BENALEC HOLDINGS BERHAD ("BENALEC" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF BENALEC PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("ACT") ("PROPOSED PRIVATE PLACEMENT")

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1. INTRODUCTION

On behalf of the Board of Directors of Benalec ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake a proposed private placement of up to 20% of the total number of issued shares of Benalec ("**Benalec Share(s)**" or "**Share(s)**") to independent third party investor(s) to be identified later at an issue price to be determined and announced at a later date in accordance with the general mandate pursuant to Sections 75 and 76 of the Act.

Further details on the Proposed Private Placement are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Company had obtained the approval from its shareholders at its 15th Annual General Meeting ("**AGM**") convened on 18 May 2021, whereby pursuant to Sections 75 and 76 of the Act, the Board had been authorised to allot and issue new Benalec Shares provided that the aggregate number of new Benalec Shares to be issued does not exceed 20%* of the total number of issued Shares at the time of the issue (excluding treasury shares) ("**20% General Mandate**"). Such authority shall continue to be in force until 31 December 2021. With effect from 1 January 2022, the 20% General Mandate will be reinstated to a 10% limit ("**Proposed 10% General Mandate**") which is in accordance with Paragraph 6.03(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

In the event the Proposed Private Placement extends beyond the next AGM, approval will be sought from the shareholders at the next AGM for renewal of the general mandate.

Note:-

* *Bursa Securities had, on 16 April 2020, announced the additional temporary relief measures to listed issuers to ease compliance and facilitate capital raising through the equity market in a timely and cost-effective manner. In this regard, as an interim measure, a listed issuer is allowed to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities provided that the following are being complied with:*

(i) the listed issuer procures its shareholder approval for the 20% General Mandate at a general meeting;

(ii) the listed issuer complies with all the relevant applicable legal requirements, including its constitution or relevant constituent document; and

(iii) in addition to the existing disclosures required in the statement accompanying the proposed resolution under Paragraph 6.03(3) of the Listing Requirements, the listed issuer must disclose the views from its board of directors that the 20% General Mandate is in the best interest of the listed issuer and its shareholders, as well as the basis for such views.

The 20% General Mandate may be utilised by listed issuers to issue new securities until 31 December 2021. After that, the 10% limit under Paragraph 6.03(1) of the Listing Requirements will be reinstated.

For information purposes, the Company has not undertaken any equity fund raising exercises during the preceding 12 months from the date of this announcement.

2.1 Placement size

As at 9 November 2021, being the latest practicable date prior to the date of this announcement ("**LPD**"), Benalec has a total number of 849,087,100 issued Shares which excludes 12,715,400 Shares held by the Company as treasury shares and there is no outstanding convertible securities in issue.

Based on the total number of issued Shares as at the LPD and assuming that all 12,715,400 treasury shares are resold in the open market at acquisition cost prior to the implementation of the Proposed Private Placement, the Proposed Private Placement entails an issuance of up to 172,360,500 new Benalec Shares ("**Placement Share(s)**") representing 20% of the total number of issued Shares.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement would depend on the total number of issued Shares of the Company on a date to be determined and announced later.

2.2 Placement arrangement

The Placement Shares will be placed out to third party investor(s), who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007 ("**Placee(s)**"), to be identified at a later date. In accordance with Paragraph 6.04(c) of the Listing Requirements, the Placement Shares will not be placed to the following parties:-

(i) the director, major shareholder or chief executive officer of Benalec or a holding company of the Company ("**Interested Person(s)**");

(ii) a person connected with an Interested Person; and

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to market conditions and the timing of identification of the Placees, the Proposed Private Placement may be implemented in 1 or more tranches within 6 months from the date of approval from Bursa Securities for the listing of and quotation for the Placement Shares or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions. The implementation of the placement arrangement in multiple tranches would provide flexibility to the Company to procure interested investors to subscribe for the Placement Shares within the period as approved by Bursa Securities.

2.3 Basis of determining and justification for the issue price of the Placement Shares

The issue price of the Placement Shares to be issued will be determined and fixed by the Board after receipt of all relevant approvals and after taking into consideration the prevailing market conditions. The issue price shall not be priced at a discount of more than 10% to the 5-day volume weighted average market price ("**VWAP**") of Benalec Shares up to and including the last trading day immediately prior to the price-fixing date.

For illustration purposes, the indicative issue price for the Placement Shares is assumed to be RM0.1340, which represents a discount of approximately 9.28% to the 5-day VWAP of Benalec Shares up to and including the LPD of RM0.1477 per Benalec Share.

In the event the Proposed Private Placement is implemented in multiple tranches there could potentially be several price-fixing dates and issue prices. As such the issue price for each tranche of the Placement Shares will be fixed and announced separately.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Benalec Shares, save and except that the holders of the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of the Placement Shares.

2.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities within 1 month from the date of this announcement.

2.6 Utilisation of proceeds

Minimum Scenario : Assuming that none of the treasury shares held by the Company as at the LPD are resold in the open market at acquisition cost prior to the implementation of the Proposed Private Placement, the total number of Placement Shares to be issued is 169,817,420 Shares

Maximum Scenario : Assuming that all the treasury shares held by the Company as at the LPD are resold in the open market at acquisition cost prior to the implementation of the Proposed Private Placement, the total number of Placement Shares to be issued is 172,360,500 Shares

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Based on an illustrative price of RM0.1340 per Placement Share, the gross proceeds raised from the Proposed Private Placement are intended to be utilised by Benalec and its subsidiaries ("**Benalec Group**" or the "**Group**") in the manner as follows:-

Details of utilisation	Minimum Scenario		Maximum Scenario		Timeframe for utilisation
	(RM'000)	(%)	(RM'000)	(%)	
(i) Marine construction activities	12,156	53.42	12,496	54.11	Within 24 months from receipt of proceeds*
(ii) Working capital	10,000	43.95	10,000	43.30	Within 12 months from receipt of proceeds*
(iii) Estimated expenses in relation to the Proposed Private Placement	600	2.64	600	2.60	Upon completion of the Proposed Private Placement
Total	**22,756**	**100.0**	**23,096**	**100.0**	

Notes:-

* *From the date of listing of each tranche of the Placement Shares.*

(i) Marine construction activities

The marine construction activities of the Group included, but are not limited to, (1) land reclamation, dredging and beach nourishment, (2) rock revetment works, shore protection works and breakwater construction, (3) pre-bore and marine piling, and (4) construction of marine structure, bridges, jetties, ports and other offshore and ancillary services.

The proceeds of up to RM12.5 million shall be used to fund the ongoing and future marine construction projects of the Group, which will be used for operating expenses such as, among others, raw material costs, payment to sand concessionaire for the rights to dredge sand ex-seabed, payments to suppliers, direct labour costs, payments for sub-contracted services such as loading, unloading and levelling of sea sand, rock revetment and hire of land equipment and machineries.

The allocation of proceeds will depend on, among others, the progress or status of the projects, funding requirements and expected completion dates. This includes any new projects secured by the Group subsequent to the LPD. As such, the proceeds are not earmarked for specific projects of the Group in order to provide flexibility in determining the ultimate use of the proceeds for the Group's marine construction activities.

As at the LPD, the Group has more than 150 acres of land in Melaka secured via land reclamation contracts which it has yet to reclaim. The Group expects that it is on track to complete the land reclamation works according to the duration of the respective contracts.

*Other than land reclamation projects in Melaka, the Group is also undertaking reclamation works at its 2 flagship projects in Johor, namely Tanjung Piai Maritime Industrial Park ("**TPMIP**") and Pengerang Maritime Industrial Park ("**PMIP**"), measuring 3,487 acres and 1,672.8 acres respectively.*

The reclamation works in both TPMIP and PMIP is underway, having already secured the Detailed Environment Impact Assessment approvals from the Department of Environment, Ministry of Natural Resources and Environment, as well as the necessary approvals from the respective authorities. As at the LPD, around 163 acres of land have been reclaimed in TPMIP whilst PMIP has seen the formation of over 34 acres of land.

(ii) Working capital

RM10 million of the proceeds from the Proposed Private Placement has been earmarked to fund the working capital requirements of Benalec Group, which includes, but are not limited to, payment to suppliers/creditors of the Group, general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments tax payment, finance costs and any other overhead expenditures. The breakdown of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.

Notwithstanding that, and on best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows:-

	Estimated allocation of proceeds (%)
General administrative expenses and other operating expenses such as staff-related costs, utilities, statutory payments and any other overhead expenditures	*40*
Payment to suppliers/ creditors of the Group	*30*
Repayment of borrowings	*30*
Total	***100.00***

(iii) Estimated expenses

The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised in the following manner:-

	(RM'000)
Professional fees (i.e. adviser, lawyer, company secretary and share registrar)	*150*
Regulatory fees	*22*
Other incidental expenses in relation to the Proposed Private Placement	*428*
	600

If the actual expenses in relation to the Proposed Private Placement are higher than estimated, the deficit will be funded out of the portion allocated for working capital. However, if the actual expenses in relation to the Proposed Private Placement are lower than estimated, the excess will be used for the general working capital requirements of Benalec Group.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. In the event the actual proceeds raised from the Proposed Private Placement is less than RM22.76 million, the shortfall between actual expenditure to be incurred and total gross proceeds raised will be funded via the Group's internally generated funds and/or bank borrowings from financial institution(s).

Conversely, assuming Benalec is able to issue the Placement Shares at a higher issue price than the indicative issue price of RM0.1340 per Placement Share, the additional proceeds raised will be channelled towards working capital of the Group.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds (including accrued interest, if any) or the balance thereof will be placed in interest-bearing deposit accounts with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be utilised as additional working capital for the Group.

3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable the Group to raise additional funds primarily for its marine construction activities and working capital, details of which are as set out in **Section 2.6** of this announcement.

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue to raise funds for the Group due to the following reasons:-

(i) the Proposed Private Placement will enable the Group to raise funds more expeditiously and in a cost-effective manner as opposed to other fund raising options via equity;

(ii) the Proposed Private Placement will improve the liquidity and financial flexibility of the Group by strengthening its financial position, particularly during such a challenging economic environment;

(iii) the Proposed Private Placement will serve as additional source of funding for the Group without incurring interest expense or service principal repayments as compared to borrowings; and

(iv) the Proposed Private Placement is expected to strengthen the shareholders' value and capital base of the Group.

4. INDUSTRY OVERVIEW AND PROSPECTS

As at the LPD, Benalec Group has 3 operating segments that are managed separately according to their attributes and operational characteristics:-

Operating Segments	Description
Marine construction activities	Provision of marine construction services with core expertise in land reclamation and dredging
Vessel chartering and marine transportation	Provide marine transportation and support service for customer from offshore construction, building material and general cargo industries (coal affreightment)
Other operating segment comprising investment holding	To support and facilitate the operating entities for marine construction activities

4.1 Overview and outlook for the Malaysian economy

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). For the second quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the second quarter of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for E&E products, continued to remain robust.

Private consumption growth increased by 11.6% during the quarter (1Q 2021: -1.5%), following a broad-based expansion across both necessity and discretionary items, particularly at the start of the quarter, prior to the imposition of FMCO. This was due mainly to less stringent containment measures and mobility restrictions in the first half of the quarter. Labour market conditions also showed signs of improvement in the same period, which lent support to household spending. Furthermore, various policy measures, including the EPF i-Sinar withdrawals and Bantuan Prihatin Rakyat, provided additional lift to consumer expenditure.

Public consumption expanded by 9.0% (1Q 2021: 5.9%), mainly on account of higher spending on supplies and services.

In the labour market, improvements in conditions in the first half of the quarter was affected by the imposition of FMCO in June. For the second quarter as a whole, the unemployment rate remained elevated at 4.8% (1Q 2021: 4.8%). This reflected a net employment decline of 29 thousand persons relative to the previous quarter (1Q 2021: +75 thousand persons), amid a smaller labour force (-36 thousand persons; 1Q 2021: +86 thousand persons).

Gross exports grew at a faster pace of 44.0% (1Q 2021: 18.0%). The strong exports performance was broad-based across products and markets, underpinned by improving external demand. Gross imports also registered a higher growth of 33.3% (1Q21: 10.0%), due mainly to a stronger expansion in intermediate imports. The trade surplus amounted to RM56.4 billion (1Q 2021: RM58.7 billion).

(Source: BNM Quarterly Bulletin Second Quarter 2021, Bank Negara Malaysia)

4.2 Industry outlook of the construction sector in Malaysia

Malaysia's construction business models and operations are labour intensive. Technology adoption in the construction sector is far behind other sectors, such as manufacturing and agriculture (Rusuli, M.S.C. et al., 2021). According to the findings from the Department of Statistics Malaysia (2021), the construction sector recorded the lowest adoption of digital technology in terms of data analytics at 2.8%, followed by online collaboratives platform (5.4%) and management software (29.1%).

The construction sector registered a strong growth of 8.3% in the first half of 2021, supported by an improvement in specialised construction activities, non-residential buildings and residential buildings subsectors. The better performance was also attributed to the low base effect following a significant drop in construction works during the corresponding period last year. However, the civil engineering subsector contracted due to the temporary suspension of infrastructure projects following stringent COVID-19 virus containment measures. In contrast, the sector is forecast to decline by 8.4% in the second half of the year, weighed down by civil engineering, non-residential buildings and residential building subsectors, despite the resumption of construction activities. Nevertheless, the decline is being cushioned by a rebound in the specialised construction activities subsector. Overall, the sector is expected to record a marginal contraction of 0.8% during the year compared to a double-digit decline in 2020.

The national property market for residential and non-residential segments was affected by the COVID-19 pandemic. As for the residential segment, the impact was reflected by the decreasing number of incoming supply units. In addition, the house price index for Malaysia registered an unprecedented negative growth in the second quarter of 2021. Similarly, the non-residential segment recorded a decline in its occupancy rate for both retail and office spaces.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

4.3 Impact of COVID-19 to the Group

The COVID-19 pandemic has caused unprecedented and unparalleled disruption to many aspects of the economy. The Group has seen significant changes in the overall pattern of production, consumption and trade, as well as contractions on income, spending and employment in the country. Benalec, like most other companies within the construction and property development sector, is adjusting the pace of its operations to ride out the existing uncertainties and slowdown within its operating segment.

Given the slowdown in many of these industries as a consequence to the COVID-19 pandemic, the Group also experienced a knock-on effect in terms of the demand for its reclaimed sea-fronting land during this uncertain time. However, as land disposal transactions remain necessary to the Group as one of its significant revenue contributors, transactions made in the financial year 2020 were deemed in the best interest of the Group with the utmost priority in ensuring its financial health.

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 economic and political climate is unstable or uncertain. In the current prolonged economic downturn, exacerbated by the current health crisis caused by COVID-19 pandemic, potential buyers of, or investors in, 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.

4.4 Prospects of Benalec Group

While uncertainties in the market have caused serious ripple effects across all economic sectors and sentiment has turned cautious within the investment fraternity, the Group continues to believe in the resiliency of its business model as well as the underlying value of the reclaimed land bank of the Group. This is underscored by the Group's ability to monetise more than 955 acres of land in Melaka to-date, amounting to more than RM1.3 billion in land sales being achieved.

To-date, the revenue yet to be recognised arising from several land reclamation contracts secured by the Group in Melaka, amounting to approximately RM63.53 million, as well as sale & purchase agreements ("**Land Sale SPAs**") already signed of approximately RM14.67 million, provides the Group with near term revenue visibility.

In addition, the Group also has in excess of 98 acres of land bank in Melaka already reclaimed, issued with land titles and are available for immediate sale. Several large parcels of river-fronting land reclaimed by the Group in Pulau Indah, Port Klang, have also continued to garner strong interest due to their strategic location, being adjacent to the Pulau Indah Highway, and in close proximity to Westport, one of Malaysia's busiest ports. The management is prepared to adapt to the requirements of the circumstances where necessary to ensure that some of these land banks can continue to be monetised in the near to medium term.

While the global demand for oil has been significantly affected as a direct near-term consequence of the COVID-19 pandemic, the Group observed that the oil market has started to see encouraging signs of rebalancing and recovery. The Group remains confident in the strong fundamentals of its 2 main flagship projects in Johor, namely Tanjung Piai Maritime Industrial Park and Pengerang Maritime Industrial Park, being strategic locations within the region for the development of heavy industrial activities, particularly downstream activities within the oil & gas sector.

The Group, like most other companies within the sector, is adjusting the pace of its operations to ride out the existing uncertainties and slowdown within its operating segment. However, in conserving its resources, the Group has positioned itself accordingly and will be ready to capitalise and leverage on any uptrend or opportunities that may arise once operating environment improves. The Group endeavours to remain vigilant and will continue to strive, innovate, adapt and create value for its customers where possible.

(Source: Management)

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

The pro forma effects of the Proposed Private Placement are set out below:-

5.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are as follows:-

	Minimum Scenario		**Maximum Scenario**	
	No. of Shares	**(RM)**	**No. of Shares**	**(RM)**
Share capital of Benalec as at the LPD	861,802,500	371,488,527	861,802,500	371,488,527
Less: Treasury shares	(12,715,400)	(12,703,204)	-	-
	849,087,100	**358,785,323**	**861,802,500**	**371,488,527**
Placement Shares to be issued pursuant to the Proposed Private Placement[(1)]	169,817,420	22,755,534	172,360,500	23,096,307
Enlarged share capital after the Proposed Private Placement	**1,018,904,520**	**381,540,857**	**1,034,163,000**	**394,584,834**

Note:-

(1) Based on the indicative issue price of RM0.1340 per Placement Share, which represents a discount of approximately 9.28% to the 5-day VWAP of Benalec Shares up to and including the LPD of RM0.1477 per Benalec Shares.

5.2 Net assets ("NA"), NA per share and gearing

For illustration purposes, the pro forma effects of the Proposed Private Placement on the NA, NA per share and gearing based on the audited consolidated statement of financial position of Benalec for the financial year ended ("**FYE**") 31 December 2020 are set out below:-

Minimum Scenario	**Audited as at 31 December 2020 (RM'000)**	**Pro forma I After the Proposed Private Placement (RM'000)**
Share capital	371,489	(1)394,244
Treasury shares	(12,703)	(12,703)
Other reserves	(108,594)	(108,594)
Retained earnings	233,023	(2)232,423
Shareholders' equity/NA	**483,215**	**505,370**
Non-controlling interest	1,258	1,258
Total Equity	**484,473**	**506,628**
No. of Benalec Shares ('000)	^849,087	^1,018,904
NA per Benalec Share (RM)	**0.57**	**0.50**
Total borrowings (RM'000)	93,515	93,515
Gearing (times)	**0.19**	**0.18**
Cash and bank balances (RM'000)	25,125	(3)47,281

Notes:-

^ *Excluding 12,715,400 treasury shares.*

(1) After the issuance of 169,817,420 Placement Shares pursuant to Proposed Private Placement at an indicative issue price of RM0.1340 per Placement Share, which represents a discount of approximately 9.28% to the 5-day VWAP of Benalec Shares up to and including the LPD of RM0.1477 per Benalec Shares.

(2) After deducting the estimated expenses pertaining to the Proposed Private Placement amounting to RM0.60 million.

(3) Includes the proceeds raised from the Proposed Private Placement (after deducting the estimated expenses amounting to RM0.60 million).

Maximum Scenario	**Audited as at 31 December 2020 (RM'000)**	**Pro forma I Assuming all treasury shares are resold (RM'000)**	**Pro forma II After Pro forma I and the Proposed Private Placement (RM'000)**
Share capital	371,489	371,489	(1)394,585
Treasury shares	(12,703)	-	-
Other reserves	(108,594)	(108,594)	(108,594)
Retained earnings	233,023	233,023	(2)232,423
Shareholders' equity/NA	**483,215**	**495,918**	**518,414**
Non-controlling interest	1,258	1,258	1,258
Total Equity	**484,473**	**497,176**	**519,672**
No. of Benalec Shares ('000)	^849,087	861,803	1,034,163
NA per Benalec Share (RM)	**0.57**	**0.58**	**0.50**
Total borrowings (RM'000)	93,515	93,515	93,515
Gearing (times)	**0.19**	**0.19**	**0.18**
Cash and bank balances (RM'000)	25,125	(3)37,828	(4)60,325

Notes:-

^ *Excluding 12,715,400 treasury shares.*

(1) After the issuance of 172,360,500 Placement Shares pursuant to Proposed Private Placement at an indicative issue price of RM0.1340 per Placement Share, which represents a discount of approximately 9.28% to the 5-day VWAP of Benalec Shares up to and including the LPD of RM0.1477 per Benalec Shares.

(2) After deducting the estimated expenses pertaining to the Proposed Private Placement amounting to RM0.60 million.

(3) Includes the proceeds of RM12,703,204 after 12,715,400 treasury shares are resold in the open market at acquisition cost.

(4) Includes the proceeds raised from the Proposed Private Placement (after deducting the estimated expenses amounting to RM0.60 million).

5.3 Earnings and earnings per Share ("EPS")

The Proposed Private Placement is not expected to have any material effect on the earnings of Benalec Group for the FYE 31 December 2021. However, there will be a corresponding dilution in the EPS of the Benalec Group as a result of the increase in the number of Benalec Shares issued pursuant to the Proposed Private Placement.

Nevertheless, the Proposed Private Placement is expected to contribute positively to the future earnings of the Group when the benefits arising from the proposed utilisation of proceeds as set out in **Section 2.6** of this announcement are realised.

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5.4 Substantial shareholders' shareholdings

The substantial shareholders' shareholdings as at the LPD based on the Company's Register of Substantial Shareholders and the pro forma effect of the Proposed Private Placement on their shareholdings are as follows:-

	As at the LPD				Pro forma I After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
Minimum Scenario	**No. of Shares**	**(1)%**	**No. of Shares**	**(1)%**	**No. of Shares**	**(2)%**	**No. of Shares**	**(2)%**
Oceancove Sdn Bhd	86,858,300	10.23	-	-	86,858,300	8.52	-	-
Dato' Leaw Seng Hai	444,100	0.05	86,858,300	10.23	444,100	0.04	86,858,300	8.52
Datuk Leaw Ah Chye	1,000	*	86,858,300	10.23	1,000	*	86,858,300	8.52
Oceanview Sdn Bhd	-	-	(3) 86,858,300	10.23	-	-	(3) 86,858,300	8.52

	As at the LPD				Pro forma I After resale of treasury shares				Pro forma II After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Maximum Scenario	**No. of Shares**	**(1)%**	**No. of Shares**	**(1)%**	**No. of Shares**	**(3)%**	**No. of Shares**	**(3)%**	**No. of Shares**	**(4)%**	**No. of Shares**	**(4)%**
Oceancove Sdn Bhd	86,858,300	10.23	-	-	86,858,300	10.08	-	-	86,858,300	8.40	-	-
Dato' Leaw Seng Hai	444,100	0.05	86,858,300	10.23	444,100	0.05	86,858,300	10.08	444,100	0.04	86,858,300	8.40
Datuk Leaw Ah Chye	1,000	*	86,858,300	10.23	1,000	*	86,858,300	10.08	1,000	*	86,858,300	8.40
Oceanview Sdn Bhd	-	-	(3) 86,858,300	10.23	-	-	(3) 86,858,300	10.08	-	-	(3) 86,858,300	8.40

Notes:-

* *Negligible*
(1) Based on the existing issued share capital of 849,087,100 Shares (excluding 12,715,400 treasury shares).
(2) Based on the enlarged issued share capital comprising 1,018,904,520 Shares (excluding 12,715,400 treasury shares) after the completion of the Proposed Private Placement.
(3) Based on the issued share capital of 861,802,500 Shares (assuming all 12,715,400 treasury shares are resold in the open market at acquisition cost).
(4) Based on the enlarged issued share capital comprising 1,034,163,000 Shares after the completion of the Proposed Private Placement.

5.5 Existing convertible securities

The Company does not have any outstanding convertible securities as at the LPD.

6. FINANCIAL HIGHLIGHTS

The table below set out the financial information of the Benalec Group for the:-

(i) Audited FYE 30 June 2018;
(ii) Audited FYE 31 December 2019;
(iii) Audited FYE 31 December 2020; and
(iv) Unaudited 6-month Financial Period Ended ("**FPE**") 30 June 2021:-

	Audited FYE 30 June	**Audited FYE 31 December**		**Unaudited FPE 30 June**	
	2018	**^2019**	**2020**	**2020***	**2021**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Revenue	116,315	135,916	161,058	70,401	55,152
Profit/(Loss) before taxation ("**PBT/LBT**")	4,404	(64,110)	(73,814)	(44,825)	(11,503)
Profit/(Loss) after tax attributable to the owners of the Company ("**PAT/LAT**")	(176)	(47,486)	(67,767)	(44,196)	(12,206)
Retained earnings / (accumulated losses)	351,404	275,229	233,023	231,285	223,484
Net assets attributable to the owners of the Company ("**NA**")	621,042	552,116	483,215	511,539	473,045
Total borrowings	31,211	43,380	93,515	38,676	98,124
Gearing[(1)] (times)	0.05	0.08	0.19	0.08	0.21
No. of issued shares[(2)] ('000)	819,087	849,087	849,087	849,087	849,087
Basic earnings/(loss) per share (sen)[(3)]	(0.02)	(5.59)	(7.98)	(5.21)	(1.44)
NA per share[(4)] (sen)	75.82	65.02	56.91	60.25	55.71

Notes:-

* *For comparison purposes only*
^ *The Group has changed their financial year end from 30 June to 31 December. Accordingly, the financial statements of the Group for the financial period ended 31 December 2019 cover an 18 month period compared to the 12 month period ended 30 June 2018.*
(1) Calculated based on total borrowings divided by NA.
(2) Excluding 12,715,400 treasury shares
(3) Calculated based on PAT/ LAT attributable to the owners divided by number of issued shares.
(4) Calculated based on NA divided by number of issued shares.

Commentary on past performance

(a) Audited FYE 31 December 2019

For the 18-month FYE 31 December 2019, the Group recorded revenue of RM90.61 million *(annualised)*, a decrease of approximately 22.10% from RM116.32 million for the FYE 30 June 2018. The decrease was mainly due to lower revenue from vessel chartering and marine transportation segment, which recorded a revenue of RM6.38 *(annualised)* for the FYE 31 December 2019 (FYE 30 June 2018: RM31.18 million).

In line with the decrease in revenue from vessel chartering and marine transportation segment, the Group recorded a LAT of RM35.50 million *(annualised)* for the FYE 31 December 2019 as compared to a PAT of RM2.38 million for the FYE 30 June 2018. In addition, the LAT of the Group was also affected by one-off impairment losses on contract assets amounting to RM17.07 million *(annualised)* recognised for the FYE 31 December 2019 *(FYE 30 June 2018: Nil) and* property, plant and equipment amounting to RM11.08 million *(annualised)* recognised for the FYE 31 December 2019 *(FYE 30 June 2018: RM16.21 million)*.

(b) Audited FYE 31 December 2020

The Group recorded a higher revenue of approximately RM161.06 million for the FYE 31 December 2020, which represents an increase of approximately 77.75% as compared to the revenue of RM90.61 million (*annualised*) recorded for the FYE 31 December 2019. This was mainly arising from the procurement of a contract of affreightment for shipments of coal for TNB Fuel Services Sdn Bhd during the FYE 31 December 2020.

Despite the higher revenue, the Group recorded a higher LAT of RM69.63 million for the FYE 31 December 2020, an increase of 96.14% from RM35.50 million *(annualised)* for the FYE 31 December 2019. The increase in LAT was mainly due to loss recognised from the disposal of land of RM15.35 million for the FYE 31 December 2020 *(FYE 31 December 2019: gain of RM20.88 million (annualised))* as the disposal transactions were deemed necessary by the Board in sustaining the operations of the Group amidst the depressed market condition caused by the COVID-19 pandemic.

(c) Unaudited 6-month FPE 30 June 2021

For the 6-month FPE 30 June 2021, the Group recorded a revenue of approximately RM55.15 million, which represents a decrease of approximately 21.66% to the revenue of RM70.40 million recorded in the corresponding period in the preceding financial year. The lower revenue for the second quarter as compared to the previous year's corresponding quarter was due to the drop in revenue generated from the marine construction sector that consist of land reclamation and land disposal.

Despite the decrease in revenue, the Group achieved a lower LAT of approximately RM12.93 million for the FPE 30 June 2021 as compared to the LAT recorded in the corresponding period of approximately RM44.48 million. This was mainly due to lower cost of sales and finance cost.

7. VALUE CREATION OF THE PROPOSED PRIVATE PLACEMENT TO BENALEC GROUP AND THE SHAREHOLDERS OF THE COMPANY

The Company had explored various financing options including, but not limited to, debt financing. In view of the current challenging economy due to COVID-19 pandemic, the Company had decided that the Proposed Private Placement is the most appropriate and efficient avenue to raise funds.

The Proposed Private Placement will provide an additional source of immediate funding for the working capital of the Group without incurring interest expenses as compared to conventional means of debt financing. The Proposed Private Placement will also strengthen the capital structure of the Company. The Proposed Private Placement is expected to raise up to approximately RM23.10 million (based on an indicative issue price of RM0.1340 per Placement Share). By undertaking the fund raising exercise, the management will have the flexibility and control of the Group's internally generated funds to grow its existing businesses whilst reducing its reliance on conventional debt financing.

For illustration purposes only, should the requisite funds of approximately RM22.50 million be raised (after deducting estimated expenses of RM0.60 million in relation to the Proposed Private Placement) through conventional debt financing instead of proceeds from the Proposed Private Placement and based on Benalec 's current average interest rate of 7.07% per annum, Benalec would incur additional finance costs of approximately RM1.59 million per annum. Therefore, the Proposed Private Placement will allow Benalec to preserve funds for its business operations.

In addition, the Proposed Private Placement will provide an opportunity for the introduction of new investors to participate in the equity of the Company, its future prospects and growth as well as broadening the shareholding base of the Company.

8. IMPACT OF THE PROPOSED PRIVATE PLACEMENT TO BENALEC GROUP AND THE SHAREHOLDERS OF THE COMPANY

The Proposed Private Placement as highlighted in **Section 5** of this announcement, will increase the NA of the Group from approximately RM495.92 million to approximately RM518.41 million. The increase in NA position and enlargement of the issued share capital will strengthen the Group's overall financial position and allow the Group to continue ongoing projects and pursue other opportunities.

Nevertheless, the increase in the total number of issued Shares arising from the Proposed Private Placement will have a dilutive impact on the EPS of the Group in the event the earnings of the Group does not increase in line with the increased number of Benalec Shares to be issued pursuant to the Proposed Private Placement.

9. THE ADEQUACY OF THE PROPOSAL IN ADDRESSING THE COMPANY'S FINANCIAL CONCERNS

The Board is of the view that the Proposed Private Placement serves as a measure to meet Benalec Group's immediate funding needs and additional working capital to support its ongoing reclamation projects set out in **Section 2.6** of this announcement.

Premised on the above, the Board believes that the Proposed Private Placement will be beneficial to the Group and its shareholders and is able to address any of the Group's current financial concerns. The proceeds raised from the Proposed Private Placement will also serve to support the Company in improving its financial position. In addition, the Board will also continue to explore, assess and evaluate all other suitable funding proposals for the Group's long term financial requirements.

10. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is subject to and conditional upon the following approvals being obtained:-

(a) Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement; and

(b) any other relevant authorities, if required.

The Company has obtained the 20% General Mandate from its shareholders at the 15th AGM convened on 18 May 2021. The 20% General Mandate will continue to be in force, until 31 December 2021. With effect from 1 January 2022, the 20% General Mandate will be reinstated to Proposed 10% General Mandate in accordance with Paragraph 6.03(1) of the Listing Requirements of Bursa Securities. The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The Proposed Private Placement is not conditional upon any other corporate exercises undertaken or to be undertaken by Benalec.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders, chief executive of Benalec and/or persons connected to them has any interest, direct or indirect, in the Proposed Private Placement.

12. DIRECTORS' STATEMENT

After considering all aspects of the Proposed Private Placement, the Board is of the opinion that the Proposed Private Placement is in the best interest of the Company.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to obtaining all the required approvals, the Proposed Private Placement is expected to be completed by end of December 2021. In the event the Proposed Private Placement is not completed by 31 December 2021, the general mandate shall be reinstated from 20% limit to a 10% limit under Paragraph 6.03(1) of the Listing Requirements with effect from 1 January 2022.

14. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities for the Proposed Private Placement shall be made within 1 month from the date of this announcement.

15. ADVISER AND PLACEMENT AGENT

UOBKH has been appointed as the Adviser and the Placement Agent for the Proposed Private Placement.

This announcement is dated 17 November 2021.

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