

**TERM SHEET ENTERED BETWEEN SPEKTRUM KUKUH SDN BHD, A 70% OWNED-SUBSIDIARY OF TANJUNG PIAI MARITIME INDUSTRIES SDN. BHD., WHICH IN TURN IS A WHOLLY-OWNED SUBSIDIARY OF BENALEC SDN. BHD., WHICH IN TURN IS A WHOLLY-OWNED SUBSIDIARY OF BENALEC AND THE STATE SECRETARY, JOHOR (INCORPORATED) AND 1MY STRATEGIC OIL TERMINAL SDN BHD**

**1. INTRODUCTION**

The Board of Directors of Benalec Holdings Berhad (“Benalec”) is pleased to announce that Spektrum Kukuh Sdn. Bhd. (“**SKSB**”), a 70% owned-subsiary of Tanjung Piai Maritime Industries Sdn. Bhd., which in turn is a wholly-owned subsidiary of Benalec Sdn. Bhd., which in turn is a wholly-owned subsidiary of Benalec, had on 12 March 2013 entered into a binding term sheet (“**the Term Sheet**”) with The State Secretary, Johor (Incorporated) (“**S.S.I.**”) and 1MY Strategic Oil Terminal Sdn. Bhd. (“**the Purchaser**”) to undertake the reclamation works and sale of approximately 1,000 acres of land off the coast of Tanjung Piai, Johor Darul Ta’zim (“**the Land**”) for the purpose of constructing and operating a crude oil and petroleum storage facility together with a private jetty (“**Project**”).

(SKSB, S.S.I. and the Purchaser are collectively referred to as “**the Parties**”).

**2. INFORMATION ON SKSB, S.S.I., THE PURCHASER**

**2.1 SKSB**

SKSB was incorporated in Malaysia on 25 April 2011, a 70% owned-subsiary of Tanjung Piai Maritime Industries Sdn. Bhd., which in turn is a wholly-owned subsidiary of Benalec Sdn. Bhd., which in turn is a wholly-owned subsidiary of Benalec. The principal activity of SKSB is that of land development with an issued and paid-up share capital of RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each.

**2.2 S.S.I.**

S.S.I. is a body corporate established under the State Secretary, Johor (Incorporation) Enactment, 1953 having its office at Aras 3, Bangunan Dato’ Jaafar Muhammad, Kota Iskandar, 79503 Nusajaya, Johor Darul Ta’zim.

**2.3 Purchaser**

The Purchaser was incorporated in Malaysia on 20 February 2013, a wholly-owned subsidiary of 1MY Strategic Energy Limited, as a company for the sole purpose of the Project. The Purchaser has an initial issued and paid-up capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The principal activity of the Purchaser will be to own and operate the crude oil and petroleum facility.

**3. SALIENT TERMS OF THE TERM SHEET**

The salient terms of the Term Sheet are as follows:

- a) The Purchaser intends to acquire the Land for the purposes of the construction, commissioning, operation and maintenance of an oil and petroleum storage facility.

- b) The Parties agreed to negotiate in good faith with a view to finalizing for execution a legally binding sale and purchase agreement in respect of the Land ("**Sale and Purchase Agreement**") within three (3) months from the date of the Term Sheet or such other periods as may be mutually agreed by the Parties.
- c) In the event that the Parties fail to finalise and execute the Sale and Purchase Agreement within the time provided in the Term Sheet, the Term Sheet shall terminate and be of no further force and effect. No Party shall have any claim against the other save for any antecedent breaches.
- d) Each Party shall bear its own fees and expenses associated with the negotiation, execution and delivery of the Term Sheet, the Sale and Purchase Agreement and any other agreements or documents contemplated hereby or thereby, including but not limited to all fees and expenses of each Party's respective counsel, auditors, consultants and other representatives.

#### **4. SOURCES OF FUNDING**

The Project is to be financed by way of internally generated funds and bank borrowings, of which the breakdown is not available at this juncture.

#### **5. COMMENCEMENT AND DURATION**

SKSB agrees that from the date of the Term Sheet, until the earlier of the expiry of three (3) months from the date of the Term Sheet or the execution of the Sale and Purchase Agreement or such longer periods as may be mutually agreed by the Parties, it shall not enter into any agreement or arrangement or enter into negotiations with any other persons in respect of the reclamation and sale of the Land.

#### **6. LIABILITIES TO BE ASSUMED**

No liabilities, including contingent liabilities and guarantees, are to be assumed by Benalec, arising from the Term Sheet.

#### **7. RATIONALE AND PROSPECTS**

In line with the government plans to transform Southern Johor into an oil and gas hub, Benalec capitalises on its requisite technology, expertise, experience and financial resources to undertake the Reclamation Works at the Project Lands, which will then be developed into an integrated Petroleum & Petrochemical Hub Logistic and Maritime Industrial Park.

#### **8. EFFECTS OF THE TERM SHEET**

The Term Sheet is not expected to have material effects on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of Benalec for the financial year ending 30 June 2013.

#### **9. RISKS**

Risk factors affecting the Term Sheet include but are not limited to changes in conditions of competition, economic, business, political and legal framework environment. Benalec will take the necessary efforts to mitigate the various business risks identified.

**10. APPROVALS REQUIRED**

The Term Sheet does not require approvals from the relevant authorities and the shareholders of Benalec.

**11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

To the best of knowledge of the Directors of Benalec, none of the Directors and major shareholders of Benalec or persons connected to them have any interest, direct or indirect, in the Term Sheet.

**12. DIRECTORS' STATEMENT**

The Board of Directors of Benalec is of the opinion that the Term Sheet is fair and reasonable and that the Term Sheet is in the best interest of Benalec Group after considering the various aspects of the Term Sheet.

This announcement is dated 12 March 2013.