

4. INFORMATION ON THE GROUP (Cont'd)

4.2.13 R&D

(i) Policy on R&D

The Group's R&D efforts are closely linked to the Group's marketing efforts. Kencana Petroleum Group's R&D activities are carried out to fulfil market needs identified by the Group's marketing efforts, thereby reducing the uncertainty associated with the applicability of R&D results.

Kencana Petroleum Group is currently not undertaking any R&D activity, as the Group has not identified any market need to do so.

(Source: Business Overview of Kencana Petroleum Berhad prepared by Vital Factor Consulting Sdn Bhd)

(ii) R&D Facilities and Personnel

Kencana Petroleum Group has in-house quality control testing facilities located in the Group's Lumut Fabrication Yard. The Group carries out on-going quality control testing activities as part of the fabrication process, as well as for post-fabrication quality assurance and testing purposes. As at 11 October 2006, Kencana Petroleum Group has fifty nine (59) quality assurance engineers, technicians and personnel.

(Source: Business Overview of Kencana Petroleum Berhad prepared by Vital Factor Consulting Sdn Bhd)

(iii) Achievements in R&D

Kencana Petroleum Group's R&D activities on efficiency improvement have led to the design and fabrication of products such as offshore production platform, comprising of integrated topside module and jacket, topside module, jacket structure for offshore platform, MOPU conversion, gas compression module, carbon dioxide removal module; water injection module, air compressor process skid system, gas conditioning process skid system; chemical injection process skid system, air dryer process skid system, multiphase metering process skid system, liquid flow metering process skid system, gas flow metering process skid system, crude oil separator process skid system, water supply system, water pipeline; gas pipeline; and steel superstructure.

(Source: Business Overview of Kencana Petroleum Berhad prepared by Vital Factor Consulting Sdn Bhd)

(iv) Future Plans and Timeline for Implementation

Kencana Petroleum Group proposes to undertake R&D to extend its current range of services by developing the in-house capability to provide the following new service:

(i) Testing and Calibration of Multiphase Fluid Metering Equipment

Kencana Petroleum Group plans to offer flow meter testing and calibration services incorporating the following:

- Liquid flow meter testing and calibration;
- Gas flow meter testing and calibration; and

4. INFORMATION ON THE GROUP (Cont'd)

- Multiphase flow meter testing and calibration.

Kencana Petroleum Group plans to establish and operate a facility in Malaysia to test and calibrate liquid flow metering, gas flow metering, and multiphase flow metering equipment. The Group plans to construct a test loop facility.

Flow meter testing and calibration (including the testing of liquid flow, gas flow and multiphase flow meters) is currently carried out overseas, as there are no certified testing and calibrating facilities in Malaysia. Kencana Petroleum Group plans to undertake R&D to develop the technology necessary to conduct in-house flow meter testing.

Kencana Petroleum Group intends to develop the capability to undertake testing and calibration of the fluid meters utilising the following technologies:

Fluid Metering Technology	Gas Phase	Liquid Phase
Orifice plate	√	
Turbine meter	√	√
Ultrasonic flow meter	√	√
Coriolis meter		√

The Group plans to initially focus on developing capabilities to test and calibrate single phase, liquid flow meters and gas flow meters.

Together with suitable local partners such as SIRIM Berhad and local universities, the Group plans to undertake testing and calibration of liquid flow meters, gas flow meters, and multiphase flow meters.

To meet the current specifications of the oil and gas industry, Kencana Petroleum Group plans to develop the capability to provide flow meter calibration services that comply with the applicable sections of one or more of the following internationally recognised procedural and quality standards:

- American Petroleum Institute standards;
- International Standard Organisation (ISO);
- ASME standards; and
- United States National Institute of Standards & Technology (NIST) traceable.

The Group plans to commence on the R&D to develop fluid meter testing by 2007. Pending the successful development of the relevant technology and facilities, the Group plans to establish a liquid flow meter, gas flow meter, and multiphase flow meter testing facility in Malaysia by 2008.

(Source: Prospects and Future Plans of Kencana Petroleum Berhad prepared by Vital Factor Consulting Sdn Bhd.)

(v) Investments Made for R&D

Kencana Petroleum Group is currently not carrying out any material R&D activities. There are no R&D expenses incurred by the Group for the last three (3) financial years ended 31 July 2006.

4. INFORMATION ON THE GROUP (Cont'd)**4.2.14 Interruptions in Business for the Past Twelve (12) Months**

There has never been any interruption in the form of trade disputes or major operational breakdown occurring within and outside the Group that may significantly impair the Group's business performance during the past twelve (12) months.

4.2.15 Key Achievements/Milestones/Awards

The awards received by the Group are as follows:

Company/Authorised Body	Award	Date	Remarks
White Nile (5B) Petroleum Operating Company Ltd	Letter of Appreciation	2006	Appreciation for full commitment and contribution towards achieving Thar Jath 1 st Oil Production into Heglig Pipeline.
Sarawak Shell Berhad and Petronas Carigali Sdn Bhd	Health, Safety and Environment Award	2005	Health, Safety and Environment Award for successful completion of E11V-B Platform for E11 Hub Project with 160,000 man-hours without Lost Time Incident.
TOS Energy Malaysia Sdn Bhd	Certificate of Recognition	2005	Achieving 1,000,000 man-hours without Lost Time Incident.
Innovative Human Capital Development Award 2004	Certificate of Recognition	2005	Certificate of Recognition for placing strategic emphasis on Innovative Human Capital Development as a key strategy to secure competitive advantage in Malaysia's Knowledge-based Economy.
Murphy Sarawak Oil Co Ltd	Safety Award	2004	Safety Award for achieving 250,000 work hours with no Lost Time Incident for the fabrication of West Patricia Injection A Topsides.
Petronas Carigali Sdn Bhd	Certificate of Appreciation	2004	Certificate of Appreciation for achieving 100,000 man-hours worked without Lost Time Injuries.
Sime SembCorp Engineering Sdn Bhd and Sarawak Shell Berhad	Certificate of Appreciation	2002	Certificate of Appreciation acknowledging contribution to achievement of 500,000 man-hours without lost time incident (LTI) for B11DR-A (E11R-B) / JNDRA Project.
Nippon Oil Exploration (Malaysia), Ltd and Malaysia Shipyard and Engineering Sdn Bhd	Recognition	2002	In recognition for achieving a low repair rate of 0.20% during the fabrication of Helang Central Platform – Load Out Support Frame (LSF).
Petronas Gas Berhad and Peremba Construction Sdn Bhd	Safety Award	2001 to 2002	Safety Award on achieving 350,000 man-hours without Lost Time Injuries in relation to the Port Dickson Lateral Looping Pipeline Project.

4. INFORMATION ON THE GROUP (Cont'd)

Company/Authorised Body	Award	Date	Remarks
Esso Production Malaysia Inc. and Sime SembCorp Engineering Sdn Bhd	Certificate of Appreciation	2001	Top 4 Desired Outcomes for Larut Jacket Project – Health, Safety and Environment, Quality, Cost and on Schedule.
Nippon Oil Exploration (Malaysia), Ltd. and Malaysia Shipyard and Engineering Sdn Bhd	Certificate of Appreciation	2001	Successfully implementation of Health, Safety and Environment (HSE) programmes, compliance to HSE and quality requirements and contributed towards improvement of HSE in relation to the Helang Central Platform Substructure and Integrated Topsides Fabrication Project.
Sime SembCorp Engineering Sdn Bhd	Zero-LTI Project Performance Certificate	2001	Zero-LTI Project Performance Certificate awarded in recognition of commendable safety performance for the Larut "A" Jacket Project which achieved a total of 430,031 man-hours without Loss Time Injuries.
Optimal	Safety Award	2001	Achieving 15,000,000 man-hours without a Lost Time Accident on the Optimal Project.
Optimal	Safety Award	2001	Achieving 10,000,000 man-hours without a Lost Time Accident on the Optimal Project.
Linde and Samsung Engineering	Safety Award	2001	Achieving 10,000,000 man-hours without Lost Time Accident on the Malaysia Olefins Project.
Petronas Gas Berhad and Peremba Construction Sdn Bhd	Certificate of Appreciation	2000 to 2001	In recognition of the achievement of 75,000 man-hours worked without Lost Time Injuries in relation to the Tronoh Lateral Pipeline Project.
Kuantan Terminals Sdn Bhd and Dialog Holdings Sdn Bhd	Certificate of Recognition	2000	Achieving 1.5 million man-hours without Lost Time Incident in relation to the Kuantan Common Piperack Facility and Propylene Tank and Ancillary Facilities Project.
Chiyoda Malaysia Sdn Bhd and Titan Petrochemicals (M) Sdn Bhd (the Client)	Certificate of Recognition	2000	Acknowledgement of the successful Piping and Structure Works project within the specified schedule and specifications, and meeting Chiyoda and the Client's Safety and Quality Standards.
Sarawak Shell Berhad and Malaysia Shipyard and Engineering Sdn Bhd	Safety Award	2000	Safety Award on achieving 150,000 HSE man-hours without Lost Time Injury in relation to the F6K-A Substructure Project.
Sarawak Shell Berhad	Letter of Appreciation	2000	In recognition of successful completion of the F6K-A Substructure Project in time for the railway.

4. INFORMATION ON THE GROUP (Cont'd)

Company/Authorised Body	Award	Date	Remarks
Esso Production Malaysia Inc. and TL Offshore Sdn Bhd	Certificate of Achievement	1999	In recognition of excellent safety for the Bekok-C Riser Upgrade & Tabu A-B Pipeline.
Petronas Gas Berhad, MMCE Engineering Group Berhad, IPCO Constructors Sdn Bhd and Murphy Oil Corp. Joint Venture	Certificate of Appreciation	1999	In recognition of significant contribution towards the achievement of 2,000,000 man-hours without Lost Time Accident in relation to the Peninsular Gas Utilisation Loop-2 Project.

(Source: Business Overview of Kencana Petroleum Berhad prepared by Vital Factor Consulting Sdn Bhd)

The Group's key milestones include:

Year	Milestone	Remarks
1982	First oil and gas industry project	Provision of project management and skilled manpower for the fabrication and erection of jacket structure, modules and process equipment for Petronas Carigali Sdn Bhd, as a sub-contractor to Promet Fabricators Sdn Bhd.
1996	First EPCC Contract	Hydrogen Compression Project for CCM Chemicals Sdn Bhd as a sub-contractor to Oil-Line Engineering and Associates Sdn Bhd
1997	First Process Skid Project	Fuel gas skid for Sabah Shell, as a sub-contractor to Oil-Line Engineering and Associates Sdn Bhd
1998	Fabrication of turret system for FPSO	Provision of project management team and skilled manpower to fabricate and assemble turret system for FPSO for Trenergy Bhd, as a subcontractor to Malaysia Shipyard and Engineering Sdn Bhd.
2000	Establishment of Lumut Fabrication Yard	Establishment of Lumut Fabrication Yard, covering an area of approximately 11 acres with a 5,000 tonnes load-out jetty.
2002	Obtained Major Fabrication (Offshore Structures) license awarded by Petronas	Kencana Petroleum's wholly-owned subsidiary, Kencana HL is currently one (1) of seven (7) Petronas Major Fabrication (Offshore Structures) license holders in Malaysia. This license enables the Group to tender directly for major fabrication of offshore structures projects in Malaysia.
2003	First jacket and topside fabrication contract	Contract to fabricate water injection platform and wellhead production platform for Murphy Sarawak Oil Co. Ltd.
2003	Kencana HL receives ISO9001:2000 accreditation	Awarded by Lloyd's Register Quality Assurance, Kuala Lumpur.
2004	Kencana Bestwide receives ISO9001:2000 accreditation	Awarded by Moody International Certification (Malaysia) Sdn Bhd.

4. INFORMATION ON THE GROUP (Cont'd)

Year	Milestone	Remarks
2004	Overseas specialist civil engineering fabrication project	Specialised fabrication of aircraft hangar structure (Kenya Airways Embarkation) in Nairobi, Kenya.
2004	Fabrication of carbon dioxide removal skids	Fabrication of six (6) primary membrane and two (2) secondary membrane carbon dioxide removal skids as a contractor to UOP LLC.
2004	Fabrication of integrated gas compression module	Fabrication, offshore hook-up and commissioning of integrated gas compression module for Petronas Carigali Sdn Bhd's Baram South Development Project, as a sub-contractor to Kawasaki Heavy Industries, Ltd.
2004	Fabrication of vent flare tower tripod	E11V-B vent flare tower tripod fabrication for Sarawak Shell Berhad.
2004	Major fabrication of wellhead platform	Fabrication of topside and jacket structure for Petronas Carigali Sdn Bhd's Baram South Development Project.
2005	Upgrading of Lumut Fabrication Yard	Lumut Fabrication Yard expanded to an area of approximately 53 acres (approximately 214,500 m ²), with new 12,000 tonnes load out jetty, covered workshop, covered fabrication area, and other facilities.
2005	Major overseas EPCC project	Kencana Petroleum Group was awarded contract to engineer, procure, construct and commission the Central Processing Facilities for Thar Jath Development Project by the White Nile (5B) Petroleum Operating Company Ltd. This is the Group's first major overseas oil and gas project of this kind.
2005	First overseas major platform fabrication contract	Kencana Petroleum Group secures its first overseas contract to fabricate, pre-commission and load-out an offshore production platform for installation offshore Australia.
2005	Mobile offshore production unit (MOPU) project for extraction of oil in small/marginal fields	Kencana Petroleum Group undertakes the conversion/refurbishment of the first MOPU in Malaysia for Petrofac (Malaysia PM-304) Limited, as a subcontractor to Global Process Systems Sdn Bhd.
2006	First Detailed Engineering Design, Procurement, Fabrication, Transportation, Hook-Up & Commissioning Services (EPCIC) project (Greenfield Project)	Kencana Petroleum Group secures its first EPCIC contract for Bumi, Bulan and Suriya Gas Field Development in the Malaysia-Thailand Joint Development Area.
2006	First major Brownfield Project	Kencana Petroleum Group secures its first major Brownfield Project for extensive modifications to two (2) offshore platforms.

(Source: Business Overview of Kencana Petroleum Berhad prepared by Vital Factor Consulting Sdn Bhd)

4. INFORMATION ON THE GROUP (Cont'd)

4.2.16 Modes of Marketing and Distributions

The sales and marketing team of Kencana Petroleum Group utilises the following marketing strategies to sustain and expand its business:

- (i) Position Kencana Petroleum Group as a provider of integrated engineering and fabrication of total production facilities for the oil and gas industry, with the capability to engineer and fabricate complete onshore and offshore production facilities, as well as modules and process skid systems;
- (ii) An established operator with approximately twenty four (24) years of experience and track record in the oil and gas industry;
- (iii) Continues to meet the quality expectations and requirements of customers with the aim of establishing long-term business relationships; and
- (iv) Continue to promote and market through participation in local and overseas exhibitions and fostering business relationship with existing and potential customers.

Some of the marketing and promotional activities undertaken by the Group include:

- (i) registration of interest with Petronas in overseas countries;
- (ii) undertake roadshows overseas;
- (iii) proactive sales visit to existing and potential customers;
- (iv) participate and attendance in exhibitions to cultivate new customers and foster relationship with existing customers;
- (v) public relations exercises through press releases in the media;
- (vi) advertise in local newspapers;
- (vii) raise profile of the Group through interviews with the press; and
- (viii) registered the Group's corporate profile on the Offshore Structure Fabricators Association of Malaysia website.

As part of its strategy to promote its products and services to potential customers locally and overseas, Kencana Petroleum Group also actively participates in exhibitions and conventions. Some of these include the following:

Name of Exhibition	Nature of Participation	Year
Asian Oil, Gas and Petrochemical Engineering Exhibition organised by Petronas and held in Kuala Lumpur	Participant	2004
	Exhibitor / Participant	2005
	Participant	2006

To implement its marketing strategy, Kencana Petroleum Group has its own sales and marketing team focused on business development. As at 11 October 2006, Kencana Petroleum Group had two (2) sales and marketing personnel. The Directors of Kencana Petroleum are also actively engaged in marketing and business development.

4. INFORMATION ON THE GROUP (Cont'd)

Kencana Petroleum Group's distribution channel strategy is primarily based on direct distribution using its in-house sales and marketing team to market its products and services. The Group has also engaged an agent to facilitate marketing in a foreign market, in addition to its sales and marketing office in Kuala Lumpur, Malaysia.

4.2.17 Production/Operating Capacities and Output

The Group's production/operating capacities are as follows:

Production Facility	Capacity (Tonnes per year)	Fabrication Volume (MT, 31 July 2006)	Utilisation (%)
Lumut Fabrication Yard	20,000	15,000	75

Estimated utilisation rate of the Lumut Fabrication Yard for the financial year ended 31 July 2006 was approximately 75%.

4.2.18 Location of Business

(a) Production Facilities and Principal Assets

Company	Operations	Approximate Built-up Area (square feet)	Location of Operational Facility
Kencana Petroleum	Corporate office	14,686	Lot 50, Jalan BRP 8/2, Persiaran Bukit Rahman Putra 3, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan
	Corporate office (Branch)	2,683	Unit B-10-9, Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Kencana HL	Integrated engineering and fabrication of production facilities, modules and process skid systems	14,686	Lot 50, Jalan BRP 8/2, Persiaran Bukit Rahman Putra 3, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan
		2,327,513 ⁽¹⁾	Plot D1, D7, D8, D9, D11 & D12, Lumut Industrial Park, Kampung Aceh, Mukim of Lumut, Daerah Manjung, 32000 Sitiawan, Perak
Kencana Marine	Operation and management of Lumut Fabrication Yard	2,327,513 ⁽¹⁾	Plot D1, D7, D8, D9, D11 & D12, Lumut Industrial Park, Kampung Aceh, Mukim of Lumut, Daerah Manjung, 32000 Sitiawan, Perak

4. INFORMATION ON THE GROUP (Cont'd)

Company	Operations	Approximate Built-up Area (square feet)	Location of Operational Facility
Kencana Infrastructure	Management services for construction projects	14,686	Lot 50, Jalan BRP 8/2, Persiaran Bukit Rahman Putra 3, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan
Kencana Metering	Civil engineering	14,686	Lot 50, Jalan BRP 8/2, Persiaran Bukit Rahman Putra 3, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan
Kencana Bestwide	EPCC, design and engineering, and project management	16,000	Units B-11-8, B-11-10, B-11-11, B12-9, and B12-10, Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Kencana Pinewell	Electrical instrumentation facility	2,664	K9595 Taman Chukai Utama, Jalan Kubang Kurus, 24000 Kemaman, Terengganu Darul Iman

Notes:

(1) Total land area

(b) Corporate OfficeMain

Lot 50, Jalan BRP 8/2
 Persiaran Bukit Rahman Putra 3
 Perusahaan Bukit Rahman Putra
 47000 Sungai Buloh
 Selangor Darul Ehsan

Branch

Unit B-10-9, Megan Avenue II
 No. 12, Jalan Yap Kwan Seng
 50450 Kuala Lumpur

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4. INFORMATION ON THE GROUP (Cont'd)

4.3 SUBSIDIARIES

4.3.1 Kencana HL

(a) Background and History

Kencana HL was incorporated in Malaysia under the Act on 9 April 1982 as a private company limited by shares under the name of Hin Loon Engineering (M) Sdn Bhd. On 21 August 1993, it changed its name to H.L Engineering (M) Sdn Bhd and subsequently changed to its present name on 28 December 2005. Kencana HL commenced its business on April 1982.

Since its inception, Kencana HL is the resident contractor for major fabrication yards in Malaysia and the company has been recognised as a main source of skilled manpower supply of welders, riggers and fitters for both offshore and onshore oil and gas structural fabrication, process piping, equipment installation, electrical and instrumental works and pipeline construction.

By year 2000, Kencana HL operates a major fabrication yard at Lumut Industrial Park, Perak, which is well equipped with modern facilities, including heavy overhead cranes, plant, machinery and fabrication equipment. The yard is also equipped with a jetty facility to facilitate loading and off loading of barge structure of up to 5,000 tonnes. A second jetty to handle up to 12,000 tonnes load out was completed by early year 2005.

Today, Kencana HL has evolved and developed into an integrated engineering and fabrication of production facilities, modules and process skid systems for both upstream and downstream activities of the oil and gas industry.

(b) Principal Activities and Products/Services

Kencana HL is principally engaged in integrated engineering and fabrication of production facilities. The subsidiaries are principally engaged in the business of operation and management of fabrication yard, pipeline construction, process skid systems, metering works and specialised fabrication and infrastructure construction.

(c) Substantial Shareholders

The substantial shareholders of Kencana HL are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana Petroleum	20,000,000	100.00	-	-
Khasera Baru	-	-	⁽¹⁾ 20,000,000	100.00
Dato' Mokhzani bin Mahathir	-	-	⁽²⁾ 20,000,000	100.00

4. INFORMATION ON THE GROUP (Cont'd)

Notes:

- (1) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
 (2) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of Kencana HL is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM20,000,000 comprising 20,000,000 ordinary shares of RM1.00 each.

The changes in Kencana HL's issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
09.04.1982	2	1.00	Cash	2
24.03.1983	49,998	1.00	Cash	50,000
30.10.1991	50,000	1.00	Cash	100,000
10.10.1995	150,000	1.00	Cash	250,000
15.01.1999	250,000	1.00	Bonus Issue	500,000
08.02.2000	4,500,000	1.00	Bonus Issue	5,000,000
20.11.2001	7,500,000	1.00	Cash	12,500,000
10.04.2004	7,500,000	1.00	Bonus Issue	20,000,000

(e) Subsidiary and Associated Company

As at 11 October 2006, Kencana HL has four (4) subsidiaries named Kencana Marine, Kencana Metering, Kencana Infrastructure and Kencana Steelworks and two (2) jointly controlled entities named RSVSB and RSE. Please refer to Sections 4.3.3, 4.3.4, 4.3.5, 4.3.7, 4.4.1 and 4.4.5 herein respectively for further details.

4.3.2 Kencana Bestwide**(a) Background and History**

Kencana Bestwide was incorporated in Malaysia under the Act on 28 June 1995 as a private company limited by shares under the name of Best Wide Matrix Sdn Bhd and subsequently changed to its present name on 20 December 2005. Kencana Bestwide commenced its business operations in June 1995.

(b) Principal Activities and Products/Services

Kencana Bestwide is principally engaged in the business of EPCC, design and engineering and project management. The subsidiary is principally engaged in the business of electrical and instrumentation services.

4. INFORMATION ON THE GROUP (Cont'd)**(c) Substantial Shareholders**

The substantial shareholders of Kencana Bestwide are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana Petroleum	5,000,000	100.00	-	-
Khasera Baru	-	-	⁽¹⁾ 5,000,000	100.00
Dato' Mokhzani bin Mahathir	-	-	⁽²⁾ 5,000,000	100.00

Notes:

(1) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of Kencana Bestwide is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

The changes in Kencana Bestwide's issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
27.07.1995 *	2	1.00	Cash	2
23.08.1996	99,998	1.00	Cash	100,000
14.08.2000	900,000	1.00	Cash/Bonus Issue	1,000,000
02.01.2003	500,000	1.00	Issued as consideration for the acquisition of Kencana Pinewell	1,500,000
07.08.2006	3,500,000	1.00	Bonus Issue	5,000,000

Note:

* An application is being made to rectify the date of issuance as the date of incorporation of Kencana Bestwide

4. INFORMATION ON THE GROUP (Cont'd)**(e) Subsidiary and Associated Company**

As at 11 October 2006, Kencana Bestwide has a subsidiary named Kencana Pinewell and two associated companies named BWE and MM and a jointly controlled entity named MCCS. Please refer to Sections 4.3.6, 4.4.2, 4.4.3 and 4.4.4 herein respectively for further details.

4.3.3 Kencana Marine**(a) Background and History**

Kencana Marine was incorporated in Malaysia under the Act on 28 March 2001 as a private company limited by shares under the name of Lumut Fabricators Sdn Bhd. On 17 May 2001, it changed its name to Lumut Shipbuilding & Engineering Sdn Bhd and subsequently changed to its present name on 28 December 2005. Kencana Marine commenced its business operations in April 2001.

(b) Principal Activities and Products/Services

Kencana Marine is principally engaged in the business of operation and management of fabrication yard.

(c) Substantial Shareholders

The substantial shareholders of Kencana Marine are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana HL	1,000,000	100.00	-	-
Kencana Petroleum	-	-	⁽¹⁾ 1,000,000	100.00
Khasera Baru	-	-	⁽²⁾ 1,000,000	100.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 1,000,000	100.00

Notes:

- (1) Deemed interested by virtue of its shareholding in Kencana HL pursuant to Section 6A of the Act.
 (2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
 (3) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of Kencana Marine is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

4. INFORMATION ON THE GROUP (Cont'd)

The changes in Kencana Marine's issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
28.03.2001	2	1.00	Cash	2
27.12.2003	999,998	1.00	Cash	1,000,000

(e) Subsidiary and Associated Company

As at 11 October 2006, Kencana Marine does not have any subsidiary or associated company.

4.3.4 Kencana Metering

(a) Background and History

Kencana Metering was incorporated in Malaysia under the Act on 28 March 2001 as a private company limited by shares under the name of Maroil Engineering Sdn Bhd and subsequently changed to its present name on 28 December 2005. Kencana Metering commenced its business operations in April 2001.

Since its inception, Kencana Metering has been engaged in a number of projects, including construction contracts, project management, supply of skilled manpower, skids and metering works.

(b) Principal Activities and Products/Services

Kencana Metering is principally engaged in the business of pipeline construction, process skid systems and metering works.

(c) Substantial Shareholders

The substantial shareholders of Kencana Metering are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana HL	250,000	100.00	-	-
Kencana Petroleum	-	-	⁽¹⁾ 250,000	100.00
Khasera Baru	-	-	⁽²⁾ 250,000	100.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 250,000	100.00

4. INFORMATION ON THE GROUP (Cont'd)

Notes:

- (1) Deemed interested by virtue of its shareholding in Kencana HL pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of Kencana Metering is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

The changes in Kencana Metering's issued and paid-up share capital since incorporation is as follows:

Date issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
28.03.2001	2	1.00	Cash	2
26.12.2003	249,998	1.00	Cash	250,000

(e) Subsidiary and Associated Company

As at 11 October 2006, Kencana Metering does not have any subsidiary or associated company.

4.3.5 Kencana Infrastructure**(a) Background and History**

Kencana Infrastructure was incorporated in Malaysia under the Act on 7 October 2002 as a private company limited by shares under the name of Hidro-letrik Energy Sdn Bhd. On 18 August 2003, it changed its name to Khidmat Lengkap Construction Sdn Bhd and subsequently changed to its present name on 28 December 2005. Kencana Infrastructure commenced its business operations in October 2002.

Since its inception, Kencana Infrastructure has been engaged in the specialised fabrication and infrastructure construction.

(b) Principal Activities and Products/Services

Kencana Infrastructure is principally engaged in the business of specialised fabrication and infrastructure construction.

4. INFORMATION ON THE GROUP (Cont'd)**(c) Substantial Shareholders**

The substantial shareholders of Kencana Infrastructure are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana HL	1,000,000	100.00	-	-
Kencana Petroleum	-	-	⁽¹⁾ 1,000,000	100.00
Khasera Baru	-	-	⁽²⁾ 1,000,000	100.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 1,000,000	100.00

Notes:

- (1) Deemed interested by virtue of its shareholding in Kencana HL pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of Kencana Infrastructure is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

The changes in Kencana Infrastructure's issued and paid-up share capital since incorporation are as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
07.10.2002	2	1.00	Cash	2
07.11.2002	1	1.00	Cash	3
30.12.2003	999,997	1.00	Cash	1,000,000

(e) Subsidiary and Associated Company

As at 11 October 2006, Kencana Infrastructure does not have any subsidiary or associated company.

4. INFORMATION ON THE GROUP (Cont'd)**4.3.6 Kencana Pinewell****(a) Background and History**

Kencana Pinewell was incorporated in Malaysia under the Act on 14 June 1999 as a private company limited by shares under the name of Pinewell Matrix Sdn Bhd and subsequently changed to its present name on 12 December 2005. Kencana Pinewell commenced its business on June 1999.

(b) Principal Activities and Products/Services

Kencana Pinewell is principally engaged in the provision of electrical and instrumentation services.

(c) Substantial Shareholders

The substantial shareholders of Kencana Pinewell are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana Bestwide	500,000	100.00	-	-
Kencana Petroleum	-	-	⁽¹⁾ 500,000	100.00
Khasera Baru	-	-	⁽²⁾ 500,000	100.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 500,000	100.00

Notes:

(1) Deemed interested by virtue of its shareholding in Kencana Bestwide pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.

(3) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of Kencana Pinewell is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

4. INFORMATION ON THE GROUP (Cont'd)

The changes in Kencana Pinewell's issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
14.06.1999	2	1.00	Cash	2
18.09.1999	99,998	1.00	Cash	100,000
07.07.2000	50,000	1.00	Cash	150,000
26.04.2006	350,000	1.00	Bonus Issue	500,000

(e) Subsidiary and Associated Company

As at 11 October 2006, Kencana Pinewell does not have any subsidiary or associated company.

4.3.7 Kencana Steelworks**(a) Background and History**

Kencana Steelworks was incorporated in Malaysia under the Act on 16 June 2005 as a private company limited by shares under the name of Optimis Positif Sdn Bhd. On 13 October 2005, it changed its name to Kencana Petroleum Fabricators Sdn Bhd and subsequently changed to its present name on 28 December 2005.

(b) Principal Activities and Products/Services

Kencana Steelworks is presently dormant.

(c) Substantial Shareholders

The substantial shareholders of Kencana Steelworks are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana HL	700	70.00	-	-
Pramumi Holdings Sdn Bhd	300	30.00	-	-
Kencana Petroleum	-	-	⁽¹⁾ 700	70.00
Khasera Baru	-	-	⁽²⁾ 700	70.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 1,000	100.00

4. INFORMATION ON THE GROUP (Cont'd)

Notes:

- (1) Deemed interested by virtue of its shareholding in Kencana HL pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholding in Khasera Baru and Pramurni Holdings Sdn Bhd pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of Kencana Steelworks is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000 comprising 1,000 ordinary shares of RM1.00 each.

The changes in Kencana Steelworks' issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
16.06.2005	2	1.00	Cash	2
01.08.2005	998	1.00	Cash	1,000

(e) Subsidiary and Associated Company

As at 11 October 2006, Kencana Steelworks does not have any subsidiary and associated company.

4.4 JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES**4.4.1 RSVSB****(a) Background and History**

RSVSB was incorporated in Malaysia under the Act on 26 October 2004 as a private company limited by shares under the name of Eternal Medallion Sdn Bhd. On 17 February 2005, it changed its name to its present name.

(b) Principal Activities and Products/Services

RSVSB is an investment holding company and involved in the provision of management services.

4. INFORMATION ON THE GROUP (Cont'd)**(c) Substantial Shareholders**

The substantial shareholders of RSVSB are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana HL	1	50.00	-	-
Nadaprise Sdn Bhd	1	50.00	-	-
Kencana Petroleum	-	-	⁽¹⁾ 1	50.00
Khasera Baru	-	-	⁽²⁾ 1	50.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 1	50.00
Mohammad Nadim Khan bin Mohd Aslam Khan	-	-	⁽⁴⁾ 1	50.00
Zulkifli bin Yusoff	-	-	⁽⁴⁾ 1	50.00

Notes:

- (1) Deemed interested by virtue of its shareholding in Kencana HL pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.
- (4) Deemed interested by virtue of his shareholding in Nadaprise Sdn Bhd pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of RSVSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM2 comprising 2 ordinary shares of RM1.00 each.

The changes in RSVSB's issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
26.10.2004	2	1.00	Cash	2

(e) Subsidiary and Associated Company

As at 11 October 2006, RSVSB has a subsidiary named RSE. Please refer to Section 4.4.5 herein for further details.

4. INFORMATION ON THE GROUP (Cont'd)**4.4.2 BWE****(a) Background and History**

BWE was incorporated in Malaysia under the Act on 7 October 1994 as a private company limited by shares under its present name. BWE commenced its operation in May 1995.

(b) Principal Activities and Products/Services

BWE is principally involved in the business of design and engineering services.

(c) Substantial Shareholders

The substantial shareholders of BWE are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana Bestwide	300,000	30.00	-	-
Azizi bin Alias	458,333	45.83	-	-
Kamal Hadany bin Mohd	241,667	24.17	-	-
Kencana Petroleum	-	-	⁽¹⁾ 300,000	30.00
Khasera Baru	-	-	⁽²⁾ 300,000	30.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 300,000	30.00

Notes:

- (1) Deemed interested by virtue of its shareholding in Kencana Bestwide pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of BWE is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

4. INFORMATION ON THE GROUP (Cont'd)

The changes in BWE's issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
7.10.1994	2	1.00	Cash	2
14.10.1997	99,998	1.00	Cash	100,000
15.05.2001	200,000	1.00	Cash	300,000
18.09.2002	300,000	1.00	Cash	600,000
28.04.2006	400,000	1.00	Cash	1,000,000

(e) Subsidiary and Associated Company

As at 11 October 2006, BWE does not have any subsidiary or associated company.

4.4.3 MM**(a) Background and History**

MM was incorporated in Malaysia under the Act on 8 September 2000 as a private company limited by shares under its present name. MM commenced its operation in February 2001.

(b) Principal Activities and Products/Services

MM is principally involved in the business of valve testing and maintenance.

(c) Substantial Shareholders

The substantial shareholders of MM are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana Bestwide	90,000	30.00	-	-
Zulkeflei bin Mohd Noor	210,000	70.00	-	-
Kencana Petroleum	-	-	⁽¹⁾ 90,000	30.00
Khasera Baru	-	-	⁽²⁾ 90,000	30.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 90,000	30.00

Notes:

(1) Deemed interested by virtue of its shareholding in Kencana Bestwide pursuant to Section 6A of the Act.

4. INFORMATION ON THE GROUP (Cont'd)

- (2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of MM is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM300,000 comprising 300,000 ordinary shares of RM1.00 each.

The changes in MM's issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
8.09.2000	2	1.00	Cash	2
7.01.2001	299,998	1.00	Cash	300,000

(e) Subsidiary and Associated Company

As at 11 October 2006, MM does not have any subsidiary or associated company.

4.4.4 MCCS**(a) Background and History**

MCCS was incorporated in Malaysia under the Act on 25 September 1997 as a private company limited by shares under the name of Best Wide Industry Sdn Bhd and subsequently changed to its present name on 14 May 2004. MCCS commenced its operations in May 2004.

(b) Principal Activities and Products/Services

MCCS is principally involved in the business of hook-up and commissioning services.

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4. INFORMATION ON THE GROUP (Cont'd)**(c) Substantial Shareholders**

The substantial shareholders of MCCA are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
Kencana Bestwide	50	50.00	-	-
MCCA Worldwide Ltd	30	30.00	-	-
MCCA Worldwide Sdn Bhd	20	20.00	-	-
Kencana Petroleum	-	-	⁽¹⁾ 50	50.00
Khasera Baru	-	-	⁽²⁾ 50	50.00
Dato' Mokhzani bin Mahathir	-	-	⁽³⁾ 50	50.00
David Peter Campion	-	-	⁽⁴⁾ 50	50.00
Thomas Joseph Coleman	-	-	⁽⁴⁾ 50	50.00

Notes:

- (1) Deemed interested by virtue of its shareholding in Kencana Bestwide pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of its shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.
- (4) Deemed interested by virtue of his shareholding in MCCA Worldwide Ltd pursuant to Section 6A of the Act.

(d) Share Capital

The authorised share capital of MCCA is 100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM100 comprising 100 ordinary shares of RM1.00 each.

The changes in MCCA's issued and paid-up share capital since incorporation is as follows:

Date Issued	No. of shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
25.09.1997	2	1.00	Cash	2
15.05.2004	98	1.00	Cash	100

(e) Subsidiary and Associated Company

As at 11 October 2006, MCCA does not have any subsidiary or associated company.

4. INFORMATION ON THE GROUP (Cont'd)**4.4.5 RSE****(a) Background and History**

RSE was incorporated in Sudan under the Companies Ordinance, 1925 on 4 May 2005 as a limited company under its present name. RSE commenced operations in July 2005.

(b) Principal Activities and Products/Services

RSE is principally involved in operation and management of fabrication yard.

(c) Substantial Shareholders

The substantial shareholders of RSE are as follows:

Name	Direct Interest		Indirect Interest	
	No. of shares	(%)	No. of shares	(%)
RSVSB	70	70.00	-	-
Keer Co For Transport Services and Contracts Ltd.	30	30.00	-	-
Kencana HL	-	-	⁽¹⁾ 70	70.00
Nadaprise Sdn Bhd	-	-	⁽¹⁾ 70	70.00
Kencana Petroleum	-	-	⁽²⁾ 70	70.00
Khasera Baru	-	-	⁽³⁾ 70	70.00
Dato' Mokhzani bin Mahathir	-	-	⁽⁴⁾ 70	70.00
Mohammad Nadim Khan bin Mohd Aslam Khan	-	-	⁽⁵⁾ 70	70.00
Zulkifli bin Yusoff	-	-	⁽⁵⁾ 70	70.00
Mohamed Ali Keer	-	-	⁽⁶⁾ 30	30.00

Notes:

- (1) Deemed interested by virtue of its shareholding in RSVSB pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of its shareholding in Kencana HL pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholding in Kencana Petroleum pursuant to Section 6A of the Act.
- (4) Deemed interested by virtue of his shareholding in Khasera Baru pursuant to Section 6A of the Act.
- (5) Deemed interested by virtue of his shareholding in Nadaprise Sdn Bhd pursuant to Section 6A of the Act.
- (6) Deemed interested by virtue of his shareholding in Keer Co For Transport Services and Contracts Ltd. pursuant to Section 6A of the Act.

4. INFORMATION ON THE GROUP (Cont'd)

(d) Share Capital

The issued and paid-up share capital is SD20,000 comprising 100 ordinary shares of SD200 each.

There is no change in its issued and paid-up share capital since incorporation.

(e) Subsidiary and Associated Company

As at 11 October 2006, RSE does not have any subsidiary or associated company.

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