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**5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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Subsequently, he returned to Malaysia in 1984 to join Sime Crest Sdn Bhd (now known as Sime Engineering Sdn Bhd) as Mechanical Engineer and was promoted to Senior Engineer. In 1987 he joined Tenaga Ewbank Preece Sdn Bhd as Senior Mechanical Engineer.

In 1988, he joined Petrokon Utama Sdn Bhd in Brunei as Process/Mechanical Engineer, which he was promoted to Lead Mechanical Engineer in 1992. In 1995, he left Brunei to join Utility & Recovery Engineering in Canada as Senior Mechanical Engineer. In 1998, he joined Kencana Bestwide Group as Lead Mechanical Engineer. He has 26 years of broad experience in design and project management in the onshore and offshore oil and gas, petrochemical, and power industry, possessing strong core competence and knowledge in the mechanical aspects of static equipment, rotating equipment, piping and materials of construction. He has handled projects for major oil and gas companies including Petronas, Shell, ExxonMobil, BP and Chevron.

**Ir Fred Devakumar Navaratnam**, aged 48, is the Lead Electrical Engineer of Kencana Bestwide. He obtained a Bachelor of Electrical Engineering (Honours) degree from Monash University, Melbourne, Australia in 1980. He is a corporate member of the Institution of Engineers, Malaysia and a professional engineer registered with the Board of Engineers, Malaysia. He joined Minconsult Sdn Bhd in 1981 and subsequently Tenaga Ewbank Preece Sdn Bhd in 1983, both consulting engineering firms, as an Electrical Engineer where he was responsible for the electrical engineering design for a number of power and industrial plants, and high-rise building services projects.

While at Tenaga Ewbank Preece he was promoted to Senior Electrical Engineer and then to Principal Electrical Engineer and subsequently to Associate. He joined Protek Engineers, an oil and gas engineering consultancy firm in 1992 as a Senior Electrical Engineer and was subsequently promoted to Lead Electrical Engineer where he was responsible for electrical engineering design of oil, gas and petrochemical plant projects. In 1995, he joined KTA Tenaga as Project Manager for the Kuala Lumpur City Centre Project, North West Development (Phase 1) comprising the 88-storey Petronas Twin Towers, Suria KLCC Retail and Entertainment Centre with basement car park, the Petronas Towers Podium Link and Petronas Concert Hall. He led a project team of mechanical and electrical engineering and site personnel for the design and construction administration and supervision of mechanical, electrical, plumbing, fire protection and fire alarm system for the project. In 2000, he joined Kencana Bestwide Group as their Electrical Department Head and is responsible for the company's electrical engineering design, procurement, installation, testing and commissioning activities. He has over 24 years of experience in project management and electrical engineering design for both onshore and offshore oil and gas installations comprising refineries, crude oil terminals, gas processing plants, manned and unmanned offshore platforms, as well as power and industrial plants and high-rise building services projects.

**5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**Ir New Cheng Swee**, aged 49, is the Managing Director of Kencana Pinewell. He obtained his Bachelor of Mechanical Engineering (Honours) from the Heriot Watt University, Scotland. He is a Corporate Member of the Institution of Engineers Malaysia and a Professional Engineer registered with the Board of Engineer, Malaysia. He joined Haven Automation (M) Sdn. Bhd after graduation in 1980 as a Project Engineer where he executed an offshore maintenance contract involving more than 200 men. He was promoted as a Manager to start a new company Haven Engineering (M) Sdn Bhd at Kemaman Supply Base specializing in offshore protective coating, platform maintenance works, valve servicing and instrumentation work.

In 1991, he left to set up Kencana Pinewell specializing in Electrical and Instrumentation construction works at petrochemical plants, power stations, paper mill, chemical plant and offshore platforms. He was instrumental in setting up a valve servicing and maintenance section to undertake valve repairs / testing and refurbishment services for petrochemical plants during their annual turnarounds. His vast experience in the oil and gas industry has enabled him to spearhead the company's business expansion in electrical and instrumental works and valve refurbishment services to overseas markets.

**Ir Kong Kin Pong**, aged 50, is the Lead Process Engineer of Kencana Bestwide. He obtained a Bachelor of Engineering-Chemical (Honours) from the University of Malaya, Kuala Lumpur in 1979. He is a Corporate Member of the Institution of Engineers, Malaysia and a Professional Engineer registered with the Board of Engineers, Malaysia. He has 26 years working experience, including stints in Esso Singapore Refinery, Sime Crest, Dow Chemicals, Damit Worley (Brunei), Kvaerner Petrominco and Technip, covering process engineering of upstream oil and gas production facilities (offshore and onshore), petrochemicals, refineries and plastics/chemicals industries.

His experience spans a wide range of activities from front end process studies, preparation of Design Basis Memorandum, conceptual design, process simulation, preliminary and detailed design, preparation of operating manuals and commissioning procedures, preparation of technical bid proposals, project engineering, participation in HAZOP studies, to performing Independent Detailed Design Assessments. His key areas of expertise are in oil and gas production facilities, gas compression and dehydration, heat transfer, pipeline hydraulics (steady state and transient), petroleum refineries and utility systems. He has executed work for many international clients including Shell, ExxonMobil, Petronas, Union Carbide and TotalFinaElf.

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## 5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.6 INVOLVEMENT OF EXECUTIVE DIRECTORS / KEY MANAGEMENT IN OTHER BUSINESSES / CORPORATIONS

As at 11 October 2006 and save for below, none of the Executive Directors and/or key management of Kencana Petroleum Group are involved in other businesses or corporations.

Apart from directorships as disclosed in Section 5.12 herein, **Dato' Mokhzani bin Mahathir** holds directorship in a number of private limited companies. Apart from the companies that are dormant or inactive, his directorships in private limited companies are as follows:

Company	Principal Activities
Kencana Capital Sdn Bhd and its subsidiaries, namely Kencana Capital Asia Sdn Bhd, Kencana Capital Ventures Sdn Bhd, Prestariang Systems Sdn Bhd, Everise Project Sdn Bhd and Prestariang Technology Sdn Bhd	The group of companies is principally engaged in acting as promoters and receiving commission income and providing management consulting, advisory services pertaining to funding, restructuring, capital raising and business development, investment holdings and rendering of management services to its related companies, provision of Information and Communication Technology (ICT) related products and services and property development
Titi Gajah Holdings Sdn Bhd and its subsidiaries, namely Jaseri Automotive Group Sdn Bhd, and Auto Eurokars Sdn Bhd	Titi Gajah Holdings Sdn Bhd is an investment holding company. Its subsidiaries are principally engaged in trading in cars, spare parts, auto accessories and provision of related maintenance services
Jaseri Holdings Sdn Bhd and its subsidiary, namely Jaseri Racing Sdn Bhd	Jaseri Holdings Sdn Bhd is an investment holding company. Its subsidiary is principally engaged in business related to motor sports events and development
Sepang International Circuit Sdn Bhd	Principally engaged as motor sport organiser
E-Kencana Sdn Bhd	Principally engaged in information systems and technologies in computer software, hardware, operating systems and payment systems
Kulim Technology Park Corporation Berhad	Principally engaged in development and management of the Kulim Hi-Tech Park
Naza-Brabus Motor Sdn Bhd	Principally engaged in trading in cars, spare parts, auto accessories and provision of related maintenance services
Ambitious Revenue Sdn Bhd	Principally engaged as investment holding company
National Academy of Motoring	Principally engaged in promotion of motor sports
Pramurni Holdings Sdn Bhd	Principally engaged as investment holding company

Dato' Mokhzani bin Mahathir allocates a substantial portion of his time to the affairs of Kencana Petroleum Group. In the other companies, he attends all meetings of the boards and board committees on which he serves and contributes fully in his principal areas of responsibility. Day-to-day, these other companies are managed by well-qualified and experienced managers. As such, his involvements in other businesses or corporations do not negatively impact his ability to act as the Non-Independent Executive Chairman of Kencana Petroleum.

## 5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Apart from directorship as disclosed in Section 5.12 herein, **Yeow Kheng Chew** holds directorship in a number of private limited companies. Apart from the companies that are dormant or inactive, his directorships in private limited companies are as follows:

Company	Principal Activities
Kencana Capital Sdn Bhd and its subsidiaries, namely Kencana Capital Asia Sdn Bhd, Kencana Capital Ventures Sdn Bhd, Prestariang Systems Sdn Bhd, Everise Project Sdn Bhd, Kencana Technologies Sdn Bhd and Prestariang Technology Sdn Bhd	The group of companies is principally engaged in acting as promoters and receiving commission income and providing management consulting, advisory services pertaining to funding, restructuring, capital raising and business development, investment holdings and rendering of management services to its related companies, provision of Information and Communication Technology (ICT) related products and services, property development and development of structural steel building and construction technology and operational headquarter
Precision Design Solution (M) Sdn Bhd	Principally engaged in information technology (IT) distribution and value added services
Desa Bukit Pantai Sdn Bhd	Principally engaged in property development
Asia Pacific Freight System Sdn Bhd	Principally engaged in air and sea freight forwarder
Ocean Villa Sdn Bhd	Principally engaged as investment holding company
Cash Boulevard (M) Sdn Bhd	Principally engaged as investment holding company
Prominent Horizon Sdn Bhd	Principally engaged as investment holding company
Kaginic Corporation Sdn Bhd	Principally engaged as investment holding company

His involvements in the above businesses do not require much of his time as these companies are managed by well-qualified and experienced managers. As such, Yeow Kheng Chew spends substantial portion of his working hours on the affairs of Kencana Petroleum Group. His involvements in other businesses and corporations do not negatively impact his ability to act as the Non-Independent Executive Director of Kencana Petroleum.

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## 5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Save for below, none of the key management of Kencana Petroleum Group is involved in other businesses or corporations.

**Abdul Rahim bin Awang** holds directorship in a number of private limited companies. Apart from the companies that are dormant or inactive, his directorships in private limited companies are as follows:

Company	Principal Activities
Sharp-Roxy Appliances Corp. (M) Sdn Bhd	Manufacturing and trading of household electrical appliances
Sharp-Roxy Sales & Services Company (M) Sdn Bhd	Selling, distributing and servicing of home electrical and electrical appliances
Penang Network Services Sdn Bhd	Multimedia visual network via internet/intranet
Avenue Securities Sdn Bhd	Stockbroking
Pasti Prestij Sdn Bhd	Investment dealing
Euroway Construction Sdn Bhd and its subsidiary, Euroway Sdn Bhd	General contractor and manufacturers

Abdul Rahim bin Awang principally spends his time and effort on activities relating to the Group. He is not involved in the day-to-day operations of the above companies.

**Ir Omar bin Md Isa** holds directorship in Bestari Quality Meat Sdn Bhd, which principal activity is in meat processing. He is not involved in the day-to-day operations of the aforesaid company.

**Ir Dr Tang Khai Hing** holds directorships in private limited companies as follows:

Company	Principal activities
Kam Kit Engineering Sdn Bhd	Engineering fabrication
Kam Kit Construction Sdn Bhd	Construction

Although Ir Dr Tang Khai Hing is a director of the aforesaid companies, there are experienced managers and other directors in the companies that manage the day-to-day operations of the companies. As such, he spends substantial portion of his working time in Kencana Bestwide and his involvement in his private businesses do not negatively impact his duties as the Lead Civil and Structural Engineer / Project Manager of Kencana Bestwide.

## 5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.7 DECLARATION OF DIRECTORS AND KEY MANAGEMENT TEAM

No director, key personnel or person nominated to become a director or key personnel is or has been involved in any of the following events:

- (a) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

### 5.8 FAMILY RELATIONSHIPS

Ir Tan Siew Lee and Tan Siew Sim are siblings.

Save for the above, there is no family relationship (as defined in Section 122A of the Act) or association between the substantial shareholders, Promoters, Directors, key management or key technical personnel.

### 5.9 EXISTING OR PROPOSED SERVICE AGREEMENTS

There is no existing or proposed service agreement between the Group and its Directors and key management or key technical personnel.

### 5.10 EMPLOYEES

As at 11 October 2006, the total number of employees of Kencana Petroleum Group is 514 persons as illustrated below:

Category	Number of Permanent Workers	Number of Contract Workers	Total Number of Employees	Average Years in Service
Executive Directors and key management	28	-	28	5.2
Managerial and professional	73	13	86	2.3
Technical and supervisory	166	71	237	1.6
Clerical, administrative and accounts	96	39	135	2.3
General worker	7	-	7	2.7
Skilled labour	11	10	21	1.5
<b>TOTAL</b>	<b>381</b>	<b>133</b>	<b>514</b>	<b>2.1</b>

**5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

As at 11 October 2006, the Group's workforce consists of nineteen (19) foreign employees. There is a significant increase in employees in the Group throughout the four (4) financial years by approximately 355%. This explains the low average years of service as a high number of new employees were employed in the recent years to cope with the Group's rapid growth.

The management of the Group views human resource as one the most important critical key success factors and that a dedicated, well-trained and efficient workforce is essential to Kencana Petroleum Group's success. The management of the Group enjoys a good working relationship with the employees. None of the employees of the Group belong to any union nor involve in any material disputes in the past. As of 11 October 2006, the Group has not been involved in any material industrial disputes with any of its employees.

**Training**

The Group is of the view that training and development is an essential continuing process for enhancement of productivity and improvement of overall skill sets and professionalism. Towards this respect, the Group has been consistently sending its personnel to various courses, both in-house and externally conducted, in tandem with the training needs. Majority of the courses are for the development of specific skills such as Sea Survival Training, Certificate for Structural and Welding Inspection Process, Plant Design Management System, BOCAD (a program that generates structural material take-off and shops drawings), Primavera Planning and Stress Analysis Ceasars II. Regular courses are also conducted on emphasis to health and safety work place such as Safety Awareness Courses, Rigging and Scaffolding Courses, Training the Trainer and Safety Awareness for Supervisors. Staff are also been sent for various development courses to sharpen their supervisory and managerial skills. In addition, motivation courses which the Group view as essential such as Team Building and Knowledge Management are also conducted for all staff.

**Management Succession Plan**

The Group places high priority on ensuring that there is continuity in the Group's management team so as to ensure continuity and to maintain its level of competitiveness in the industry. To achieve this, it is the policy of the Group to groom the lower and middle management staff to gradually assume the responsibilities of the senior management and also as part of its employees' career advancement programme. The Group's strategy for management continuity is driven by its top management. The Group Chief Executive Officer, together with the Executive Directors are involved in the process of identifying key competencies and requirements for managers and higher positions. Job and candidate profiles are developed for management position in line with the business goals, strategies and culture of the Group.

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**5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**5.11 CHANGES IN SHAREHOLDINGS IN THE COMPANY FOR THE PAST THREE (3) YEARS**

The significant changes of the Promoters' and substantial shareholders' shareholdings in the Company since Kencana Petroleum's incorporation is as follows:

Name	Ordinary share of RM1.00 each		Ordinary share of RM0.10 each		Balance as at 11.10.06	
	Balance as at 28.09.04		Balance as at 31.07.05		Balance as at 31.07.06	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
<b>Promoter</b>						
Khasera Baru	-	-	-	(1)391,120,000	-	(1)471,120,000
Chong Hin Loon	-	-	-	80,000,000	-	80,000,000
Best Wide Holdings	-	-	-	45,720,000	-	45,720,000
<b>Substantial Shareholders</b>						
Ng Siew Huang	1	-	-	-	-	-
Ng Lui Keng @ Ng Joo Keng	1	-	-	-	-	-
Khasera Baru	-	-	20	(1)391,120,000	-	(1)471,120,000
Dato' Mokhzani bin Mahathir	-	(2) 2	-	(2) 20	(2)391,121,000	(2)471,120,000
Chong Hin Loon	-	-	-	80,000,000	-	80,000,000
Best Wide Holdings	-	-	-	45,720,000	-	45,720,000
Ir Cher Lee Kiat	-	-	-	(3)45,720,000	-	(3)45,720,000

**Notes:**

- (1) 17,321,272 Kencana Petroleum Shares are held by Affendi bin Zahari and 16,677,728 Kencana Petroleum Shares are held by Kasinathan A/L Tulasi @ Sunther in trust for the benefit of Khasera Baru pursuant to the respective trust deeds dated 1 September 2005 upon terms and condition therein. The shares are pending allocation to key management employees.
- (2) Deemed interested by virtue of his shareholdings in Khasera Baru pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholdings in Best Wide Holdings pursuant to Section 6A of the Act.



## 5. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

## 5.12 DIRECTORSHIPS AND SUBSTANTIAL SHAREHOLDINGS IN ALL OTHER PUBLIC CORPORATIONS FOR THE PAST TWO (2) YEARS

The directorships and substantial shareholdings of the directors and substantial shareholders in other public corporations for the past two (2) years preceding 11 October 2006 are as follows:

Name	Name of Corporation Involved	Date of Appointment to the Board	Position/ Date of Appointment to the Board	Substantial Shareholdings		Principal Activities
				Direct No. of Shares	Indirect No. of Shares	
<b>Directors and Substantial Shareholders</b>						
Dato' Mokhzani bin Mahathir	Goldtron Limited	Non-Executive Chairman / 29 July 1993	-	-	-	Investment holding and management
Chong Hin Loon	Kompakar Inc. Bhd	Non-Executive Non-Independent Director/ 23 June 2004 (Resigned on 13 March 2006)	-	(1) 804,000	36.66	Investment holding and undertaking ICT projects
Ir Cher Lee Kiat	-	-	-	-	-	-
<b>Directors</b>						
Zainal Rashid bin Mokhtar	-	-	-	-	-	-
Yeow Kheng Chew	Kompakar Inc. Bhd	Non-Executive Non-Independent Director/ 23 June 2004 (Resigned on 13 March 2006)	-	-	-	Investment holding and undertaking ICT projects
Azmi bin Ismail	-	-	-	-	-	-
Mohd Adzahar bin Abdul Wahid	-	-	-	-	-	-
<b>Substantial Shareholders</b>						
Khasera Baru	-	-	-	-	-	-
Best Wide Holdings	-	-	-	-	-	-

Note:

(1) Deemed interested by virtue of his shareholding in Rumpun Harapan Sdn Bhd pursuant to Section 6A of the Act.

**6. APPROVAL AND CONDITIONS****6.1 APPROVALS AND CONDITIONS**

The MITI had approved the IPO via its letters dated 21 October 2005 and 10 July 2006 respectively. The conditions imposed by the MITI and status of compliance are as follows:

Conditions Imposed By MITI			Status of Compliance										
<b>MITI vide its letter dated 21 October 2005</b>													
(i)	To obtain the SC's approval for the Listing Scheme and compliance with the guideline on acquisition, merger and take-overs.		The SC had approved the Listing Scheme via its letter dated 23 February 2006.										
(ii)	MITI has recognised the following as Bumiputera shareholder:		Pursuant to the revised listing scheme, MITI had recognised Khasera Baru's revised shareholding as Bumiputera shareholding vide its letter dated 10 July 2006 referred below.										
	<table border="1"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Shareholding after IPO</th> </tr> <tr> <th>No. of shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Khasera Baru</td> <td>357,121,000</td> <td>44.64</td> </tr> <tr> <td><b>Total</b></td> <td><b>357,121,000</b></td> <td><b>44.64</b></td> </tr> </tbody> </table>	Shareholder	Shareholding after IPO		No. of shares	%	Khasera Baru	357,121,000	44.64	<b>Total</b>	<b>357,121,000</b>	<b>44.64</b>	
Shareholder	Shareholding after IPO												
	No. of shares	%											
Khasera Baru	357,121,000	44.64											
<b>Total</b>	<b>357,121,000</b>	<b>44.64</b>											
	Subject to the condition that 30% are allowed to be disposed of within 3 months after the listing of the Company and the balance 70% in stages subject to the MITI's prior approval.												
(iii)	Equity condition imposed under Kencana HL's manufacturing licence (Licence no: A012293, Serial no. A019006) is revised to:-		Complied. Please refer to Section 4.2.5 of the Prospectus.										
	At least 70% of entire share capital of Kencana HL must be acquired and held by Malaysian citizens including at least 30% of the share capital must be reserved.												
(iv)	Kencana HL has to attach MITI's letter dated 21 October 2005 to the original conditions under the Manufacturing Licence for future easy reference.		Complied.										
(v)	Kencana HL has to inform MITI upon completion of the proposed listing exercise.		To be complied.										
<b>MITI vide its letter dated 10 July 2006</b>													
(i)	To obtain the SC's approval for the revised listing scheme and compliance with the guideline on acquisition, merger and take-overs.		Complied vide SC's approval dated 6 October 2006 and 4 August 2006.										
(ii)	After revision, MITI has recognised the following as Bumiputera shareholder:		To be complied.										
	<table border="1"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Shareholding after IPO</th> </tr> <tr> <th>No. of shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Khasera Baru</td> <td>437,121,000</td> <td>49.67</td> </tr> <tr> <td><b>Total</b></td> <td><b>437,121,000</b></td> <td><b>49.67</b></td> </tr> </tbody> </table>	Shareholder	Shareholding after IPO		No. of shares	%	Khasera Baru	437,121,000	49.67	<b>Total</b>	<b>437,121,000</b>	<b>49.67</b>	
Shareholder	Shareholding after IPO												
	No. of shares	%											
Khasera Baru	437,121,000	49.67											
<b>Total</b>	<b>437,121,000</b>	<b>49.67</b>											

**6. APPROVAL AND CONDITIONS (Cont'd)**

Conditions Imposed By MITI	Status of Compliance
Subject to the condition that 30% of the above MITI approved shares are allowed to be disposed of within 3 months after the listing of the Company and the balance 70% in stages subject to the MITI's prior approval.	
(iii) Other conditions stated in MITI's letter dated 21 October 2005 shall be maintained.	Noted.

The SC and under the FIC's Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, had approved the IPO via its letters 23 February 2006, 4 August 2006, 6 October 2006 and 19 October 2006 respectively. The SC had also via its letter dated 8 June 2006 approved an extension of time up to 21 February 2007 for Kencana Petroleum to complete the proposed listing on the Main Board of Bursa Securities. The conditions imposed by the SC and status of compliance are as follows:

Conditions Imposed By SC	Status of Compliance
<b>SC vide its letter dated 23 February 2006</b>	
(i) With regard to the trade debtors, Kencana Petroleum should:	
(a) Fully disclose in the listing prospectus the debtors position, ageing analysis and comments by its directors on the recoverability of amount owing by trade debtors which have exceeded the credit period;	Complied as disclosed in Section 9.6(iv) of this Prospectus.
(b) Make full provision for all overdue trade debtors which are in dispute or under legal action, or for amounts which have been outstanding for more than 6 months. The directors of Kencana Petroleum should confirm to the SC that this condition has been complied with prior to the issuance of the listing prospectus; and	SC approved Kencana Petroleum's appeal against the condition via its letter dated 6 October 2006.
(c) Submit a declaration by the directors of Kencana Petroleum to the SC that trade debtors exceeding the credit period which have not been provided for as doubtful debts, excluding those under Paragraph (b) above, are recoverable.	Complied via letter dated 21 September 2006 furnished to the SC.
(ii) AmMerchant Bank and Kencana Petroleum should, prior to the issuance of the listing prospectus, submit a written confirmation to the SC that the dilution in the Bumiputera equity interest in Kencana Petroleum would not have an adverse impact on the licences and registrations granted to the Group.	Complied via letters dated 13 September 2006 and 16 October 2006 furnished to the SC.

**6. APPROVAL AND CONDITIONS (Cont'd)**

Conditions Imposed By SC	Status of Compliance
(iii) Full disclosure should be made in the listing prospectus of Kencana Petroleum with regard to the following:	
(a) The conflict of interest situation in AmMerchant Bank's role as a lender and adviser to the Kencana Petroleum Group as well as the views by both AmMerchant Bank and the Board of Directors of Kencana Petroleum as to why this relationship does not constitute a conflict of interest situation;	Complied as disclosed in Section 7.8 of this Prospectus.
(b) The tax issue pertaining to the settlement of the outstanding tax liabilities/penalties of approximately RM4.3 million by Kencana HL, through an instalment plan arranged with the Inland Revenue Board; and	Complied as disclosed in Section 9.5.2(e) of this Prospectus.
(c) The impact on the Kencana Petroleum Group's licences and registrations as well as the Group's current and future business operations following the dilution of the Bumiputera equity interest upon listing;	Complied as disclosed in Section 4.2.5 of this Prospectus.
(iv) The proposed repayment of bank borrowings from proceeds to be raised from the IPO should be made on a proportionate basis to all lenders of the Kencana Petroleum Group and not only to AmMerchant.	To be complied.
(v) Kencana Petroleum should implement the necessary measures as recommended by KPMG to address all the concerns raised in the Management Letters of the Group and to procure written confirmation from KPMG that the concerns raised have been fully addressed, prior to the issuance of the listing prospectus. Both Kencana Petroleum and KPMG should submit the written confirmations to the SC with respect to this, prior to the issuance of the prospectus;	Complied via letter dated 21 September 2006 furnished to the SC.
(vi) Kencana Petroleum should ensure that any future related party transactions be carried out on arms' length basis and should not be unfavourable to the Kencana Petroleum Group. The Audit Committee of Kencana Petroleum should monitor and the directors should report such transactions in the annual report of Kencana Petroleum;	Kencana Petroleum will ensure continuous compliance with this condition.
(vii) The directors, substantial shareholders and promoters of Kencana Petroleum should submit an undertaking letter to the SC that they will not in the future, carry out any new businesses which would compete directly or indirectly and be in conflict with the business of the Group;	Complied via letter dated 13 September 2006 furnished to the SC.
(viii) With regards to the appointment of the Independent Non-Executive Directors, Kencana Petroleum is required to inform the SC when the status of the appointment has been confirmed by Bursa Malaysia;	Complied via letter dated 19 October 2006 furnished to the SC.

## 6. APPROVAL AND CONDITIONS (Cont'd)

Conditions Imposed By SC	Status of Compliance
(ix) Kencana Petroleum should disclose the status of utilisation of proceeds to be raised from the IPO in its quarterly and annual reports until the proceeds are fully utilised;	To be complied by Kencana Petroleum.
(x) AmMerchant Bank should inform the SC on the status of compliance with the National Development Policy requirement upon completion of the listing exercise;	To be complied by AmMerchant Bank upon completion of the listing exercise.
(xi) Kencana Petroleum should comply with the Bumiputera equity condition imposed by the FIC via its letter dated 22 April 2005, unless a waiver from having to comply with the said condition is obtained from the FIC;	Complied. FIC vide its letter dated 31 March 2006, had waived the condition whereby Kencana Petroleum is required to maintain 51% of Bumiputera equity condition at all times.
(xii) AmMerchant Bank and Kencana Petroleum should fully comply with other relevant requirements of the Policies and Guidelines on Issue/Offer of Securities (Issues Guidelines) in implementing the proposed listing; and	To be complied by AmMerchant Bank and Kencana Petroleum.
(xiii) Upon completion of the proposed listing, AmMerchant should confirm to the SC that Kencana Petroleum has complied with the relevant requirements of the Issues Guidelines.	To be complied by AmMerchant Bank.
<b>SC vide its letter dated 4 August 2006</b>	
(i) The capitalisation price for the additional Kencana Petroleum ordinary shares of RM0.10 each, to be issued pursuant to the Proposed Capitalisation of Advances, should be set at least at the retail offer price to the general public.	SC approved Kencana Petroleum's appeal against the condition via its letter dated 6 October 2006.
(ii) AmMerchant Bank and Kencana Petroleum should inform the SC of the following: <ul style="list-style-type: none"> <li data-bbox="459 1630 1117 1720">(a) The final number of Kencana Petroleum shares to be issued to Khasera Baru pursuant to the Proposed Capitalisation of Advances;</li> <li data-bbox="459 1720 1117 1809">(b) The final number of Kencana Petroleum shares to be allocated and issued under retail offering and institutional offering;</li> <li data-bbox="459 1809 1117 1899">(c) The final number of Kencana Petroleum shares to be listed and quoted on the Main Board of Bursa Malaysia;</li> <li data-bbox="459 1899 1117 1993">(d) The final issue price and utilisation of proceeds; and</li> </ul>	Complied via AmMerchant Bank and Kencana Petroleum's letter dated 16 October 2006 furnished to the SC.

**6. APPROVAL AND CONDITIONS (Cont'd)**

Conditions Imposed By SC	Status of Compliance										
<p>(e) The changes to the equity structure of Kencana Petroleum arising from the proposed revision to the listing scheme.</p> <p>; and</p> <p>(iii) Full disclosure on the Proposed Capitalisation of Advances should be made in the listing prospectus of Kencana Petroleum.</p>	<p>Pursuant to SC's letter dated 19 October 2006, the condition (e) has been removed.</p> <p>Complied as disclosed in Section 4.1.3(a) of this Prospectus.</p>										
<p><b>SC vide its letter dated 6 October 2006</b></p>											
<p>Fully disclose in the listing prospectus the ageing analysis of the retention sum which has been outstanding for more than six (6) months and the comments by the Board of Directors of the recoverability of retention sum.</p>	<p>Complied as disclosed in Section 9.6(iv) of this Prospectus.</p>										
<p><b>SC vide its letter dated 19 October 2006</b></p>											
<p>With reference to the SC's approval letters dated 23 February 2006, 4 August 2006 and 6 October 2006, the equity structure of Kencana Petroleum shall be changed as follows:</p>											
Shareholders	<table border="1"> <thead> <tr> <th style="text-align: left;">Before Proposal <sup>(1)</sup> (%)</th> <th style="text-align: left;">After Proposal and Revision (%)</th> </tr> </thead> <tbody> <tr> <td>Bumiputera</td> <td style="text-align: right;">65.19</td> </tr> <tr> <td>Non-Bumiputera</td> <td style="text-align: right;">21.55</td> </tr> <tr> <td>Foreign</td> <td style="text-align: right;">13.26</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>100.0</b></td> </tr> </tbody> </table>	Before Proposal <sup>(1)</sup> (%)	After Proposal and Revision (%)	Bumiputera	65.19	Non-Bumiputera	21.55	Foreign	13.26	<b>Total</b>	<b>100.0</b>
Before Proposal <sup>(1)</sup> (%)	After Proposal and Revision (%)										
Bumiputera	65.19										
Non-Bumiputera	21.55										
Foreign	13.26										
<b>Total</b>	<b>100.0</b>										
	49.67										
	41.29										
	9.04										
	<b>100.0</b>										
<p>(1) As disclosed in SC's approval letter dated 23 February 2006</p>											
<p>AmMerchant Bank / Kencana Petroleum is reminded to comply with conditions under the FIC's Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests; which is disclosed under Condition 1.2(x) of SC's letter dated 23 February 2006.</p>											
<p>Noted.</p>											

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**6. APPROVAL AND CONDITIONS (Cont'd)**

Bursa Securities had via its letters dated 20 October 2005 and 3 November 2006, approved in-principle the following, subject to certain conditions:

- (i) Admission to the Official List of Bursa Securities and the listing of the entire enlarged issued and paid-up share capital of Kencana Petroleum of RM88,000,000 comprising 880,000,000 Shares on the Main Board of Bursa Securities; and
- (ii) Listing of such number of additional new Shares representing up to 5% of the issued and paid-up share capital of the Company to be issued pursuant to the exercise of Options.

The conditions imposed by Bursa Securities and the status of the compliance with the conditions is as follows:

Conditions Imposed by Bursa Securities	Status of Compliance
(i) Listing and quotation of the 880,000,000 Shares will commence immediately two (2) clear market days after receipt of the required documents by Bursa Securities; and	To be complied.
(ii) As and when new Shares are issued pursuant to the exercise of Options, quotation of the new Shares will commence immediately two (2) clear market days after receipt of the required documents by Bursa Securities.	To be complied.

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**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST****7.1 EXISTING AND PROPOSED RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST**

Save as disclosed below, for the past three (3) financial years ended 31 July 2006, Kencana Petroleum Group does not have any other existing and/or proposed related party transactions or other subsisting contracts of arrangement entered into by Kencana Petroleum Group which involved the interest, direct or indirect, of the Directors, substantial shareholders of the Company and/or key management and/or persons connected to them as defined under Section 122A of the Act:

**(a) Recurrent Related Party Transactions**

Transacting Parties	Nature of Transaction	Transaction Value (RM'000)			
		Financial year ended 31 July			Financial year ending 31 July 2007 (estimate)
		2004	2005	2006	
Kencana HL and Stamsteel Sdn Bhd <sup>(1)</sup>	Supply of structural steelworks to Kencana HL	-	4,867	150	790
Kencana HL and MCCS <sup>(4)</sup>	Provision of hook-up and commissioning services to Kencana HL	-	-	-	22,000
Kencana Infrastructure and Stamsteel Sdn Bhd <sup>(1)</sup>	Supply of structural steelworks to Kencana Infrastructure	-	-	2,529	5,588
Kencana HL and BWE <sup>(2)</sup>	Provision of engineering services to Kencana HL	-	425	1,447	1,000
Kencana HL and Keho Corporation Sdn Bhd <sup>(3)</sup>	Supply of manpower services to Kencana HL	705	655	-	-
Kencana Bestwide and BWE <sup>(2)</sup>	Sales of skidded systems and provision of engineering services to BWE	3,319	9,616	12,843	15,852
Kencana Bestwide and BWE <sup>(2)</sup>	Rental income from BWE	11	12	12	12
Kencana Bestwide and MCCS <sup>(4)</sup>	Provision of commissioning, recommissioning, start-up and hook-up services to Kencana Bestwide	6,462	4,615	29	25,000
Kencana Bestwide and MCCS <sup>(4)</sup>	Rental income from MCCS	24	12	1	-
Kencana Pinewell and BWE <sup>(2)</sup>	Provision of electrical and instrumentation works to BWE	410	336	414	290



**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

Transacting Parties	Nature of Transaction	Transaction Value (RM'000)			
		Financial year ended 31 July			Financial year ending 31 July 2007 (estimate)
		2004	2005	2006	
Kencana Pinewell and MM <sup>(5)</sup>	Provision of electrical and instrumentation works to MM	293	123	1	-

**Notes:****Nature of Relationship**

- (1) Dato' Mokhzani bin Mahathir and Yeow Kheng Chew are deemed substantial shareholders of Stamsteel Sdn Bhd by virtue of their shareholding in Kencana Capital Sdn Bhd pursuant to Section 6A of the Act.
- (2) Khasera Baru and Dato' Mokhzani bin Mahathir are deemed substantial shareholders of BWE by virtue of their shareholding in Kencana Petroleum. Ir Cher Lee Kiat is a director of BWE.
- (3) Chong Hin Loon was a director and substantial shareholder of Keho Corporation Sdn Bhd. He ceased to be a director and substantial shareholder on 2 August 2005.
- (4) Khasera Baru and Dato' Mokhzani bin Mahathir are deemed substantial shareholders of MCCS by virtue of their shareholding in Kencana Petroleum. Ir Cher Lee Kiat is a director of MCCS.
- (5) Khasera Baru and Dato' Mokhzani bin Mahathir are deemed substantial shareholders of MM by virtue of their shareholding in Kencana Petroleum.

The above recurrent related party transactions have been approved vide resolutions passed in the shareholders' extraordinary general meeting of Kencana Petroleum on 16 October 2006.

**(b) Non-Recurrent Related Party Transactions**

Transacting Parties	Nature of Transaction	Transaction Value (RM'000)			
		Financial year ended 31 July			Financial year ending 31 July 2007 (estimate)
		2004	2005	2006	
Kencana HL and Kencana Capital Asia Sdn Bhd <sup>(1)</sup>	Provision of advisory services to Kencana HL	-	74	77	-
Kencana HL and Auto Eurokars Sdn Bhd <sup>(2)</sup>	Sale of a motor vehicle to Kencana HL	-	241	-	-

**Notes:****Nature of Relationship**

- (1) Dato' Mokhzani bin Mahathir and Yeow Kheng Chew are directors and deemed substantial shareholders of Kencana Capital Asia Sdn Bhd by virtue of their shareholding in Kencana Capital Sdn Bhd pursuant to Section 6A of the Act.
- (2) Dato' Mokhzani bin Mahathir is a director and deemed substantial shareholder of Auto Eurokars Sdn Bhd by virtue of his shareholding in Titi Gajah Holdings Sdn Bhd pursuant to Section 6A of the Act.

## 7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)

### (c) Shareholders' Advances

- (i) Shareholders' advances of RM7.0 million from Khasera Baru to Kencana HL made on 2 April 2004. Dato' Mokhzani bin Mahathir is a director and a substantial shareholder of Kencana HL via an indirect interest in Kencana Petroleum via Khasera Baru. The advances were fully repaid during the financial year ended 31 July 2006.
- (ii) Shareholders' advances of RM3.0 million from Chong Hin Loon to Kencana HL made on 29 March 2004. Chong Hin Loon is a director of Kencana HL. The advances were fully repaid during the financial year ended 31 July 2006.
- (iii) Shareholders' advances of RM20.0 million from Khasera Baru to Kencana Petroleum made during the financial year ended 31 July 2006. Dato' Mokhzani bin Mahathir is a director and a substantial shareholder of Kencana Petroleum via an indirect interest in Khasera Baru. The above shareholders' advances are fully repaid via Capitalisation of Advances. Please refer to Section 4.1.3(a) of this Prospectus for further details on Capitalisation of Advances.

The Directors are of the opinion that all business transactions between the Group and the Directors and substantial shareholders and/or persons connected to them are on arm's length basis and on terms not more favourable to the related parties than those generally available to the public. The Audit Committee will supervise the terms of related party transactions, and the Directors of Kencana Petroleum will report related party transactions, if any, annually in Kencana Petroleum's annual report.

### 7.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There is no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which Kencana Petroleum or subsidiaries was a party in respect of the past three (3) financial years ended 31 July 2006 and subsequent financial period thereof, if any, immediately preceding the date of this Prospectus.

### 7.3 OUTSTANDING LOANS MADE TO/FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed below, there is no outstanding loans (including guarantees of any kind) that has been granted by Kencana Petroleum and/or any other company within Kencana Petroleum Group to/for the benefit of related parties as at the end of each of the past three (3) financial years ended 31 July 2006 and as at 11 October 2006, being the latest practicable date prior to the printing of this Prospectus:

- (i) Kencana Bestwide provided unsecured long-term corporate guarantee of RM1,500,000 to a financial institution for credit facilities granted to BWE. BWE is an associated company of Kencana Bestwide.

**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)****7.4 INTERESTS IN SIMILAR BUSINESS**

Save as disclosed below and to the best of knowledge and belief of the Directors and substantial shareholders of Kencana Petroleum, none of the Directors or substantial shareholders and/or key management of Kencana Petroleum are interested, directly or indirectly in any business carrying on a similar trade as Kencana Petroleum Group:

**Azmi bin Ismail** is a director and substantial shareholder of Petrokonsult Sdn Bhd and Petroprojek Sdn Bhd as detailed out below:

Name of Company	Nature of Business	No of Shares Held as at 11.10.06			
		Direct	(%)	Indirect	(%)
Petrokonsult Sdn Bhd	Investment holding	604,999	99.99	-	-
Petroprojek Sdn Bhd	Trading in engineering supplies and equipment for oil, gas and other industries	3,000	1.00	<sup>(1)</sup> 297,000	99.0

Note:

(1) Deemed interested by virtue of his shareholding in Petrokonsult Sdn Bhd pursuant to Section 6A of the Act.

Petroprojek Sdn Bhd is principally involved in trading in engineering supplies and equipment namely pumps for oil, gas and other industries and these business activities are not in conflict with the existing business of Kencana Petroleum Group as Petroprojek Sdn Bhd is principally involved in different business segment of the oil and gas industry.

**Dato' Mokhzani bin Mahathir and Yeow Kheng Chew** are substantial shareholders of Stamsteel Sdn Bhd and Stam-Strarch Sdn Bhd as detailed out below:

Name of Company	Nature of Business	No of Shares Held as at 11.10.06			
		Direct	(%)	Indirect	(%)
Stamsteel Sdn Bhd	Dealing in structural steel engineering, fabrication and undertaking civil engineering construction works.	-	-	<sup>(1)</sup> 5,000,000	100.0
Stam-Strarch Sdn Bhd ("Stam-Strarch")	Dealing in structural steel engineering, fabrication and undertaking civil engineering construction works.	-	-	<sup>(2)</sup> 750,000	100.0

Notes:

(1) Deemed interested by virtue of their shareholdings in Kencana Capital Ventures Sdn Bhd via Kencana Capital Sdn Bhd pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of their shareholdings in Stamsteel Sdn Bhd via Kencana Capital Ventures Sdn Bhd and Kencana Capital Sdn Bhd pursuant to Section 6A of the Act.

Stamsteel Sdn Bhd is supplier of structural steelworks to Kencana Petroleum Group and the transactions between Stamsteel Sdn Bhd and the Group are shown in Section 7.1 herein. Stamsteel Sdn Bhd and Stam-Strarch are involved in fabrication and engineering of steel structure with focus in the aviation industry and is not directly involved in the oil and gas industry. As such, they do not compete with Kencana Petroleum Group in the same business segment.

**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)****7.5 PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED/TO BE ACQUIRED**

Save as disclosed below, none of the other Directors and substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiaries within the three (3) financial years preceding the date of this Prospectus:

- (i) On 28 December 2004, Ir Cher Lee Kiat, Ir Dr Tang Khai Hing, Richard Mah Foo Kheong, Ir Tan Siew Lee, Best Wide Holdings, Ir Loo Yeow Chuen, Ir New Cheng Swee, Tan Siew Sim, Ir Kong Kin Pong, Fred Devakumar Navaratnam, Ir Yau Ah Peng and Ir Ngim Chin Kim (collectively as "Vendors") and Radiant Horizon Sdn Bhd (presently known as Kencana Petroleum Berhad) (as "Purchaser") entered into a sale of shares agreement ("Sale of Shares Agreement") whereby the Vendors have agreed to sell and the Purchaser has agreed to purchase the entire equity interest in Kencana Bestwide, free from encumbrances, comprising 1,500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM11,430,000 which shall be satisfied by the allotment and issuance of new shares in Kencana Petroleum to the Vendors upon the terms and subject to conditions therein contained.

By a letter dated 20 May 2005 amongst the Vendors, the Purchaser and Best Wide Holdings, the Vendors novated and transferred all their rights, title, interest and benefits under the Sale of Shares Agreement to Best Wide Holdings. On 8 August 2006, Best Wide Holdings and the Purchaser entered into a first supplemental agreement to vary certain terms of the Sale of Shares Agreement upon the terms and subject to the conditions of therein contained. The acquisition of Kencana Bestwide was approved by the FIC on 22 April 2005.

- (ii) Kencana Petroleum had on 1 August 2005 acquired 100% equity interest in Kencana HL comprising 20,000,000 ordinary shares of RM1.00 each from Mohd Sobri bin Shuib, Ir Haron Bin Ali, Chong Hin Loon and Khasera Baru (collectively as "Kencana HL Vendors") for a total purchase consideration of RM48,569,998 which was satisfied by the issuance of 485,699,980 new ordinary shares of RM0.10 each in Kencana Petroleum to Kencana HL Vendors and was supplemented by a letter dated 9 August 2006 between the parties upon the terms and subject to the conditions therein contained.

**7.6 CONTRACTS OR ARRANGEMENTS IN WHICH THE DIRECTORS OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP**

Save as disclosed in Section 7.1 herein, none of the Directors and/or substantial shareholders of Kencana Petroleum Group has interest in any contract or arrangement, which is significant in relation to the business of the Group.

**7.7 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek the shareholders' mandate in respect of related party transactions involving recurrent transactions of revenue or trading in nature subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

## **7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:
  - (i) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
  - (ii) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the lower.

- (c) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

The Group would, in the ordinary course of its business, enter into transactions, including but not limited to the transactions described in related party transactions set out in Section 7.1 herein, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders mandate will enable the Company, in its normal course of business, to enter into the categories of related party transactions, provided such interested person transactions are made at arm's length and on normal commercial terms.

Bursa Securities has, via its letter dated 19 September 2006, granted a waiver to allow Kencana Petroleum to obtain shareholders' ratification and shareholders' mandate for recurrent related party transaction of a revenue or trading in nature entered into by Kencana Petroleum or any of its subsidiaries with the directors or substantial shareholders of Kencana Petroleum or persons connected with such directors or substantial shareholders, at the next extraordinary general meeting or annual general meeting of Kencana Petroleum, whichever earlier, commencing after the listing Kencana Petroleum.

### **7.8 DECLARATION BY THE ADVISERS**

AmMerchant Bank wishes to inform that, as at 11 October 2006, AmMerchant Bank has extended a revolving credit facility of up to RM30.0 million to Kencana HL out of which RM30.0 million has been utilised by Kencana HL.

Pursuant to the SC's condition (iv) vide its letter dated 23 February 2006 whereby the proposed repayment of bank borrowings from proceeds to be raised from the IPO should be made on a proportionate basis to all lenders of Kencana Petroleum Group and not only to AmMerchant Bank. Based on the outstanding loan (excluding hire purchases) of the Proforma Group as at 11 October 2006, the amount estimated to be repaid to AmMerchant Bank is approximately RM9.609 million.

Whilst AmMerchant Bank may be deemed to be in conflict of interest situation by virtue of it being one of the lenders to the Group, and would benefit from the positive outcome of the Listing proposal, namely the repayment of revolving credit facility owing to AmMerchant Bank from the proceeds arising from the IPO, it should be noted that repayment of the aforesaid facility will also result in interest savings for the

**7. RELATED-PARTY TRANSACTIONS/ CONFLICT OF INTEREST (Cont'd)**

Group. In addition, AmMerchant Bank is of the opinion that its role as the Adviser to Kencana Petroleum for the Listing proposal does not fall under a "Conflict of Interest" situation in view of the following:

- (a) AmMerchant Bank had informed Kencana Petroleum on the possible conflict of interest situation prior to its appointment as the Adviser. However, the Board of Directors of Kencana Petroleum is of the opinion that there is no conflict interest and has mandated AmMerchant Bank as the Adviser to Kencana Petroleum for the Listing proposal.
- (b) AmMerchant Bank is a licensed merchant bank which provides a wide range of investment banking services, inter-alia, including loan syndications, corporate finance and advisory, debt capital markets, treasury products and therefore the facility extended to Kencana Petroleum represents a transaction entered into in its ordinary course of business. Further, the aforesaid facility constitutes a small portion of AmMerchant Bank's lending portfolio. As at 31 March 2006, AmMerchant Bank had granted gross loans, advances and financing of approximately RM4.326 billion.
- (c) The repayment of RM9.609 million represents 11.7% of the total gross proceeds from the IPO.

The Directors of Kencana Petroleum are of the opinion that the appointment of AmMerchant Bank as the Adviser to Kencana Petroleum for the Listing proposal does not fall under a "Conflict of Interest" situation in view of the following:

- (a) Kencana HL obtained the Revolving Credit ("RC") facilities from AmMerchant Bank based on commercial reasons. It is always the intention of Kencana Petroleum Group to undertake the IPO exercise and AmMerchant Bank was appointed as the Adviser based on its experience in IPO exercises. The Board had no objection to the term of the RC whereby, proceeds from the IPO of Kencana Petroleum will be utilised to repay the RC facilities granted by AmMerchant as the Board viewed that it is one of the source of repayment; and
- (b) The Board also viewed the IPO and the RC facilities separately. In any event that the IPO exercise failed to be implemented, the Board will request AmMerchant to revise the terms of the RC facilities to be mutually acceptable to both parties.

Messrs. Albar & Partners hereby confirm that there is no conflict of interest with respect of their capacity as Solicitors to the Group for the IPO.

Messrs. KPMG hereby confirm that there is no conflict of interest with respect of their capacity as Auditors and Reporting Accountants to the Group for the IPO.

Vital Factor Consulting Sdn Bhd has given its confirmation that there is no conflict of interest in their capacity as the Independent Business and Market Research Consultants for the IPO.

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