,052)	(1,052)
Realised exchange loss – net	(537)	(537)
Impairment losses on capital in progress	(102)	(102)
Write-off of inventories	-	-
Impairment losses and write-off of receivables	-	-
Impairment losses and write-off of assets	-	-
Write-off of inventories	-	-
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

Note:

N/A = Not applicable.

21. TAXATION

	Current Quarter RM'000	Year-To-Date RM'000
Current year provision		
- Income tax	(10,651)	(10,651)
- Deferred tax	4,876	4,876
	<u>(5,775)</u>	<u>(5,775)</u>
Effective tax rate (%)	<u>48.28</u>	⁽¹⁾ <u>48.28</u>

21. TAXATION (CONT'D)

Note:-

- (1) *The higher effective tax rate than the statutory tax rate of 24% for the current year-to-date is mainly due to certain subsidiaries were making losses and certain non-deductible expense such as unrealised loss of forex.*

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	Note
				RM'000	%		
Land reclamation projects of the Benalec Group	146,500	-	(87,119)	59,381	40.53	Within 24 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	-	(121,789)	59,381	32.78		

(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.

23. BORROWINGS

The Group's borrowings as at 30 September 2016 presented as follows:-

	RM'000
Long Term Borrowings	
Secured:-	
• Hire purchase and lease creditors	2,241
• Term loans	10,852
	13,093
RM'000	
Short Term Borrowings	
Secured:-	
• Revolving credit	19,312
• Term loans	909
• Hire purchase and lease creditors	3,429
• Bank overdraft	95
• Trust receipt	2,224
• Open Account loan	37
	26,006
(1) Total	39,099

Note:-

(1) The borrowings are denominated in Ringgit Malaysia.

24. 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 is rigorously contesting the alleged claims and is of the view that the SSB's claims are without merit and had accordingly 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.

In relation to the potential financial/operational impact of the cited litigation on the Group, it is difficult to estimate accurately such impact as the final outcome is dependent on the Court's decision. It is, however, instructive to be guided by the sharing ratio between BSB and SSB of 95% to 5% of the reclaimed land after allocating one-sixth of all reclaimed land to the Melaka state Government, and the strong grounds on which the Group is basing its legal action.

24. MATERIAL LITIGATION (CONT'D)

- (b) On 5 February 2016, BSB and BHB were served with a Writ of Summons and Statement of Claim dated 2 February 2016 together with the privately owned companies namely Oceanic Sdn Bhd, Atlantic Property Sdn Bhd, Oceanfront Land Sdn Bhd and Oceanview Property Sdn Bhd ('4 Cos') by Datuk Leaw Ah Chye ('Plaintiff') through the Plaintiff's Solicitors.

In September 2010, the 4 Cos entered into reclamation agreement respectively with BSB to carry out land reclamation in Pulau Indah ('Pulau Indah project'). The subject matter of the suit pertains to Pulau Indah project. The initial period for BSB to complete the works under the Reclamation Agreements was 36 months from the date of the agreement; that is sometime in September/October 2013. There was an extension granted for an additional period of 36 months for completion of the reclamation works under the Reclamation Agreements ('Extension of Time') and that is in September 2016.

The Plaintiff contends that from the date of the Extension of Time till the date of this Statement of Claim, BSB had failed to carry out any reclamation works at the site of the Pulau Indah project. Contrary to the allegation, BSB has in fact completed a substantial portion of the works.

On 3 March 2016, BSB and BHB were served with a Statement of Claim dated 1 March 2016 filed by the Plaintiff. The Plaintiff, being the same person in both suits is bringing his legal action in his different capacity. In this suit, the Plaintiff is suing in his representative capacity for and on behalf of BHB, whereas in 1st suit the Plaintiff is bringing an action in his representative capacity for and on behalf of 4 Cos. Both suits involved similar subject matter.

The Group is rigorously defending the alleged claims and is of the view that the claims are without merit and had filed a striking out application to strike out the Plaintiff's claims.

During the striking out application hearing on 11 November 2016, the High Court allowed the said application in both suits and dismissed the Plaintiff's claims against BSB and BHB and all other co-defendants on the basis that the Plaintiff had no locus standi to commence the present derivative action.

- (c) On 21 July 2015, BSB and OGM were served with a Writs of Summons and Statement of Claim dated 13 July 2015 filed by Glenmarie Cove Development Sdn. Bhd. ('the Plaintiff').

OGM was engaged as a sub-contractor to carry out earthwork, river protection works and other associated works together with the chartering of a dumb barge owned by BSB for the purpose of transporting and/or storing materials used in carrying out the sub-contracted works. The subject barge was anchored approximately 0.6 nautical miles away from the jetty owned and operated by the Plaintiff.

The Plaintiff had commenced legal action alleging negligence by BSB and OGM in causing some damage to the jetty. The Plaintiff is seeking against BSB and OGM inter alia, special damages for the damage to the said jetty.

On 16 November 2016, the Sessions Court had recorded Consent Judgment without admission to liability that the Defendant's insurer shall pay an agreed final settlement sum to the Plaintiff's insurer and no other claims or action shall be commence arising from this subject matter.

- (d) On 17 November 2016, BSB was served with a Writ of Summons and Statement of Claim dated 16 November 2016 by Nusa Waja Sdn. Bhd. and Dewi Pertiwi Development Sdn. Bhd. ('the Plaintiffs').

24. MATERIAL LITIGATION (CONT'D)

The Plaintiffs' alleged claim, among others, that BSB had without consent of the Plaintiffs entered into Plaintiff's concession site and extracting sands from the area. The Plaintiff also seeking a Declaration that the Defendant has committed trespass to the Plaintiff's property. BSB is currently seeking the advice of its Solicitor to do all the necessary action and remain steadfast that the Plaintiffs' claims are without merit and will rigorously contest the allegation.

25. DIVIDEND

The Board does not recommend any interim dividend for the current period ended 30 September 2016.

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

	Three (3) Months		Year-to-date	
	Ended 30-09-2016	Ended 30-09-2015	Ended 30-09-2016	Ended 30-09-2015
Net profit attributable to equity holders of the parents for the period (RM'000)	5,623	1,232	5,623	1,232
Weighted average number of ordinary shares ('000)	610,545	799,133	610,545	799,133
Basic EPS (sen)	0.9	0.2	0.9	0.2

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 30-09-2016	Ended 30-09-2015	Ended 30-09-2016	Ended 30-09-2015
Net profit attributable to equity holders of the parents for the period (RM'000)	5,623	1,232	5,623	1,232
Weighted average number of ordinary shares as per basic EPS ('000)	610,545	799,133	610,545	799,133
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)	610,545	799,133	610,545	799,133
Diluted EPS (sen)	0.9	0.2	0.9	0.2

Note:-

- (1) *The Share Issuance Scheme & RCSB 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.*

27. REALISED AND UNREALISED PROFITS / (LOSSES) DISCLOSURE

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

	As at 30-09-2016 (Unaudited) RM'000	As at 30-09-2015 (Unaudited) RM'000
Total retained profits of the Company and its subsidiaries:-		
• realised	367,480	338,160
• unrealised	<u>2,197</u>	<u>(8,340)</u>
	369,677	329,820
Add: Consolidation adjustments	<u>(13,959)</u>	<u>6,660</u>
	<u><u>355,718</u></u>	<u><u>336,480</u></u>

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

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

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