

12. FINANCIAL INFORMATION (Cont'd)

Contracts can also be a hybrid of fixed-price and cost-plus billing methods. For example, to mitigate the risk of price volatility, we may tender to accept business on a cost-plus basis in relation to the procurement of materials and on a fixed-price basis for other aspects of the project such as construction. In some cases, clients require us to utilise certain sub-contractors, in which case we typically agree to bill these services at cost or on a cost-plus basis. Some contracts exclude procurement of materials or services (in whole or in part), and these are instead procured or supplied by the customer.

The overall percentage of fixed-price or cost-plus contracts, or the percentage of aggregate contract value with these components, that we have at any given time affect our financial performance during a particular time period depending on the stability of prices for materials, facilities and services.

(vii) Yard Optimisation Programme

We began implementing the Yard Optimisation Programme at our Pasir Gudang facilities in 2006 and expect the construction and reconfiguration to be completed by 2014. Upon completion of the Yard Optimisation Programme, we intend to be able to simultaneously conduct the following projects:

- Construct deepwater structures (including hull and topside) of up to 40,000 mt on the new skid-tracks and bulkheads. The construction method will be to build and integrate the structure on land before loading the finished structure out using a shiplift;
- Concurrently carry out repair works for two LNG carriers and four VLCCs; and
- Concurrently carry out conversion works on three FPSOs, FSOs or rigs.

The Yard Optimisation Programme may have the following effects on our operating results:

- The total cost of the programme is estimated at approximately RM2,721.5 million and requires on-going capital expenditures until its completion.
- As the programme progresses, we expect our facilities and equipment to improve, and our capacity and capabilities to be enhanced, allowing us to conduct projects with greater efficiency. Also, as the programme progresses, we expect to gain the capacity to accept and conduct larger, more complicated projects, which often have higher margins compared to smaller, less sophisticated projects. An increase in work and projects earning higher margins and an increase in our efficiency would have a positive effect on our financial performance.
- If the programme were to suffer from delays or cost overruns, we will need to increase our capital expenditure on the programme and divert funds and resources away from other projects.

12. FINANCIAL INFORMATION (Cont'd)

(viii) Exposure to foreign exchange fluctuations

We are subject to foreign exchange risks as a portion of our sales and purchases of materials are denominated in USD, SGD and Euros, and the RM operates on a managed float basis. Appreciation of the RM may materially and adversely affect our financial performance because it may raise prices for our products and services against other currencies. We generally do not enter into foreign currency forward contracts to hedge against fluctuations in the foreign exchange currency but rely on natural hedging to manage the risks arising from the movements on the foreign exchange. We maintain a natural hedge, wherever possible, by matching the cash inflows, that is, our revenue stream, and cash outflows used for purposes such as capital expenditures, operational expenditures and debt service requirements in the respective currencies.

(ix) Orderbook

The amount of work that remains to be completed at any given time under our projects is represented by our orderbook. Our orderbook as of any date is made up of the total stated contract value of orders not yet delivered minus the portion of sales already recognised in respect of such orders using the stage-of-completion method. For contracts involving cost-plus arrangements, these contract values include cost estimates. We do not include projects in our orderbook until a contract has been signed, except in the case of arrangements with PETRONAS Group of companies, where the amounts are included in the orderbook on the basis of letters of intent or letters of award that do not prohibit the customer from cancelling these projects. If these projects were to be cancelled, we may only be able to recover expenses incurred up to the date of cancellation.

Our engineering and construction segment often undertakes large, long-term projects that remain on our orderbook for a number of years. For example, the *Turkmenistan Block 1, Phase 1* gas development project has been on our orderbook since the FYE 31 March 2007. Our results of operations may vary in any particular period depending on the relative phases of these projects. Projects conducted by the marine conversion and marine repair segment generally take less time to complete and may be reflected on our orderbook for several weeks or months. Marine repair contracts are typically entered into shortly before the work is undertaken and these projects remain in our Pasir Gudang yard for a relatively short time, usually only a few weeks. Consequently, few marine repair projects are included in the orderbook at any given time.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets forth, as of 30 June 2010, our orderbook by type of project, the number of such projects, orderbook value and related percentage data. When calculating our orderbook, contract values denominated in USD or SGD are translated into RM at the relevant exchange rate as of 30 June 2010.

	As at 30 June 2010		
	No. of Projects	(in RM millions)	%
Engineering and construction:			
EPC/EPCIC	2	5,020.7	84.3
Topsides	2	909.2	15.3
Turrets	1	9.6	0.2
Subtotal.....	5	5,939.5	99.8
Marine conversion and marine repair:	16	12.4	0.2
Total.....	21	5,951.9	100.0

Our marine conversion and marine repair orderbook as of 30 June 2010 consisted of RM0.1 million for the *Dana 256* MOPU project, RM2.7 million for LNG and LPG vessel repairs, RM0.9 million for repairs of rigs and other facilities and RM8.7 million for tanker repairs. The number of completed marine conversion and marine repair projects (by vessel type) for the FYE 31 March 2008, 2009 and 2010, respectively, and the aggregate revenue amount for these projects are included in "Business Overview" in Section 7.6 of this Prospectus.

12.2.3 Critical accounting policies

We prepare our consolidated financial statements in conformity with Malaysian FRS. As such, we are required to make estimates, judgements and assumptions that affect (i) certain reported amounts of revenue and expenses during the reporting period, (ii) certain reported amounts of our assets and liabilities and (iii) the disclosure of our contingent assets and liabilities at the date of the financial statements. We base our estimates and judgements on our historical experience and on various other reasonable factors that together form the basis for making our judgements. Our actual results may differ from these estimates under different assumptions or conditions. We evaluate our estimates and judgements on an ongoing basis. We believe our most critical accounting policies that result in the application of estimates and/or judgements are the following:

(i) Revenue recognition of construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses, respectively, by using the stage-of-completion method. The stage-of-completion is measured by reference to the proportion of physical completion of a contract. Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

12. FINANCIAL INFORMATION (Cont'd)

When the sum of costs incurred in construction contracts and recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When the progress billings exceed the sum of costs incurred and recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

Our revenue recognition policy, and the derivative impact on the amount and timing of recognising revenue and cost of sales, provisions for estimated losses, charges against current earnings, trade receivables and advance receipts, is primarily affected by our ability to reliably measure the stage-of-completion and contract costs incurred. Significant judgement is required in determining the stage-of-completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction contract. In making the judgement, our evaluation is based on past experience and on the work of specialists. If there are inaccuracies or flaws in our measurements for any given project or in our estimation methodology as a whole, it could have a material adverse effect on the amount and timing of recognising revenue and cost of sales and related financial items.

(ii) Allowance for doubtful accounts

We provide an allowance for doubtful accounts based on the evaluation of the receivables on an individual basis and the amount of outstanding allowances. We evaluate a customer's credit worthiness by reviewing, among other matters, our historical collection experience and the value of collateral provided to us, if any.

(iii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within five to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, and thus future depreciation charges may be revised.

(iv) Provision for warranty

We typically grant a warranty of twelve months on certain products and undertake to repair or replace items that fail to perform satisfactorily. Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision is written back as a gain at the end of the warranty period while additional provisions are made as and when necessary. The provision for warranties was RM5.6 million as at 30 June 2010.

12. FINANCIAL INFORMATION (Cont'd)

(v) Deferred taxation

We provide for deferred tax using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit and loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination. As at 30 June 2010, our total deferred tax liabilities were RM28.8 million and we had no deferred tax assets.

12.2.4 Results of operations

(i) FYE 31 March 2008 compared to FYE 31 March 2009

The following table presents income statement data and their percentage change for the periods indicated:

	FYE 31 March				
	2008	% of Revenue	2009	% of Revenue	% Change
	(in RM millions, except for percentages)				
Revenue.....	1,741.9	100.0	4,021.1	100.0	130.8
Cost of sales	(1,379.4)	(79.2)	(3,422.5)	(85.1)	148.1
Gross profit.....	362.6	20.8	598.6	14.9	65.1
Other operating income.....	26.7	1.5	24.2	0.6	(9.4)
Selling and distribution expenses	(2.2)	(0.1)	(1.7)	*	(22.7)
Administrative expenses.....	(111.2)	(6.4)	(171.4)	(4.3)	54.1
Other operating expenses	(38.5)	(2.2)	(100.2)	(2.5)	160.3
Profit from operations	237.4	13.6	349.5	8.7	47.2
Finance costs	(1.5)	(0.1)	(0.4)	*	(73.3)
PBT	235.9	13.5	349.0	8.7	47.9
Taxation	(41.3)	(2.4)	(66.8)	(1.7)	61.7
Profit for the year	194.6	11.2	282.2	7.0	45.0

Note:

* Insignificant.

12. FINANCIAL INFORMATION (Cont'd)

Revenue

The following table sets forth our revenue from our principal activities, percentage of total revenue and their percentage change for the FYE 31 March 2008 and the FYE 31 March 2009:

	FYE 31 March				
	2008	%	2009	%	% Change
	(in RM millions, except for percentages)				
Engineering and construction.....	1,014.9	58.3	3,042.0	75.7	199.7
Marine conversion and marine repair.....	718.5	41.2	960.4	23.9	33.7
Others ⁽¹⁾	8.5	0.5	18.7	0.5	120.0
Total	1,741.9	100.0	4,021.1	100.0	130.8

Note:

⁽¹⁾ Others consist of sludge disposal management and the manufacturing of pressure vessels and tube heat exchanges.

We recorded a 130.8% increase in revenue in the FYE 31 March 2009 compared to the FYE 31 March 2008 mainly as a result of a 199.7% increase in revenue from the engineering and construction segment and a 33.7% increase in revenue for the marine conversion and marine repair segment.

The following table sets forth our revenue from projects conducted by the engineering and construction segment for the FYE 31 March 2008 and 2009. The increase in revenue for the engineering and construction segment was primarily due to the increase in revenue from the *Turkmenistan Block 1, Phase 1* gas development and *Gumusut-Kakap* projects.

	FYE 31 March	
	2008	2009
	(in RM millions)	
Turkmenistan Block 1, Phase 1.....	300.4	1,301.2
Gumusut-Kakap FPS.....	310.6	947.5
Angel Topside.....	98.5	23.6
PC4 (drilling platform, jacket and topside).....	46.2	252.5
B11K-A (substructure).....	13.8	205.7
FPSO Ruby II (Aframax conversion).....	18.5	181.9
MOPU.....	97.9	-
SCDRA Topside.....	50.1	-
CPOC (8 legged jacket).....	10.1	81.4
Others.....	68.8	48.3
Total.....	1,014.9	3,042.0

For the FYE 31 March 2009, the *Turkmenistan Block 1, Phase 1* gas development and *Gumusut-Kakap* projects, which moved into the peak procurement phase, accounted for 55.9% of total revenue compared to 35.1% of total revenue in the FYE 31 March 2008.

12. FINANCIAL INFORMATION (Cont'd)

While revenue received from the marine conversion and marine repair segment as a percentage of overall revenue received by us decreased from 41.2% in the FYE 31 March 2008 to 23.9% in the FYE 31 March 2009, actual revenue received increased from RM718.5 million in the FYE 31 March 2008 to RM960.4 million in the FYE 31 March 2009. The increase in revenue from marine repair projects was due to an increase in the number of repair projects from 57 in the FYE 31 March 2008 to 73 in the FYE 31 March 2009, which included an increase in revenue from higher margin contracts for the repair and refurbishment of rigs and LNG carriers from RM287.6 million in the FYE 31 March 2008 to RM428.8 million in the FYE 31 March 2009. Revenue from marine conversion projects also increased in the FYE 31 March 2009 compared to the FYE 31 March 2008 due to increased revenue from the *FPSO Ruby II* conversion project (which commenced in FYE 31 March 2008 but a large percentage of the work was conducted in the FYE 31 March 2009), the *FSO Orkid* conversion project, which was completed in February 2009 and from the new-build of the *T12* drill tender barge.

Cost of sales

The following table sets forth the cost of sales for sub-contracting services and materials, percentage of total cost of sales and their percentage change for the FYE 31 March 2008 and 2009:

	FYE 31 March				
	2008	%	2009	%	% Change
	(in RM millions, except for percentages)				
Sub-contracting services ...	721.5	52.3	1,431.0	41.8	98.3
Direct material costs ⁽¹⁾	509.2	36.9	1,781.3	52.0	249.8
Others	148.6	10.8	210.2	6.1	41.5
	<u>1,379.4</u>	<u>100.0</u>	<u>3,422.5</u>	<u>100.0</u>	<u>148.1</u>

Note:

⁽¹⁾ Included in direct material costs are mechanical and machinery items procured for projects, structural steel, pipes and fittings, electrical and instrumentation materials (such as wiring cables), tools and consumables.

Our cost of sales increased by 148.1% in the FYE 31 March 2009 compared to the FYE 31 March 2008. The increase was mainly due to a 249.8% increase in direct material cost and a 98.3% increase in the costs of sub-contractor services. Our engineering and construction segment experienced an increase in direct material costs from procurement activities for the *Turkmenistan Block 1, Phase 1* gas development and *Gumusut-Kakap* projects and sub-contracting costs for fabrication and construction activities during the advanced stages of the *PC4* drilling platform, jacket and topside projects, the *B11K-A* substructure project and the *FPSO Ruby II* topside project. For the marine conversion and marine repair segment, direct materials costs increased in the FYE 31 March 2009 due to an increase in projects conducted from 57 in the FYE 31 March 2008 to 73 in the FYE 31 March 2009 while sub-contracting costs decreased as a percentage of cost of sales from 52.3% in the FYE 31 March 2009 to 41.8% in the FYE 31 March 2008, due to fixed multi-year tariffs negotiated with the sub-contractors for the cost of labour in the prior year that were carried over into the FYE 31 March 2009.

12. FINANCIAL INFORMATION (Cont'd)***Gross profit***

As a result of the factors discussed above, our gross profit increased by 65.1% from RM362.6 million in the FYE 31 March 2008 to RM598.6 million in the FYE 31 March 2009. Our gross margin decreased from 20.8% in the FYE 31 March 2008 to 14.9% in the FYE 31 March 2009, as the percentage of work conducted on a cost-plus basis increased relative to the percentage of work conducted on a fixed-price basis during this period primarily because of the *Turkmenistan Block 1, Phase 1* gas development and the *Gumusut-Kakap* projects. The *Turkmenistan Block 1, Phase 1* gas development project is based on a cost-plus contract and the *Gumusut-Kakap* project is based on a combination contract with a substantial cost-plus portion.

Other operating income

Other operating income decreased 9.4% from RM26.7 million in the FYE 31 March 2008 to RM24.2 million in the FYE 31 March 2009. The decrease was mainly due to a 49.8% decrease in interest income from bank deposits from RM5.2 million in the FYE 31 March 2008 to RM2.6 million in the FYE 31 March 2009 due to a lower interest rate environment during the global financial crisis. These decreases more than offset a substantial increase in unrealised foreign exchange by RM10.0 million in the FYE 31 March 2009 compared against FYE 31 March 2008.

Administrative expenses

Administrative expenses increased 54.1% from RM111.2 million in the FYE 31 March 2008 to RM171.4 million in the FYE 31 March 2009. The increase was due mainly to an increase in salaries, allowances and bonuses, due to a revised remuneration package granted to supervisors and executives and higher bonus payments to eligible employees.

Other operating expenses

Other operating expenses increased 160.3% from RM38.5 million in the FYE 31 March 2008 to RM100.2 million in the FYE 31 March 2009. Impairment losses on trade receivables also increased from RM9.0 million in the FYE 31 March 2008 to RM13.3 million in the FYE 31 March 2009 due to provisions for doubtful debts in relation to a delay in a marine repair project. In addition, equipment rental expense increased from RM18.0 million in the FYE 31 March 2008 to RM36.2 million in the FYE 31 March 2009 as a result of rental of equipment such as cranes, scaffolding and other heavy lifting equipment to support the increase in fabrication and construction activity.

Finance costs

Finance costs decreased 73.3% from RM1.5 million in the FYE 31 March 2008 to RM0.4 million in the FYE 31 March 2009 due principally to RM3.2 million in interest expense for construction in progress being capitalised, which more than offset the effect of an increase in interest expense for revolving credits from RM0.5 million in the FYE 31 March 2008 to RM3.3 million in the FYE 31 March 2009. This increase in interest expense resulted from an increase in the principal outstanding on a short term revolving loan from RM33.0 million at 31 March 2008 to RM250.0 million at 31 March 2009.

12. FINANCIAL INFORMATION (Cont'd)

Taxation

Our tax expenses increased 61.7% from RM41.3 million in the FYE 31 March 2008 to RM66.8 million in the FYE 31 March 2009, primarily due to an increase in Malaysian and foreign current income tax from RM58.1 million in the FYE 31 March 2008 to RM101.1 million in the FYE 31 March 2009 due to increased PBT earned in that period. Our effective tax rate increased to 19.1% in the FYE 31 March 2009 from 17.5% in the FYE 31 March 2008.

Net profit

As a result of the foregoing factors, our net profit increased by 45.0% to RM282.2 million in the FYE 31 March 2009 from RM194.6 million in the FYE 31 March 2008.

(ii) FYE 31 March 2009 compared to FYE 31 March 2010

The following table presents selected income statement data, the percentage such amounts represent of total revenue and their percentage change for the periods indicated:

	FYE 31 March				
	2009	% of Revenue	2010	% of Revenue	% Change
	(in RM millions, except for percentages)				
Revenue.....	4,021.1	100.0	6,147.0	100.0	52.9
Cost of sales	(3,422.5)	(85.1)	(5,550.6)	(90.3)	62.2
Gross profit.....	598.6	14.9	596.4	9.7	(0.4)
Other operating income.....	24.2	0.6	19.9	0.3	(17.8)
Selling and distribution expenses	(1.7)	*	(1.4)	*	(17.6)
Administrative expenses.....	(171.4)	(4.3)	(150.1)	(2.4)	(12.4)
Other operating expenses	(100.2)	(2.5)	(84.1)	(1.4)	(16.1)
Profit from operations	349.5	8.7	380.7	6.2	8.9
Finance costs	(0.4)	*	(3.5)	(0.1)	775.0
Share of loss of a jointly controlled entity.....	-	-	*	*	-
PBT.....	349.0	8.7	377.2	6.1	8.1
Taxation	(66.8)	(1.7)	(93.1)	(1.5)	39.4
Profit for the year	282.2	7.0	284.1	4.6	0.7

Note:

* Insignificant.

12. FINANCIAL INFORMATION (Cont'd)

Revenue

The following table sets forth our revenue from our principal activities, percentage of total revenue and their percentage change for the periods indicated:

	FYE 31 March				
	2009	%	2010	%	% Change
	(in RM millions, except for percentages)				
Engineering and construction.....	3,042.0	75.7	5,603.8	91.2	84.2
Marine conversion and marine repair.....	960.4	23.9	540.0	8.8	(43.8)
Others ⁽¹⁾	18.7	0.5	3.2	0.1	(82.9)
Total	4,021.1	100.0	6,147.0	100.0	52.9

Note:

⁽¹⁾ Others consists of sludge disposal management and the manufacturing of pressure vessels and tube heat exchanges.

We recorded a 52.9% increase in revenue for the FYE 31 March 2010 compared to the FYE 31 March 2009 mainly as a result of an 84.2% increase in revenue from the engineering and construction segment, which was partially offset by a 43.8% decrease in revenue in the marine conversion and marine repair segment.

The following table sets forth our revenue from projects conducted by the engineering and construction segment for the FYE 31 March 2009 and 2010. The large increase in revenue for the engineering and construction segment for the FYE 31 March 2010 was primarily due to an increase in revenue recognised from the *Turkmenistan Block 1, Phase 1* gas development, *Gumusut-Kakap* and *Tangga Barat* projects, which were all in advanced stages of completion during the FYE 31 March 2010:

	FYE 31 March	
	2009	2010
	(in RM millions)	
Turkmenistan Block 1, Phase 1.....	1,301.2	2,563.8
Gumusut-Kakap FPS.....	947.5	2,195.2
Tangga Barat (Topside and jacket).....	49.0	548.4
PC4 Drilling (Topside).....	252.5	-
FPSO Ruby II (Aframax Conversion).....	181.9	117.1
B11K-A (substructure).....	205.7	-
Others.....	104.3	179.3
Total.....	3,042.0	5,603.8

For the FYE 31 March 2010, the *Turkmenistan Block 1, Phase 1* gas development, *Gumusut-Kakap* and *Tangga Barat* projects accounted for 86.3% of our total revenue. In the FYE 31 March 2009, revenue was more evenly distributed, with these three projects accounting for 57.1% of our total revenue, other engineering and construction projects accounting for 18.5% of our total revenue, and projects conducted by the marine conversion and marine repair segment accounting for 23.9% of our total revenue.

12. FINANCIAL INFORMATION (Cont'd)

Shipping rates and volume and oil prices decreased in the FYE 31 March 2010 due to the global financial crisis. As a result, ship and rig owners sought to reduce non-mandatory and non-essential repairs to their vessels and delay or cancel conversion projects. With fewer repairs and conversions, competition for projects increased, with a resulting decrease in the value of such projects. Specifically, the number of LNG carriers repaired decreased from 14 to 13 vessels with revenue from the repair of LNG carriers decreasing 34.0% from RM156.4 million in the FYE 31 March 2009 to RM103.3 million in the FYE 31 March 2010. There were no new contracts for FPSO and FSO conversions in the FYE 31 March 2010, and revenue from the work on FPSO and FSO conversions decreased 59.9% from RM205.7 million in the FYE 31 March 2009 to RM82.4 million in the FYE 31 March 2010. The number of rigs repaired also decreased from nine to six rigs and revenue from the repair of rigs decreased 70.5% from RM272.4 million in the FYE 31 March 2009 to RM80.4 million in the FYE 31 March 2010. Offsetting in part the decreases in our LNG carrier repairs, FPSO and FSO conversions and rig repairs were increases in the number of energy-related vessels repaired, such as Aframax tankers and VLCCs, from 15 vessels in the FYE 31 March 2009 to 17 vessels in the FYE 31 March 2010, with aggregate revenue from these repairs increasing 12.9% from RM39.4 million in the FYE 31 March 2009 to RM44.5 million in the FYE 31 March 2010.

Cost of sales

The following table sets forth the cost of sales for sub-contracting services and for materials, the percentage these amounts represent of our total cost of sales and the percentage change for these amounts for the FYE 31 March 2009 and 2010:

	FYE 31 March				
	2009	%	2010	%	% Change
	(in RM millions, except for percentages)				
Sub-contracting services	1,431.0	41.8	2,971.2	53.5	107.6
Direct material costs ⁽¹⁾ ..	1,781.3	52.0	2,044.4	36.8	14.8
Others	210.2	6.1	535.0	9.6	154.5
	<u>3,422.5</u>	<u>100.0</u>	<u>5,550.6</u>	<u>100.0</u>	<u>62.2</u>

Note:

⁽¹⁾ Included in direct material costs are mechanical and machinery items procured for projects, structural steel, pipes and fittings, electrical and instrumentation materials (such as wiring cables), tools and consumables.

Our cost of sales increased 62.2% from RM3,422.5 million in the FYE 31 March 2009 to RM5,550.6 million in the FYE 31 March 2010. The increase was mainly due to a 107.6% increase in sub-contracting services, resulting primarily from work on the fabrication and construction stage of the *Turkmenistan Block 1, Phase 1* gas development and *Gumusut-Kakap* projects, which is more labour intensive than the earlier engineering and procurement stages of these projects. The 14.8% increase in direct material costs from the FYE 31 March 2009 to the FYE 31 March 2010 was primarily due to increased procurement as these two projects transitioned from the initial engineering stages.

12. FINANCIAL INFORMATION (Cont'd)

Gross profit

As a result of the factors discussed above, our gross profit decreased by 0.4% from RM598.6 million in the FYE 31 March 2009 to RM596.4 million in the FYE 31 March 2010. Our gross margin decreased from 14.9% in the FYE 31 March 2009 to 9.7% in the FYE 31 March 2010, as the percentage of work conducted on a cost-plus basis increased relative to the percentage of work conducted on a fixed-price basis during this period primarily because of the *Turkmenistan Block 1, Phase 1* gas development and the *Gumusut-Kakap* projects. The *Turkmenistan Block 1, Phase 1* gas development project is based on a cost-plus contract and the *Gumusut-Kakap project* is based on a combination contract with a substantial cost-plus portion.

Other operating income

Other operating income decreased 17.8% from RM24.2 million in the FYE 31 March 2009 to RM19.9 million in the FYE 31 March 2010. The decrease was mainly due to a decrease in unrealised foreign exchange gain from RM10.0 million in the FYE 31 March 2009 to RM1.1 million in the FYE 31 March 2010 mainly as a result of the depreciation of the USD against the RM. The decrease in unrealised foreign exchange gain was partially offset by an increase in interest income from bank deposits from RM2.6 million in the FYE 31 March 2009 to RM9.2 million in the FYE 31 March 2010 due to an increase in the interest bearing deposits we held with banks.

Administrative expenses

Administrative expenses decreased 12.4% from RM171.4 million in the FYE 31 March 2009 to RM150.1 million in the FYE 31 March 2010. The decrease was due mainly to a reduction in staff costs as a result of a reduction in aggregate bonus payments and a reduced number of expatriate contract employees.

Other operating expenses

Other operating expenses decreased 16.1% from RM100.2 million in the FYE 31 March 2009 to RM84.1 million in the FYE 31 March 2010. The decrease was due mainly to the absence of any provision for liquidated ascertained damages in the FYE 31 March 2010, while in the FYE 31 March 2009 we recorded a provision for liquidated ascertained damages of RM44.8 million in relation to a delay in a marine repair project, and a reversal of an impairment loss on trade receivables of RM4.4 million in the FYE 31 March 2010 compared to an impairment loss on trade receivables of RM13.3 million in the FYE 31 March 2009 resulting mainly from a provision for doubtful debts in relation to a delay in a marine repair project. The provision for liquidated ascertained damages in the FYE 31 March 2009 relates to a delay in the repair of a rig caused by unresolved design changes and change orders. These factors were partially offset by an 88.1% increase in equipment rental for cranes, scaffolding and other equipment to support the increase in fabrication and construction activity from RM36.2 million in the FYE 31 March 2009 to RM68.1 million in the FYE 31 March 2010.

12. FINANCIAL INFORMATION (Cont'd)

Finance costs

Finance costs increased from RM0.4 million in the FYE 31 March 2009 to RM3.5 million in the FYE 31 March 2010 mainly due to the RM7.0 million of interest on the term loan from MISC in the FYE 31 March 2010, which was not in place during the FYE 31 March 2009. This was offset in part by a capitalised interest expense of RM6.1 million in the FYE 31 March 2010, compared with a capitalised interest expense of RM3.2 million in the FYE 31 March 2009.

Taxation

Our tax expenses increased 39.4% from RM66.8 million in the FYE 31 March 2009 to RM93.1 million in the FYE 31 March 2010, primarily due to an under provision of RM16.4 million in deferred tax in prior years for the FYE 31 March 2010, compared to a RM13.6 million over provision in deferred tax in prior years for the FYE 31 March 2009. Our effective tax rate increased to 24.7% in the FYE 31 March 2010 from 19.1% in the FYE 31 March 2009.

Net profit

As a result of the foregoing factors, our net profit increased by 0.7% to RM284.1 million in the FYE 31 March 2010 from RM282.2 million in the FYE 31 March 2009.

(iii) Three-month ended 30 June 2009 compared to three-month ended 30 June 2010

The following table presents selected income statement data, the percentage such amounts represent of total revenue and their percentage change for the periods indicated:

	Three-Month FPE 30 June				
	2009	% of Revenue	2010	% of Revenue	% Change
(in RM millions, except for percentages)					
Revenue	1,679.8	100.0	1,172.9	100.0	(30.2)
Cost of sales	(1,587.9)	(94.5)	(1,049.0)	(89.4)	(33.9)
Gross profit	91.9	5.5	123.9	10.6	34.9
Other operating income.....	2.6	0.2	25.2	2.1	870.9
Selling and distribution expenses.....	(0.4)	*	(0.3)	*	(15.7)
Administrative expenses	(26.8)	(1.6)	(31.4)	(2.7)	17.0
Other operating expenses	(20.1)	(1.2)	(21.8)	(1.9)	8.6
Profit from operations.....	47.2	2.8	95.7	8.2	102.6
Finance costs.....	(0.2)	*	(0.7)	(0.1)	277.8
Share of profit of jointly controlled entities	-	-	0.1	*	-
PBT.....	47.0	2.8	95.1	8.1	102.1
Taxation.....	(11.2)	(0.7)	15.2	1.3	(235.1)
Profit for the period	35.8	2.1	110.3	9.4	208.0

Note:

* Insignificant.

12. FINANCIAL INFORMATION (Cont'd)

Revenue

The following table sets forth our revenue from our principal activities, percentage of total revenue and their percentage change for the periods indicated:

	Three-Month FPE 30 June				
	2009	%	2010	%	% Change
	(in RM millions, except for percentages)				
Engineering and construction.....	1,489.7	88.7	1,060.0	90.4	(28.8)
Marine conversion and marine repair.....	189.0	11.3	112.6	9.6	(40.4)
Others.....	1.0	*	0.4	*	(63.2)
Total.....	1,679.7	100.0	1,172.9	100.0	(30.2)

Note:

* Insignificant.

We recorded a 30.2% decrease in revenue in the three-month FPE 30 June 2010, compared to the three-month FPE 30 June 2009, mainly as a result of a 28.8% decrease in revenue from the engineering and construction segment as well as a 40.4% decrease in revenue for the marine conversion and marine repair segment.

The following table sets forth our revenue from projects conducted by the engineering and construction segment for the three-month FPE 30 June 2010 and 2009. The decrease in revenue for the engineering and construction segment was primarily due to the decrease in revenue from the *Turkmenistan Block 1, Phase 1* gas development project and *Gumusut-Kakap* projects.

	Three-Month FPE 30 June	
	2009	2010
	(in RM millions)	
Turkmenistan Block 1, Phase 1.....	1,071.7	684.5
Gumusut-Kakap FPS.....	275.7	240.1
Tangga Barat (topside and jacket).....	45.1	72.0
PC4 Drilling (topside).....	13.4	0.3
FPSO Ruby II (Aframax conversion)....	40.4	-
B11K-A (substructure).....	30.3	5.5
Others.....	13.4	57.6
Total.....	1,489.7	1,060.0

For the three-month FPE 30 June 2010 and three-month FPE 30 June 2009, the *Turkmenistan Block 1, Phase 1* gas development project, *Gumusut-Kakap* and *Tangga Barat* projects accounted for 85.0% and 82.9% of our total revenue, respectively. The revenue received from the *Turkmenistan Block 1, Phase 1* gas development project and *Gumusut-Kakap* project declined because peak procurement activities for these projects occurred in 2009 and these projects were in their fabrication phase, which involves lower levels of revenue for us, during the three-month FPE 30 June 2010.

12. FINANCIAL INFORMATION (Cont'd)

Cost of sales

The following table sets forth the cost of sales for sub-contracting services and for materials, the percentage these amounts represent of our total cost of sales and the percentage change for these amounts for the three-month ended 30 June 2009 and 2010:

	Three-Month FPE 30 June				
	2009	%	2010	%	% Change
	(in RM millions, except for percentages)				
Sub-contracting services.....	368.1	23.4	823.6	78.5	123.7
Direct material costs ⁽¹⁾	1,094.7	69.5	196.2	18.7	(82.1)
Others.....	111.8	7.1	29.2	2.8	(73.9)
	<u>1,574.6</u>	<u>100.0</u>	<u>1,049.0</u>	<u>100.0</u>	<u>(33.4)</u>

Note:

⁽¹⁾ Included in direct material costs are mechanical and machinery items procured for projects, structural steel, pipes and fittings, electrical and instrumentation materials (such as wiring cables), tools and consumables.

Our cost of sales decreased by 33.4% in the three-month FPE 30 June 2010 compared to the three-month FPE 30 June 2009. The decrease was mainly due to a 82.1% decrease in direct material cost, which was partially offset by a 123.7% increase in the costs of sub-contractor services. The major activities for the *Turkmenistan Block 1, Phase 1* gas development and *Gumusut-Kakap* projects during the FPE 30 June 2010 were primarily related to fabrication. A substantial portion of the raw materials required for fabrication were procured prior to this period and accordingly the direct material cost declined. We also required more sub-contracted services during this period and hence our sub-contracting costs increased as a percentage of cost of sales from 23.4% in the three-month FPE 30 June 2009 to 78.5% in the three-month FPE 30 June 2010, as these two projects moved from their peak procurement phase into the fabrication phase, during which more sub-contractor services are required.

Gross profit

As a result of the factors discussed above, our gross profit increased by 34.9% from RM91.9 million in the three-month FPE 30 June 2009 to RM123.9 million in the three-month FPE 30 June 2010. Our gross margin increased from 5.5% in the three-month FPE 30 June 2009 to 10.6% in the three-month FPE 30 June 2010, due to a reduction in the cost of sales as well as during the three-month FPE 30 June 2010, we were able to finalise the contract value and recognise additional revenue for certain projects, including the *Tenaga Lima* marine repair project in addition to the reversal of cost provision for *MOPU Storage Tank* project pursuant to finalisation of the negotiation with the suppliers.

12. FINANCIAL INFORMATION (Cont'd)

Other operating income

Other operating income increased from RM2.6 million in the three-month FPE 30 June 2009 to RM25.2 million in the three-month FPE 30 June 2010. The increase was mainly due to a RM14.0 million increase in foreign exchange gains in the three-month FPE 30 June 2010 and an increase in interest income from RM0.5 million in the three-month FPE 30 June 2009 to RM7.8 million in the three-month FPE 30 June 2010 due to the increased amount of interest bearing instruments, which comprise of fixed deposits with financial institutions and amounts due from MISC as well as higher interest rates during the three-month FPE 30 June 2010 as compared to the three-month FPE 30 June 2009.

Administrative expenses

Administrative expenses increased by 17.0% from RM26.8 million in the three-month FPE 30 June 2009 to RM31.4 million in the three-month FPE 30 June 2010. The increase was mainly due to higher salary cost.

Other operating expenses

Other operating expenses increased by 8.6% from RM20.1 million in the three-month FPE 30 June 2009 to RM21.8 million in the three-month FPE 30 June 2010 due to an increase in maintenance expenses for plants, equipment and tools.

Finance costs

Finance costs increased from RM0.2 million in the three-month FPE 30 June 2009 to RM0.7 million in the three-month FPE 30 June 2010 due principally to a decrease in the amount of interest capitalised from RM1.5 million in the three-month FPE 30 June 2009 to RM0.9 million in the three-month FPE 30 June 2010 as a result of the completion of certain projects, subsequent to which we were no longer able to capitalise certain of our interest payments related to the Yard Optimisation Programme.

Taxation

In the three-month FPE ended 30 June 2010, we had a tax credit of RM15.2 million (the status of which is not yet final and is subject to approval by Malaysian tax authorities), compared with tax expenses of RM11.2 million in the three-month FPE 30 June 2009. The change between these periods was primarily due to an increase in overprovisions in prior years of Malaysian and foreign tax from RM16.2 million in the three-month FPE 30 June 2009 to RM35.6 million in the three-month FPE 30 June 2010. The change in the higher level of overprovisions was due to our receipt of investment tax allowance incentives for the Yard Optimisation Programme; these incentives commenced with our 2006 tax assessment and can be applied for the following ten years. The change in our tax expense was also attributed to a decrease in underprovisions of deferred tax for prior periods from RM14.8 million in the three-month FPE 30 June 2009 to RM1.5 million in the three-month FPE 30 June 2010.

Net profit

As a result of the foregoing factors, our net profit increased by 208.0% to RM110.3 million in the three-month FPE 30 June 2010 from RM35.8 million in the three-month FPE 30 June 2009.

12. FINANCIAL INFORMATION (Cont'd)

(iv) Revenue by geographic location

Almost all of our revenue is generated from projects conducted either in the Pasir Gudang yard in Johor, Malaysia, or in the fabrication facility in Kiyarly, Turkmenistan.

Revenue generated from operations in the Kiyarly yard has grown significantly in recent years. For the FYE 31 March 2008, 2009 and 2010, our revenue from the Turkmenistan operation was RM300.4 million, RM1,301.2 million and RM2,563.8 million respectively, accounting for 17.2%, 32.4% and 41.7% respectively, of our total revenue for these financial years. For the three-month FPE 30 June 2010, our revenue from the Turkmenistan operation was RM684.5 million, accounting for 58.4% of our total revenue for this period.

12.2.5 Liquidity and capital resources

(i) Cash flows

Our principal sources of liquidity have been funds generated from operating activities, our cash and cash equivalents, credit extended by our suppliers and borrowings from financial institutions and related parties. Our principal uses of cash include payments to finance the purchase of raw materials, labour costs, manufacturing overhead, capital expenditure and other operating expenses.

The following table sets forth a summary of our cash flows for the periods indicated:

	FYE 31 March			Three-Month FPE 30 June
	2008	2009	2010	2010
	(in RM millions)			
Net cash generated from operating activities	56.5	108.9	1,243.3	924.8
Net cash used in investing activities	(245.1)	(180.6)	(260.0)	(42.9)
Net cash (used in)/generated from financing activities	(56.4)	206.7	(452.0)	(300.8)
Net change in cash and cash equivalents	(245.1)	134.9	531.2	581.2
Cash and cash equivalents at beginning of year	344.8	99.7	234.7	765.9
Cash and cash equivalents at end of year	99.7	234.7	765.9	1,347.1

12. FINANCIAL INFORMATION (Cont'd)***Net cash generated from operating activities***

Net cash generated from operating activities in the three-month FPE 30 June 2010 was RM924.8 million due mainly to PBT of RM95.1 million, adjustments for non-cash items of RM11.8 million and RM853.1 million in changes in working capital, which were partially offset by RM11.5 million in interest and taxes paid. The adjustments for non-cash items in the three-month FPE 30 June 2010 consisted primarily of interest income of RM7.8 million and a net unrealised foreign exchange gain of RM12.3 million. The changes in working capital in the three-month FPE 30 June 2010 consisted primarily of a decrease in trade and other receivables of RM1,040.4 million, which was partially offset by an decrease in trade and other payables of RM191.2 million. The decrease in trade and other payables was due to a decrease in procurement activities for certain projects, primarily the *Turkmenistan Block 1, Phase 1* gas development project and *Gumusut-Kakap* project.

Net cash generated from operating activities in the FYE 31 March 2010 was RM1,243.3 million due mainly to PBT of RM377.2 million, adjustments for non-cash items of RM22.4 million and RM905.8 million in changes in working capital, which were partially offset by RM60.3 million in taxes paid. The adjustments for non-cash items in the FYE 31 March 2010 consisted primarily of a depreciation expense of RM24.9 million and, net unrealised foreign exchange loss of RM16.6 million. The changes in working capital in the FYE 31 March 2010 consisted primarily of an increase in trade and other payables of RM1,771.5 million in the FYE 31 March 2010, which was partially offset by an increase in trade and other receivables of RM873.4 million. The increase in trade and other payables was in line with an overall increase in our activities for the FYE 31 March 2010.

Net cash generated from operating activities in the FYE 31 March 2009 was RM108.9 million due mainly to PBT of RM349.1 million and adjustments for non-cash items of RM57.6 million, which were partially offset by RM220.2 million in changes in working capital and RM76.8 million in taxes paid. The adjustments for non-cash items in the FYE 31 March 2009 consisted primarily of a provision for liquidated ascertained damages of RM44.8 million, a depreciation expense of RM22.5 million and an impairment loss on trade receivables of RM13.3 million due mainly to a provision for doubtful debt in relation to a delay in a marine repair project. The change in working capital in the FYE 31 March 2009 consisted primarily of an increase in trade and other receivables of RM675.5 million, which was partially offset by an increase in trade and other payables of RM483.3 million. The increase in trade and other payables was in line with an overall increase in our activities for the FYE 31 March 2009.

Net cash generated from operating activities in the FYE 31 March 2008 was RM56.5 million due mainly to PBT of RM235.9 million and adjustments for non-cash items of RM29.2 million, which were partially offset by RM159.7 million in changes in working capital and RM47.0 million in taxes paid. The adjustments for non-cash items in the FYE 31 March 2008 consisted primarily of a depreciation expense of RM22.2 million and an impairment loss on trade receivables of RM9.0 million. The change in working capital in the FYE 31 March 2008 consisted primarily of an increase in trade and other receivables of RM355.8 million, which was partially offset by an increase in trade and other payables of RM199.1 million.

12. FINANCIAL INFORMATION (Cont'd)

Net cash used in investing activities

Net cash used in investing activities in the three-month FPE 30 June 2010 was RM42.9 million, consisting of additions to property, plant and equipment of RM47.8 million, offset in part by RM7.0 million in interest received.

Net cash used in investing activities in the FYE 31 March 2010 was RM260.0 million, consisting of additions to property, plant and equipment of RM269.1 million, offset in part by RM9.1 million in interest received.

Net cash used in investing activities in the FYE 31 March 2009 was RM180.6 million, consisting primarily of additions to property, plant and equipment of RM162.6 million and RM20.7 million of prepaid land lease payments, offset in part by RM2.6 million in interest received.

Net cash used in investing activities in the FYE 31 March 2008 was RM245.1 million, consisting primarily of additions to property, plant and equipment of RM250.9 million, offset in part by RM5.8 million in interest received.

Additions to property, plant and equipment consisted primarily of capital expenditures for continuing work on the Yard Optimisation Programme.

Net cash used in financing activities

Net cash used in financing activities in the three-month FPE 30 June 2010 was RM300.8 million due to a RM300.8 million net repayment of the short term loan from MISC, which was repaid in full in May 2010.

Net cash used in financing activities in the FYE 31 March 2010 was RM452.0 million due primarily to a RM500.0 million loan to MISC and RM254.7 million in net repayment of borrowings, which were offset in part by proceeds from the drawdown of RM302.6 million. The loan to MISC was repaid in May 2010.

Net cash used in financing activities in the FYE 31 March 2009 was RM206.7 million resulting from the drawdown of a short term borrowing of RM250.0 million, which was offset in part by a net repayment of borrowings of RM43.4 million.

Net cash used in financing activities in the FYE 31 March 2008 was RM56.4 million which resulted from net repayment of borrowings of this amount.

(ii) Capital resources

We intend to meet our working capital, capital expenditure and other capital requirements principally with funds generated from operating activities, cash and cash equivalents, credit extended by our suppliers and borrowings from financial institutions and related parties. Following the IPO, we may, from time to time, also rely on additional equity and debt offerings to raise capital. Our ability to rely on these sources of funding could be affected by our results of operations and financial position and by the liquidity of the Malaysian and international financial markets.

12. FINANCIAL INFORMATION (Cont'd)

We intend to list our Shares on the Main Market of Bursa Securities as part of the IPO, which consists of an issuance of new Shares. We currently anticipate that the cash flow generated from our operations, together with our existing cash and cash equivalents and credit sources, will be sufficient to meet our currently anticipated needs for working capital, capital expenditures and other capital requirements for at least the next 12 months. However, we may need to raise additional capital sooner than we expect in order to fund more rapid expansion, to respond to competitive pressures, or to acquire complementary businesses.

Our total shareholders' equity excluding minority interests, was RM640.9 million at 31 March 2008, RM919.2 million at 31 March 2009, RM1,198.4 million at 31 March 2010 and RM1,308.6 million at 30 June 2010.

(iii) Borrowings

The table below sets forth the total of our outstanding borrowings as of the dates indicated:

	As at 31 March			As at 30
	2008	2009	2010	June
	(in RM millions)			
Short-term borrowings				
Unsecured revolving credits.....	33.0	250.0	-	-
Secured term loan	10.4	2.9	2.9	2.2
Long term borrowings				
Secured term loan	5.8	2.9	-	-
Unsecured term loan	-	-	2.6	-
Unsecured term loan due to immediate holding company	-	-	300.0	-
Total borrowings.....	49.1	255.8	305.5	2.2
Gearing ratio (times) ⁽¹⁾	0.1	0.3	0.3	*

Notes:

⁽¹⁾ The gearing ratio is calculated by dividing total borrowings by shareholder funds excluding minority interests.

Insignificant.

We have also entered into letter of credit contracts with various banks relating to performance guarantees. As of 30 June 2010, our aggregate credit line was RM908.7 million.

As at 30 June 2010, there has been no default on payments of either interest or principal for any borrowing throughout the FYE 31 March 2010 and the subsequent financial period.

The secured term loan, which had an outstanding value of RM2.2 million as at 30 June 2010, is secured by a fixed and floating charge over all the assets of our subsidiary, TISB, and by a corporate guarantee from MMHE.

12. FINANCIAL INFORMATION (Cont'd)

The table below sets forth the maturity profile of our borrowings as of the dates indicated:

	As at 31 March			As at 30
	2008	2009	2010	June
	(in RM millions)			2010
Maturity of borrowings				
Within one year.....	43.4	252.9	2.9	2.2
More than one year and less than five years.....	5.8	2.9	300.0	-
More than five years	-	-	2.6	-
Total	49.1	255.8	305.5	-

The table below sets forth the interest rate profile of our financial liabilities as at 30 June 2010:

	As at 30 June 2010
	(in RM millions)
Fixed rate instruments	
financial liabilities.....	2.2
Floating rate instruments	
financial liabilities	-

12.2.6 Material capital commitments

We had capital commitments of RM426.5 million as at 30 June 2010 which consist of the following:

Material commitments	Total	Within one year	More than 1
			year but less than 2 years
(in RM millions)			
Approved and contracted for	114.1 ⁽¹⁾	112.5 ⁽²⁾	1.6 ⁽³⁾
Approved but not contracted for	312.4	-	-
Total	426.5	112.5	1.6

Notes:

⁽¹⁾ Out of this amount, RM104.1 million relates to the Yard Optimisation Programme and RM10.0 million relates to other capital expenditure.

⁽²⁾ Out of this amount, RM102.4 million relates to the Yard Optimisation Programme and RM10.0 million relates to other expenditure.

⁽³⁾ This amount relates to the Yard Optimisation Programme.

These commitments mainly relate to the Yard Optimisation Programme. We intend to finance our capital commitments through a combination of funds generated from operations, the proceeds of this IPO and borrowings from external sources.

Save as disclosed above, as at 30 June 2010, we are not aware of any other material capital commitments incurred or known to be incurred by us that has not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position.

12. FINANCIAL INFORMATION (Cont'd)

12.2.7 Contingent liabilities

It is common practice in the heavy engineering and marine services industry for customers to expect that we will procure guarantees from banks as security in the event we fail to fulfil our contractual obligations and such failure leads to a termination of a contract. As at 31 March 2010 and 30 June 2010, we have RM274.2 million and RM262.0 million of such bank guarantees extended to customers for performance bonds on contracts, respectively. These guarantees are unsecured and fees paid for these guarantees amounted to RM3.2 million in the FYE 31 March 2010 and RM14,700 for the three-month FPE 30 June 2010.

We also routinely enter into commercial commitments for various aspects of our operations, including refund guarantee of advanced receipts, guarantee of borrowings incurred by our subsidiaries, as well as rental and capital lease transactions.

12.2.8 Inflation

The effects of inflation in Malaysia on our financial condition and results of operations are reflected primarily in material costs as well as in labour expenses. Inflation in Malaysia has not had a significant impact on our results of operations to date. It is possible that inflation in the future may have an adverse effect on our financial condition or results of operations.

12.2.9 Taxes

As of 30 June 2010, our unutilised tax losses were RM12.1 million, our unabsorbed capital allowances were RM28.6 million and other deductible temporary differences were RM22.1 million. Our unutilised tax losses and unabsorbed capital allowances are available indefinitely for offsetting against future taxable profits of the respective entities within our Group, subject to there being no substantial change in shareholding under the Income Tax Act, 1967 and guidelines issued by the tax authority.

12.2.10 Market risk

Our primary market risk exposures, other than previously discussed herein, are to fluctuations in foreign exchange rates.

Foreign exchange rates

We are exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the RM. The currencies giving rise to this risk are primarily the USD, the Euro and the SGD. We generally do not enter into foreign currency forward contracts to hedge against fluctuations in the foreign exchange currency but rely on natural hedging to manage the risks arising from the movements on the foreign exchange. We maintain a natural hedge, wherever possible, by matching the cash inflows with cash outflows used for purposes such as capital and operational expenditures and debt service requirements in the respective currencies. Our cash and cash equivalents are held mainly in RM.

We are particularly sensitive to movements in the exchange rate between RM and the USD. As at 30 June 2010, our PBT would be affected by RM10.7 million if there were a change of 5% in the exchange rate between the RM and the USD with all other variables held constant.

At 30 June 2010, our net unhedged financial assets that are not denominated in RM were RM376.8 million, with the largest exposure being RM214.3 million equivalent of financial assets held in USD.

12. FINANCIAL INFORMATION (Cont'd)

12.2.11 Off balance sheet arrangements

Other than the contingent liabilities and other items described in Section 12.2.7 and Section 12.2.12 of the Prospectus, we do not have any material off-balance sheet arrangements.

12.2.12 Material litigation

A sub-contractor of ours has initiated arbitration proceedings in October 2009 for a claim amounting for the payment of the sum of USD26.3 million (equivalent to RM83.6 million as of 30 June 2010) due to alleged non-payments for works incurred in relation to projects in Turkmenistan. In response, we have made a counterclaim against the sub-contractor for the payment of the sum of USD2.8 million (equivalent to RM8.9 million as of 30 June 2010) for alleged non-performance of contracts. The hearing date for this case has been fixed for 31 January 2011.

Apart from the claim mentioned above and the disclosure in Section 15.7 of this Prospectus, as at LPD, we are not engaged in any material litigation or arbitration, either as plaintiff or defendant, and we are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

12.2.13 Key financial ratios

The following table sets forth certain of our key financial ratios for the FYE 31 March 2008, 2009, 2010 and the three-month FPE 30 June 2010:

	As at 31 March			Three-Month FPE 30 June
	2008	2009	2010	2010
	(in RM millions, except for ratios)			
Trade receivables (gross)	360.8	628.0	754.8	509.5
Progress billings.....	1,630.2	3,612.6	5,511.1	1,303.8
Trade receivables turnover days	80.8 ⁽¹⁾	63.5 ⁽¹⁾	50.0 ⁽¹⁾	35.6 ^{(5)*}
Trade payables	65.3	88.4	560.2	531.4
Purchase of inventory and project materials paid in advance	(85.8)	(122.2)	(113.1)	(2.5)
Accruals.....	529.5	805.1	1,383.6	1,169.3
Work-in-progress payables	509.0	771.3	1,830.7	1,698.2
Cost of sales.....	1,379.4	3,422.5	5,550.6	1,049.0
Trade payables turnover days.....	134.7 ⁽²⁾	82.3 ⁽²⁾	120.4 ⁽²⁾	147.3 ^{(6)*}
Inventory.....	16.8	46.8	38.5	33.6
Direct material costs	509.2	1,781.3	2,044.4	196.2
Inventory turnover days	12.0 ⁽³⁾	9.6 ⁽³⁾	6.9 ⁽³⁾	15.6 ^{(7)*}
Current assets	960.4	1,904.3	3,785.7	3,254.9
Current liabilities	962.8	1,723.2	3,240.3	2,955.5
Current ratio.....	1.0 ⁽⁴⁾	1.1 ⁽⁴⁾	1.2 ⁽⁴⁾	1.1 ⁽⁸⁾

Notes:

⁽¹⁾ Trade receivables (gross) as at 31 March divided by progress billings for the fiscal year and multiplied by 365 days.

⁽²⁾ Work-in-progress payables as at 31 March divided by cost of sales for the fiscal year and multiplied by 365 days.

12. FINANCIAL INFORMATION (Cont'd)

- ⁽³⁾ Inventory as at 31 March divided by direct material costs for the fiscal year and multiplied by 365 days.
- ⁽⁴⁾ Current assets as at 31 March divided by current liabilities as at 31 March for the respective fiscal years.
- ⁽⁵⁾ Trade receivables (gross) as at 30 June 2010 divided by progress billings for the three-month period and multiplied by 91 days.
- ⁽⁶⁾ Work-in-progress payables as at 30 June 2010 divided by cost of sales for the three-month period and multiplied by 91 days.
- ⁽⁷⁾ Inventory as at 30 June 2010 divided by direct material costs for the three-month period and multiplied by 91 days.
- ⁽⁸⁾ Current assets as at 30 June 2010 divided by current liabilities as at 30 June 2010.
- * This figure only represents the position of our Group for the three-month FPE 30 June 2010 and may not reflect our actual position for the entire financial year.

(i) Trade receivables turnover days

The decrease in trade receivables turnover days from 80.8 days as at 31 March 2008 to 63.5 days as at 31 March 2009 was the result of a 74.1% increase in trade receivables as compared to a corresponding 121.6% increase in progress billings issued during the FYE 2008 to those issued during the FYE 2009. The decrease in trade receivables turnover days from 63.5 days as at 31 March 2009 to 50.0 days as at 31 March 2010 was the result of a 20.2% increase in trade receivables as compared to a corresponding 52.6% increase in progress billings issued during the FYE 2009 to those issued during the FYE 2010. The main contribution to the improvement of trade receivables turnover days from 80.8 days as at 31 March 2008 to 63.5 days as at 31 March 2009 and to 50.0 days as at 31 March 2010 was in both cases attributable to the advanced payments in respect of the *Turkmenistan Block 1, Phase 1* gas development project.

(ii) Trade payables turnover days

The decrease in trade payables turnover days from 134.7 days as at 31 March 2008 to 82.3 days as at 31 March 2009 was the result of a 35.4% increase in trade payables and a 52.0% increase in accruals, which was offset by a 42.4% increase in purchases of inventory and project materials paid in advance, compared to a corresponding 148.1% increase in cost of sales. The main contribution to the decrease in trade payables turnover days from 134.7 days as at 31 March 2008 to 82.3 days as at 31 March 2009 was due to an advanced payment received from *Turkmenistan Block 1, Phase 1* gas development project, which has been utilised for early settlement for all the Turkmenistan trade payables. The increase in trade payables turnover days from 82.3 days as at 31 March 2009 to 120.4 days as at 31 March 2010 was the result of a 533.7% increase in trade payables, a 7.4% decrease in purchases of inventory and project materials paid in advance and a 71.9% increase in accruals, compared to a corresponding 62.2% increase in cost of sales. The main contribution to the deterioration for the trade payables turnover days from 82.3 days as at 31 March 2009 to 120.4 days as at 31 March 2010 was due to an increase in cost plus purchases for *Turkmenistan Block 1, Phase 1* gas development, *Gumusut-Kakap FPS*, *FPSO Ruby II* and *Tangga Barat* (topside and jacket) projects.

12. FINANCIAL INFORMATION (Cont'd)

(iii) Inventory turnover days

Our inventory comprise of raw materials for our projects, including supplies provided to sub-contractors for their exclusive use. The decrease in inventory turnover days from 12.0 days as at 31 March 2008 to 9.6 days as at 31 March 2009 was the result of a 178.6% increase in inventory accompanied by a corresponding 249.8% increase in direct material costs. As project-specific materials such as pumps and valves are directly included in cost of sales and not in inventory, the cost of sales has increased to a greater degree than inventory, thus resulting in reduced inventory turnover days ratio as at 31 March 2009. The decrease in inventory turnover days from 9.6 days as at 31 March 2009 to 6.9 days as at 31 March 2010 was the result of a 17.7% decrease in inventory accompanied by a corresponding 14.8% increase in direct material costs, which was attributable to the increased procurement activities that included project-specific materials for ongoing projects.

(iv) Current ratio

The increase in the current ratio from 1.0 at 31 March 2008 to 1.1 at 31 March 2009 to 1.2 at 31 March 2010 was mainly due to an increase in cash and bank balances from RM99.7 million at 31 March 2008 to RM234.7 million at 31 March 2009 to RM765.9 million at 31 March 2010 as well as the refinancing, replacement and repayment of our borrowings of RM250.0 million from external sources and borrowings of RM300.0 million from MISC.

The following table sets forth our ageing analysis of trade receivables and payables as at 30 June 2010:

	0 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
(in RM millions)					
Trade receivables					
Related parties.....	343.6	13.6	6.2	21.4	384.8
Non-related parties.....	50.1	-	-	74.6	124.7
Trade receivables (gross).....	393.7	13.6	6.2	96.0	509.5
Provision for doubtful debts.....	-	-	-	(18.0)	(18.0)
Trade receivables (net).....	<u>393.7</u>	<u>13.6</u>	<u>6.2</u>	<u>78.0</u>	<u>491.5</u>
Trade payables					
Related parties.....	23.9	39.0	0.3	14.0	77.1
Non-related parties.....	297.0	44.6	29.4	83.3	454.3
Trade payables.....	<u>320.9</u>	<u>83.6</u>	<u>29.6</u>	<u>97.3</u>	<u>531.4</u>

Our credit period for trade receivables is generally 30 to 45 days and the credit period for trade payables is generally 30 to 60 days.

As at 30 June 2010, 77.3% of our trade receivables were within 30 days. Of the balance, a portion of our trade receivables was paid subsequent to the 30 days and the rest were for amounts due from existing customers. We have not made allowances for doubtful debts for these outstanding amounts.

As at 30 June 2010, 76.1% of our trade payables were due within 60 days.

12. FINANCIAL INFORMATION (Cont'd)

12.2.14 Trends and prospect information

There have been no material changes to our orderbook since 30 June 2010, except for reductions due to the recognition of revenue from our projects existing as of 30 June 2010.

Our results of operations for the FYE 31 March 2011 have been, and are expected to continue to be, influenced by the following factors:

- the price of oil and gas and the level of activity in the offshore oil and gas exploration and production sector;
- the impact of the Yard Optimisation Programme, particularly any disruptions to our current revenue generating activities resulting from the programme or efficiencies and opportunities resulting from the increase in capacity for high-value projects as a result of the expansion and improvement in our facilities;
- ongoing demand from PCTSB for our services in Turkmenistan; and
- management of capital expenditures and operating costs.

Except as disclosed in this "Management's discussion and analysis of financial condition, results of operations and prospects" set out in this Section 12.2.2 and "Risk factors" set out in Section 5 of this Prospectus and to the best of the Board's knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our financial conditions and results of operations. However, the factors and trends affecting our financial position and results of operations as set out in the discussion above and in "Risk factors" set out in Section 5 of this Prospectus are not exhaustive.

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12. FINANCIAL INFORMATION (Cont'd)

12.3 Capitalisation and indebtedness

The following table summarises our Group cash and cash equivalents as well as capitalisation and indebtedness as at 30 June 2010 based on our latest available audited consolidated financial statements and the proforma consolidated balance sheets as at 30 June 2010, on the assumption the IPO had occurred on 30 June 2010.

The information should be read in conjunction with the Reporting Accountants' Letter on Proforma Consolidated Balance Sheet and Accountants' Report set out in Section 12.5 and 13 of this Prospectus respectively.

The proforma financial information below does not represent our actual capitalisation and indebtedness as at 30 June 2010 and is provided for information purposes only. The total indebtedness of our Group is not guaranteed by any third party.

	As at 30 June 2010 (audited)	Proforma After pre-IPO exercise* (unaudited)
	(RM'000)	
Deposits with licensed banks, cash and bank balances	1,347,088	1,047,088
Indebtedness:		
Short-term debt		
Secured		
- Term loan	2,150	2,150
Total short-term debt	2,150	2,150
Long-term debt		
Unsecured		
- Term loan	-	-
- Term loan due to immediate holding company	-	-
Total long-term debt	-	-
Total debt	2,150	2,150
Contingent liabilities	261,996	261,996
Total indebtedness⁽¹⁾	264,146	264,146
Total shareholders' equity	1,308,626	1,008,626
Total capitalisation and indebtedness	1,572,772	1,272,772
Gearing ratio (times) ⁽²⁾	0.002	0.002

Notes:

* The pre-IPO exercise involved the following:

- (i) Share split entailed the subdivision of every one (1) ordinary share of RM1.00 each in MHB into two (2) MHB Shares;
- (ii) Cash dividend payout of RM300 million to MISC via dividend income received from MMHE; and
- (iii) Bonus issue of about 1,305.6 million new MHB Shares on the basis of about 40.245 bonus shares for every one (1) MHB Share by way of capitalising about RM652.8 million of MHB's retained earnings, after taking into account the interim dividends declared by MMHE to MHB of RM655 million.

⁽¹⁾ Total indebtedness includes short-term debts, long-term debts and contingent liabilities.

⁽²⁾ Computed based on total debt (interest-bearing) over shareholders' equity for MHB.

12. FINANCIAL INFORMATION (Cont'd)

12.4 Proforma consolidated balance sheets

The proforma consolidated balance sheets have been prepared on the basis set out in the notes in Section 12.5 of this Prospectus, using financial statements prepared in accordance with Malaysian FRSs and in manner consistent with both the format of the financial statements and the accounting policies of the Group except as disclosed in Section 12.5 of this Prospectus.

The proforma consolidated balance sheets should be read in conjunction with the Reporting Accountants' Letter and the Proforma Consolidated Balance Sheets as at 30 June 2010 and the note thereon of our Group as set out in Section 12.5 of this Prospectus.

	As at 30 th June 2010 (audited)	Proforma I After pre-IPO exercise* (unaudited) (RM'000)	Proforma II After Proforma I and IPO (unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	963,633	963,633	1,872,453
Other non-current assets	80,174	80,174	80,174
Total non-current assets	1,043,807	1,043,807	1,952,627
CURRENT ASSETS			
Trade and other receivables	1,872,241	1,872,241	1,872,241
Cash and bank balances	1,347,088	1,047,088	1,047,088
Other current assets	35,527	35,527	35,527
Total current assets	3,254,856	2,954,856	2,954,856
TOTAL ASSETS	4,298,663	3,998,663	4,907,483
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	16,220	669,000	800,000
Share premium	-	-	779,832
Retained earnings	1,292,406	339,626	337,614
	1,308,626	1,008,626	1,917,446
Minority interests	3,584	3,584	3,584
Total Equity	1,312,210	1,012,210	1,921,030
CURRENT LIABILITIES			
Trade and other payables	2,882,011	2,882,011	2,882,011
Borrowings	2,150	2,150	2,150
Other current liabilities	71,385	71,385	71,385
Total current liabilities	2,955,546	2,955,546	2,955,546
NON-CURRENT LIABILITIES			
Other non-current liabilities	30,907	30,907	30,907
Total non-current liabilities	30,907	30,907	30,907
TOTAL EQUITY AND LIABILITIES	4,298,663	3,998,663	4,907,483
NA per ordinary share (RM) ⁽¹⁾	80.68	0.75	1.20
NTA (RM'000)	1,308,626	1,008,626	1,917,446
NTA per ordinary share (RM) ⁽²⁾	80.68	0.75	1.20
Number of shares ('000)			
RM1.00 nominal value	16,220	-	-
RM0.50 nominal value	-	1,338,000	1,600,000

12. FINANCIAL INFORMATION (Cont'd)

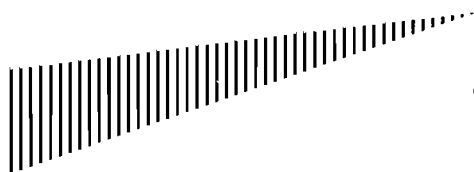
Notes:

- * *The pre-IPO exercise involved the following:*
 - (i) *Share split entailed the subdivision of every one (1) ordinary share of RM1.00 each in MHB into two (2) MHB Shares;*
 - (ii) *Cash dividend payout of RM300 million to MISC via dividend income received from MMHE; and*
 - (iii) *Bonus issue of about 1,305.6 million new MHB Shares on the basis of about 40.245 bonus shares for every one (1) MHB Share by way of capitalising about RM652.8 million of MHB's retained earnings, after taking into account the interim dividends declared by MMHE to MHB of RM655 million.*

- ⁽¹⁾ *Computed based on the NA attributable to equity holders of the Company over number of shares.*

- ⁽²⁾ *Computed based on the NTA attributable to equity holders of the Company over number of shares.*

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12. FINANCIAL INFORMATION (Cont'd)**12.5 Reporting Accountants' letter on the proforma consolidated balance sheets**

Ernst & Young
 AF : 0039
 Level 23A, Menara Milenium
 Jalan Damanlela
 Pusat Bandar Damansara
 50490 Kuala Lumpur, Malaysia
 Mail address: P.O. Box 11040
 50734 Kuala Lumpur, Malaysia
 Tel: +603 7495 8000
 Fax: +603 2095 5332 (General line)
 +603 2095 9076
 +603 2095 9078
 www.ey.com

**REPORTING ACCOUNTANTS' LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED
 BALANCE SHEETS**

(Prepared for inclusion in the Prospectus to be dated 6 October 2010)

22 September 2010

The Board of Directors
 Malaysia Marine and Heavy Engineering Holdings Berhad
 (formerly known as MSE Holdings Berhad)
 Level 31, Menara Dayabumi
 Jalan Sultan Hishamuddin
 50050 Kuala Lumpur
 Malaysia

Dear Sirs,

**UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2010
 INITIAL PUBLIC OFFERING AND LISTING OF MALAYSIA MARINE AND HEAVY
 ENGINEERING HOLDINGS BERHAD (FORMERLY KNOWN AS MSE HOLDINGS BERHAD) ON
 THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

We report on the Unaudited Pro Forma Consolidated Balance Sheets of Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Berhad) ("MHB" or the "Company") set out in Section 12.4 of the Prospectus dated 6 October 2010, which has been prepared on the basis described in Appendix I, for illustrative purposes only, to provide information about how the following proposals might have affected the financial information presented on the basis of the accounting policies adopted by MHB in preparing the financial statements for the three months period ended 30 June 2010:

- a) Share split which involves the subdivision of every one (1) existing ordinary share of RM1.00 each in MHB into two (2) ordinary shares of RM0.50 each in MHB ("MHB Shares") ("Share Split").

12. FINANCIAL INFORMATION (Cont'd)

- b) Cash dividend payout of RM300,000,000 to MISC Berhad ("MISC") via dividend income from MHB's subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd, and bonus issue of 1,305,560,000 new MHB Shares ("Bonus Shares") on the basis of about 40.245 Bonus Shares for every one (1) MHB Share ("Cash Dividend and Bonus Issue").

The Bonus Issue is effected through the capitalisation of RM652,780,000 from the retained earnings account of the Company.

- c) Public issue of 262,000,000 new MHB Shares ("Issue Shares") comprising:
- 184,000,000 Issue Shares available for application by the Bumiputera institutional and selected investors approved by the Ministry of International Trade and Industry at the institutional price to be determined by way of bookbuilding ("Institutional Price");
 - 24,000,000 Issue Shares available for application by the MISC shareholders (except for the excluded shareholders as defined in the definitions section of the Prospectus) at the issue price of RM3.61 per Issue Share, payable in full upon application ("Retail Price");
 - 32,000,000 Issue Shares available for application by the Malaysian public at the Retail Price; and
 - 22,000,000 Issue Shares available for application by the eligible directors and employees of the MHB Group as well as the eligible directors and employees of MISC and selected subsidiaries of MISC at the Retail Price.

(hereinafter referred to as the "Public Issue")

- d) Offer for sale by MISC of:
- between 128,000,000 and 158,400,000 MHB Shares, taking into account the strategic investor's monetary commitment (as define in the Prospectus), which shall be agreed between MISC and the strategic investor, at a price equal to 2% premium over the institutional price; and
 - 146,000,000 MHB Shares ("Offer Shares") to the Malaysian institutional and selected investors, and foreign institutional and selected investors outside the United States ("US") in reliance on Regulation S under the US Securities Act at the Institutional Price.
- e) The listing of and quotation for the entire enlarged issued and paid-up share capital of MHB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

(Collectively referred to hereinafter as the "Proposals")

This report is required by and is given for the purpose of complying with the Prospectus Guidelines - Equity and Debt issued by the Securities Commission ("Prospectus Guidelines") and for no other purpose.

12. FINANCIAL INFORMATION (Cont'd)

**Responsibilities**

It is the responsibility of the Directors of MHB to prepare the Unaudited Pro Forma Consolidated Balance Sheets in accordance with the Prospectus Guidelines.

It is our responsibility to form an opinion, as required by the Prospectus Guidelines as to the proper compilation of the Unaudited Pro Forma Consolidated Balance Sheets and to report that opinion to you.

In providing this opinion we are not responsible in updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Unaudited Pro Forma Consolidated Balance Sheets, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 - Assurance Engagements Other Than Audit or Reviews of Historical Information. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Consolidated Balance Sheets with the Directors of MHB.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Unaudited Pro Forma Consolidated Balance Sheets have been properly prepared on the basis stated using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of MHB. Our work also involves assessing whether each material adjustment made to the information used in the preparation of the Unaudited Pro Forma Consolidated Balance Sheets is appropriate for the purposes of preparing the Unaudited Pro Forma Consolidated Balance Sheets.

In our opinion:

- (i) the Unaudited Pro Forma Consolidated Balance Sheets of MHB as at 30 June 2010, which have been prepared by the Directors of MHB, have been properly prepared on the basis stated using financial statements prepared in accordance with Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies adopted by MHB; and
- (ii) Each material adjustment made to the information used in the preparation of the Unaudited Pro Forma Consolidated Balance Sheets is appropriate for the purposes of preparing the Unaudited Pro Forma Consolidated Balance Sheets.

12. FINANCIAL INFORMATION (Cont'd)


**Other matters**

This letter is issued for the sole purpose of complying with the the Prospectus Guidelines in connection with the Public Issue and the Listing. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Public Issue and the Listing described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Public Issue and the Listing.

Yours faithfully



Ernst & Young
AF: 0039
Chartered Accountants



Ismed Darwis bin Bahatlar
No. 2921/04/12(J)
Chartered Accountant

12. FINANCIAL INFORMATION (Cont'd)

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (FORMERLY KNOWN AS MSE HOLDINGS SDN BHD) APPENDIX I
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2010

The Unaudited Pro Forma Consolidated Balance Sheets set out below are presented for illustrative purposes only and are based on the audited balance sheet of MHB at 30 June 2010 to show the effects of the Proposals had they been effected on 30 June 2010.

	Pro Forma I	Pro Forma II	Pro Forma III
	Adjustment for Share Split RM'000	Adjustment for Cash Dividend and Bonus Issue RM'000	Adjustment for Public Issue and utilisation of proceeds* RM'000
	After Share Split RM'000	After Cash Dividend and Bonus Issue RM'000	After Pro Forma II and Public Issue and utilisation of proceeds RM'000
	Audited As at 30.06.2010 RM'000		
Assets			
Non-current assets			
Property, plant and equipment	963,633	-	963,633
Other non-current assets	80,174	-	80,174
	<u>1,043,807</u>		<u>1,043,807</u>
Current assets			
Trade and other receivables	1,872,241	-	1,872,241
Cash and bank balances	1,347,088	(300,000)	1,047,088
Other current assets	35,527	-	35,527
	<u>3,254,856</u>		<u>2,954,856</u>
Total assets	<u>4,298,663</u>		<u>3,998,663</u>
			<u>1,872,453</u>
			<u>80,174</u>
			<u>1,952,627</u>

* MHB Shares are issued at retail price of RM3.61 each, for illustrative purposes only.

12. FINANCIAL INFORMATION (Cont'd)

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (FORMERLY KNOWN AS MSE HOLDINGS SDN BHD) APPENDIX I
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2010 (CONTD.)

	Pro Forma I		Pro Forma II		Pro Forma III	
	Audited As at 30.06.2010 RM'000	Adjustment for Share Split RM'000	Adjustment for Cash Dividend and Bonus Issue RM'000	Pro Forma I and Cash Dividend and Bonus Issue RM'000	Adjustment for Public Issue and utilisation of proceeds* RM'000	After Pro Forma II and Public Issue and utilisation of proceeds RM'000
Equity and liabilities						
Equity attributable to equity holders of the Company						
Share capital	16,220	-	652,780	669,000	131,000	800,000
Share premium	-	-	-	-	779,832	779,832
Retained earnings	1,292,406	-	(952,780)	339,626	(2,012)	337,614
	1,308,626	1,292,406		1,008,626		1,917,446
	3,584	1,308,626		3,584		3,584
	1,312,210	1,312,210		1,012,210		1,921,030
Current liabilities						
Trade and other payables	2,882,011	-	-	2,882,011	-	2,882,011
Borrowings	2,150	-	-	2,150	-	2,150
Other current liabilities	71,385	-	-	71,385	-	71,385
	2,955,546	2,955,546		2,955,546		2,955,546
Non-current liabilities						
Other non-current liabilities	30,907	-	-	30,907	-	30,907
	30,907	30,907		30,907		30,907
Total equity and liabilities	4,298,663	4,298,663		3,998,663		4,907,483

* MHB Shares are issued at retail price of RM3.61 each, for illustrative purposes only.

12. FINANCIAL INFORMATION (Cont'd)

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (FORMERLY KNOWN AS MSE HOLDINGS SDN BHD) APPENDIX I
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2010 (CONTD.)

	Pro Forma I		Pro Forma II		Pro Forma III	
	Audited As at 30.06.2010 '000	Adjustment for Share Split '000	Adjustment for Cash Dividend and Bonus Issue '000	After Pro Forma I and Cash Dividend and Bonus Issues '000	Adjustment For Public Issue and utilisation of proceeds* '000	After Pro Forma II and Public Issue and utilisation of proceeds '000
Number of ordinary shares of RM1.00 each in issue	16,220	(16,220)	-	-	-	-
Number of ordinary shares of RM0.50 each in issue	-	32,440	1,305,560	1,338,000	262,000	1,600,000
Net assets per MHB Share attributable to equity holders of the Company (RM)	80.68	-	-	0.75	-	1.20
Net tangible assets per MHB Share attributable to equity holders of the Company (RM)	80.68	-	-	0.75	-	1.20

* MHB Shares are issued at retail price of RM3.61 each, for illustrative purposes only.

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX I

**MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD ("MHB")
(FORMERLY KNOWN AS MSE HOLDINGS SDN BHD)
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30
JUNE 2010**

The Unaudited Pro Forma Consolidated Balance Sheets have been prepared for illustrative purposes only to show the effects on the audited balance sheet of MHB as at 30 June 2010 of the transactions as stated below had the transactions been implemented and completed on that date.

The Unaudited Pro Forma Consolidated Balance Sheets, for which the Directors are solely responsible, have been prepared based on the accounting principles and bases consistent with those previously adopted by MHB and its subsidiaries ("MHB Group") in the preparation of the audited consolidated financial statements for the three months period ended 30 June 2010. The Unaudited Pro Forma Consolidated Balance Sheets should be read in conjunction with the notes below.

1. Listing exercise

In conjunction with and as an integral part of the IPO and listing of the entire issued and paid-up share capital of MHB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), MHB implemented a corporate exercise which involved the following transactions:

- a) Share split which involves the subdivision of every one (1) existing ordinary share of RM1.00 each in MHB into two (2) ordinary shares of RM0.50 each in MHB ("MHB Shares") ("Share Split").
- b) Cash dividend payout of RM300,000,000 to MISC Berhad ("MISC") via dividend income from MHB's subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd, and bonus issue of 1,305,560,000 new MHB Shares ("Bonus Shares") on the basis of about 40.245 Bonus Shares for every one (1) MHB Share ("Cash Dividend and Bonus Issue").

The Bonus Issue is effected through the capitalisation of RM652,780,000 from the retained earnings account of the Company.

- c) Public issue of 262,000,000 new MHB Shares ("Issue Shares") comprising:
 - 184,000,000 Issue Shares available for application by the Bumiputera institutional and selected investors approved by the Ministry of International Trade and Industry at the institutional price to be determined by way of bookbuilding ("Institutional Price");
 - 24,000,000 Issue Shares available for application by the MISC shareholders (except for the excluded shareholders as defined in the definition section of the Prospectus) at the issue price of RM3.61 per Issue Share, payable in full upon application ("Retail Price");

12. FINANCIAL INFORMATION (Cont'd)**APPENDIX I**

- 32,000,000 Issue Shares available for application by the Malaysian public at the Retail Price; and
- 22,000,000 Issue Shares available for application by the eligible directors and employees of the MHB Group as well as the eligible directors and employees of MISC and selected subsidiaries of MISC at the Retail Price.

(hereinafter referred to as the "Public Issue")

d) Offer for sale by MISC of:

- between 128,000,000 and 158,400,000 MHB Shares, taking into account the strategic investor's monetary commitment (as define in the Prospectus), which shall be agreed between MISC and the strategic investor, at a price equal to 2% premium over the institutional price; and
 - 146,000,000 MHB Shares ("Offer Shares") to the Malaysian institutional and selected investors, and foreign institutional and selected investors outside the United States ("US") in reliance on Regulation S under the US Securities Act at the Institutional Price.
- e) The listing of and quotation for the entire enlarged issued and paid-up share capital of MHB on the Main Market of Bursa Securities ("Listing").

2. Pro Forma I - Share Split

Pro forma I includes the effects of the subdivision of the issued and paid-up share capital of MHB of RM16,220,000 comprising 16,220,000 ordinary shares of RM1.00 each into 32,440,000 ordinary shares of RM0.50 each in MHB.

3. Pro Forma II - Cash Dividend and Bonus Issue

Pro forma II includes effects of transactions in Pro forma I and the effects of the Cash Dividend and Bonus Issue as described below.

MHB distributed cash dividend of RM300,000,000 to MISC and issued 1,305,560,000 new MHB Shares credited as fully paid-up share capital on the basis of about 40.245 new MHB Shares for every one (1) MHB Share.

The Bonus Issue is effected through the capitalisation of RM652,780,000 from the retained earnings account of the Company.

 **ERNST & YOUNG** (AF: 0039)

Chartered Accountants, Kuala Lumpur
For identification purposes only

12. FINANCIAL INFORMATION (Cont'd)**APPENDIX I****4. Pro Forma III - Public Issue and Listing**

Pro forma III includes effects of transactions in Pro forma I and II and the effects of the Public Issue and Listing as described below.

In conjunction with the listing of the entire issued and paid up capital of MHB on the Main Market of the Bursa Securities, MHB will undertake a Public issue of 262,000,000 new MHB Shares at retail price of RM3.61 per share.

The estimated proceeds from the Public Issue of RM945,820,000 will be utilised as follows:

	RM'000
Yard optimisation programme	798,820
Capital expenditure in Turkmenistan	110,000
Listing expenses	37,000
	<u>945,820</u>

Estimated expenses of RM34,988,000 relating to issuance of shares are debited to the share premium account whilst the remaining expenses in connection with the Public Issue and Listing of RM2,012,000 are debited to current year income statement.

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

12. FINANCIAL INFORMATION (Cont'd)

12.6 Dividend policy

As we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends we receive from our subsidiaries and jointly controlled entities. The payment of dividends by our subsidiaries and jointly controlled entities will depend upon their distributable profits, operating results, financial condition, capital expenditure plans and any other factors that their respective boards of directors deem relevant. Dividends may only be paid out of distributable reserves.

It is the policy of our Board in recommending dividends to allow shareholders to participate in our profits, as well as to retain adequate reserves for our future growth. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to take into account various factors including but not limited to the following:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance; and
- (iii) our projected levels of capital expenditure and other investment plans.

The actual dividend that our Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined above as well as any other factors deemed relevant by our Board.

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13. ACCOUNTANTS' REPORT



Ernst & Young
 AF : 0039
 Level 23A, Menara Milenium
 Jalan Damanlela
 Pusat Bandar Damansara
 50490 Kuala Lumpur, Malaysia
 Mail address: P.O. Box 11040
 50734 Kuala Lumpur, Malaysia
 Tel: +603 7495 8000
 Fax: +603 2095 5332 (General line)
 +603 2095 9076
 +603 2095 9078
 www.ey.com

(Prepared for Inclusion In the Prospectus to be dated 6 October 2010)

The Board of Directors

22 September 2010

Malaysia Marine and Heavy Engineering Holdings Berhad

(Formerly known as MSE Holdings Berhad)

Level 31, Menara Dayabumi

Jalan Sultan Hishamuddin

50050 Kuala Lumpur

Wilayah Persekutuan

Dear Sirs,

Malaysia Marine and Heavy Engineering Holdings Berhad

(Formerly known as MSE Holdings Berhad)

Accountants' report

1. Introduction

This report has been prepared by Messrs Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Berhad) ("MHB") to be dated 6 October 2010 in connection with the initial public offering ("IPO") and listing of MHB on the Main Market of Bursa Malaysia Securities Berhad (hereinafter referred to as "the Prospectus").

2. Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report:

Bursa Securities

EY

FPE

FRSs

Bursa Malaysia Securities Berhad

Ernst & Young

Three months financial period ended 30 June

Financial Reporting Standards in Malaysia

13. ACCOUNTANTS' REPORT (Cont'd)



2. Abbreviations (cont'd.)

FY	Financial year
FYE	Financial year ended 31 March
MASB	Malaysian Accounting Standards Board
MMHE	Malaysia Marine and Heavy Engineering Sdn. Bhd.
MMHE-ATB	MMHE-ATB Sdn. Bhd.
MTSB	Malaysia Marine Heavy Engineering (Turkmenistan) Sdn. Bhd.
MMHE-TPGM	MMHE-TPGM Sdn. Bhd.
MHB or Company	Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Berhad)
MHB Group or Group	MHB and its subsidiaries
MHB Shares or Shares	Ordinary shares of RM0.50 each in MHB
MSLNG	MMHE-SHI LNG Sdn. Bhd.
RM	Ringgit Malaysia
SC	Securities Commission
SGD	Singapore Dollar
TISB	Techno Indah Sdn. Bhd.
USD	United States Dollar

3. General information

3.1 Background

MHB was incorporated as a private limited company on 18 February 1989 in Malaysia under the name of MSE Holdings Sdn. Bhd. MHB was converted into a public liability company and changed its name to Malaysia Marine and Heavy Engineering Holdings Berhad effective 15 June 2010.

The principal activity of MHB is investment holding.

Principal activities of the subsidiaries are as disclosed in Note 3.4.

13. ACCOUNTANTS' REPORT (Cont'd)



3. General information (cont'd.)

3.2 Initial public offering of MHB on the Main Market of Bursa Securities

MHB has applied to Bursa Securities for its admission to the Official List and the listing of and quotation for the entire issued and paid-up share capital of MHB comprising 1,600,000,000 Shares on the Main Market of Bursa Securities ("Listing").

In conjunction with and as an integral part of the Listing of MHB, MHB has implemented a corporate exercise which involved the following transactions:

- (i) Increase in the authorised share capital of MHB from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each in MHB to RM2,500,000,000 comprising 5,000,000,000 ordinary shares of RM0.50 each in MHB to facilitate the Bonus Issue and Listing as defined below;
- (ii) Share split which involves the subdivision of every one (1) ordinary share of RM1.00 each in MHB to two (2) ordinary shares of RM0.50 each in MHB;
- (iii) Cash dividend payout of RM300,000,000 to MISC Berhad ("MISC") via dividend income received from MMHE and bonus issue of 1,305,560,000 MHB Shares ("Bonus Shares") on the basis of about 40.245 Bonus Shares for every one (1) MHB Share ("Cash Dividend and Bonus Issue");
- (iv) Public issue of 262,000,000 new MHB Shares ("Issue Shares") comprising:
 - 184,000,000 Issue Shares available for application by the Bumiputera institutional and selected investors approved by The Ministry of International Trade and Industry at the Institutional Price to be determined by way of bookbuilding ("Institutional Price");
 - 24,000,000 Issue Shares available for application by the MISC Shareholders (except for the Excluded Shareholders as defined in the definition section of the Prospectus) at the issue price of RM3.61 per issue share, payable in full upon application ("Retail Price");
 - 32,000,000 Issue Shares available for application by the Malaysian Public at the Retail price; and
 - 22,000,000 Issue Shares available for application by the eligible Directors and employees of the MHB Group as well as the eligible Directors and employees of MISC and selected subsidiaries of MISC at the Retail price.

13. ACCOUNTANTS' REPORT (Cont'd)



3. General information (cont'd.)

3.2 Initial public offering of MHB on the Main Market of Bursa Securities (cont'd.)

(v) Offer for sale by MHB's immediate holding company, MISC Berhad ("MISC") of:

- between 128,000,000 and 158,400,000 MHB Shares, taking into account the strategic investor's monetary commitment (as define in the Prospectus), which shall be agreed between MISC and the strategic investor, at a price equal to 2% premium over the institutional price ("SI Allocation"); and
- 146,000,000 MHB Shares ("Offer Shares") to the Malaysian institutional and selected investors, and foreign institutional and selected investors outside the United States ("US") in reliance on Regulation S under the US Securities Act at the Institutional Price; and

(vi) Listing of and quotation for the entire enlarged issued and paid-up share capital of MHB on the Main Market of Bursa Securities ("Listing").

3.3 Share capital

Details of the authorised and issued and paid-up share capital of MHB since its incorporation on 18 February 1989 are as follows:

Date of creation	Par value RM	Number of ordinary shares	Cumulative authorised share capital RM
18 February 1989	1.00	100,000,000	100,000,000

Date of allotment	Par value RM	Number of ordinary shares	Consideration	Resultant total issued and paid-up share capital RM
18 February 1989	1.00	2	Cash	2
17 July 1991	1.00	1	Cash	3
18 February 1989	1.00	16,219,997	Cash	16,220,000

13. ACCOUNTANTS' REPORT (Cont'd)



3.4 Subsidiaries and joint venture companies

- (a) The subsidiaries of MHB, all of which are incorporated in Malaysia, as at 30 June 2010 are as follows:

Company	Date of incorporation	Issued and paid-up ordinary share capital RM	Principal activities	Effective ownership %
MMHE	18 May 1973	100,000,000	Oil and gas engineering and construction works and marine conversion and repair	100
<i>Subsidiaries of MMHE:</i>				
MSLNG	6 April 2006	3,700,000	Provision of repair services and dry docking of liquefied natural gas carriers	70
TISB	5 August 1994	10,000,000	Sludge disposal management	100
MTSB	22 June 1977	200,000	Dormant	100
MSE Corporation Sdn Bhd	27 June 1978	100,000	Under liquidation	100

13. ACCOUNTANTS' REPORT (Cont'd)



3.4 Subsidiaries and joint venture companies (cont'd.)

- (b) The joint venture companies of MHB which are incorporated in Malaysia as at 30 June 2010 are as follows:

Company	Date of incorporation	Issued and paid-up ordinary share capital RM	Principal activities	Effective ownership %
MMHE-TPGM	28 January 2008	300,000	Provision of engineering, procurement, construction, installation and commissioning	60
MMHE-ATB	14 July 1994	5,600,000	Manufacturing of pressure vessels and tube heat exchangers	40

13. ACCOUNTANTS' REPORT (Cont'd)

**4. Auditors, audited financial statements and accounting policies****4.1 Auditors and audited financial statements**

The auditors of MHB and all its subsidiaries for the financial years ended 31 March 2008, 31 March 2009 and 31 March 2010 and three months financial period ended 30 June 2010 are Ernst & Young, Malaysia.

For the purpose of this report, the audited consolidated financial statements of MHB Group for the three financial years ended 31 March 2008, 31 March 2009 and 31 March 2010 and three months financial period ended 30 June 2010 are presented.

We have audited the consolidated financial statements of MHB Group, which comprise the statements of financial position as at 31 March 2008, 31 March 2009, 31 March 2010 and 30 June 2010 of the Group, the statements of comprehensive income, statements of changes in equity and cash flow statements of the Group for the respective financial years ended 31 March 2008, 31 March 2009, 31 March 2010 and three months financial period ended 30 June 2010 and have issued our reports thereon dated 24 April 2008, 11 May 2009, 5 May 2010 and 22 September 2010 respectively. In these reports, we expressed the opinion that the respective consolidated financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group as at 31 March 2008, 31 March 2009, 31 March 2010 and 30 June 2010 and of their financial performance and cash flows for the years ended 31 March 2008, 31 March 2009, 31 March 2010 and three months financial period ended 30 June 2010.

The auditors' report on the financial statements of the subsidiaries for the respective financial years ended 31 March 2008, 31 March 2009 and 31 March 2010 were not subject to any qualification.

Our auditors' report in respect to the audit of the three months ended 30 June 2010 contained an emphasis of matter which stated that the comparative figures for statement of comprehensive income, cash flow statement and statement of changes in equity and the notes thereto are unaudited.

13. ACCOUNTANTS' REPORT (Cont'd)

**4.2 Accounting policies**

This report is prepared based on the audited financial statements of MHB and its subsidiaries which have been prepared in accordance with the applicable Financial Reporting Standards in Malaysia and on a basis consistent with the accounting policies adopted by MHB Group as disclosed in Section 6 of this report.

The Group has early adopted FRS 139: Financial Instruments - Recognition and Measurement ("FRS 139") for the financial year beginning 1 April 2008. In accordance with the transitional provisions, the effects arising from the adoption of FRS 139, if any, has been accounted for by adjusting the opening balance of retained earnings as at 1 April 2008. Comparatives are not restated.

Further to the above, the Group has also adopted FRS 7: Financial Instruments - Disclosures, FRS 123: Borrowing Costs (Revised) and Amendments to FRS 132: Financial Instruments - Presentation for the financial year beginning 1 April 2009.

As a result of the early adoption of FRS 7: Financial Instruments - Disclosures, the amendments below were also early adopted:

- (i) Amendments to FRS 1: First Time Adoption of Financial Reporting Standards
- (ii) Amendments to FRS 101: Presentation of Financial Statements
- (iii) Amendments to FRS 114₂₀₀₄: Segment Reporting
- (iv) Amendments to FRS 132: Financial Instruments - Presentation
- (v) Amendments to FRS 139: Financial Instruments - Recognition and Measurement

5. Dividends

MHB has not paid or declared any dividends for the past three financial years ended 31 March 2008, 31 March 2009 and 31 March 2010 and three months financial period ended 30 June 2010.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies****6.1 Basis of preparation**

The financial statements comply with applicable Financial Reporting Standards ("FRSs") in Malaysia.

The financial statements have also been prepared on historical cost basis unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

6.2 Summary of significant accounting policies**(a) Subsidiaries and basis of consolidation****(i) Subsidiaries**

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(a) Subsidiaries and basis of consolidation (cont'd.)****(ii) Basis of consolidation (cont'd.)**

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains and losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit and loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(b) Jointly controlled entities (cont'd.)**

Investment in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in jointly controlled entities is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities. The Group's share of the net profit or loss of the jointly controlled entities is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the jointly controlled entities, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entities. The jointly controlled entities are equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the jointly controlled entities.

Goodwill relating to jointly controlled entities is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the jointly controlled entities' identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the jointly controlled entities' profit or loss in the period in which the investment is acquired.

When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entities, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

The most recent available audited financial statements of the jointly controlled entities is used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

13. ACCOUNTANTS' REPORT (Cont'd)



6. Significant accounting policies (cont'd.)

6.2 Summary of significant accounting policies (cont'd.)

(b) Jointly controlled entities (cont'd.)

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit and loss.

(c) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress are not depreciated as these assets are not available for use. Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Boats	6.7% - 25%
Buildings, drydocks and waste plant	2% - 10%
Plant, machinery and electrical installations	4% - 20%
Vehicles and transport equipment	10% - 20%
Furniture and office equipment	5% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(d) Construction contracts**

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of physical completion of contract.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred in construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When the progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(e) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than construction contract assets, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(e) Impairment of non-financial assets (cont'd.)**

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Inventories

Inventories are held for own consumption and are stated at lower of cost and net realisable value.

Cost is arrived at on the weighted average basis. The cost of raw materials and consumables comprises costs of purchase.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(g) Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of the financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition.

Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. The Group does not have any held for trading financial assets. The Group has not designated any financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

13. ACCOUNTANTS' REPORT (Cont'd)



- 6. Significant accounting policies (cont'd.)**
- 6.2 Summary of significant accounting policies (cont'd.)**
- (g) Financial assets (cont'd.)**
- (ii) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's loans and receivables include trade and other receivables and cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

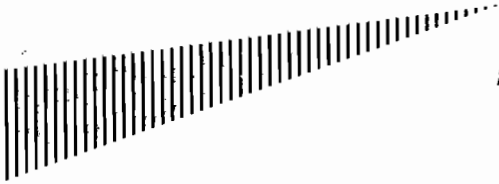
(iii) Held-to-maturity financial assets

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the financial assets to maturity. The Group does not have any held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity financial assets are derecognised or impaired, and through the amortisation process.

Held-to-maturity financial assets are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

13. ACCOUNTANTS' REPORT (Cont'd)



- 6. Significant accounting policies (cont'd.)**
- 6.2 Summary of significant accounting policies (cont'd.)**
- (g) Financial assets (cont'd.)**
 - (iv) Available-for-sale financial assets**

Available-for-sale financial assets are those financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. The Group does not have available-for-sale financial assets.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in statement of changes in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in statement of changes in equity is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in statement of changes in equity is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(h) Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liability designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group has not designated any financial liabilities at fair value through profit or loss.

(ii) Other financial liabilities

The Group's other financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(h) Financial liabilities (cont'd.)****(ii) Other financial liabilities (cont'd.)**

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(i) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

13. ACCOUNTANTS' REPORT (Cont'd)**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(j) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(k) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(k) Impairment of financial assets (cont'd.)****(i) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(l) Deferred income

Income from rendering of sludge cleaning services is deferred for untreated sludge.

Deferred income, which is recorded as sludge collection fee receivable net of direct expenses, will be recognised in statement of comprehensive income, on a weighted average basis upon completion of the treatment or disposal process.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(m) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as an income or an expense and included in the profit and loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(o) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(p) Employee benefits**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(q) Foreign currencies**(i) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Group's functional currency.

13. ACCOUNTANTS' REPORT (Cont'd)



- 6. Significant accounting policies (cont'd.)**
- 6.2 Summary of significant accounting policies (cont'd.)**
- (q) Foreign currencies (cont'd.)**
 - (ii) Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

- (r) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Construction contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 6.2(d).

13. ACCOUNTANTS' REPORT (Cont'd)

**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(r) Revenue recognition (cont'd.)****(ii) Revenue from sludge cleaning management**

Revenue from sludge management is recognised when the treatment or disposal process of sludge is completed.

(iii) Interest income

Interest income is recognised on an accruals basis using effective interest method.

(iv) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(s) Leases**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land, the minimum lease payments or the up-front payments made represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

13. ACCOUNTANTS' REPORT (Cont'd)**6. Significant accounting policies (cont'd.)****6.2 Summary of significant accounting policies (cont'd.)****(t) Equity investments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

6.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs**(i) FRSs adopted by the Group**

On 1 April 2010, the Group adopted the following new and amended FRSs and Issues Committee ("IC") Interpretation mandatory for annual financial periods beginning on or after 1 July 2009 and 1 January 2010:

- FRS 8: Operating Segments
- FRS 101: Presentation of Financial Statements (Revised)
- Amendment to FRS 127: Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellation
- Amendments to FRS 7: Financial Instruments - Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4: Insurance Contracts and Technical Release - *i* - 3: Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual financial period beginning on or after 1 January 2010. However, these FRSs do not have any financial implication to the Group.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group except for those discussed below:

13. ACCOUNTANTS' REPORT (Cont'd)



6. Significant accounting policies (cont'd.)

6.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

(i) FRSs adopted by the Group (cont'd.)

(a) FRS 8: Operating Segments

FRS 8, which replaces FRS 114₂₀₀₄: Segment Reporting, specifies how entity should report its operating segments, based on information about the components of the entity available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 11.27 to the financial statements.

(b) FRS 101: Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

In addition, a balance sheet is required at the beginning of earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

(c) FRS 117: Leases

FRS 117: Leases clarifies on the classification of leases of land and buildings. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group has assessed and did not expect any impact from adoption of this standard.

13. ACCOUNTANTS' REPORT (Cont'd)



6. Significant accounting policies (cont'd.)

6.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

(ii) Standards and Interpretations issued but not yet effective and have not been early adopted by the Group

At the date of the report, the following new and revised FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- FRS 127: Consolidated and Separate Financial Statements (amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

- FRS 1: Limited Exemption from Comparative FRS 7 Disclosure for First Time Adopters (Amendment to FRS 1)
- FRS 7: Improving Disclosure about Financial Instrument (Amendment to FRS 7)

The Group plans to adopt the above pronouncements when they become effective in the respective financial period or earlier if deemed necessary. Unless otherwise described below, these pronouncements are expected to have no significant impact on the financial statements of the Group upon initial application except for the following:

FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

13. ACCOUNTANTS' REPORT (Cont'd)**6. Significant accounting policies (cont'd.)****6.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)****(ii) Standards and Interpretations issued but not yet effective and have not been early adopted by the Group (cont'd.)****FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended) (cont'd.)**

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by a subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

6.4 Significant accounting estimates and judgements**(a) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The information on depreciation of property, plant and equipment is as disclosed in Note 11.8.

13. ACCOUNTANTS' REPORT (Cont'd)



- 6. Significant accounting policies (cont'd.)**
- 6.4 Significant accounting estimates and judgements (cont'd.)**
- (a) Key sources of estimation uncertainty (cont'd.)**

(ii) Construction contracts

The Group recognises revenue and expenses from construction contracts in the income statement by using the stage of completion method. The stage of completion is measured by reference to the proportion of physical completion of the contract work.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction contract. In making the judgement, the Group's evaluation is based on past experience and by relying on the work of specialists.

The information on construction contracts is as disclosed in Note 11.15.

(iii) Allowance for doubtful accounts

The allowance for doubtful accounts is based on the evaluation of the receivables on an individual basis and the amount of outstanding allowances. The customer's credit worthiness is evaluated by reviewing, among other matters, the historical collection experience and the value of collateral provided to the Group, if any.

The information on allowance for doubtful debts is as disclosed in Note 11.14.

(iv) Provision for warranty

The Group grants warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision is written back at the end of the warranty period while additional provision is made as and when necessary.

The information on provision for warranty is as disclosed in Note 11.21.

13. ACCOUNTANTS' REPORT (Cont'd)



7. Consolidated statements of comprehensive income of MHB Group

The consolidated statements of comprehensive income of MHB Group based on its audited financial statements for the financial years ended 31 March 2008, 31 March 2009, 31 March 2010 and three months ended 30 June 2010, and unaudited statement of comprehensive income for three months ended 30 June 2009 are as follows:

	Note	Audited			Unaudited	Audited
		2008	2009	2010	3 months ended	3 months ended
		RM'000	RM'000	RM'000	30.6.2009	30.6.2010
					RM'000	RM'000
Revenue	11.1	1,741,922	4,021,147	6,147,012	1,679,755	1,172,898
Cost of sales		(1,379,352)	(3,422,530)	(5,550,584)	(1,587,858)	(1,048,953)
Gross profit		362,570	598,617	596,428	91,897	123,945
Other operating income	11.2	26,711	24,197	19,880	2,597	25,215
Selling and distribution expenses		(2,223)	(1,659)	(1,435)	(350)	(295)
Administrative expenses		(111,222)	(171,441)	(150,084)	(26,808)	(31,361)
Other operating expenses		(38,482)	(100,245)	(84,130)	(20,104)	(21,827)
Profit from operations	11.3	237,354	349,469	380,659	47,232	95,677
Finance costs	11.5	(1,456)	(427)	(3,452)	(194)	(733)
Share of (loss)/profit of jointly controlled entities		-	-	(1)	-	128
Profit before taxation		235,898	349,042	377,206	47,038	95,072
Taxation	11.6	(41,253)	(66,821)	(93,091)	(11,243)	15,185
Net profit for the year/period		194,645	282,221	284,115	35,795	110,257
Attributable to:						
Equity holder of the Group		192,398	278,301	279,203	35,542	110,247
Minority interests		2,247	3,920	4,912	253	10
		194,645	282,221	284,115	35,795	110,257
Number of ordinary shares in issue at the end of the financial year ('000)		16,220	16,220	16,220	16,220	16,220
Earnings per share attributable to equity holder of the Group - Basic (RM)	11.7	11.86	17.16	17.21	2.19	6.80

13. ACCOUNTANTS' REPORT (Cont'd)



8. Consolidated statements of financial position of MHB Group

The consolidated statements of financial position of MHB Group based on its audited financial statements for the financial years ended 31 March 2008, 31 March 2009, 31 March 2010 and three months ended 30 June 2010, are as follows:

	Note	<----- Audited ----->			Audited
		2008 RM'000	2009 RM'000	2010 RM'000	30.6.2010 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11.8	634,967	685,244	928,851	963,633
Prepaid land lease payments	11.9	51,991	71,232	69,173	68,658
Investment in jointly controlled entities	11.10	-	180	179	11,501
Other investment	11.11	15	15	15	15
Deferred tax assets	11.12	67	442	253	-
		687,040	757,113	998,471	1,043,807
Current assets					
Inventories	11.13	16,764	46,849	38,523	33,627
Trade and other receivables	11.14	840,061	1,621,262	2,979,341	1,872,241
Tax recoverable		3,814	1,468	1,893	1,900
Cash and bank balances	11.16	99,738	234,681	765,899	1,347,088
		960,377	1,904,260	3,785,656	3,254,856
Total assets		1,647,417	2,661,373	4,784,127	4,298,663
Equity and liabilities					
Equity attributable to equity holder of the Group					
Share capital	11.17	16,220	16,220	16,220	16,220
Retained earnings		624,655	902,956	1,182,159	1,292,406
		640,875	919,176	1,198,379	1,308,626
Minority interests		5,953	9,873	14,785	3,584
Total equity		646,828	929,049	1,213,164	1,312,210

13. ACCOUNTANTS' REPORT (Cont'd)



8. Consolidated statements of financial position of MHB Group (cont'd.)

	Note	←----- Audited ----->			Audited
		2008 RM'000	2009 RM'000	2010 RM'000	30.6.2010 RM'000
Non-current liabilities					
Deferred income	11.18	735	1,568	2,326	2,095
Borrowings	11.19	5,750	2,900	302,631	-
Deferred tax liabilities	11.12	31,280	4,640	25,693	28,812
		<u>37,765</u>	<u>9,108</u>	<u>330,650</u>	<u>30,907</u>
Current liabilities					
Trade and other payables	11.20	882,816	1,371,443	3,138,198	2,882,011
Provisions	11.21	14,540	62,089	50,399	50,441
Borrowings	11.19	43,350	252,850	2,900	2,150
Provision for taxation		22,118	36,834	48,816	20,944
		<u>962,824</u>	<u>1,723,216</u>	<u>3,240,313</u>	<u>2,955,546</u>
Total liabilities		<u>1,000,589</u>	<u>1,732,324</u>	<u>3,570,963</u>	<u>2,986,453</u>
Total equity and liabilities		<u>1,647,417</u>	<u>2,661,373</u>	<u>4,784,127</u>	<u>4,298,663</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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Malaysia Marine and Heavy Engineering Sdn. Bhd.
(Incorporated in Malaysia)

9. Consolidated statements of changes in equity of MHB Group

The consolidated statements of changes in equity of MHB Group based on its audited financial statements for the financial years ended 31 March 2008, 31 March 2009, 31 March 2010 and three months ended 30 June 2010, and unaudited statement of changes in equity for the three months ended 30 June 2009 are as follows:

	<- Attributable to equity holder of the Group ->				Total equity RM'000
	Share capital (Note 11.17) RM'000	Distributable retained earnings RM'000	Total RM'000	Minority interest RM'000	
Financial year:					
At 1 April 2007	16,220	432,257	448,477	3,706	452,183
Profit for the year, representing total recognised income and expense for the year	-	192,398	192,398	2,247	194,645
At 31 March 2008	16,220	624,655	640,875	5,953	646,828
At 1 April 2008	16,220	624,655	640,875	5,953	646,828
Profit for the year, representing total recognised income and expense for the year	-	278,301	278,301	3,920	282,221
At 31 March 2009	16,220	902,956	919,176	9,873	929,049
At 1 April 2009	16,220	902,956	919,176	9,873	929,049
Profit for the year, representing total recognised income and expense for the year	-	279,203	279,203	4,912	284,115
At 31 March 2010	16,220	1,182,159	1,198,379	14,785	1,213,164

13. ACCOUNTANTS' REPORT (Cont'd)

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Malaysia Marine and Heavy Engineering Sdn. Bhd.
(Incorporated in Malaysia)

9. Consolidated statements of changes in equity of MHB Group (cont'd.)

<- Attributable to equity holder of the Group->

	Share capital (Note 11.17) RM'000	Distributable retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
3 months financial period:					
<u>Unaudited:</u>					
At 1 April 2009	16,220	902,956	919,176	9,873	929,049
Profit for the period, representing total recognised income and expense for the period	-	35,542	35,542	253	35,795
At 30 June 2009	16,220	938,498	954,718	10,126	964,844
<u>Audited:</u>					
At 1 April 2010	16,220	1,182,159	1,198,379	14,785	1,213,164
Profit for the period, representing total recognised income and expense for the period	-	110,247	110,247	10	110,257
Dilution of interest in a subsidiary (Note 11.28)	-	-	-	(11,211)	(11,211)
At 30 June 2010	16,220	1,292,406	1,308,626	3,584	1,312,210

13. ACCOUNTANTS' REPORT (Cont'd)



10. Consolidated cash flow statements of MHB Group

The consolidated cash flow statements of MHB Group based on its audited financial statements for the financial years ended 31 March 2008, 31 March 2009, 31 March 2010 and three months ended 30 June 2010, and unaudited cash flow statements for the three months ended 30 June 2009 are as follows:

	<----- Audited ----->			Unaudited 3 months ended 30.6.2009	Audited 3 months ended 30.6.2010
	2008 RM'000	2009 RM'000	2010 RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before taxation	235,898	349,042	377,206	47,038	95,072
Adjustments for:					
Property, plant and equipment					
- depreciation	22,189	22,491	24,864	5,456	6,524
- write-off	550	-	373	-	-
- loss/(gain) on disposal	34	(115)	-	-	-
- (reversal of)/provision for impairment loss	(5)	-	280	-	-
Amortisation of prepaid land lease payments	2,226	1,433	2,059	397	515
Interest expense	1,456	427	3,452	194	733
Provision for/(reversal of) warranty	1,377	2,725	(11,690)	(7,746)	42
Provision for liquidated ascertained damages	-	44,824	-	-	-
Liquidated ascertained damages receivables	-	(12,556)	-	-	-
Impairment loss/(reversal of impairment) on:					
- trade receivables	8,975	13,320	(4,393)	(3,654)	-
- amount due from a former subsidiary	(1,800)	(407)	-	-	-
Interest income	(5,163)	(2,619)	(9,754)	(503)	(7,788)
Net unrealised foreign exchange (gains)/loss	(32)	(9,965)	16,604	2,913	(12,317)
Gain on dilution of interest in a subsidiary	-	-	-	-	(419)
Inventories written off	-	-	612	-	1,037
Share of loss/(gain) of jointly controlled entities	-	-	1	-	(128)
Reversal of provision for obsolete inventories	(642)	(1,997)	-	-	-
Operating profit before working capital changes	265,063	406,603	399,614	44,095	83,271

13. ACCOUNTANTS' REPORT (Cont'd)



10. Consolidated cash flow statements of MHB Group (cont'd.)

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended 30.6.2009	3 months ended 30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)					
Inventories	(2,917)	(28,088)	7,714	11,599	3,859
Trade and other receivables	(355,842)	(675,502)	(873,440)	53,947	1,040,429
Trade and other payables	199,082	483,344	1,771,544	288,475	(191,234)
Cash generated from operations	105,386	186,357	1,305,432	398,116	936,325
Interest paid	(1,958)	(692)	(1,836)	(1,929)	(3,403)
Tax paid	(46,978)	(76,773)	(60,292)	(14,887)	(8,102)
Net cash generated from operating activities	56,450	108,892	1,243,304	381,300	924,820
Cash flows from investing activities					
Property, plant and equipment:					
- additions	(250,896)	(162,599)	(269,124)	(104,204)	(47,845)
- proceeds from disposal	13	115	-	-	-
Net cash outflow on the dilution of interest in a subsidiary (Note 11.10)	-	-	-	-	(2,076)
Payment for prepaid land lease	-	(20,674)	-	-	-
Investment in a jointly controlled entity	-	(60)	-	-	-
Interest received	5,768	2,619	9,082	503	7,040
Net cash used in investing activities	(245,115)	(180,599)	(260,042)	(103,701)	(42,881)
Cash flows from financing activities					
Drawdown of short term borrowings	-	250,000	302,631	-	-
Loan to immediate holding company	-	-	(500,000)	-	-
Net repayment of borrowings	(56,400)	(43,350)	(254,675)	(80,700)	(300,750)

13. ACCOUNTANTS' REPORT (Cont'd)



10. Consolidated cash flow statements of MHB Group (cont'd.)

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months	3 months
	RM'000	RM'000	RM'000	ended	ended
	30.6.2009	30.6.2010	RM'000	RM'000	RM'000
Cash flows from financing activities (cont'd.)					
Net cash (used in)/ generated from financing activities	(56,400)	206,650	(452,044)	(80,700)	(300,750)
Net change in cash and cash equivalents	(245,065)	134,943	531,218	196,899	581,189
Cash and cash equivalents at beginning of year	344,803	99,738	234,681	234,681	765,899
Cash and cash equivalents at end of year (Note 11.16)	99,738	234,681	765,899	431,580	1,347,088

11. Notes to the financial statements of MHB Group

11.1 Revenue

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months	3 months
	RM'000	RM'000	RM'000	ended	ended
	30.6.2009	30.6.2010	RM'000	RM'000	RM'000
Engineering and construction	1,014,937	3,042,036	5,603,792	1,489,742	1,059,961
Marine conversion and repair	718,503	960,366	539,986	189,026	112,574
Others	8,482	18,745	3,234	987	363
	1,741,922	4,021,147	6,147,012	1,679,755	1,172,898

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.2 Other operating income

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended 30.6.2009	3 months ended 30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	2,586	2,093	1,772	248	618
Interest income					
- deposits with licensed bank	5,163	2,594	9,206	503	5,724
- due from immediate holding company	-	25	548	-	2,064
Reversal of impairment loss on amount due from a former subsidiary	1,800	407	-	-	-
Gain on dilution of interest in a subsidiary	-	-	-	-	419
Foreign exchange gains:					
- realised	-	-	-	-	1,702
- unrealised	32	9,965	1,085	-	12,317
Others*	17,130	9,113	7,269	1,846	2,371
	<u>26,711</u>	<u>24,197</u>	<u>19,880</u>	<u>2,597</u>	<u>25,215</u>

* Losses incurred on sale of copper grit of RM1,957,000 and RM1,733,000 for FYE 2008 and FYE 2009 respectively have been reclassified from other operating income to other operating expenses.

11.3 Profit from operations

The following items have been included in arriving at profit from operations:

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended 30.6.2009	3 months ended 30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration					
- statutory audit	199	200	200	50	50
- other services	-	719	-	-	-
Employee benefits expense (Note 11.4)	103,997	161,038	141,412	38,642	28,593

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.3 Profit from operations (cont'd.)

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended	3 months ended
	RM'000	RM'000	RM'000	30.6.2009 RM'000	30.6.2010 RM'000
Property, plant and equipment:					
- depreciation (Note 11.8)	22,189	22,491	24,864	5,456	6,524
- write-off	550	-	373	-	-
- loss/(gain) on disposal	34	(115)	-	-	-
- impairment loss	(5)	-	280	-	-
Amortisation of prepaid land lease payments (Note 11.9)	2,226	1,433	2,059	397	515
Hire of tugboat, pushers and barges	8,634	21,529	7,892	4,269	1,688
Rental of:					
- buildings	1,696	2,389	2,629	552	756
- vehicles	1,430	35	85	38	3
- office equipment	1,474	1,398	1,445	162	737
- equipment	17,982	36,186	68,106	10,296	17,474
Reversal of provision for obsolete inventories	(642)	(1,997)	-	-	-
Inventories written off	-	-	612	-	1,037
Provision for/(reversal of) warranty (Note 11.21)	1,377	2,725	(11,690)	(7,746)	42
Foreign exchange losses					
- realised	-	15,053	11,986	3,480	-
- unrealised	-	-	17,689	2,913	-
Provision for liquidated ascertained damages (Note 11.21)	-	44,824	-	-	-
Liquidated ascertained damages receivables	-	(12,556)	-	-	-
Impairment loss on/ (reversal of):					
- trade receivables	8,975	13,320	(4,393)	(3,654)	-

Provision for impairment of trade receivables of RM32,268,000 for FYE 2009 has been reclassified to provision for liquidated ascertained damages of RM44,824,000 and liquidated ascertained damages receivables of RM12,556,000.

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.4 Employee benefits expense

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended 30.6.2009	3 months ended 30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Wages and salaries	82,989	133,999	114,018	30,637	21,923
Social security costs	926	1,057	825	361	214
Contributions to defined contribution plan	8,206	10,596	13,014	2,621	2,644
Other staff related expenses	11,876	15,386	13,555	5,023	3,812
	<u>103,997</u>	<u>161,038</u>	<u>141,412</u>	<u>38,642</u>	<u>28,593</u>

Included in employee benefits expense of the Group is directors' remuneration amounting to RM197,000 (30.6.2009 - unaudited: RM183,000, 2010: RM1,343,000, 2009: RM1,267,000, 2008: RM1,224,000).

Provisions for bonus of RM7,552,000 for FYE 2008 and RM29,217,000 for FYE 2009 have been reclassified from other staff related expenses to wages and salaries for that year.

11.5 Finance costs

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended 30.6.2009	3 months ended 30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense on:					
Revolving credits	488	3,256	2,326	1,643	-
Term loans from:					
- immediate holding company	199	-	7,030	-	1,579
- financial institutions	769	363	179	-	26
	<u>1,456</u>	<u>3,619</u>	<u>9,535</u>	<u>1,643</u>	<u>1,605</u>
Less: Interest expense capitalised in qualifying assets:					
Construction-in- progress (Note 11.8)	-	(3,192)	(6,083)	(1,449)	(872)
	<u>1,456</u>	<u>427</u>	<u>3,452</u>	<u>194</u>	<u>733</u>

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.6 Taxation

	<----- Audited ----->			Unaudited 3 months ended	Audited 3 months ended
	2008	2009	2010	30.6.2009	30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Current income tax:					
Malaysian income tax	58,146	95,141	70,755	15,196	11,809
Foreign tax	-	5,964	17,795	738	5,503
	<u>58,146</u>	<u>101,105</u>	<u>88,550</u>	<u>15,934</u>	<u>17,312</u>
(Over)/under provision in prior years:					
Malaysian income tax	(233)	(10,644)	(16,701)	(16,204)	(28,240)
Foreign tax	-	3,375	-	-	(7,376)
	<u>57,913</u>	<u>93,836</u>	<u>71,849</u>	<u>(270)</u>	<u>(18,304)</u>
Deferred tax (Note 11.12):					
Relating to origination and reversal of temporary differences	(933)	(11,763)	4,833	(3,326)	1,608
Relating to changes in tax rates	(1,286)	(1,671)	-	-	-
(Over)/under provision in prior years	(14,441)	(13,581)	16,409	14,839	1,511
	<u>(16,660)</u>	<u>(27,015)</u>	<u>21,242</u>	<u>11,513</u>	<u>3,119</u>
Total taxation	<u>41,253</u>	<u>66,821</u>	<u>93,091</u>	<u>11,243</u>	<u>(15,185)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%, 2008: 26%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.6 Taxation (cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended 30.6.2009	3 months ended 30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation	235,898	349,042	377,206	47,038	95,072
Taxation at Malaysian statutory tax rate of 25% (2009: 25%, 2008: 26%)	61,333	87,261	94,302	11,760	23,768
Effect of income subject to tax rate of 20%	(9)	-	-	-	-
Effect of changes in tax rates on opening balance of deferred tax	(1,286)	(1,671)	-	-	-
Effect of different tax rate in foreign tax	-	-	-	-	(3,109)
Income not subject to tax	-	-	(3,290)	-	(105)
Benefits from previously unrecognised tax losses	-	-	-	-	(18)
Expenses not deductible for tax purposes	2,897	1,876	2,204	805	299
Utilisation of previously unrecognised reinvestment allowances	(7,305)	-	-	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(79)	(3)	(20)	-	-
Deferred tax assets not recognised	376	208	187	43	24
(Over)/under provision of deferred tax in prior years	(14,441)	(13,581)	16,409	14,839	1,511
Overprovision of Malaysian tax expense in prior years	(233)	(10,644)	(16,701)	(16,204)	(28,240)

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.6 Taxation (cont'd.)

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended 30.6.2009	3 months ended 30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Under/(over) provision of foreign tax expense in prior years	-	3,375	-	-	(7,376)
Utilisation of investment tax allowance	-	-	-	-	(1,939)
Taxation for the year/period	41,253	66,821	93,091	11,243	(15,185)

11.7 Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary equity holder of the Group by the weighted average number of ordinary shares in issue during the financial year, as follows:

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended 30.6.2009	3 months ended 30.6.2010
Profit attributable to equity holder of the Group (RM'000)	192,398	278,301	279,203	35,542	110,247
Weighted average number of ordinary shares in issue ('000)	16,220	16,220	16,220	16,220	16,220
Basic earnings per share (RM)	11.86	17.16	17.21	2.19	6.80

The Group has no potential ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share has not been presented.

13. ACCOUNTANTS' REPORT (Cont'd)
11. Notes to the financial statements of MHB Group (cont'd.)
11.8 Property, plant and equipment

	At 1.4.2007 as previously stated RM'000	Transfer to Prepaid land lease payments RM'000	As restated RM'000	Additions RM'000	Reclassification RM'000	Disposals, write-off and impairment RM'000	At 31.3.2008 RM'000
31 March 2008							
At cost							
Long term leasehold and foreshore land	78,260	(78,260)	-	-	-	-	-
Boats	513	-	513	-	-	(67)	446
Buildings, drydocks and waste plant	423,904	-	423,904	42,515	(10,840)	(3,742)	451,837
Plant, machinery and electrical installations	266,634	-	266,634	7,211	(15,030)	(693)	258,122
Vehicles and transport equipment	8,265	-	8,265	721	-	(97)	8,889
Furniture and office equipment	43,431	-	43,431	863	24	(110)	44,208
Loose tools	8,388	-	8,388	-	-	(695)	7,693
Construction-in-progress	33,106	-	33,106	199,586	25,846	-	258,538
	862,501	(78,260)	784,241	250,896	-	(5,404)	1,029,733

13. ACCOUNTANTS' REPORT (Cont'd)
11. Notes to the financial statements of MHB Group (cont'd.)
11.8 Property, plant and equipment (cont'd.)
31 March 2008
Accumulated depreciation and impairment

	At 1.4.2007 as previously stated RM'000	Transfer to prepaid land lease payments RM'000	As restated RM'000	Charge for the year RM'000	Disposals, write-off and impairment RM'000	At 31.3.2008 RM'000	Net carrying amount at 31.3.2008 RM'000
Long term leasehold and foreshore land	24,043	(24,043)	-	-	-	-	-
Boats	513	-	513	-	(67)	446	-
Buildings, drydocks and waste plant	154,166	-	154,166	9,156	(3,268)	160,054	291,783
Plant, machinery and electrical installations	171,208	-	171,208	10,412	(646)	180,974	77,148
Vehicles and transport equipment	7,022	-	7,022	323	(97)	7,248	1,641
Furniture and office equipment	36,701	-	36,701	2,155	(104)	38,752	5,456
Loose tools	7,779	-	7,779	143	(630)	7,292	401
Construction-in-progress	-	-	-	-	-	-	258,538
	401,432	(24,043)	377,389	22,189	(4,812)	394,766	634,967

13. ACCOUNTANTS' REPORT (Cont'd)

11. Notes to the financial statements of MHB Group (cont'd.)

11.8 Property, plant and equipment (cont'd.)

	At 1.4.2008 RM'000	Additions RM'000	Reclassification RM'000	Disposals and write-off RM'000	Transfers RM'000	At 31.3.2009 RM'000
31 March 2009						
At cost						
Boats	446	-	-	-	-	446
Buildings, drydocks and waste plant	451,837	170	1,725	-	-	453,732
Plant, machinery and electrical installations	258,122	4,628	3,162	(926)	-	264,986
Vehicles and transport equipment	8,889	1,021	-	(926)	-	8,984
Furniture and office equipment	44,208	881	126	(2,751)	-	42,464
Loose tools	7,693	80	-	-	-	7,773
Construction-in-progress	258,538	155,819	(5,013)	-	(89,831)	319,513
	1,029,733	162,599	-	(4,603)	(89,831)	1,097,898

13. ACCOUNTANTS' REPORT (Cont'd)
11. Notes to the financial statements of MHB Group (cont'd.)
11.8 Property, plant and equipment (cont'd.)

	At 1.4.2008 RM'000	Charge for the year RM'000	Disposals and write-off RM'000	At 31.3.2009 RM'000	Net carrying amount at 31.3.2009 RM'000
31 March 2009					
Accumulated depreciation and impairment					
Boats	446	-	-	446	-
Buildings, drydocks and waste plant	160,054	10,141	-	170,195	283,537
Plant, machinery and electrical installations	180,974	10,153	(926)	190,201	74,785
Vehicles and transport equipment	7,248	559	(926)	6,881	2,103
Furniture and office equipment	38,752	1,638	(2,751)	37,639	4,825
Loose tools	7,292	-	-	7,292	481
Construction-in-progress	-	-	-	-	319,513
	394,766	22,491	(4,603)	412,654	685,244

13. ACCOUNTANTS' REPORT (Cont'd)

11. Notes to the financial statements of MHB Group (cont'd.)

11.8 Property, plant and equipment (cont'd.)

	At 1.4.2009 RM'000	Additions RM'000	Reclassification RM'000	Disposals and write-off RM'000	At 31.3.2010 RM'000
31 March 2010					
At cost					
Boats	446	65	-	-	511
Buildings, drydocks and waste plant	453,732	406	65,523	(535)	519,126
Plant, machinery and electrical installations	264,986	33,279	11,207	(1,714)	307,758
Vehicles and transport equipment	8,984	-	-	(134)	8,850
Furniture and office equipment	42,464	852	-	(2,667)	40,649
Loose tools	7,773	-	-	-	7,773
Construction-in-progress	319,513	234,522	(76,730)	-	477,305
	1,097,898	269,124	-	(5,050)	1,361,972

13. ACCOUNTANTS' REPORT (Cont'd)

11. Notes to the financial statements of MHB Group (cont'd.)

11.8 Property, plant and equipment (cont'd.)

	At 1.4.2009 RM'000	Charge for the year RM'000	Impairment for the year RM'000	Disposals and write-off RM'000	At 31.3.2010 RM'000	Net carrying amount at 31.3.2010 RM'000
31 March 2010						
Accumulated depreciation and impairment						
Boats	446	5	-	-	451	60
Buildings, drydocks and waste plant	170,195	10,993	-	(241)	180,947	338,179
Plant, machinery and electrical installations	190,201	12,277	280	(1,632)	201,126	106,632
Vehicles and transport equipment	6,881	474	-	(134)	7,221	1,629
Furniture and office equipment	37,639	1,115	-	(2,670)	36,084	4,565
Loose tools	7,292	-	-	-	7,292	481
Construction-in-progress	-	-	-	-	-	477,305
	412,654	24,864	280	(4,677)	433,121	928,851

13. ACCOUNTANTS' REPORT (Cont'd)

11. Notes to the financial statements of MHB Group (cont'd.)

11.8 Property, plant and equipment (cont'd.)

	At 1.4.2010 RM'000	Additions RM'000	Reclassification RM'000	Dilution of interest in a subsidiary RM'000 (Note 11.28)	At 30.6.2010 RM'000
30 June 2010					
At cost					
Boats	511	-	-	-	511
Buildings, drydocks and waste plant	519,126	165	31,024	(343)	549,972
Plant, machinery and electrical installations	307,758	11,328	-	(1,110)	317,976
Vehicles and transport equipment	8,850	180	-	-	9,030
Furniture and office equipment	40,649	83	-	(126)	40,606
Loose tools	7,773	-	-	-	7,773
Construction-in-progress	477,305	36,089	(31,024)	(5,305)	477,065
	1,361,972	47,845	-	(6,884)	1,402,933

13. ACCOUNTANTS' REPORT (Cont'd)
11. Notes to the financial statements of MHB Group (cont'd.)
11.8 Property, plant and equipment (cont'd.)

	At 1.4.2010 RM'000	Charge for the period RM'000	Dilution of interest in a subsidiary RM'000 (Note 11.28)	At 30.6.2010 RM'000	Net carrying amount at 30.6.2010 RM'000
30 June 2010					
Accumulated depreciation and impairment					
Boats	451	4	-	455	56
Buildings, drydocks and waste plant	180,947	2,799	(33)	183,713	366,259
Plant, machinery and electrical installations	201,126	3,260	(220)	204,166	113,810
Vehicles and transport equipment	7,221	125	-	7,346	1,684
Furniture and office equipment	36,084	336	(92)	36,328	4,278
Loose tools	7,292	-	-	7,292	481
Construction-in-progress	-	-	-	-	477,065
	433,121	6,524	(345)	439,300	963,633

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.8 Property, plant and equipment (contd.)

(a) The net carrying amount of property, plant and equipment pledged as securities for borrowings (Note 11.19) are as follows:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Net carrying amount	49,893	-	-	-

(b) Interest expense capitalised under construction-in-progress of the Group for FPE 30 June 2010 amounting to RM872,000 (2010: RM6,083,000, 2009: RM3,192,000, 2008: RMNil) as disclosed in Note 11.5.

The additions of property, plant and equipment of RM20,674,000 for FYE 2009 has been reclassified to additions of prepaid land lease payments for that year (Note 11.9).

11.9 Prepaid land lease payments

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
At cost:				
At 1 April	54,217	51,991	71,232	69,173
Addition during the year	-	20,674	-	-
Amortisation for the year (Note 11.3)	(2,226)	(1,433)	(2,059)	(515)
At 31 March/30 June	51,991	71,232	69,173	68,658
Analysed as:				
Long term leasehold land	51,991	50,558	48,969	48,571
Short term leasehold land	-	20,674	20,204	20,087
	51,991	71,232	69,173	68,658

The long term leasehold and foreshore land cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.10 Investment in jointly controlled entities

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	-	180	180	11,372
Share of post-acquisition reserves	-	-	(1)	129
	-	180	179	11,501

Details of the jointly controlled entities which are incorporated in Malaysia are as follows:

Name of Company	Principal activities	2008	2009	2010	30.6.10
		%	%	%	%
MMHE-TPGM Sdn Bhd	Provision of engineering, procurement, construction, installation and commissioning	-	60	60	60
MMHE-ATB Sdn. Bhd.	Manufacturing of pressure vessels and tube heat exchangers	-	-	-	40

The Group's aggregate share of the current assets of the jointly controlled entities are as follows:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Assets and liabilities:				
Current assets	-	180	180	15,605
Non-current assets	-	-	-	4,511
Total assets	-	180	180	20,116
Current liabilities	-	-	(1)	5,836
Non-current liabilities	-	-	-	2,779
Total liabilities	-	-	(1)	8,615

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.10 Investment in jointly controlled entities (cont'd.)

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Results				
Income	-	-	-	3,434
Expenses, including finance costs and taxation	-	-	(1)	(3,306)

On 1 April 2010, the Group disposed 20% equity interest in MMHE-ATB for a cash consideration of RM6,000,000. Upon the disposal, MMHE-ATB became a jointly controlled entity of the Group.

The disposal had the following effects on the financial position of the Group as at the end of the financial period:

	RM'000
Property, plant and equipment	6,539
Trade and other receivables	32,780
Deferred tax assets	253
Cash and cash equivalent	2,076
Provision for taxation	(1,473)
Trade and other payables	(9,639)
Borrowings	(2,631)
Total net assets	<u>27,905</u>
20% of net asset of MMHE-ATB disposed	5,581
Total proceeds	(6,000)
Gain on disposal of the Group	<u>(419)</u>
Cash inflows arising on the dilution of interest in the subsidiary	-
Cash and cash equivalents of the subsidiary deemed disposed*	(2,076)
Net cash outflow on the dilution of interest in a subsidiary	<u>(2,076)</u>

* The Group has yet to receive the sale proceed of RM6 million. This amount receivable is currently included in other receivables.

13. ACCOUNTANTS' REPORT (Cont'd)



11.11 Other investment

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Golf memberships	50	50	50	50
Less: Accumulated impairment losses	(35)	(35)	(35)	(35)
	15	15	15	15

11.12 Deferred tax

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
At beginning of year/ period	47,873	31,213	4,198	25,440
Recognised in statement of comprehensive income (Note 11.6)	(16,660)	(27,015)	21,242	3,119
Dilution of interest in a subsidiary (Note 11.10)	-	-	-	253
At end of year/period	31,213	4,198	25,440	28,812

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.12 Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	(67)	(442)	(253)	-
Deferred tax liabilities	31,280	4,640	25,693	28,812
	31,213	4,198	25,440	28,812

The components and movements of deferred tax liabilities and assets during the financial year/period prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
Financial year:			
At 1 April 2007	54,204	-	54,204
Recognised in statement of comprehensive income	(17,142)	-	(17,142)
At 31 March 2008	37,062	-	37,062
At 1 April 2008	37,062	-	37,062
Recognised in statement of comprehensive income	(5,894)	2,398	(3,496)
At 31 March 2009	31,168	2,398	33,566
At 1 April 2009	31,168	2,398	33,566
Recognised in statement of comprehensive income	6,054	(2,398)	3,656
At 31 March 2010	37,222	-	37,222
3 months financial period:			
At 1 April 2010	37,222	-	37,222
Recognised in statement of comprehensive income	1,910	-	1,910
Dilution of interest in a subsidiary (Note 11.10)	(135)	-	(135)
At 30 June 2010	38,997	-	38,997

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.12 Deferred tax (cont'd.)

Deferred tax assets of the Group:

	Receivables RM'000	Provisions RM'000	Others RM'000	Total RM'000
Financial year:				
At 1 April 2007	(1,024)	(4,968)	(339)	(6,331)
Recognised in statement of comprehensive income	(97)	1,264	(685)	482
At 31 March 2008	<u>(1,121)</u>	<u>(3,704)</u>	<u>(1,024)</u>	<u>(5,849)</u>
At 1 April 2008	(1,121)	(3,704)	(1,024)	(5,849)
Recognised in statement of comprehensive income	(19,468)	(4,864)	813	(23,519)
At 31 March 2009	<u>(20,589)</u>	<u>(8,568)</u>	<u>(211)</u>	<u>(29,368)</u>
At 1 April 2009	(20,589)	(8,568)	(211)	(29,368)
Recognised in statement of comprehensive income	13,056	6,460	(1,930)	17,586
At 31 March 2010	<u>(7,533)</u>	<u>(2,108)</u>	<u>(2,141)</u>	<u>(11,782)</u>
3 months financial period:				
At 1 April 2010	(7,533)	(2,108)	(2,141)	(11,782)
Recognised in statement of comprehensive income	(266)	(152)	1,627	1,209
Dilution of interest in a subsidiary (Note 11.10)	416	(28)	-	388
At 30 June 2010	<u>(7,383)</u>	<u>(2,288)</u>	<u>(514)</u>	<u>(10,185)</u>

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.12 Deferred tax (cont'd.)

Deferred tax assets have not been recognised in respect of the following items:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	12,172	12,172	12,172	12,103
Unabsorbed capital allowances	28,647	28,634	28,553	28,648
Other deductible temporary differences	20,538	21,369	22,119	22,119

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act 1967 and guideline issued by the tax authority.

11.13 Inventories

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
At cost:				
Raw materials	16,764	46,849	38,523	33,627

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.14 Trade and other receivables

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Trade receivables	360,819	627,980	754,812	509,488
Purchases of inventory and project materials paid in advance	85,757	122,236	113,057	2,531
Due from:				
- customers on contracts (Note 11.15)	392,400	870,778	1,577,466	1,358,531
- former subsidiary	1,357	-	-	-
- jointly controlled entity	-	-	-	768
- immediate holding company	-	-	508,389	-
Deposits	1,272	1,111	1,103	1,111
Prepayments	1,249	853	1,116	1,056
Staff loans	338	387	529	470
Other receivables	8,958	21,969	42,528	16,275
	<u>852,150</u>	<u>1,645,314</u>	<u>2,999,000</u>	<u>1,890,230</u>
Less: Accumulated impairment losses				
- trade receivables	(10,732)	(24,052)	(19,659)	(17,989)
- former subsidiary	(1,357)	-	-	-
	<u>(12,089)</u>	<u>(24,052)</u>	<u>(19,659)</u>	<u>(17,989)</u>
	<u>840,061</u>	<u>1,621,262</u>	<u>2,979,341</u>	<u>1,872,241</u>

Included in the trade receivables are amounts due from:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
(i) Immediate holding company	108,352	133,727	523,077	219,520
(ii) Related companies				
PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	46,172	139,842	94,040	152,147
PETRONAS Carigali Sdn. Bhd.	-	73,469	-	6,106
Malaysia Deepwater Floating Terminal (Kikeh) Limited	5,639	19,812	-	-
PETRONAS Fertilizer (Kedah) Sdn. Bhd.	28	-	-	-
	<u>160,189</u>	<u>323,048</u>	<u>617,117</u>	<u>377,773</u>

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.14 Trade and other receivables (cont'd.)

Included in the amount due from customers on contracts are amount due from:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
(i) Immediate holding company	185,808	488,531	1,202,611	1,134,916
(ii) Related company				
PETRONAS Carigali Sdn. Bhd.	8,375	124,160	234,171	151,151

Credit terms of trade receivables for the Group range from 30 days to 45 days (2010: 30 days to 45 days, 2009: 30 days to 45 days, 2008: 30 days to 45 days).

The amount due from immediate holding company and related companies are unsecured, repayable on demand and interest free except for an amount due from immediate holding company of RMNil (2010: RM500,000,000, 2009: RMNil, 2008: RMNil) which is interest bearing at Nil% (2010: 3.10%, 2009: Nil%, 2008: Nil%) per annum.

Provision for impairment of trade receivables of RM32,268,000 for FYE 2009 has been reclassified to provision for liquidated ascertained damages of RM44,824,000, net of liquidated ascertained damages receivables of RM12,556,000 which was included in trade receivables in the same year. An amount of RM5,313,000 for FYE 2010 was reclassified from deposits to other receivables to be consistent with FPE 30.6.2010's presentation.

Further information on credit risk is disclosed in Note 11.25(b).

11.15 Amount due from/(to) customers on contracts

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Aggregate costs incurred and recognised profits (less losses) to date	3,881,497	6,389,162	5,689,786	5,982,795
Less: Progress billings	(3,578,042)	(5,620,697)	(4,650,455)	(5,042,100)
	<u>303,455</u>	<u>768,465</u>	<u>1,039,331</u>	<u>940,695</u>

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.15 Amount due from/(to) customers on contracts (cont'd.)

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Amounts due from customers on contracts (Note 11.14)	392,400	870,778	1,577,466	1,358,531
Amounts due to customers on contracts (Note 11.20)	(88,945)	(102,313)	(538,135)	(417,836)
	<u>303,455</u>	<u>768,465</u>	<u>1,039,331</u>	<u>940,695</u>
Advances received on contracts (Note 11.20)	(7,143)	(175,907)	(430,429)	(461,378)

Construction costs recognised to income statement during the financial year/period by the Group amounted to RM1,048,953,000 (2010: RM5,550,584,000, 2009: RM3,422,530,000, 2008: RM1,379,352,000).

Included in aggregate cost incurred and recognised profits (less losses) to date less progress billings are projects completed pending finalisation of contract sum of RM503,329,000 (2010: RM310,909,000, 2009: RM200,353,000, 2008: RM76,359,000). The Group has received advances of RM459,658,000 (2010: RM310,671,000, 2009: RM120,283,000, 2008: RMNil) for these contracts.

11.16 Cash and bank balances

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	11,252	201,010	134,619	151,473
Deposits with licensed banks	88,486	33,671	631,280	1,195,615
Cash and cash equivalents	<u>99,738</u>	<u>234,681</u>	<u>765,899</u>	<u>1,347,088</u>

The interest rates of deposits that are effective during the financial year/period range from 2.28% to 2.70% (2010: 1.80% to 2.28%, 2009: 1.80% to 3.35%; 2008: 1.80% to 3.89%) per annum. Deposits of the Group have an average maturity of 11 days (2010: 7 days, 2009: 1 day; 2008: 7 days) at the balance sheet date.

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.17 Share capital

	Number of ordinary shares of RM1.00 each			Audited 30.6.2010 '000
	----- Audited ----->			
	2008 '000	2009 '000	2010 '000	
Authorised				
At beginning/end of year/period	100,000	100,000	100,000	100,000
Issued and fully paid				
At beginning/end of year/period	16,220	16,220	16,220	16,220
	Amount			Audited 30.6.2010 RM'000
	----- Audited ----->			
	2008 RM'000	2009 RM'000	2010 RM'000	
Authorised				
At beginning/end of year/period	100,000	100,000	100,000	100,000
Issued and fully paid				
At beginning/end of year/period	16,220	16,220	16,220	16,220

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.18 Deferred Income

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Non-current				
At beginning of year/period	580	735	1,568	2,326
Deferred income received	250	887	1,203	132
	830	1,622	2,771	2,458
Recognised in statement of comprehensive income	(95)	(54)	(445)	(363)
At end of year/period	735	1,568	2,326	2,095

11.19 Borrowings

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Short term borrowings				
Unsecured:				
Revolving credits	33,000	250,000	-	-
Secured:				
Term loan	10,350	2,850	2,900	2,150
	43,350	252,850	2,900	2,150
Long term borrowings				
Unsecured:				
Term loan	-	-	2,631	-
Term loan from immediate holding company	-	-	300,000	-
Secured:				
Term loan	5,750	2,900	-	-
	5,750	2,900	302,631	-

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.19 Borrowings (cont'd.)

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Total borrowings				
Revolving credits	33,000	250,000	-	-
Term loan	16,100	5,750	5,531	2,150
Term loan from immediate holding company	-	-	300,000	-
	49,100	255,750	305,531	2,150
Maturity of borrowings:				
Within one year	43,350	252,850	2,900	2,150
More than 1 year and less than 5 years	5,750	2,900	300,000	-
More than 5 years	-	-	2,631	-
	49,100	255,750	305,531	2,150

The term loan of the Group is secured by the following:

- (a) Fixed and floating charge over all the assets of a subsidiary, Techno Indah Sdn. Bhd.; and
- (b) Corporate guarantee by a subsidiary, Malaysia Marine and Heavy Engineering Sdn. Bhd.

Term loan due to immediate holding company is unsecured.

The weighted average effective interest rates of the borrowings are as follows:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	%	%	%	%
Revolving credits	4.04	3.30	-	-
Term loan	4.00	4.00	3.86	4.00
Term loan from immediate holding company	-	-	3.65	-
	-	-	3.65	-

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.19 Borrowings (cont'd.)

The fair values of the long term borrowings are as follows:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Term loans	5,750	2,900	2,631	2,150
Term loan from immediate holding company	-	-	300,443	-

Fair value of the long term borrowings has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar type of borrowings.

11.20 Trade and other payables

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Trade payables	65,305	88,405	560,236	531,408
Accruals	529,484	805,138	1,383,572	1,169,280
Retention monies	39,738	43,327	48,816	51,216
Advances received on contracts (Note 11.15)	7,143	175,907	430,429	461,378
Due to:				
- customers on contracts (Note 11.15)	88,945	102,313	538,135	417,836
- immediate holding company	-	-	2,645	-
Other payables	152,201	156,353	174,365	250,893
	882,816	1,371,443	3,138,198	2,882,011

Credit terms of trade payables granted to the Group range from 30 days to 60 days (2010, 2009 and 2008: 30 days to 60 days).

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.20 Trade and other payables (cont'd.)

The amount due to immediate holding company is unsecured, interest free and is repayable on demand.

Provision for taxation of RM22,118,000 for FYE 2008 has been reclassified from trade and other payables to tax payable to conform with the presentation for FYE 2010.

Included in trade payables are amounts due to:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
(i) Fellow subsidiary				
- MISC Integrated Logistic Sdn. Bhd.	322	101	8,561	22,271
(ii) Related companies				
- Malaysian International Trading Corporation (Japan) Sdn. Bhd.	3	844	75,791	41,640
- PETRONAS Dagangan Berhad	-	-	219	366

11.21 Provisions

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Warranty				
At beginning of year/period	13,163	14,540	17,265	5,575
Provision/(reversal) during the year/period (Note 11.3)	1,377	2,725	(11,690)	42
At end of year/period	14,540	17,265	5,575	5,617

13. ACCOUNTANTS' REPORT (Cont'd)


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11. Notes to the financial statements of MHB Group (cont'd.)

11.21 Provisions (cont'd.)

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Liquidated ascertained damages				
At beginning of year/period	-	-	44,824	44,824
Provision during the year/period (Note 11.3)	-	44,824	-	-
At end of year/period	-	44,824	44,824	44,824
Total provision for liabilities	14,540	62,089	50,399	50,441

Provision for warranty

The Group gives approximately one year warranty on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the end of the financial year/period for expected warranty claims based on past experience of the level of repairs and returns.

Provision for liquidated ascertained damages

The Group recognised the provision for liquidated ascertained damages for its customers. The provision is recognised for expected claims based on the terms of the agreements.

The provision for FYE 2009 of RM44,824,000 was reclassified from provision for impairment of trade receivables.

11.22 Capital commitments

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Property, plant and equipment:				
Approved and contracted for	382,843	308,928	162,484	114,134
Approved but not contracted for	695,894	56,432	447,820	312,413
	1,078,737	365,360	610,304	426,547

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.23 Contingent liabilities

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Bank guarantees extended to customers for performance bond on contracts	230,043	148,968	274,174	261,996

A subcontractor of the Group has initiated arbitration proceeding for a claim amounting to USD26,273,000 (RM83,614,000 equivalent as at 30 June 2010) due to alleged non payments for works incurred pertaining to Turkmenistan projects.

The Group in response has made a counterclaim amounting to sum of USD2,800,000 (RM8,911,000 equivalent as at 30 June 2010) towards the subcontractor for the alleged non-performance of contracts.

The hearing date for this case has been fixed on 31 January 2011.

11.24 Related party disclosure

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year/period:

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months	3 months
	RM'000	RM'000	RM'000	ended	ended
				30.6.2009	30.6.2010
				RM'000	RM'000
Income:					
Provision of services for repairs, engineering and construction works, conversion of vessels and dry docking to immediate holding company	528,230	1,452,661	2,465,720	368,447	283,513

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.24 Related party disclosure (cont'd.)

(a) Transactions with related parties (cont'd.)

	←----- Audited ----->			Unaudited	Audited
	2008	2009	2010	3 months ended	3 months ended
	RM'000	RM'000	RM'000	30.6.2009 RM'000	30.6.2010 RM'000
Income (cont'd.):					
Provision of services for repairs, conversion of vessels and dry docking to fellow subsidiaries	64,982	47,268	82,398	28,951	14,104
Provision of services for repairs, engineering and construction works, conversion of vessels and dry docking to related companies	352,663	1,609,161	3,161,124	1,130,158	804,674
Interest income receivable from immediate holding company	-	-	548	-	2,064
Expenses:					
Purchase of materials and provision for services rendered by:					
- related companies	217,817	754,181	965,299	351,424	163,142
- fellow subsidiaries	4,447	81,155	100,634	21,145	29,094
Interest on loan from immediate holding company	199	-	7,030	-	1,579

The directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different than that attainable in transactions with unrelated parties.

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.24 Related party disclosure (cont'd.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year/period was as follows:

	<----- Audited ----->			Unaudited 3 months ended	Audited 3 months ended
	2008	2009	2010	30.6.2009	30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	4,358	5,770	5,282	834	561
Post-employment benefits:					
Defined contribution plan	649	621	779	143	105
	<u>5,007</u>	<u>6,391</u>	<u>6,061</u>	<u>977</u>	<u>666</u>

Included in the total key management personnel are:

	<----- Audited ----->			Unaudited 3 months ended	Audited 3 months ended
	2008	2009	2010	30.6.2009	30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 11.4)	1,224	1,267	1,343	183	197

11.25 Financial instruments

(a) Financial risk management

The Group is exposed to various risks that are related to its core business of oil and gas engineering and construction works and marine conversion and repair. These risks arise in the normal course of the Group's business.

The Group's compliance to both MISC's Finance Risk Management Framework and Guidelines and PETRONAS Corporate Financial Policy sets the foundation for the establishment of effective risk management across the Group.

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.25 Financial instruments (cont'd.)

(a) Financial risk management (cont'd.)

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses and management of financial risks exposures arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the year under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (primarily for trade receivables) and from its financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(i) Maximum credit risk exposure

The Group's maximum exposure to credit risk is represented by the carrying amount as disclosed in the Notes 11.14 and 11.16.

(ii) Trade receivables

(a) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	31.3.2010	30.6.2010
	RM'000	RM'000
Engineering and construction	594,748	336,917
Marine conversion and repair	149,772	172,110
Others	10,292	461
	<u>754,812</u>	<u>509,488</u>

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.25 Financial instruments (cont'd.)

(b) Credit risk (cont'd.)

(ii) Trade receivables (cont'd.)

(b) Credit quality

The trade receivables that are neither past due nor impaired, past due but not impaired and impaired are disclosed below:

	31.3.2010	30.6.2010
	RM'000	RM'000
Not impaired or past due	366,335	344,749
Past due 0 to 30 days not impaired	159,126	48,890
Past due 31 to 60 days not impaired	108,577	13,617
Past due 61 to 90 days not impaired	10,851	6,249
Past due more than 90 days not impaired	90,264	77,994
Impaired	19,659	17,989
	<u>754,812</u>	<u>509,488</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

Significant financial difficulties of the debtor, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days aging of trade receivable balances) are considered indicators that the trade receivable is impaired. Individual trade receivable is written off when management deemed the amount to be not collectible.

The movements in the allowance for impairment losses of trade receivables during the year/period are as follows:

	31.3.2010	30.6.2010
	RM'000	RM'000
At 1 April 2009/2010	24,052	19,659
Impairment loss	3,884	-
Reversal of impairment loss	(8,277)	-
Reversal of impairment loss arising from dilution of interest in a subsidiary	-	(1,670)
At 31 March/30 June	<u>19,659</u>	<u>17,989</u>

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.25 Financial instruments (cont'd.)

(b) Credit risk (cont'd.)

(ii) Trade receivables (cont'd.)

(b) Credit quality (cont'd.)

The allowance made is for individually assessed and impaired receivables. There were no allowance made for collective assessment.

(c) Collateral

The Group does not hold collateral as security.

(iii) Other receivables

Other receivables as at 30 June 2010 are creditworthy debtors with good payment record with the Group.

(iv) Cash and bank balances

Cash and deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default. In addition, these cash and deposits with licensed banks are fully guaranteed by Bank Negara Malaysia until 31 December 2010.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdraft facilities.

As at 30 June 2010, the Group had at its disposal cash and short term deposits amounting to RM1,347,088,000 (31.3.2010: RM765,899,000).

The Group's holding of cash and short term deposits, together with committed funding facilities and net cash flow from operations, are expected to be sufficient to cover its cash flow needs.

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.25 Financial instruments (cont'd.)

(c) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group's financial liabilities as at the reporting date based on the undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000	< - Maturity profile of the contractual cash flows -- >		
			Within 1 year RM'000	Within 1-2 years RM'000	More than 2 years RM'000
At 30 June 2010					
Interest bearing borrowings	2,150	2,185	2,185	-	-
Trade and other payables	2,882,011	2,882,011	2,882,011	-	-
	<u>2,884,161</u>	<u>2,884,196</u>	<u>2,884,196</u>	<u>-</u>	<u>-</u>
At 31 March 2010					
Interest bearing borrowings	305,531	331,440	12,192	11,846	307,402
Trade and other payables	3,138,198	3,138,198	3,138,198	-	-
	<u>3,443,729</u>	<u>3,469,638</u>	<u>3,150,390</u>	<u>11,846</u>	<u>307,402</u>

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. As the Group has no significant long term interest bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposit and overnight placement. The Group's interest rate risk arises primarily from interest-bearing borrowings.

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.25 Financial instruments (cont'd.)

(d) Interest rate risk (cont'd.)

Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group's interest rate risk arises from the volatility of the benchmark interest rates in RM, which is the borrowing currency.

The interest rate profile of the Group's interest-bearing financial instruments based on carrying amount as at reporting date was:

	31.3.2010 RM'000	30.6.2010 RM'000
Fixed rate instruments		
Financial liabilities	302,900	2,150
Floating rate instruments		
Financial liabilities	2,631	-

(i) Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/decrease in basis point	Effect on profit before taxation RM'000	Effect on equity RM'000
30 June 2010	+/-35	-	-
31 March 2010	+/-35	9	-

(e) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro and Singapore Dollar ("SGD").

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.25 Financial instruments (cont'd.)

(e) Foreign currency risk (cont'd.)

The Group maintains a natural hedge, wherever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital expenditures, operational expenditures and debt service requirements in the respective currencies.

(i) Foreign currency sensitivity

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in the USD, Euro and SGD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant:

	Change in currency rate	Effect on profit before taxation RM'000	Effect on equity RM'000
Group			
30 June 2010			
USD	+5%	10,738	-
	-5%	(10,738)	-
Euro	+5%	2,642	-
	-5%	(2,642)	-
SGD	+5%	5,078	-
	-5%	(5,078)	-
31 March 2010			
USD	+5%	10,328	-
	-5%	(10,328)	-
Euro	+5%	2,162	-
	-5%	(2,162)	-
SGD	+5%	3,143	-
	-5%	(3,143)	-

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.25 Financial instruments (cont'd.)

(e) Foreign currency risk (cont'd.)

(i) Foreign currency sensitivity (cont'd.)

The net unhedged financial assets of the Group that are not denominated in their functional currency, Ringgit Malaysia are as follows:

	Net financial assets held				
	< ----- in non-functional currencies ----- >				
	USD RM'000	Euro RM'000	SGD RM'000	Others RM'000	Total RM'000
At 31 March 2008					
Ringgit Malaysia	249,910	3,966	11,084	1,415	266,375
At 31 March 2009					
Ringgit Malaysia	203,070	90,779	33,192	6,934	333,975
At 31 March 2010					
Ringgit Malaysia	197,600	43,416	62,942	1,037	304,995
At 30 June 2010					
Ringgit Malaysia	214,280	59,132	101,651	1,708	376,771

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.26 Capital management

The Group's capital management is defined as a process of managing the ratio of equity and debt structure so as to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholders value. The Group's approach in managing capital is set out in the MISC's Corporate Financial Policy.

The Group monitors and maintains a prudent level of total debt to equity ratio to optimise shareholder's value and to ensure compliance with covenants under debt agreements.

The debt to equity ratio of the Group as at 31 March 2008, 31 March 2009 and 31 March 2010 and 30 June 2010 are as follows:

	<----- Audited ----->			Audited
	2008	2009	2010	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Short term borrowings	43,350	252,850	2,900	2,150
Long term borrowings	5,750	2,900	302,631	-
Total debts	<u>49,100</u>	<u>255,750</u>	<u>305,531</u>	<u>2,150</u>
Equity attributable to equity holder of the Group	<u>640,875</u>	<u>919,176</u>	<u>1,198,379</u>	<u>1,308,626</u>
Debts to equity ratio	<u>0.08</u>	<u>0.28</u>	<u>0.25</u>	<u>*</u>

* The ratio is less than 0.01.

13. ACCOUNTANTS' REPORT (Cont'd)

**11. Notes to the financial statements of MHB Group (cont'd.)****11.27 Segment Information**

For management purposes, the Group is organised into business segments based on the services provided as follows:

- (i) Engineering and construction – provision of service for engineering and construction works.
- (ii) Marine conversion and repair – provision of service for conversion and repairs of vessels including provision of repair services and drydocking of liquefied natural gas carriers.
- (iii) Others – comprises supporting divisions to the Group operations, sludge disposal management and manufacturing of pressure vessels and tube heat exchangers.

None of the operating segments has been aggregated to form the above reportable operating segments.

Management monitors the assets and liabilities on a group basis and not by operating segments.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

13. ACCOUNTANTS' REPORT (Cont'd)

Malaysia Marine and Heavy Engineering Holdings Berhad
(formerly known as MSE Holdings Sdn Bhd)
(Incorporated in Malaysia)

11. Notes to the financial statements of MHB Group (cont'd.)

11.27 Segment information (cont'd.)

31 March 2008

	Engineering and construction RM '000	Marine conversion and repair RM '000	Others RM '000	Total RM '000	Adjustments and Eliminations RM '000	Note	Consolidated RM '000
Revenue							
External customers	1,014,937	718,503	8,482	1,741,922	-		1,741,922
Inter-segments	-	123,887	17,092	140,979	(140,979)	A	-
	<u>1,014,937</u>	<u>842,390</u>	<u>25,574</u>	<u>1,882,901</u>	<u>(140,979)</u>		<u>1,741,922</u>
Result							
Operating profit	123,875	153,405	(43,757)	233,523	3,831	A	237,354
Finance costs				(2,172)	716		(1,456)
Profit before tax				231,351	4,547		235,898
Taxation				(41,253)	-		(41,253)
Profit for the year				<u>190,098</u>	<u>4,547</u>		<u>194,645</u>
Segment assets				<u>742,487</u>	<u>904,930</u>	B	<u>1,647,417</u>
Segment liabilities				<u>96,088</u>	<u>904,501</u>	C	<u>1,000,589</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Malaysia Marine and Heavy Engineering Holdings Berhad
(formerly known as MSE Holdings Sdn Bhd)
(Incorporated in Malaysia)

11. Notes to the financial statements of MHB Group (cont'd.)
11.27 Segment information (cont'd.)

	Engineering and construction RM '000	Marine conversion and repair RM '000	Others RM '000	Total RM '000	Adjustments and Eliminations RM '000	Note	Consolidated RM '000
31 March 2009							
Revenue							
External customers	3,042,036	960,366	18,745	4,021,147	-		4,021,147
Inter-segments	-	74,591	37,438	112,029	(112,029)	A	-
	<u>3,042,036</u>	<u>1,034,957</u>	<u>56,183</u>	<u>4,133,176</u>	<u>(112,029)</u>		<u>4,021,147</u>
Result							
Operating profit	207,748	215,645	(78,668)	344,725	4,744	A	349,469
Finance costs				(1,267)	840		(427)
Profit before tax				343,458	5,584		349,042
Taxation				(66,821)	-		(66,821)
Profit for the year				<u>276,637</u>	<u>5,584</u>		<u>282,221</u>
Segment assets				<u>1,474,706</u>	<u>1,186,667</u>	B	<u>2,661,373</u>
Segment liabilities				<u>278,220</u>	<u>1,454,104</u>	C	<u>1,732,324</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Malaysia Marine and Heavy Engineering Holdings Berhad
(formerly known as MSE Holdings Sdn Bhd)
(Incorporated in Malaysia)

11. Notes to the financial statements of MHB Group (cont'd.)

11.27 Segment information (cont'd.)

31 March 2010

	Engineering and construction RM '000	Marine conversion and repair RM '000	Others RM '000	Total RM '000	Adjustments and Eliminations RM '000	Note	Consolidated RM '000
Revenue							
External customers	5,603,792	539,986	3,234	6,147,012	-		6,147,012
Inter-segments	-	89,671	48,458	138,129	(138,129)	A	-
	<u>5,603,792</u>	<u>629,657</u>	<u>51,692</u>	<u>6,285,141</u>	<u>(138,129)</u>		<u>6,147,012</u>
Result							
Operating profit	285,851	99,940	(7,465)	378,326	2,333	A	380,659
Finance costs				(3,502)	50		(3,452)
Share of results jointly controlled entity				(1)	-		(1)
Profit before tax				374,823	2,383		377,206
Taxation				(93,091)	-		(93,091)
Profit for the year				<u>281,732</u>	<u>2,383</u>		<u>284,115</u>
Segment assets				<u>2,312,619</u>	<u>2,471,508</u>	B	<u>4,784,127</u>
Segment liabilities				<u>968,564</u>	<u>2,602,399</u>	C	<u>3,570,963</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Malaysia Marine and Heavy Engineering Holdings Berhad
(formerly known as MSE Holdings Sdn Bhd)
(Incorporated in Malaysia)

11. Notes to the financial statements of MHB Group (cont'd.)

11.27 Segment information (cont'd.)

	Engineering construction and RM '000	Marine and conversion and repair RM '000	Others RM '000	Total RM '000	Eliminations RM '000	Notes	Consolidated RM '000
30 June 2009 (unaudited)							
Revenue							
External customers	1,489,742	189,026	987	1,679,755	-		1,679,755
Inter-segments	-	17,369	12,270	29,639	(29,639)	A	-
	<u>1,489,742</u>	<u>206,395</u>	<u>13,257</u>	<u>1,709,394</u>	<u>(29,639)</u>		<u>1,679,755</u>
Result							
Operating profit	24,322	22,110	740	47,172	60	A	47,232
Finance costs				(194)	-		(194)
Profit before tax				46,978	60		47,038
Taxation				(11,243)	-		(11,243)
Profit for the year				<u>35,735</u>	<u>60</u>		<u>35,795</u>
Segment assets				<u>1,490,377</u>	<u>1,459,415</u>	B	<u>2,949,792</u>
Segment liabilities				<u>615,917</u>	<u>1,369,031</u>	C	<u>1,984,948</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Malaysia Marine and Heavy Engineering Holdings Berhad
(formerly known as MSE Holdings Sdn Bhd)
(Incorporated in Malaysia)

11. Notes to the financial statements of MHB Group (cont'd.)

11.27 Segment information (cont'd.)

30 June 2010

	Engineering and construction RM '000	Marine conversion and repair RM '000	Others RM '000	Total RM '000	Adjustments and Eliminations RM '000	Note	Consolidated RM '000
Revenue							
External customers	1,059,961	112,574	363	1,172,898	-		1,172,898
Inter-segments	-	34,065	391	34,456	(34,456)	A	-
	<u>1,059,961</u>	<u>146,639</u>	<u>754</u>	<u>1,207,354</u>	<u>(34,456)</u>		<u>1,172,898</u>
Result							
Operating profit	52,010	22,530	21,807	96,347	(670)	A	95,677
Finance costs				(733)	-		(733)
Share of results of jointly controlled entities				128	-		128
Profit before tax				95,742	(670)		95,072
Taxation				15,185	-		15,185
Profit for the year				<u>110,927</u>	<u>(670)</u>		<u>110,257</u>
Segment assets				<u>1,850,030</u>	<u>2,448,633</u>	B	<u>4,298,663</u>
Segment liabilities				<u>879,214</u>	<u>2,107,239</u>	C	<u>2,986,453</u>

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.27 Segment Information (cont'd.)

Note

- A Inter-segment revenues and transactions eliminated on consolidation.
- B The following items are deducted from total assets as reported in the statement of financial position to arrive at the items reviewed:

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	30.6.2009	30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Total assets	1,647,417	2,661,373	4,784,127	2,949,792	4,298,663
Property, plant and equipment	634,967	685,244	928,851	783,992	963,633
Prepaid land lease payments	51,991	71,232	69,173	70,835	68,658
Investment in jointly controlled entities	-	180	179	180	11,501
Other investment	15	15	15	15	15
Deferred tax assets	67	442	253	442	-
Inventories	16,764	46,849	38,523	35,250	33,627
Other receivables	97,574	146,556	666,722	135,090	22,211
Tax recoverable	3,814	1,468	1,893	2,031	1,900
Cash and cash equivalents	99,738	234,681	765,899	431,580	1,347,088
Adjustments and eliminations to total assets	904,930	1,186,667	2,471,508	1,459,415	2,448,633
Total items reviewed	742,487	1,474,706	2,312,619	1,490,377	1,850,030
The items reviewed comprised:					
Due from customers on contract	392,400	870,778	1,577,466	904,408	1,358,531
Trade receivables	350,087	603,928	735,153	585,969	491,499
	742,487	1,474,706	2,312,619	1,490,377	1,850,030

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.27 Segment Information (cont'd.)

Note

- C The following items are deducted from total liabilities as reported in the statement of financial position to arrive at the items reviewed:

	<----- Audited ----->			Unaudited	Audited
	2008	2009	2010	30.6.2009	30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Total liabilities	1,000,589	1,732,324	3,570,963	1,984,948	2,986,453
Deferred income	735	1,568	2,326	2,416	2,095
Borrowings	49,100	255,750	305,531	175,050	2,150
Deferred tax liabilities	31,280	4,640	25,693	16,153	28,812
Trade and other payables	786,728	1,093,223	2,169,634	1,098,829	2,002,797
Provisions	14,540	62,089	50,399	54,342	50,441
Provision for taxation	22,118	36,834	48,816	22,241	20,944
Adjustments and eliminations to total liabilities	904,501	1,454,104	2,602,399	1,369,031	2,107,239
Total items reviewed	96,088	278,220	968,564	615,917	879,214
The items reviewed comprised:					
Advance received on contracts	7,143	175,907	430,429	129,313	461,378
Due to customers on contract	88,945	102,313	538,135	486,604	417,836
	96,088	278,220	968,564	615,917	879,214

13. ACCOUNTANTS' REPORT (Cont'd)



11. Notes to the financial statements of MHB Group (cont'd.)

11.27 Segment Information (cont'd.)

Geographical segments

The following table provides an analysis of the group's revenue and carrying amount of segment assets by geographical segments:

	Revenue RM'000	Segment assets RM'000
31 March 2008		
Malaysia	1,441,485	1,601,246
Turkmenistan	300,437	46,171
	<u>1,741,922</u>	<u>1,647,417</u>
31 March 2009		
Malaysia	2,719,958	2,521,427
Turkmenistan	1,301,189	139,946
	<u>4,021,147</u>	<u>2,661,373</u>
31 March 2010		
Malaysia	3,583,218	4,635,979
Turkmenistan	2,563,794	148,148
	<u>6,147,012</u>	<u>4,784,127</u>
30 June 2009 (Unaudited)		
Malaysia	608,076	2,876,057
Turkmenistan	1,071,679	73,735
	<u>1,679,755</u>	<u>2,949,792</u>
30 June 2010		
Malaysia	488,382	4,137,902
Turkmenistan	684,516	160,761
	<u>1,172,898</u>	<u>4,298,663</u>

13. ACCOUNTANTS' REPORT (Cont'd)


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11. Notes to the financial statements of MHB Group (cont'd.)

11.27 Segment Information (cont'd.)

Information about major customers

Breakdown of revenue from major customers is as follows:

	<----- Audited ----->			Unaudited 3 months ended	Audited 3 months ended
	2008	2009	2010	30.6.2009	30.6.2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Immediate holding company					
- Engineering and construction	434,870	1,111,471	2,316,003	275,721	240,065
- Marine conversion and repair	93,360	341,190	149,717	92,726	43,448
	<u>528,230</u>	<u>1,452,661</u>	<u>2,465,720</u>	<u>368,447</u>	<u>283,513</u>
PETRONAS Carigali (Turkmenistan) Sdn. Bhd., a related company					
- Engineering and construction	300,437	1,301,189	2,563,794	1,071,679	684,516

11.28 Significant events

- (a) On 1 April 2010, the Group disposed 1,120,000 ordinary shares of RM1 each in a subsidiary, MMHE-ATB for a sale proceeds of RM6,000,000 or RM5.35 per share. This effectively reduced the Group's equity interest in MMHE-ATB from 60% to 40%.
- (b) On 8 April 2010, the immediate holding company, MISC, made an announcement to Bursa Securities to list the Group on the Main Market of Bursa Securities.

The proposed listing exercise is subject to approval of the regulatory bodies which comprise Securities Commission, Securities Commission (Equity Compliance Unit), Ministry of International Trade and Industry ("MITI"), shareholders of MISC and Bursa Securities.

13. ACCOUNTANTS' REPORT (Cont'd)**11. Notes to the financial statements of MHB Group (cont'd.)****11.28 Significant events**

- (c) On 11 June 2010, a subsidiary of the Group was granted investment tax allowances ("ITA") incentive in respect of qualifying capital expenditure incurred for its Yard Optimisation programme. The ITA incentive would apply on qualifying capital expenditure incurred for a period of 10 years from the year 2006, and will commence from a date to be determined by MITI. The ITA will entitle the subsidiary to claim 100% ITA on qualifying capital expenditure incurred in the relevant years of assessment, to be claimed against statutory income of the said subsidiary. The ITA is an additional deduction to the capital allowances granted on qualifying capital expenditure.

The ITA incentive was approved subject to certain conditions imposed by the Malaysia Investment Development Authority.

11.29 Subsequent events

On 9 July 2010, MMHE divested its 100% equity interest in MTSB to the Company.

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Ernst & Young
AF: 0039
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Ismed'.

Ismed Darwis bin Bahatlar
No. 2921/04/12(J)
Chartered Accountant

14. DIRECTORS' REPORT



27 SEP 2010

The Shareholders of
Malaysia Marine and Heavy Engineering Holdings Berhad
(formerly known as MSE Holdings Berhad)

Dear Sir/Madam

On behalf of the Board of Directors of Malaysia Marine and Heavy Engineering Holdings Berhad *(formerly known as MSE Holdings Berhad)* ("MHB"), I report after due inquiry that during the period from 30 June 2010 (being the date to which the last audited financial statements of MHB and its subsidiaries and jointly controlled companies ("MHB Group") have been made up) to the date of this letter (being a date not earlier than 14 days before the issue of this Prospectus), that:

- (a) the business of the MHB Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the MHB Group which have adversely affected the trading or the value of the assets of the MHB Group;
- (c) the current assets of the MHB Group appear in the books at the values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 12.2.7 of in this Prospectus, there are no other contingent liabilities by reason of any guarantee or indemnity given by the MHB Group;
- (e) since the last audited financial statements of the MHB Group, there have been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums for any borrowings which the Directors are aware; and
- (f) save as disclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factor affecting the profits of the MHB Group since the last audited financial statements of the MHB Group.

Yours faithfully

For and on behalf of the Board of Directors of
MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
(formerly known as MSE Holdings Berhad)

Wan Yusoff bin Wan Hamat
 Managing Director/Chief Executive Officer

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (178821-X)
(Formerly known as MSE Holdings Berhad)
 (Incorporated in Malaysia)

Level 31, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, MALAYSIA.
 Tel: +6 03 2273 8088 | Fax: +6 03 2275 2705 | www.mmhe.com.my

15. STATUTORY AND OTHER GENERAL INFORMATION

15.1 Share capital

- (i) No securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of the issue of this Prospectus.
- (ii) As at LPD, there is only one class of shares in our Company namely ordinary shares of RM0.50 each, all of which rank equally with one another.
- (iii) Save as disclosed in this Prospectus, we have not issued or proposed to issue any shares, stocks or debentures of our Group as fully or partly paid-up in cash or otherwise, within the two (2) years preceding the date of this Prospectus.
- (iv) Save for the Issue Shares reserved for subscription by our Directors and eligible employees of our Group as disclosed in Section 4.3.1.2(iii) of this Prospectus, none of our Group's Director or employee has been or is entitled to be given or has exercised any option to subscribe for any share, stock or debenture of our Group nor has any option to subscribe for securities been granted or exercised by any Directors or employees since incorporation.
- (v) Save for the Issue Shares reserved for subscription by our Directors and eligible employees of our Group as disclosed in Section 4.3.1.2(iii) of this Prospectus, there is currently no scheme involving our Directors and eligible employees of our Group in the share capital of our Group.
- (vi) Save for our Promoter as disclosed in Section 9.3 of this Prospectus, there is no other persons who are able to, directly and indirectly, jointly or severally, exercise control over our Company.
- (vii) None of our Group's capital is under any option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (viii) Our Company does not have any outstanding convertible debt security as at LPD.

15.2 Articles of Association

The following provisions are extracted from our Company's Articles of Association ("Articles"). The words, terms and expression appearing in the following provision shall bear the same meanings used in the Articles unless they are otherwise defined here or the context otherwise requires:

"Act" means the Companies Act, 1965 and every other Regulation for the time being in force concerning joint stock companies and affecting the Company.

"Articles" means the Articles of Association set out herein, as the same may be amended by special resolution from time to time.

"Audit Committee" means the audit committee appointed in accordance with the regulations or requirements prescribed by the Exchange from time to time.

"Authorised Nominee" means a person who is authorised to act as nominee as specified under the Rules.

"Beneficial Owner" means in relation to Deposited Securities, the ultimate owner of the Deposited Securities who is the person who is entitled to all rights, benefits, powers and privileges and is subject to all liabilities, duties and obligations in respect of, or arising from, the Deposited Securities and does not include a nominee of any description.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

"Book Closing Date" means the specified time and date set by the Company for the purpose of determining persons entitled to dividends, interest, or new securities, or rights to a priority of application of issues of securities or other distributions.

"Central Depositories Act" means the Securities Industry (Central Depositories) Act 1991 and any statutory modification, amendment or re-enactment thereof and any and every other legislation made thereunder for the time being in force.

"Central Depository" means the Malaysian Central Depository Sdn Bhd.

"Commission" means the Securities Commission established under Section 3 of the Securities Commission Act 1993.

"Company" means Malaysia Marine and Heavy Engineering Holdings Berhad (Company No. 178821-X)

"Convertible Securities" means securities which are convertible or exercisable by the holder, or automatically, by their terms of issue, into shares or stocks.

"Depositor" means a holder of a securities account.

"Deposited Security" means a security standing to the credit of a securities account and includes securities in a securities account that is in suspense.

"Directors" means the directors of the Company for the time being or the Directors present at a duly convened meeting of Directors at which a quorum is present and includes alternate directors.

"Dividend" includes bonus.

"Exchange/Stock Exchange" means the Bursa Malaysia Securities Berhad (Company No. 635998-W) or such other name it may assume from time to time or any other stock exchange(s) on which the shares or other securities of the Company are quoted from time to time.

"Foreign Ownership Regulations" mean Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996.

"Foreigners" means:

- (a) an individual who is not a citizen of Malaysia;
- (b) a body, corporate or unincorporated, which is incorporated or constituted as the case may be, outside Malaysia;
- (c) a trustee administering a trust which is constituted under any foreign law;
- (d) a trust corporation which is incorporated under any foreign law;
- (e) a society including a co-operative society or any other institution, which is constituted, registered or incorporated under any foreign law;
- (f) a nominee company incorporated in Malaysia which:
 - (i) is identified with the word "Asing" in its name; and
 - (ii) performs the services of a nominee, agent or trustee solely for or on behalf of legal or beneficial owners of securities who are foreigners; or

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (g) a company, other than a company described under paragraph (f), which is incorporated in Malaysia and any one of the persons or a combination of persons referred to in paragraph (a), (b), (c), (d), or (e) is entitled to exercise or control the exercise of more than fifty per centum of the voting rights of the Company.

"Independent Director" means a Director as defined under the Listing Requirements.

"Listing Requirements" means the Main Market Listing Requirements or Rules of the Exchange including any amendment to the Listing Requirements that may be made and such practice notes or circulars as may be issued by the Exchange from time to time.

"Market Day" means any day between Mondays and Fridays which is not a market holiday of the Exchange or public holiday.

"Member" means any person/persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Malaysian Central Depository Nominees Sdn Bhd) and, subject to the provisions of the Foreign Ownership Regulations, depositors whose names appear on the Record of Depositors but shall exclude the Central Depository or its nominee company in whose name the Deposited Security is registered.

"Month" means calendar month.

"Office" means the registered office for the time being of the Company.

"Principal Subsidiary" means a subsidiary which accounts for 25% or more of

- (a) the latest audited consolidated PAT of the Company or group or
(b) the total assets employed of the Company or group.

"Record of Depositors" means a record provided by the Central Depository to the Company under chapter 24.0 of the Rules.

"Rules" means the Rules of the Central Depository.

"Register" means the Register of Members to be kept pursuant to the Act.

"Seal" means the Common Seal of the Company.

"Securities" include shares, debentures, stocks, or bonds issued or proposed to be issued and includes any right, option or interest in respect thereof.

"Securities Account" means an account established by a central depository for a depositor for the recording or withdrawal of securities and for dealing in such securities by the depositor.

"Special Resolution" has the meaning assigned thereto by the Act.

"Year" means calendar year.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

15.2.1 Voting rights**Article 85**

Subject to Article 69, a holder of ordinary shares shall be entitled to be present and to vote at any General Meeting in respect of any share or shares upon which all calls due to the Company has been paid.

Article 86

Where the capital of a company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

Article 87

Subject to any special rights or restrictions as to voting upon which any shares may be held, on a show of hands every Member present in person or by proxy, or attorney, or by a duly authorised representative and entitled to vote, shall have one (1) vote only. Upon a poll every Member present in person, by proxy, or attorney or by a duly authorised representative entitled to vote, shall have one (1) vote for every share held by such Member. Any proxy or duly authorised representative appointed to vote and attend instead of a Member, shall have the same right as the Member to speak at the meeting.

Article 88

Where a Member of the company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.

Article 89

On a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who is personally present and entitled to vote shall be entitled to one (1) vote.

Article 90

If any Member be of unsound mind he may vote by his legally appointed committee or manager or other legal curator of his estate.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

15.2.2 Changes in capital and modification of rights**Article 4**

The authorised share capital of the Company shall be specified in the Memorandum of Association of the Company. The Company may from time to time change its authorised share capital.

Article 8(d)

The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned, PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths (3/4) of the preference capital concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Article 60

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply.

15.2.3 Issue of Shares**Article 8(a)**

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the Act and the provisions of these Articles, the shares of the Company shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons and on such terms and conditions with such preferred, deferred or other special rights or such restrictions whether in regard to dividend, voting, return of capital and with full power to give to any person the call on any shares either at par or at a premium during such time and for such consideration as the Directors determine, PROVIDED ALWAYS:-

- (i) the Company shall not issue shares to transfer controlling interest without prior approval of shareholders in a general meeting;
- (ii) no Director shall participate in an issue of shares to employees unless shareholders in general meeting have approved of the specific allotment to be made to such Director; and
- (iii) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 8(b)

Subject to the Act, the provision of these Articles and the requirements of the Exchange the Company shall have power to issue preference shares on such terms and conditions and carrying such rights or restrictions. The Company shall not, unless with the consent of existing preference shareholders at a class meeting, issue preference shares ranking in priority to the preference shares already issued but may issue preference shares ranking equally therewith.

Article 9

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings, in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this article.

15.2.4 Dividends**Article 146**

Subject to any rights or privileges for the time being attached to any shares in the capital of the Company having preferential or special rights in regard to dividend and to provisions of these Articles as to the reserve fund the Profits of the Company which it shall from time to time be determined to distribute by way of dividend, shall be applied in payment of dividends upon the Ordinary Shares of the Company in proportion to the amounts paid up thereon respectively otherwise than in advance of calls.

Article 147

The Company in General Meeting may declare a dividend to be paid to the Members according to their rights and interests in the profits and may fix the time for payment.

Article 148

No larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend.

Article 149

No dividend shall be payable except out of the profits of the year or any other undistributed profits of the Company, but this proviso shall be without prejudice to the right of the Directors to apply any part of any such reserve funds as may represent undistributed profits to provide, make up, equalise or increase any dividend or to pay a bonus from time to time. No dividend shall carry interest as against the Company.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 151

The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.

Article 154

The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of any unpaid liabilities in respect of which the lien exists as hereinbefore provided by these Articles.

Article 155

Any General Meeting declaring a dividend may, upon the recommendation of the Directors, resolve that such dividend be paid wholly or in part by the distribution of specific assets and in particular of paid-up shares debentures or debenture stock of the Company, or paid-up shares, debentures or debenture stock of any other company or in any one (1) or more of such ways; and any General Meeting may, upon the recommendation of the Directors resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund or funds or other special account or in the hands of the Company and available for dividend and including any profits arising from the sale or revaluation of the assets of the Company or any part thereof or by reason of any other accretion to capital assets (or representing premiums received on the issue of shares and standing to the credit of the share premium account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distribution by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full any unissued shares of the Company or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum. For the purpose of giving effect to any resolution under this Article the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient, and in particular may issue fractional certificates and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed or that fractions of less value than One Ringgit Malaysia (RM1.00) may be disregarded in order to adjust the rights of all parties and may vest any such cash or specified assets in Trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with the provisions of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

Article 157

Any dividend may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto or to such person and such address as the holder may direct. Every such cheque shall be made payable to the order of the persons to whom it is sent or to such person as the holder may direct and payment of the cheques if purporting to be endorsed shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

15.2.5 Winding-up**Article 166**

If the Company shall be wound up and the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed among the Members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding-up on the shares held by them respectively and if in a winding-up the assets available as aforesaid shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively but this article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

Article 167

- (i) If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a Special Resolution, divide among the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustee upon such trusts for the benefit of the contributories or any of them as the Liquidator, with the like sanction, shall think fit.
- (ii) If thought expedient, and such division may be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part, but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on, any contributory who would be prejudiced thereby shall have a right of dissent and other ancillary rights as if such determination were a Special Resolution passed pursuant to the provisions of the Act.
- (iii) In case any shares to be divided as aforesaid involve a liability to calls or otherwise, any person entitled under such division to any of the said shares may, within ten (10) days after the passing of the Special Resolution, by notice in writing direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall, if practicable, act accordingly.

Article 168

On the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been approved by shareholders. The amount of such payment shall be notified to all shareholders at least seven (7) days prior to the meeting at which it is to be considered.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

15.2.6 Calls**Article 16**

No shareholder shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him, together with interest and expenses (if any).

Article 17

The Directors may from time to time (subject to the terms on which any shares may have been issued) make such calls as they think fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each Member (subject to receiving not less than fourteen (14) days' notice specifying the time or times and place of payment and to whom the same shall be paid) shall pay the amount of every call so made on him to the persons and at the time or times and place so specified by the Directors. A call may be made payable by instalments and may be revoked or postponed as the Directors may determine.

Article 18

A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. The Directors may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment.

Article 19

If the sum payable in respect of any call or instalment is not paid on or before the date appointed for the payment thereof the holder for the time being of the share in respect of which the call shall have been made or the instalment shall be due shall be liable to pay interest for the same at the rate of ten percent (10%) per annum from the day appointed for the payment thereof to the time of the actual payment or at such lesser rate as the Directors may determine.

Article 20

If by the terms of the issue of any shares or otherwise any amount is made payable at any fixed time or by instalments at any fixed times whether on account of the amount of the shares or by way of premium every such amount or instalment shall be payable when due as if it were a call duly made by the Directors and of which due notice had been given and shall be paid to the Company by the person who for the time being shall be the registered holder of the share; and all the provisions hereof with respect to the payment of calls and interest thereon or to the forfeiture of shares for non-payment of calls shall apply to every such amount or instalment and the shares in respect of which it is payable.

Article 21

The Company may make arrangements on the issue of the shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.

Article 22

Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 23

The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money unpaid upon the shares held by him beyond the sums actually called for and upon the money so paid in advance or so much thereof as from time to time exceeds the amount of calls then made upon the shares in respect of which such advance has been made the Company may pay interest at such rate not exceeding, without the sanction of the Company in General Meeting six percent (6%) per annum as the Member paying such sum in advance and the Directors agreed upon. Money so paid in excess of the amount of calls shall not rank for dividends and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.

Article 24

On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the register as the holder or one of the holders of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor that the meeting at which any call was made was duly convened and constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

15.2.7 Acquisition of own Shares**Article 7**

The Company may, subject to, and in accordance with the Act, the rules, regulations and orders made pursuant to the Act, the conditions, restrictions and limitations expressed in these Articles and the requirements of the Exchange and any other relevant authorities from time to time, by resolution purchase its own shares.

Any shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and the guidelines issued by the Exchange and/or any other relevant authorities from time to time.

Article 56

Subject always to the compliance with the provisions of the Act and the requirements of the Exchange and all other applicable laws, Rules, regulations and guidelines for the time being in force, the Company may, with the sanction of the Members in a general meeting, purchase its own shares upon and subject to such terms and conditions as the Directors may, in their discretion deem fit or necessary, PROVIDED THAT the said purchase does not result in the total aggregate number of shares purchased or held exceeding ten percent (10%) of the issued and paid-up share capital of the Company for the time being and the prior approval of the Exchange has been obtained.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 57

Where the Company has purchased its own shares in the manner as provided in Article 56 above, the Directors may resolve to, if the applicable laws for the time being in force so allow:-

- (a) cancel the shares so purchased; or
- (b) retain the shares so purchased as treasury shares (as defined in the Act); or
- (c) retain part of the shares so purchased as treasury shares and cancel the remainder; or
- (d) deal with the shares so purchased in the manner as may from time to time be prescribed and/or allowed by applicable laws, Rules, regulations and guidelines then in force.

Article 58

Where the shares so purchased or any part thereof are retained as treasury shares, the Directors may at any time, subject to the provisions of and in compliance with all applicable laws, Rules, regulations and guidelines for the time being in force:-

- (a) distribute the treasury shares as dividends to the Members in the manner as may be allowed by applicable law; or
- (b) re-sell the treasury shares on the market of the Exchange on which the said shares are quoted in accordance with the relevant guidelines, Rules and/or requirements of the Exchange; or
- (c) deal with the treasury shares in the manner as may from time to time be prescribed and/or allowed by the applicable laws, Rules, regulations and guidelines then in force.

Article 59

While the shares are held as treasury shares, the rights attached to such shares as to voting, dividends and participation in other distribution and otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of Section 67A(3C) of the Act, the provisions of any law or requirements of the Articles of Association of the Company or the Listing Requirements on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

15.2.8 Deposited securities and rights of Depositors**Article 10**

Save as herein otherwise provided the Company, the Central Depositories Act and the Rules shall be entitled to treat the person whose name appears upon the Register of Members or Record of Depositors as the holder of any share as the absolute owner thereof and shall not, except as ordered by a Court of competent jurisdiction or as by law required, be under any obligation to recognise any charge, encumbrance, lien, trust, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof.

Article 13

Subject to the provisions of the Act, the Central Depositories Act, the Listing Requirements and the Rules, the Company shall allot shares and despatch notices of allotment to the allottees and make an application for the quotation of such securities within the stipulated time frame as may be prescribed by the Exchange.

Article 14

Save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act, all new issues of shares or securities for which listing is sought shall be made by way of crediting the securities accounts of the allottees with such shares or securities, and for this purpose, the Company shall notify the Central Depository of the names of the allottees and all such particulars required by the Central Depository, to enable the Central Depository to make the appropriate entries in the securities accounts of such allottees. Every certificate shall be issued under the seal and bear the signatures or the autographic signatures reproduced by mechanical, electronic and/or by any other means of one (1) Director and the Secretary or another Director or such other person as may be authorised by the Directors, and shall specify the shares to which it relates, and the amount paid up thereon.

Article 15

Subject to the provisions of the Act, the Central Depositories Act and the Rules, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the Central Depository. In the case of defacement or wearing out, on delivery of the old certificate and in any case on payment of such sum not exceeding Ringgit Malaysia Three (RM3.00) only per certificate or such other sum as may from time to time be permitted by the Exchange. In the case of the destruction, loss or theft of a share certificate, the Central Depository who shall be entitled to such renewed certificate, shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

Article 37

Subject to the restriction imposed by these Articles, Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 38

Every instrument of transfer shall be in writing and in the prescribed form as approved under the Rules and shall be presented to the Central Depository with such evidence (if any) as the Central Depository may require, from time to time to prove that the title of the intending transferor and the intended transferee is a qualified person.

Article 39

The Central Depository may refuse to register any transfer of deposited security that does not comply with the Central Depositories Act and the Rules.

Article 40

The Directors may in their absolute discretion decline to register any transfer of shares where the registration of the transfer would result in a contravention of or failure to observe the provisions of any laws in Malaysia or the transfer is in respect of a partly paid share in respect of which a call has been made and is unpaid.

Article 41

The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year or such number of days as may be prescribed by the Exchange. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended suspension or closure and the purposes thereof, which notice shall be at least twelve (12) market days after the date of announcement to the Exchange or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors.

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15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

15.2.9 Remuneration of directors**Article 98**

Each of the Directors, other than a Director in the employ of the Company, shall be paid out of the funds of the Company as remuneration for his services such fixed sum as shall be determined by a resolution of the Company at a General Meeting where notice of the proposed sum has been given in the notice convening the meeting and which shall not include any sum by way of commission or a percentage of profits or of turnover. Salaries paid to Directors in the employ of the Company may not include a commission on or percentage of turnover. An Alternate Director shall receive his remuneration from the Director appointing him and not from the Company, unless the Company be instructed in writing by the Director to pay any portion of his remuneration to such Alternate. A director may also be paid all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, or of any committee of the Directors, or General Meetings, or otherwise in or about the business of the Company. Fees payable to Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Article 99

If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, the Company may remunerate the Directors so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in General Meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors.

Article 105

Each Director shall have the power to nominate any person approved for that purpose by a majority of the other Directors to act as Alternate Director in his place and at his discretion to remove such Alternate Director and appoint another in his place and on such appointment being made and approved, the Alternate Director shall in all respects be subject to the terms and conditions existing with reference to the other Directors and each Alternate Director whilst acting in the place of the Director whom he represents shall exercise and discharge all the duties and function of such Director but shall look to such Director solely for his remuneration. Any fee paid by the Company to the Alternate shall be deducted from that Director's remuneration. The appointment of an Alternate Director shall be cancelled and the Alternate Director shall cease to hold office whenever the Director who appointed him shall cease to be a Director or shall give notice in writing to the Secretary that the Alternate Director representing him shall have ceased to do so. A Director retiring at any ordinary meeting and being re-elected shall not for the purposes of this Article be deemed to have ceased to be a Director.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 107

The Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors, for such period not exceeding three (3) years, at such remuneration and upon such terms as to the duties to be performed, the powers to be exercised and all other matters as they think fit, but so that no Managing Director shall be invested with any powers or entrusted with any duties which the Directors themselves could not have exercised or performed. The remuneration of a Managing Director may be by way of salary or commission or participation in profits, or by any or all of those modes, but a salary shall not include a commission on or percentage of turnover, and it may be made a term of his appointment that he be paid a pension or gratuity on retirement from his office. A Managing Director shall be subject to the control of the Board of Directors.

15.2.10 Voting and borrowing powers of directors, including voting powers on proposals, arrangements or contracts in which they are interested**Article 61**

The Directors may from time to time at their absolute discretion raise or borrow any sum or sums of money for the purposes of the Company and from any persons, banks, firms or companies (expressly including any person holding the office of Director) and may secure the payment of such moneys in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of debentures or debenture stock of the Company perpetual or redeemable or by making, drawing, accepting or endorsing on behalf of the Company any promissory notes or bills of exchange or giving or issuing any other security of the Company or by mortgage or charge of all or any of the property of the Company both present and future, including its uncalled capital for the time being and the Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and assets of the Company or otherwise.

Article 103

Subject to the provisions of the Act, no Director shall be disqualified by his office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any Director or with any company or partnership of or in which any Director shall be a Member or otherwise interested be avoided, nor shall any Director so contracting or being such Member or so interested be liable to account to the Company for any profit realised by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established, but the nature of his interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest. A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has directly or indirectly an interest.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 121

Questions arising at any meeting shall be decided by a simple majority of votes, each Director having one (1) vote and in case of an equality of votes the Chairman shall have a second or casting vote. Save that where two (2) Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote.

15.2.11 Transfer of securities**Article 37**

Subject to the restriction imposed by these Articles, Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities.

Article 38

Every instrument of transfer shall be in writing and in the prescribed form as approved under the Rules and shall be presented to the Central Depository with such evidence (if any) as the Central Depository may require, from time to time to prove that the title of the intending transferor and the intended transferee is a qualified person.

Article 39

The Central Depository may refuse to register any transfer of deposited security that does not comply with the Central Depositories Act and the Rules.

Article 40

The Directors may in their absolute discretion decline to register any transfer of shares where the registration of the transfer would result in a contravention of or failure to observe the provisions of any laws in Malaysia or the transfer is in respect of a partly paid share in respect of which a call has been made and is unpaid.

Article 41

The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year or such number of days as may be prescribed by the Exchange. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended suspension or closure and the purposes thereof, which notice shall be at least twelve (12) market days after the date of announcement to the Exchange or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**Article 42**

A fee not exceeding Ringgit Malaysia Three (RM3.00) may be charged for the registration or transmission under the transmission Article. In addition, a fee not exceeding Ringgit Malaysia Three (RM3.00) may be charged in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares. All such fees shall, if required by the Directors, be paid before registration.

Article 43

Neither the Company nor its Directors nor any of its Officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other Officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

15.3 Public take-overs

On 21 January 2008, we entered into a conditional sale and purchase agreement ("Conditional SPA") with Ramunia Holdings Berhad ("Ramunia") for the reverse take-over ("RTO") of Ramunia via the disposal of our entire equity interest in MMHE comprising 100 million ordinary shares of RM1.00 each in MMHE for a total sale consideration of RM3.2 billion, which is based on, among others, the PE multiple of approximately 19.5 times derived from MMHE's PATAMI of RM163.8 million for FYE 31 March 2007 and the audited consolidated net assets attributable to shareholders of MMHE of RM440 million as at FYE 31 March 2007. The RTO exercise was supposed to enable MISC to achieve a separate listing status for MMHE via Ramunia, which would have allowed MMHE to tap the capital markets for its future expansion plans.

However, we subsequently terminated the Conditional SPA (as supplemented by the supplemental agreement dated 30 September 2008) on 25 November 2008 with immediate effect due to unsatisfactory due diligence findings.

Notwithstanding the above, it has always been our holding company, MISC's objective to seek a separate listing for MHB or MMHE. In relation thereto, we are now undertaking the IPO exercise to facilitate the Listing.

The PE multiple of approximately 21.8 times applicable for the Listing is based on the EPS of RM0.17 after taking into account of MHB's audited consolidated PATAMI of RM279.20 million for FYE 31 March 2010 and the enlarged issued and paid-up share capital upon the Listing of 1,600,000,000 MHB Shares. The higher PE multiple for the Listing is supported by the current robust orderbook amounting to RM5,951.9 million as of 30 June 2010 and the future prospects of the Group as well as the positive outlook of the global and regional oil and gas sector.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

15.4 Limitations of rights

There are no limitations on the right to own securities including limitations on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.5 General

- (i) Save as disclosed in Section 4.8 of this Prospectus, there have been no commissions, discounts, brokerages or other special terms granted or paid by our Group within the two (2) years immediately preceding the date of this Prospectus in connection with the issue or sale of any of our Shares or debentures for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any Shares or debenture of our Group and no Director/proposed Director/Promoter is or are entitled to receive any such payment or any other benefits.
- (ii) Expenses incidental to our listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities amounting to about RM37.0 million will be borne by us.
- (iii) The nature of our business and the names of all corporations which are, by virtue of Section 6 of the Companies Act, deemed to be related to us are set out in Section 6 of this Prospectus.
- (iv) The manner in which copies of this Prospectus together with the Application Forms may be obtained and the details of the procedures for application is set out in Section 16 of this Prospectus.
- (v) The times of the opening and closing for the Application List of the Retail Offering are set out in Sections 4.1, 4.2 and 16 of this Prospectus.
- (vi) The amount payable in full upon application is RM3.61 per Issue Share.
- (vii) Save for our subsidiary, MMHE, which has operations in Turkmenistan, we have not established any place of business outside Malaysia.
- (viii) Apart from the listing on the Main Market of Bursa Securities, we are not listed and we do not intend to seek listing on any other stock exchange as at the date of this Prospectus.

15.6 Material contracts

Save as disclosed below, neither our Company nor our subsidiaries and jointly controlled entities have entered into any material contracts, not being contracts entered into in the ordinary course of our Group's business, during the two (2) years preceding the date of this Prospectus:

- (i) Underwriting Agreement dated 23 September 2010 entered into between us and our Underwriter for our Underwriter to underwrite 78,000,000 Issue Shares ("Underwritten Shares") under the Retail Offering at an underwriting commission of 1.8% of the amount equal to the Retail Price multiplied by the Underwritten Shares.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**15.7 Material litigation**

As at LPD, save as disclosed below, neither our Company nor our subsidiaries and jointly controlled entities are engaged in any litigation or arbitration, either as plaintiff or defendant, and our Board are not aware of any legal proceedings pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of our Group:

MMHE is the respondent in an arbitration proceeding initiated by Momentum Engineering LLC ("Momentum") in October 2009 arising from certain disputes under a subcontract for the transportation and installation of a drilling platform in the Magtymguly Oilfield, Turkmenistan ("Subcontract"). The Subcontract is governed by English law and provides for the arbitration proceedings to be governed and conducted in accordance with the United Nations Commission on International Trade Law (UNCITRAL) rules. The place of arbitration is London, England.

Momentum's claim in the arbitration is for: (a) the payment of the sum of US\$26,272,942.93 and (b) a declaration that upon completion of the Sheer Plate Works, Momentum is entitled to a Certificate of Final Acceptance and payment of US\$732,352.94 and any other sums outstanding in respect of Milestone payments (such terms as defined in the Subcontract).

Momentum has filed its Notice of Arbitration and Statement of Claim in this Arbitration. MMHE has filed its Statement of Defence. MMHE has also counterclaimed against Momentum for liquidated damages for delay in the performance of the sub-contract, damages for having to perform certain remedial works and repayment in respect of incorrect tax assessments. In response, Momentum has served its Reply and Defence to Counterclaim together with Further Particulars of the Amended Statement of Claim on 11 May 2010.

Counsel representing MMHE is of the view that Momentum has not yet made out, or properly made out, its entitlement to the further payments and claims advanced in the Arbitration. Counsel representing MMHE is also of the opinion that MMHE should defend Momentum's claims and has a good prospect of reducing the potential liability mentioned above. The case is set for hearing on 31 January 2011.

15.8 Letters of consent

- (i) The written consents of our Principal Adviser, Underwriter, Joint Global Co-ordinators, Joint Bookrunners, Legal Advisers, Principal Bankers, Share Registrar and Issuing House for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of our External Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report, and Reporting Accountants' letter on our proforma consolidated balance sheets as at 31 March 2010 in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.
- (iii) The written consent of ODS for the inclusion of its name and its Independent Market Research Report and all references in the manner, form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (iv) The written consent of MEPS (International) Ltd for the inclusion of its name and information sourced from it and all references in the manner, form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15.9 Documents available for inspection

Copies of the following documents may be inspected at our registered office at Level 31, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Malaysia during normal business hours (except public holidays) for a period of twelve (12) months from the date of this Prospectus:

- (i) our Memorandum and Articles of Association;
- (ii) our audited consolidated financial statements of our Company for the three (3) FYE 31 March 2008 to 31 March 2010, and for the three (3) months FPE 30 June 2010;
- (iii) the audited financial statements of our subsidiaries and jointly controlled entities for the past three (3) FYE 31 March 2008 to 31 March 2010;
- (iv) the Independent Market Research Report prepared by ODS as included in Section 8 of this Prospectus;
- (v) our Reporting Accountants' letter on the proforma consolidated balance sheets as included in Section 12.5 of this Prospectus;
- (vi) our Accountants' Report and Directors' Report referred to in Sections 13 and 14 of this Prospectus respectively;
- (vii) the letters of consent referred to in Section 15.8 of this Prospectus;
- (viii) our material contracts referred to in Sections 15.6 of this Prospectus; and
- (ix) writ and relevant cause papers in relation to the material litigation referred to in Section 15.7 of this Prospectus.

15.10 Responsibility statements

This Prospectus has been seen and approved by our Directors and Promoter/Offeror. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. They confirm, after having made all reasonable enquiries that, to the best of their knowledge and belief, there are no false or misleading statement or other facts which, if omitted, would make any statement in this Prospectus false or misleading.

Information pertaining to Technip was provided by the management of Technip to our Company. The responsibility of our Directors and Promoter/Offeror is therefore restricted to accurate reproduction of the relevant information on Technip as included in this Prospectus.

Maybank IB, as our Principal Adviser, Underwriter, Joint Global Co-ordinator and Joint Bookrunner, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

16.1 Opening and closing of applications

Applications for our Issue Shares will be accepted and closed at the time and date stated as below:

OPENING OF THE APPLICATION: 10.00 A.M., 6 OCTOBER 2010

CLOSING OF THE APPLICATION: 5.00 P.M., 14 OCTOBER 2010

Applications under the Retail Offering will open at 10.00 a.m. on 6 October 2010 and will remain open until 5.00 p.m. on 14 October 2010, or such other date or dates as our Directors, our Underwriter and Joint Global Co-ordinators in their absolute discretion may decide.

In the event that the closing date and time of the Retail Offering is extended, the Price Determination Date and dates for the balloting, allotment of the IPO Shares and the Listing may be extended accordingly. Any extension will be announced in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.

Late applications will not be accepted.

16.2 Methods of application and category of investors

16.2.1 Application for the Retail Offering

Applications for the Retail Offering may be made using either of the following:

Type of application form	Category of investor
PINK Application Form	The Eligible Directors and Employees
BLUE Application Form	The MISC Shareholders (except for the Excluded Shareholders)
WHITE Application Form or Electronic Share Application ⁽¹⁾ or Internet Share Application ⁽²⁾	Malaysian Public

Notes:

⁽¹⁾ A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

⁽²⁾ The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:

- (i) Affin Bank Berhad (www.affinOnline.com) – No fee will be charged for application by their account holders;
- (ii) CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 per Internet Share Application via CIMB Bank Berhad or via Malayan Banking Berhad;
- (iii) CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS accounts held with CIMB and RM2.50 for applicants with CDS accounts with other ADAs;
- (iv) Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00 per Internet Share Application; and
- (iv) RHB Bank Berhad (www.rhbbank.com.my) – RM2.50 per Internet Share Application.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

You must have a CDS account before you can submit your application either by way of Application Forms or Electronic Share Application as well as Internet Share Application.

16.2.2 Application for the Bumiputera Offering and the Institutional Offering

Bumiputera institutional and selected investors approved by the MITI who have been allocated the Issue Shares under the Bumiputera Offering will be contacted directly by the MITI and should follow the instructions as communicated through the MITI. Institutional investors and selected investors being allotted the Offer Shares pursuant to the Institutional Offering will be contacted directly by our Joint Global Co-ordinators and Joint Bookrunners and should follow the instructions as communicated by our Joint Global Co-ordinators and Joint Bookrunners.

16.3 Procedures for application

Application must be made in relation with and subject to the terms of this Prospectus and our Memorandum and Article of Association. You agree to be bound by our Memorandum and Articles of Association.

16.3.1 Application by the Eligible Directors and Employees

Applications for the Issue Shares by the Eligible Directors and Employees must be made on the PINK Application Form provided separately together with a letter detailing their respective allocation and NOT by way of other Application Forms or by way of Electronic Share Application or Internet Share Application. The applications must follow the notes and instructions in the said document and where relevant, in this Prospectus. The amount payable in full upon application is RM3.61 per Issue Share.

You are not precluded from making additional applications under the Malaysian Public category using the WHITE Application Forms. If you are a MISC Shareholder (except for the Excluded Shareholder), you are also entitled to apply under the restricted ballot using the BLUE Application Forms.

16.3.2 Application by the Malaysian Public

Applications by the Malaysian Public must be made on the WHITE Application Forms provided or by way of Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for shares by way of Electronic Share Application or Internet Share Application. The amount payable in full upon application is RM3.61 per Issue Share.

Applicants using the WHITE Application Forms are not allowed to submit multiple applications in the same category of application. Further, applicants who have submitted their applications using WHITE Application Forms are not allowed to make additional applications using the Electronic Share Applications and Internet Share Applications.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**16.3.3 Application by the MISC Shareholders (except for the Excluded Shareholders)**

Applications by the MISC Shareholders (except for the Excluded Shareholders) for the restricted ballot portion must be made on the BLUE Application Forms and NOT by way of other Application Forms or by way of Electronic Share Application or Internet Share Application. The applications must follow the notes and instructions in the said document as well the cover letter accompanying the BLUE Application Form and where relevant, in this Prospectus. The amount payable in full upon application is RM3.61 per Issue Share.

The MISC Shareholders (except for the Excluded Shareholders) are not precluded from making additional applications using the WHITE Application Forms under the Malaysian Public category. The MISC Shareholders who have been successfully allocated Issue Shares under the restricted ballot portion may also, via balloting process, be allocated Issue Shares under the public offer to the Malaysian Public.

Applicants using the BLUE Application Forms are not allowed to submit multiple applications in the same category of application.

The MISC Shareholders (except for the Excluded Shareholders), who wish to apply using the BLUE Application Form for the Issue Shares which have been set aside for a restricted ballot for the MISC Shareholders (except for the Excluded Shareholders) under the Retail Offering, may check their eligibility by referring to our Share Registrar at the following address:

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel : +603 7841 8000
Fax : +603 7841 8152

16.4 Procedures for applications using Application Forms

Each application under the Retail Offering using the Application Forms must be made on the correct Application Form for the relevant category of investors issued together with this Prospectus and must be completed in accordance with notes and instructions printed therein in the respective category of Application Form. The Application Forms together with the notes and instructions contained therein shall constitute an integral part of this Prospectus. Applications which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or which are illegible may not be accepted at the absolute discretion of our Directors.

FULL INSTRUCTIONS FOR THE APPLICATION FOR THE ISSUE SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. ALL APPLICANTS ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

The Malaysian Public should follow the following procedures in making their applications:

Step 1 : Obtain application documents

Obtain the relevant Application Form together with the Official "A" and "B" envelopes and a copy of this Prospectus.

The WHITE Application Form can be obtained subject to availability from the following parties:

- (i) Maybank IB;
- (ii) Participating organisations of Bursa Securities;
- (iii) Members of the Association of Banks in Malaysia;
- (iv) Members of the Malaysian Investment Banking Association; and
- (v) Issuing House.

The BLUE Application Form, together with the Prospectus, will be despatched to the MISC Shareholders (except for the Excluded Shareholders) by PosLaju immediately the next working day after the opening of the application.

Step 2 : Read the Prospectus

In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by this Prospectus. You are advised to read and understand the Prospectus before making your application.

Step 3 : Complete the relevant Application Form

Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in this Prospectus.

(i) Personal particulars

You must ensure that your personal particulars submitted in your application are identical with the records maintained by the Bursa Depository. You are required to inform the Bursa Depository promptly of any changes to your personal particulars.

For individuals who are not members of the armed forces or police, your name and national registration identity card ("NRIC") numbers must be the same as:

- your NRIC;
- your "Resit Pengenalan Sementara (JPN KP 09)" issued pursuant to Peraturan 5(5), Peraturan-Peraturan Pendaftaran Negara 1990; or
- any valid temporary identity document issued by the National Registration Department from time to time.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be exactly as that stated in your authority cards.

For corporations/institutions, the name and certificate of incorporation number must be the same as that stated in the certificate of incorporation or the certificate of change of name, where applicable.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

For non-Malaysian applicants (in the case of PINK, BLUE and WHITE Forms), the name and passport numbers must be exactly as that stated in their passports.

Our Company together with the Issuing House will not issue any acknowledgement of the receipt of your Application Forms or application monies.

(ii) CDS account number

You must state your CDS account numbers in the space provided in the Application Form. Invalid or nominee or third party CDS accounts will **not** be accepted.

(iii) Details of payment

You must state the details of your payments in the appropriate boxes provided in the Application Form.

(iv) Number of Issue Shares applied for

Applications must be for at least 100 Issue Shares or multiples of 100 Issue Shares for applicants using the PINK, BLUE and WHITE Application Forms.

Step 4 : Prepare appropriate form of payment (applicable to Malaysian Public)

Applicants must prepare the correct form of payment in RM for the FULL amount payable for the Issue Shares based on the Retail Price, which is RM3.61 per Issue Share.

Your completed Application Form must be accompanied by remittance in RM for the full amount payable by any of the following:

- (i) Banker's draft or cashier's order purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants);
- (ii) Money order or postal order (for applicants from Sabah and Sarawak only);
- (iii) Guaranteed Giro Order ("GGO") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or
- (iv) ATM statement obtained only from any of the following:
 - Affin Bank Berhad;
 - Alliance Bank Malaysia Berhad;
 - AmBank (M) Berhad;
 - CIMB Bank Berhad;
 - EON Bank Berhad;
 - Hong Leong Bank Berhad;
 - Malayan Banking Berhad;
 - Public Bank Berhad; or
 - RHB Bank Berhad,

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

and must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NUMBER 501**” and crossed “**ACCOUNT PAYEE ONLY**” (excluding ATM statements) and endorsed on the reverse side with your name and address.

We will not accept applications with excess or insufficient remittances or inappropriate forms of payment.

Step 5 : Finalise application

Insert the relevant Application Form together with payment and a legible photocopy of your identification document (NRIC/valid temporary identity document issued by the National Registration Department/“Resit Pengenalan Sementara (JPN KP 09)”/authority card for armed forces or police personnel/certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable)) into Official “A” envelope and seal it.

The name and address written outside of the Official “A” and “B” envelopes must be identical to your name and address as per your NRIC/valid temporary identity document issued by the National Registration Department/“Resit Pengenalan Sementara (JPN KP 09)”/authority card for armed forces or police personnel/certificate of incorporation or the certificate of change of name for corporate or institutional applicant or passport (where applicable).

Affix a 80 sen stamp on Official “A” envelope and insert Official “A” envelope into Official “B” envelope.

Step 6 : Submit application

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents can be submitted using one of the following methods:

- (i) Despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Malaysia

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-In Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia,

so as to arrive not later than 5.00 p.m. on 14 October 2010, or such later date or dates as our Directors, our Underwriter and Joint Global Co-ordinators may mutually decide at their absolute discretion.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.5 Procedures for applications using Electronic Share Applications

Only Malaysian individuals may apply for our Issue Shares using Electronic Share Application in respect of the Issue Shares made available for application by the Malaysian Public.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Electronic Share Application and the procedures set forth on the ATM screens of the relevant Participating Financial Institutions before making an Electronic Share Application.

16.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM

- (i) You must have an account with a Participating Financial Institution (as detailed in Section 16.5.2 below) and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for Issue Shares at an ATM belonging to other Participating Financial Institutions;
- (ii) You must have a CDS account;
- (iii) You are advised to read and understand the Prospectus before making the application; and
- (iv) You may apply for the Issue Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. You shall submit at least the following information through the ATM, where the instructions on the ATM screen, require you to do so:
 - Personal Identification Number (PIN);
 - MIH Share Issue Account Number 501;
 - CDS account number;
 - Number of Issue Shares applied for and/or the RM amount to be debited from the account; and
 - Confirmation of several mandatory statements as set out in Section 16.5.3 of this Prospectus.

16.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

- Affin Bank Berhad;
- AmBank (M) Berhad;
- Bank Muamalat Malaysia Berhad;
- CIMB Bank Berhad;
- EON Bank Berhad;
- HSBC Bank Malaysia Berhad;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- Malayan Banking Berhad;
- OCBC Bank (Malaysia) Berhad;
- RHB Bank Berhad; or
- Standard Chartered Bank Malaysia Berhad (at selected branches only).

16.5.3 Terms and conditions of Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set forth on the ATM screens of the relevant Participating Financial Institutions ("Steps"), similar to the steps set out in Section 16.5.1 of this Prospectus. You must complete all the steps and follow the instructions set out on the ATM screen to complete an Electronic Share Application. You are advised to read carefully and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application. Any reference to "applicant/you" in the terms and conditions for Electronic Share Applications and the Steps shall mean the applicant who applies for the Issue Shares through an ATM of any of the Participating Financial Institutions.

You must have a CDS account to be eligible to use the Electronic Share Application.

Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your own retention and should not be submitted with any Application Form.

Upon the closing of the Retail Offering on 14 October 2010 at 5.00 p.m. ("Closing Date and Time"), the Participating Financial Institutions shall submit a magnetic tape containing its respective customers' applications for the Issue Shares to the Issuing House as soon as practicable but not later than 12.00 p.m. of the second (2nd) business day after the Closing Date and Time.

You are allowed to make only one (1) application and shall not make any other application under the Retail Offering to the Malaysian Public, whether at the ATMs of any Participating Financial Institution or using the WHITE Application Forms.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE ABOVE.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (i) The Electronic Share Application shall be made in relation with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of our Company.
- (ii) You are required to confirm the following statements (by pressing predesignated keys (or buttons) on the ATM keyboard) and undertake that the following information given is true and correct:
 - (a) You have attained 18 years of age as at the Closing Date and Time;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have read the relevant Prospectus and understood and agreed with the terms and conditions of the application;
 - (d) This is the ONLY application that you are submitting; and
 - (e) You hereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institutions. By doing so, you shall be deemed to have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the SICDA to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to the Issuing House, or any relevant regulatory bodies.

- (iii) You confirm that you are not applying for Issue Shares as a nominee of any other person and that the Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one (1) Electronic Share Application and shall not make any other application for the Issue Shares, whether at the ATMs of any Participating Financial Institutions, on the prescribed Application Forms or via Internet Share Application.
- (iv) You must have sufficient funds in your bank account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (v) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated on the Transaction Record or any lesser number of Issue Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that our Company decides to allot or allocate any lesser number of such shares or not to allot or allocate any shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the predesignated keys (or buttons) on the ATM keyboard) of the number of Issue Shares applied for shall signify, and shall be treated as, your acceptance of the number of Issue Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles of Association.
- (vi) We reserve the right not to accept any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the Issue Shares to a reasonable number of applicants with a view to establishing an adequate market for the Issue Shares.
- (vii) If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of the Issuing House within fourteen (14) days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (viii) Where your Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful applications. If your Electronic Share Application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest into your bank account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from the Issuing House. The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful applications within two (2) Market Days after the balloting date. You may check your account on the fifth Market Day from the balloting day.

If your Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into your bank account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from the Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications, which are subsequently rejected, the application monies without interest will be refunded to applicants by the Issuing House by way of cheques issued by the Issuing House. The cheques will be issued to the applicants not later than ten (10) Market Days from the day of the final ballot of the applicant list.

Should you encounter any problems in your application, you may refer to the Participating Financial Institutions.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ix) You request and authorise us:
- (a) To credit the Issue Shares allocated to you into your CDS account; and
 - (b) To issue share certificate(s) representing such shares allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (x) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communications and computer-related faults and breakdowns, fires and other events which are beyond our Company's control, Issuing House, Bursa Depository or the Participating Financial Institution, irrevocably agrees that if:
- (a) Our Company or the Issuing House does not receive your Electronic Share Application; or
 - (b) The data relating to the Electronic Share Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to us or Issuing House,
- you shall be deemed not to have made an Electronic Share Application and you shall not make any claim whatsoever against us, Issuing House or the Participating Financial Institution for the Issue Shares applied for or for any compensation, loss or damage.
- (xi) All of your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct, and we, Issuing House and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (xii) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, the Electronic Share Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to the registered address last maintained with Bursa Depository.
- (xiii) By making and completing an Electronic Share Application, you agree that:
- (a) In consideration of us agreeing to allow and accept the application for shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
 - (b) Our Company, the Participating Financial Institutions, Bursa Depository and Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to the Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our/their control;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (c) Notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to purchase the Issue Shares for which the Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said Issue Shares;
 - (d) You irrevocably authorises Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Issue Shares allocated to you; and
 - (e) You agree that in relation to any legal action, proceedings or disputes arising from the use of Electronic Share Application and/or any terms herein, our mutual rights, obligations and liabilities shall be construed and determined under the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (xiv) Issuing House, on the authority of our Directors reserves the right to reject applications which do not conform to these instructions.
 - (xv) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

16.6 Procedures for applications using Internet Share Applications

Only Malaysian individuals may use the Internet Share Application to apply for the Issue Shares made available for application by the Malaysian Public.

16.6.1 Steps for Internet Share Application through Internet Participating Financial Institution

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internet Share Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Share Application.

Step 1 : Set up of account

Before making an application using Internet Share Application, you must have all of the following:

- (i) An existing account with access to internet financial services facilities with the following Internet Participating Financial Institutions:
 - Affin Bank Berhad at www.affinOnline.com;
 - CIMB Investment Bank Berhad at www.eipocimb.com;
 - CIMB Bank Berhad at www.cimbclicks.com.my;
 - Malayan Banking Berhad at www.maybank2u.com.my;
 - RHB Bank Berhad at www.rhbbank.com.my.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

You need to have your user identification and PIN/password for the internet financial services facility; and

- (ii) An individual CDS account registered in your name (and not in a nominee's name).

Step 2 : Read the Prospectus

You are advised to read and understand the Prospectus before making your application.

Step 3 : Apply through internet

The exact steps for Internet Share Application for the Issue Shares are set forth on the internet financial services websites of the Internet Participating Financial Institutions.

We have set out possible steps for an application of the Issue Shares via Internet Share Application below for illustrative purposes only.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- (i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an account;
- (ii) Log in to the internet financial services facility by entering your user identification and PIN/password;
- (iii) Navigate to the section of the website upon applications in respect of IPO;
- (iv) Select the counter in respect of the Issue Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application;
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;
- (vi) At the next screen, complete the online application form;
- (vii) Check that the information contained in the online application form, such as the share counter, NRIC number, CDS account number, number of Issue Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form;
- (viii) After selecting the designated hyperlink on the screen, you will have to confirm and undertake that the following mandatory statements are true and correct:
 - (a) You are at least 18 years of age as at the Closing Date and Time;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of the Prospectus, the contents of which you have read and understood;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (d) You agree to all the terms and conditions of the Internet Share Application as set out in the Prospectus and have carefully considered the risk factors set out in the Prospectus, in addition to all other information contained in the Prospectus, before making the Internet Share Application;
- (e) The Internet Share Application is the only application that you are submitting for the Issue Shares;
- (f) You authorise the Internet Participating Financial Institution whom you have an account to deduct the full amount payable for the Issue Shares from your account with the said financial institution ("Authorised Financial Institution");
- (g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the SICDA) for the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to the Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;
- (h) You are not applying for the Issue Shares as a nominee of any other person and the application is made in your own name, as beneficial owner and subject to the risks referred to in this Prospectus; and
- (i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services;
- (ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment for the IPO;
- (x) You must pay for the Issue Shares through the website of the Authorised Financial Institution, failing which the Internet Share Application is not completed, despite the display of the Confirmation Screen. "Confirmation Screen" refers to the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of Issue Shares applied for, which can be printed out by you for your own retention;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

- (xi) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the Issue Shares is being made. Subsequently, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website; and
- (xii) You are advised to print out the Confirmation Screen for your reference and retention.

16.6.2 Terms and conditions of Internet Share Application

The terms and conditions outlined below supplement the additional terms and conditions for Internet Share Application contained in the internet financial services website of the Internet Participating Financial Institution. Please refer to the internet financial services website of the Internet Participating Financial Institution for the exact terms, conditions and instructions.

The Internet Share Application shall be made on, and subject to, the terms and conditions stated below as well as terms and conditions appearing on the internet financial services website of the Internet Participating Financial Institution:

- (i) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the internet financial services website displaying the Confirmation Screen. You are required to complete the Internet Share Application by the Closing Date and Time mentioned in Section 16.5.3 of this Prospectus.
- (ii) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated on the Confirmation Screen or any lesser amount that may be allotted or allocated to you. Your confirmation by clicking the designated hyperlink on the relevant screen of the website shall be treated as your acceptance of the number of Issue Shares allocated to you.
- (iii) You request and authorise us:
 - (a) To credit the Issue Shares allotted to you into your CDS account; and
 - (b) To issue share certificate(s) representing those Issue Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to the Bursa Depository.
- (iv) You, acknowledge that your Internet Share Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond our control, Issuing House, Bursa Depository, the Internet Participating Financial Institution and/or the Authorised Financial Institution, irrevocably agree that if:
 - (a) Our Company, Issuing House and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do/does not receive your Internet Share Application and/or payment; or

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (b) Any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason,

you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution for the Issue Shares applied for or any compensation, loss or damage arising from it.

- (v) You irrevocably authorise the Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the transfer of the Issue Shares allocated to you.
- (vi) You agree that in the event of legal disputes arising from the use of Internet Share Application, our mutual rights, obligations and liabilities shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.
- (vii) You shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of the Internet Share Application by us, Issuing House and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institution.
- (viii) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application.
- (ix) You have relied solely on the information contained in this Prospectus in making the Internet Share Application. Our Company, Promoter, Adviser and Underwriter and any other person involved in the IPO shall not be liable for any information not contained in this Prospectus which may have been relied by you in making the Internet Share Application.

16.7 Other terms and conditions

- (i) You are required to pay the Retail Price of RM3.61 for each Issue Share you have applied for.
- (ii) You can submit only one (1) application for the Issue Shares offered to the Malaysian Public. For example, if you submit an application using a WHITE Application Form, you cannot submit an Electronic Share Application or Internet Share Application.

However, if you have made an application using the PINK and/or BLUE Application Form, you may still apply for the Issue Shares offered to the Malaysian Public using the WHITE Application Form, Electronic Share Application or Internet Share Application.

The Issuing House, acting under the authority of our Directors has the discretion to reject applications that appear to be multiple applications under each category of applicants.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

We wish to caution you that if you submit more than one (1) application in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and may be punished with a minimum fine of RM1,000,000 and a jail term of up to ten (10) years under Section 182 of the CMSA.

- (iii) Each application under the PINK, BLUE and WHITE Application Forms, Electronic Share Application and Internet Share Application must be for at least 100 Issue Shares or multiples of 100 Issue Shares.
- (iv) Your application must be made in connection with and subject to this Prospectus and our Memorandum and Articles of Association. You agree to be bound by our Memorandum and Articles of Association should you be allotted any Shares.
- (v) Your submission of an application does not necessarily mean that your application will be successful. Any submission of application is irrevocable.
- (vi) Our Company or the Issuing House will not issue any acknowledgement of the receipt of your application or application monies.
- (vii) You must ensure that your personal particulars submitted in your application and/or your personal particulars as recorded by the Internet Participating Financial Institution are correct, accurate and identical with the records maintained by the Bursa Depository. Otherwise, your application is liable to be rejected. You should promptly notify the Bursa Depository of any change in your address as the notification letter of successful allocation will be sent to your registered/correspondence address last maintained with the Bursa Depository.
- (viii) No application shall be deemed to have been accepted by reason of the remittances having been presented for payment.

The acceptance of the application to purchase the Issue Shares shall be constituted by the issue of notice of allotment for the Issue Shares to you.

- (ix) Submission of your CDS account number in your application includes your authority/consent in accordance with Malaysian laws of the Bursa Depository and the Participating Financial Institution, as the case may be, to disclose information pertaining to your CDS account and other relevant information to us, Issuing House and any relevant authorities, as the case may be.

You agree to accept our decision as final should we decide not to allot any Issue Shares to you.

16.8 Authority of our Directors and Issuing House

If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of Issuing House within fourteen (14) days of the date of the notice issued to you to ascertain that your application is genuine and valid. Our Directors are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

Applicants will be selected in a manner to be determined by our Directors. Due consideration will be given to the desirability of allocating our Issue Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Issuing House, on the authority of our Directors, reserves the right to:

- (i) Reject applications which do not conform to the instructions in this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable) or are illegible, incomplete or inaccurate;
- (ii) Reject or accept any application, in whole or in part, on a non-discriminatory basis without assigning any reason therefor; and
- (iii) Bank in all application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded (where applicable) without interest by registered post.

16.9 Over/Under subscription

In the event of over-subscription in the Issue Shares, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of distributing the Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing an adequate market in the trading of the Shares.

Pursuant to the Listing Requirements, our Company needs to have a minimum of 25% of the Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the time of Listing. In the event that the above requirement is not met, our Company may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be returned in full without interest.

In the event of an under-subscription, subject to the clawback and reallocation as set out in Section 4.3.4 of this Prospectus, all the Issue Shares not applied for under the Retail Offering will be subscribed by our Underwriter pursuant to the Underwriting Agreement.

16.10 Unsuccessful/Partially successful applicants

If you are unsuccessful/partially successful in your application, we will return your application monies without interest in the following manner:

16.10.1 Applications using Application Forms

- (i) The application monies or the balance of it, as the case may be, will be refunded to you by ordinary post (for fully unsuccessful applications) or by registered post to your last address maintained by you with the Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot.
- (ii) If your application was rejected because you did not provide a CDS account number, your application monies will be sent to your address as stated in the NRIC or "Resit Pengenalalan Sementara" (JPN KP 09) or any valid temporary identity document issued by the National Registration Department from time to time at your own risk.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded within ten (10) Market Days from the date of the final ballot by registered post to your last address maintained by you with the Bursa Depository or as per item (ii) above, as the case may be at your own risk.

16.10.2 Applications using Electronic Share Application and Internet Share Application

- (i) Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful applications within two (2) Market Days after the balloting date. The application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from Issuing House.
- (ii) You may check your account on the fifth (5th) Market Day from the balloting day.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by way of cheques via registered post or ordinary post. The cheques will be issued not later than ten (10) Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will arrange for a refund of the application monies (or any part thereof) without interest within ten (10) Market Days from the date of the final ballot.

16.11 Successful applicants

If you are successful in your application:

- (i) The Issue Shares allotted to you will be credited into your CDS account. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as the Shares are listed on Bursa Securities.
- (ii) Notices of allotment will be despatched, to you at the address last maintained by you with the Bursa Depository, at your own risk, before the Listing. This is the only acknowledgement of acceptance of the application.
- (iii) In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary post to the address stated in the Application Form or to the address as stated in Bursa Depository's records for applications made via the Electronic Share Application and Internet Share Application, of the successful applicants, within ten (10) Market Days from the date of final ballot of application, at the successful applicants' own risk.

16.12 CDS Accounts

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares as prescribed securities. Therefore, the IPO Shares offered through this Prospectus will be deposited directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the aforesaid Act and Rules of Bursa Depository.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in our Shares will be by book entries through CDS accounts. No share certificate will be issued to successful applicants but notices of allotment or transfer shall be despatched.

If you make an application by way of Application Forms, you must have a CDS account. You should state your CDS account number in the space provided on the Application Form and shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account, you should open a CDS account at an ADA prior to making an application for our Shares.

In the case of an application by way of Electronic Share Application, you must have a CDS account. You must furnish your CDS account number to the Participating Financial Institution by way of keying in your CDS account number when the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so.

If you make an application by way of Internet Share Application, you must have a CDS account. In certain cases, you can only make an Internet Share Application if you have a CDS account opened with the Internet Participating Financial Institutions. Subsequently, your CDS account number would automatically appear in the electronic online application form.

Failure to comply with these specific instructions or inaccuracy in the CDS account number arising from the use of invalid, third party or nominee accounts, may result in the application being rejected. If you are successful in your application but fail to state your CDS account number, MIH, on the authority of our Directors, reserves the right to reject your application. MIH, on the authority of our Directors also reserves the right to reject any incomplete and inaccurate application. Applications may also be rejected if your particulars provided in the application forms, or your records with the Participating Financial Institutions (in the case of Electronic Share Application) or Internet Participating Financial Institutions (in the case of Internet Share Application) differ from those in Bursa Depository's records, such as your identity card number, name and nationality.

16.13 Enquiries

You may directly contact the relevant parties should you have any queries in respect of the applications as follows:

Mode of application	Parties to direct the enquiries
Application Forms	Issuing House at telephone no. +603 7841 8000 or +603 7841 8289
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

Applicants may also check the status of their application on the Issuing House's website at www.mih.com.my, or by calling their respective ADA at the telephone number as stated in Section 17 of this Prospectus or Issuing House at the telephone number as stated above between five (5) to ten (10) Market Days (during office hours only) after the balloting date.

17. LIST OF ADAs

Name	Address and telephone number	Broker code
KUALA LUMPUR		
A.A. ANTHONY SECURITIES SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Telephone no.: +603 6201 1155	078-004
AFFIN INVESTMENT BANK BERHAD	Ground Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Telephone no. : +603 2143 8668	028-001
ALLIANCE INVESTMENT BANK BERHAD	17th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: +603 2697 6333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2078 2788	086-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor Podium Block, AMDB Building No. 1, Jalan Lumut 50400 Kuala Lumpur Telephone no.: +603 4043 3533	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Telephone no.: +603 2084 9999	065-001
ECM LIBRA INVESTMENT BANK BERHAD	3rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2178 1888	052-001
ECM LIBRA INVESTMENT BANK BERHAD	Level 1, Avenue Building Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Telephone no.: +603 2089 1800	052-009
HONG LEONG INVESTMENT BANK BERHAD	Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Telephone no.: +603 2168 1168	066-001
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Telephone no.: +603 7710 6688	068-009

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (Cont'd)		
HWANGDBS INVESTMENT BANK BERHAD	Nos. 34-5, 36-5, 38-5, 40-5, 42-5 & 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan KasKas, 5th Mile Cheras 56100 Kuala Lumpur Telephone no.: +603 9130 3399	068-012
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd, 23rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Telephone no.: +603 2711 6888	068-014
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Telephone no.: +603 2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Telephone no.: +603 7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Telephone no.: +603 7981 8811	054-005
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Telephone no.: +603 2168 8800	053-001
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2164 9080	073-001
KENANGA INVESTMENT BANK BERHAD	No. 57-10, Level 10 The Boulevard, Mid Valley City Lingkaran Syed Putra 59000 Kuala Lumpur Telephone no.: +603 2287 1799	073-015
MAYBANK INVESTMENT BANK BERHAD	5-13 Floor, Maybanlife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Telephone no.: +603 2297 8888	098-001

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (Cont'd)		
M & A SECURITIES SDN BHD	Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkar Syed Putra 59200 Kuala Lumpur Telephone no.: +603 2282 1820	057-002
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Telephone no.: +603 6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2173 8888	026-001
MIMB INVESTMENT BANK BERHAD	Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Telephone no.: +603 2691 0200	061-001
OSK INVESTMENT BANK BERHAD	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Telephone no.: +603 2333 8333	056-001
OSK INVESTMENT BANK BERHAD	No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Telephone no.: +603 6257 5869	056-028
OSK INVESTMENT BANK BERHAD	Ground Floor No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Telephone no.: +603 4280 4798	056-054
OSK INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Telephone no.: +603 9058 7222	056-058
PM SECURITIES SDN BHD	Ground, Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Telephone no.: +603 2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Telephone no.: +603 2031 3011	051-001

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (Cont'd)		
RHB INVESTMENT BANK BERHAD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Telephone no.: +603 9287 3888	087-001
TA SECURITIES HOLDINGS BERHAD	Floor 13-16, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Telephone no.: +603 2072 1277	058-003
SELANGOR DARUL EHSAN		
AFFIN INVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Telephone no.: +603 3343 9999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7729 8016	028-003
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7710 6613	086-003
HONG LEONG INVESTMENT BANK BERHAD	1st, 2nd & 3rd Floor Plaza Damansara Utama No. 2, Jalan SS21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7729 7345	066-002
HWANGDBS INVESTMENT BANK BERHAD	16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Telephone no.: +603 5513 3288	068-002
HWANGDBS INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 5635 6688	068-010

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN (Cont'd)		
INTER-PACIFIC SECURITIES SDN BHD	No. 77 & 79, Jalan 2/3A Pusat Bandar Utara KM12, Jalan Ipoh Selayang 68100 Batu Caves Selangor Darul Ehsan Telephone no.: +603 6137 1888	054-006
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Telephone no.: +603 8736 1118	079-001
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7620 1118	079-002
KENANGA INVESTMENT BANK BERHAD	13th Floor, Menara Yayasan Selangor No. 18A, Jalan Persiaran Barat Off Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7956 2169	073-005
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma UEP Pusat Pemiagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8024 1682	073-006
KENANGA INVESTMENT BANK BERHAD	Suite 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Telephone no.: +603 3005 7550	073-007
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7725 9095	073-016
OSK INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7873 6366	056-011
OSK INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Telephone no.: +603 8736 3378	056-045

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN (Cont'd)		
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Telephone no.: +603 6092 8916	056-047
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Telephone no.: +603 3343 9180	056-048
OSK INVESTMENT BANK BERHAD	3rd Floor, 1A-D Jalan USJ 10/1A Pusat Perniagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8023 6518	056-063
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Telephone no.: +603 8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Telephone no.: +603 3341 5300	064-007
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40200 Shah Alam Selangor Darul Ehsan Telephone no.: +603 5192 0202	096-001
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8025 1880	058-005
MELAKA		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : +606 2898 800	065-006
ECM LIBRA INVESTMENT BANK BERHAD	71A & 73A, Jalan Merdeka Taman Melaka Raya 75000 Melaka Telephone no.: +606 2881 720	052-008

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
MELAKA (Cont'd)		
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Telephone no.: +606 3371 533	012-001
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Telephone no.: +606 2921 898	093-003
OSK INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Telephone no.: +606 2825 211	056-003
PM SECURITIES SDN BHD	No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Telephone no.: +606 2866 008	064-006
RHB INVESTMENT BANK BERHAD	Lot 7-13 & 15, 1st Floor Tabung Haji Building Jalan Bandar Kaba 75000 Melaka Telephone no.: +606 2833 622	087-002
PERLIS INDRA KAYANGAN		
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Telephone no.: +604 9765 200	076-003
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Telephone no.: +604 9793 888	056-061
PERAK DARUL RIDZUAN		
A.A. ANTHONY SECURITIES SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : +605 6232 328	078-009
ALLIANCE INVESTMENT BANK BERHAD	No. 43 & 44, Ground Floor Taman Sentosa, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Telephone no.: +605 6910 910	076-008
ECM LIBRA INVESTMENT BANK BERHAD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2422 828	052-002

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
PERAK DARUL RIDZUAN (Cont'd)		
ECM LIBRA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Telephone no.: +605 6222 828	052-006
HWANGDBS INVESTMENT BANK BERHAD	Ground, Level 1, 2 & 3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Telephone no.: +605 8066 688	068-003
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2559 988	068-015
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2530 888	066-003
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 No.42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2453 400	098-002
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Telephone no.: +605 2419 800	057-001
OSK INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2415 100	056-002
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Telephone no.: +605 6236 498	056-014
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Telephone no.: +605 6921 228	056-016

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
PERAK DARUL RIDZUAN (Cont'd)		
OSK INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Telephone no.: +605 8088 229	056-034
OSK INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Telephone no.: +605 4651 261	056-044
OSK INVESTMENT BANK BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Telephone no.: +605 7170 888	056-052
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Telephone no.: +605 2531 313	058-001
PULAU PINANG		
A.A. ANTHONY SECURITIES SDN BHD	1st, 2nd & 3rd Floor Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Telephone no.: +604 2299 318	078-002
A.A. ANTHONY SECURITIES SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Pemiagaan Alma 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5541 388	078-003
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1 & 2.4, Level 2 Wisma Great Eastern No. 25, Lebuhraya Light 10200 Penang Telephone no.: +604 2611 688	076-015
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2261 818	086-004
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2385 900	065-003

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
PULAU PINANG (Cont'd)		
ECM LIBRA INVESTMENT BANK BERHAD	No. 111, Jalan Macalister 10400 Pulau Pinang Telephone no.: +604 2281 868	052-003
ECM LIBRA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2283 355	052-010
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Telephone no.: +604 2636 996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5372 882	068-006
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Telephone no.: +604 2690 888	054-002
KENANGA INVESTMENT BANK BERHAD	Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2106 666	073-013
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Telephone no.: +604 3322 123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebu Pantai 10300 Pulau Pinang Telephone no.: +604 2639 118	093-004
OSK INVESTMENT BANK BERHAD	64, Bishop Street 20E, 20F & 20G, Penang Street 10200 Pulau Pinang Telephone no.: +604 2634 222	056-004
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Telephone no.: +604 3900 022	056-005

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
PULAU PINANG (Cont'd)		
OSK INVESTMENT BANK BERHAD	Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5402 888	056-015
OSK INVESTMENT BANK BERHAD	834, Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Telephone no.: +604 5831 888	056-032
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Telephone no.: +604 6404 888	056-042
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2273 000	064-004
KEDAH DARUL AMAN		
A.A. ANTHONY SECURITIES SDN BHD	Lot 4, 5 & 5A 1st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Telephone no.: +604 7322 111	078-007
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Telephone no.: +604 7317 088	076-004
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Telephone no.: +604 4256 666	068-011
OSK INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Telephone no.: +604 4204 888	056-017
OSK INVESTMENT BANK BERHAD	35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Telephone no.: +604 4964 888	056-019

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
KEDAH DARUL AMAN (Cont'd)		
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Telephone no.: +604 7209 888	056-021
NEGERI SEMBILAN DARUL KHUSUS		
ECM LIBRA INVESTMENT BANK BERHAD	1C-1 & 1D-1, First Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Telephone no.: +606 7655 998	052-013
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7612 288	068-007
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Telephone no.: +606 4553 188	068-013
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7641 641	056-024
OSK INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Telephone no.: +606 4421 000	056-037
OSK INVESTMENT BANK BERHAD	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Pemiagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Telephone no.: +606 4553 014	056-040
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Telephone no.: +606 6461 234	056-046
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7623 131	064-002

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM		
A.A. ANTHONY SECURITIES SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Telephone no.: +607 3332 000	078-001
A.A. ANTHONY SECURITIES SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Telephone no.: +607 6637 398	078-005
A.A. ANTHONY SECURITIES SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3513 218	078-006
A.A. ANTHONY SECURITIES SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Telephone no.: +607 5121 633	078-008
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Telephone no.: +607 7717 922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4342 282	086-002
AMINVESTMENT BANK BERHAD	18th & 31st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Telephone no.: +607 3343 855	086-006
ECM LIBRA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Telephone no.: +606 9532 222	052-004
ECM LIBRA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Telephone no.: +607 4678 885	052-005

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (Cont'd)		
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2222 692	068-004
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2231 211	054-004
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3333 600	073-004
KENANGA INVESTMENT BANK BERHAD	No. 31, Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Telephone no.: +606 9542 711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Telephone no.: +607 9333 515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Telephone no.: +607 7771 161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Telephone no.: +606 9782 292	073-011
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3316 992	093-005
MIMB INVESTMENT BANK BERHAD	Suite 25.02, Level 25, Menara Pelangi Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2227 388	061-002

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (Cont'd)		
OSK INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Telephone no.: +607 2788 821	056-006
OSK INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4380 288	056-009
OSK INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Telephone no.: +606 9538 262	056-025
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Telephone no.: +607 5577 628	056-029
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Telephone no.: +607 9321 543	056-030
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 17, Jalan Manggis 86000 Kluang Johor Darul Takzim Telephone no.: +607 7769 655	056-031
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Telephone no.: +607 6626 288	056-035
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Telephone no.: +606 9787 180	056-038
OSK INVESTMENT BANK BERHAD	1st Floor, No. 2 & 4 Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Telephone no.: +607 9256 881	056-039

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (Cont'd)		
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 1 & 1-01, Jalan Rosmerah 2/11 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3522 293	056-043
PM SECURITIES SDN BHD	No. 41, Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3513 232	064-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4333 608	064-008
KELANTAN DARUL NAIM		
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Telephone no.: +609 7430 077	056-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Telephone no.: +609 7432 288	058-004
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Telephone no.: +609 5660 800	076-002
ECM LIBRA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Telephone no.: +609 5171 698	052-007
OSK INVESTMENT BANK BERHAD	B2 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Telephone no.: +609 5173 811	056-007
OSK INVESTMENT BANK BERHAD	Ground Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Telephone no.: +609 2234 943	056-022

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
PAHANG DARUL MAKMUR (Cont'd)		
OSK INVESTMENT BANK BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Telephone no.: +605 4914 913	056-041
TERENGGANU DARUL IMAN		
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6317 922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6238 128	021-001
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Telephone no.: +609 8583 109	056-027
OSK INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6261 816	056-055
SARAWAK		
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Telephone no.: +6082 244 791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26, Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Telephone no.: +6082 358 606	065-004
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibul Sarawak Telephone no.: +6084 367 700	065-008

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
SARAWAK (Cont'd)		
HWANGDBS INVESTMENT BANK BERHAD	Lot 328, Jalan Abell 93100 Kuching Sarawak Telephone no.: +6082 236 999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Telephone no.: +6086 330 008	068-016
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Telephone no.: +6085 435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Telephone no.: +6082 338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Telephone no.: +6084 313 855	073-012
OSK INVESTMENT BANK BERHAD	Ground, 1st & 6th Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Telephone no.: +6082 422 252	056-008
OSK INVESTMENT BANK BERHAD	Lot 1268, 1st & 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Telephone no.: +6085 422 788	056-012
OSK INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Telephone no.: +6084 329 100	056-013
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Telephone no.: +6084 654 100	056-050

17. LIST OF ADAs (Cont'd)

Name	Address and telephone number	Broker code
SARAWAK (Cont'd)		
OSK INVESTMENT BANK BERHAD	Ground Floor No. 177, Taman Sri Dagang 97000 Bintulu Sarawak Telephone no.: +6086 311 770	056-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Telephone no.: +6084 319 998	058-002
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Telephone no.: +6082 236 333	058-006
SABAH		
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Telephone no.: +6088 328 878	065-005
ECM LIBRA INVESTMENT BANK BERHAD	Level 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Telephone no.: +6088 236 188	052-012
HWANGDBS INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Telephone no.: +6088 311 688	068-008
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Telephone no.: +6088 234 090	020-001
OSK INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Telephone no.: +6088 269 788	056-010
OSK INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Telephone no.: +6089 229 286	056-057

ANNEXURE A: LIST OF PROPERTIES

LIST OF PROPERTIES

1.0 Land and buildings owned by the Group

No.	Location & descriptions	Registered owner	Existing use / Tenure of land (years)	Date of issuance of certificate of fitness ("CF")	Land area / Built up area	Restriction in interest & encumbrances ¹	Conditions ²	Net book value as at 31 March 2010 ³ (RM'000)
1.	H.S.(D) 47616, PTD 22805 Mukim Plentong, Johor Bahru ⁴ <u>Description</u> Land, shipyard, warehouse, workshops and office buildings	MMHE	<u>Existing use</u> Ship repair, ship building and engineering fabrication yards, ancillary facilities and office building <u>Tenure of land</u> Industrial leasehold land with a tenure of 60 years expiring on 8 June 2040	The respective CFs issued from 09.09.1984 to 13.04.2010. See Note (A) below	Land area: 301.086 acres Built up area: 144,341 m ²	<u>Restriction in interest</u> This land shall not be transferred, charged, leased or disposed in any way including through any agreement for its sale without the prior consent from the State Authority. <u>Encumbrances</u> Nil	i) The land shall be used for heavy industry for the purpose of shipyard and any other purpose in relation to it. The construction must be in accordance with the plan approved by the relevant local authorities. ii) Any discharge or pollution resulting from any activities must be channelled or disposed to specified locations approved by the relevant authorities. iii) All policies and conditions imposed by the relevant authority from time to time must be observed.	38,098
2.	H.S.(D) 16019, PTD 11549 Mukim Plentong, Johor Bahru, Johor ⁴ <u>Description</u> Reclaimed land adjacent to PTD 22805.	MMHE	<u>Existing use</u> Quay and dry-dock <u>Tenure of land</u> Industrial leasehold land with a tenure of 99 years from 23 February 1976 to 22 February 2075	The respective CFs issued from 09.09.1984 to 13.04.2010. See Note (B) below	Land area: 12.0 acres Built up area: 37,459.28 m ²	<u>Restriction in interest</u> This land shall not be transferred, charged, leased or disposed in any way including through any agreement for its sale without the prior consent from the State Authority. <u>Encumbrances</u> Nil	i) The land shall be used for heavy industry for the purpose of pier and dry-dock industry and any other purpose in relation to it. The construction must be in accordance with the plan approved by the relevant local authorities. ii) Any discharge or pollution resulting from any activities must be channelled or disposed to specified locations approved by the relevant authorities. iii) All policies and conditions imposed by the relevant authority from time to time must be observed.	1,238

¹ Based on the land title and other relevant agreements.

² Based on the land title and other relevant agreements.

³ No evaluation has been carried out on the land and building pursuant to the Listing.

⁴ Please refer to Section 7.9.1 of the Prospectus for details of the Pasir Gudang Yard.

ANNEXURE A: LIST OF PROPERTIES (Cont'd)

No.	Location & descriptions	Registered owner	Existing use / Tenure of land	Date of issuance of CF	Land area / Built up area	Restriction in interest & encumbrances ¹	Conditions ²	Net book value as at 31 March 2010 ³ (RM'000)
3.	H.S.(D) 76931 PTD 65615 Plentong, Johor Bahru, Johor <u>Description</u> 4 storey residential flats	MMHE	<u>Existing use</u> Staff quarters <u>Tenure of land</u> Residential leasehold land with a tenure of 60 years from 20 May 1984 to 21 May 2044	The respective CFs issued from 18.01.1978 to 28.03.1978.	Land area: 16.03 acres Built up area: 8,212 m ²	<u>Restriction in interest</u> This land shall not be transferred, charged, leased or disposed in any way including through any agreement for its sale without the prior consent from the State Authority. <u>Encumbrances</u> Nil	i) The land contained in this title shall be used solely for permanent residential houses according to the plans that have been duly approved by the Johor Bahru District Officer or any other authority. ii) The buildings erected on the land contained in this title shall be used solely for residential purposes only.	3,434
4.	H.S.(D) 76932 PTD 65616 Plentong, Johor Bahru, Johor <u>Description</u> Vacant land	MMHE	<u>Existing use</u> Vacant land <u>Tenure of land</u> Residential leasehold land with a tenure of 60 years from 20 May 1984 to 21 May 2044	N/A	Land area: 3.90 acres Built up area: N/A	<u>Restriction in interest</u> This land shall not be transferred, charged, leased or disposed in any way including through any agreement for its sale without the prior consent from the State Authority. <u>Encumbrances</u> Nil	i) The land contained in this title shall be used solely for permanent residential houses according to the plans that have been duly approved by the Johor Bahru District Officer or any other authority. ii) The buildings erected on the land contained in this title shall be used solely for residential purposes only.	836

ANNEXURE A: LIST OF PROPERTIES (Cont'd)

No.	Location & descriptions	Registered owner	Existing use / Tenure of land	Date of issuance of CF	Land area / Built up area	Restriction in interest & encumbrances ¹	Conditions ²	Net book value as at 31 March 2010 ³ (RM'000)
5.	H.S.(D) 76933 PTD 65617 Plentong, Johor Bahru, Johor Description Vacant land	MMHE	Existing use Vacant land Tenure of land Residential leasehold land with a tenure of 60 years from 20 May 1984 to 21 May 2044	N/A	Land area: 8.59 acres Built up area: N/A	Restriction in interest This land shall not be transferred, charged, leased or disposed in any way including through any agreement for its sale without the prior consent from the State Authority. Encumbrances Nil	i) The land contained in this title shall be used solely for permanent residential houses according to the plans that have been duly approved by the Johor Bahru District Officer or any other authority. ii) The buildings erected on the land contained in this title shall be used solely for residential purposes only.	1,840
6.	H.S.(D) 76934 PTD 65618 Plentong, Johor Bahru, Johor Description 4 storey residential flats	MMHE	Existing use Staff quarters Tenure of land Residential leasehold land with a tenure of 60 years from 20 May 1984 to 21 May 2044	The respective CFs issued from 18.01.1978 to 28.03.1978.	Land area: 13.49 acres Built up area: 18,281.12 m ²	Restriction in interest This land shall not be transferred, charged, leased or disposed in any way including through any agreement for its sale without the prior consent from the State Authority. Encumbrances A portion amounting to 2025 square feet of the land has been leased to Lembaga Letrik Negara Tanah Melayu for 30 years starting from 1 January 1987 and expiring 31 December 2016.	i) The land contained in this title shall be used solely for permanent residential houses according to the plans that have been duly approved by the Johor Bahru District Officer or any other authority. ii) The buildings erected on the land contained in this title shall be used solely for residential purposes only.	2,890

ANNEXURE A: LIST OF PROPERTIES (Cont'd)

No.	Location & descriptions	Registered owner	Existing use / Tenure of land	Date of issuance of CF	Land area / Built up area	Restriction in Interest & encumbrances ¹	Conditions ²	Net book value as at 31 March 2010 ³ (RM'000)
7.	H.S.(D) 76935 PTD 65619 Plentong, Johor Bahru, Johor Lot no. 38712 <u>Description</u> 4 storey residential flats	MMHE	<u>Existing use</u> Staff quarters <u>Tenure of land</u> Residential leasehold land with a tenure of 60 years from 20 May 1984 to 21 May 2044	The respective CF's issued on 28.03.1978.	Land area: 2.95 acres Built up area: 9,140.64 m ²	<u>Restriction in Interest</u> This land shall not be transferred, charged, leased or disposed in any way including through any agreement for its sale without the prior consent from the State Authority. <u>Encumbrances</u> Nil	i) The land contained in this title shall be used solely for permanent residential houses according to the plans that have been duly approved by the Johor Bahru District Officer or any other authority. ii) The buildings erected on the land contained in this title shall be used solely for residential purposes only.	632

Notes:

(A) The structures on PTD 22805 are as follows:

Quay	Workshops	Offices	Miscellaneous
Quay no. 2 & 3	Several workshops including the following:	Two 2 storey offices	Canteen
Landberth 1 & 2	Cutting and assembly workshop	3 storey office	Water tank and pump house
Transfer pit	Rolling mill workshop	Marine conversion main office	Generator room
Quay no. 7 and 8	Auto blast workshop no. 1	Security office & guard house	2-storey Tenaga Nasional Berhad sub-station
Synrolift platform	LNG workshop	Office	Engineering load-out facilities
Control room	Hull construction / welding workshop	MMHE-ATB main office	Waste plant
West finger pier	Hull fitting workshop	Site office	Skid-track
	Piping and hull workshop	Foreman office	Blasting chamber
	Electrical workshop		Plant
	Machine shop		Gas centre
	Boiler and machinery workshop		Stores
	Scaffolding workshop		Fabrication slab
	Paint, rigger and maritime workshop		
	Marine conversion workshop		
	Rolling mill workshop no. 2		

ANNEXURE A: LIST OF PROPERTIES (Cont'd)

(B) The structures on PTD 11549 are as follows:

Quay & Miscellaneous

Quay 2,3,7 & 8, Syncrolift platform, Control Room, West finger Pier, Engineering Loadout facilities (front portion), Skld Track (front portion)

All the properties disclosed above are not in breach of any land use conditions and are not in material non-compliance with current statutory requirements, land rules or building regulations. Our subsidiary, MMHE, has certain quays, dry-docks, workshops, offices, storage rooms and other miscellaneous erected structures at our Pasir Gudang yard which are currently being used pursuant to temporary permits issued by the Pasir Gudang local authority pending the issuance of formal certificates of completion and compliance ("CCC"). These temporary permits are valid until 31 December 2011.

We have appointed a consultant, JB Perunding (civil & structure engineers) to assist us with the application for the formal CCC and based on the progress schedule prepared by the consultant on 30 July 2010, we expect to obtain the formal CCC by the third quarter of 2011.

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ANNEXURE A: LIST OF PROPERTIES (Cont'd)

2.0 Land leased by the Group

No.	Location & Description	Registered owner	Existing use / Tenure of land	Date of issuance of certificate of fitness	Land area / Built up area	Restriction in interest & encumbrances ¹	Conditions ²	Consideration
1.	H.S.(D) 178033 PTD 101363 Mukim Plentong, Johor Bahru, Johor <u>Description</u> Future use: yard expansion	Idemitsu Chemicals (M) Sdn Bhd	<u>Existing use</u> Vacant land <u>Tenure of land</u> Leasehold for 60 years from 20 May 1984 to 29 May 2051 Industrial land leased from Idemitsu Chemicals (M) Sdn Bhd for 30 years from 6 April 2009 to 5 April 2039 and extension for additional 12 years ³	N/A	Land area leased: 58.95 acres leased ⁴ Built up area: N/A	<u>Restriction in interest</u> This land shall not be transferred, charged, leased or disposed in any way including through any agreement for its sale without the prior consent from the State Authority. <u>Encumbrances</u> Nil (Party entering into lease agreement is MMHE)	i) The land shall be used for heavy industry for the purpose of Styrene Monomer and ABS Resin and heavy engineering for oil and gas and marine industry and any other purpose in relation to it. The construction must be in accordance with the plan approved by the relevant local authorities. ii) Any discharge or pollution resulting from any activities must be channelled or disposed to specified locations approved by the relevant authorities. All policies and conditions imposed by the relevant authority from time to time must be observed. iii)	Lump sum payment of RM18,704,278.16 as the lease consideration and an additional RM1,969,567.84 for the extension of the lease.

All the properties disclosed above are not in breach of any land use conditions and are not in material non-compliance with current statutory requirements or land rules.

¹ Based on the land title and lease agreement.

² Based on the land title and lease agreement.

³ The extension for the additional 12 years is not reflected in the land search.

⁴ The total land area is 46.5388 hectares, however only 58.95 acres is being leased by MMHE.

ANNEXURE A: LIST OF PROPERTIES (Cont'd)

3.0 Material plant and equipment utilised by the Group

Description	Net book value as at 30 June 2010 (RM'000)
Dock, quays and landber ¹	63,741
Workshops ¹	92,093
Skid-tracks ¹	33,942

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¹ Please refer to Section 7.9.1 of the Prospectus for the details of the production capacity of the material plant and equipment utilised by the Group.

ANNEXURE B: LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD

LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD

No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Saillant conditions	Status of compliance
1	MMHE	Ministry of Trade and Industry	Manufacturing Licence Licence no. A000094 Serial no. A000123	As licensed manufacturer for the following products: Ship repairing; shipbuilding; land machinery production	13 March 1978	-	<p>(a) Site: Pasir Gudang Industrial Estate, Johor subject to the approval of the State Authority / Authorities concerned.</p> <p>(c) At least 62.5% of the shares of the company shall be subscribed and held by Malaysian citizen including at least 50% to be reserved and the company shall consult the Ministry of Trade and Industry before the allotment of its reserved shares.</p> <p>(d) In the event that the company is permitted to invite the public to subscribe to its shares, its capital structure, the revaluation of its assets, goodwill and the subsequent capitalisation of profits / reserves, the manner and the principles on which the shares are to be issued and allocated shall be approved by the appropriate government authorities / (Ministry of Trade and Industry). The original shares held by the non-Malaysian shareholders shall not be disposed off without the prior written approval of the Ministry of Trade and Industry.</p> <p>(e) The composition of the Board of Directors shall broadly reflect the equity structure of the company and the Ministry of Trade and Industry shall be informed of the appointment of and any changes to the Board.</p> <p>(g) The company shall as far as possible appoint Malaysians to its Board of Directors and the Ministry of Trade and Industry shall be informed of the appointment of any changes to the Board.</p> <p>(h) The company shall as far as possible employ and train Malaysian citizens to reflect at the earliest possible opportunity, the multi-racial composition of the country's population in all grades of appointments up to managerial level.</p> <p>(j) The company shall take appropriate measures including the installation of devices to prevent atmospheric, water and noise pollution in accordance with the Environmental Quality Act, 1974.</p> <p>(m) The company shall not enter into any agreement particular for starting-up operations, technical know-how and assistance services (including employment of expatriate personnel), management, purchasing, marketing, payment of royalty, patent and trade-marks, without the prior written approval of the Ministry of Trade and Industry.</p>	<p>(a) Complied.</p> <p>(c) Complied.</p> <p>(d) Noted.</p> <p>(e) Noted.</p> <p>(f) Complied.</p> <p>(g) Noted.</p> <p>(h) Noted.</p> <p>(j) Complied.</p> <p>(m) Complied.</p>

ANNEXURE B: LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD (Cont'd)

No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Sailent conditions	Status of compliance
2	MMHE	Petroleum Nasional Berhad	License no. 14558-P	License to supply equipments / provide services to oil and gas exploration and producing companies in Malaysia	6 January 2010	5 January 2012	<ol style="list-style-type: none"> The company is required to furnish audited Annual Financial Report FYE 31 March 2010 before 1 October 2010 and the status of the shareholder's funds shall be positive. Failure to do so will result in the de-listing of the company in the List of Licensed / Registered Companies (LLRC) PETRONAS. The company is required to submit / furnish audited Annual Financial Report FYE 31 March 2011 before 1 October 2011 and the status of the shareholder's funds shall be positive. Failure to do so will result in the de-listing of the company in the List of Licensed / Registered Companies (LLRC) PETRONAS. The company is required to furnish a copy of the renewed HSE Management System document before 30 April 2010. Failure to do so will result in the de-listing of the company in the List of Licensed / Registered Companies (LLRC) PETRONAS in the related field. 	<ol style="list-style-type: none"> Noted. Noted. Completed.
3	MMHE	Government of Johor Bharu	Temporary Occupation License no. 165791; Water License no. A 0097	Temporary Occupation License (Borang 4A) and Water License under Section 5 of the Waters Enactment (CAP.146)	27 January 2010	31 December 2010	<p><u>Lesen Pendudukan Sementara</u></p> <p>This license may be cancelled:</p> <ol style="list-style-type: none"> Immediately without compensation, when it violates any provisions which it is subjected to; with compensation (to be agreed or determined in accordance with the provisions of section 434 of the National Land Code) at any time before its expiry date. <p><u>License Under Section 5 of the Waters Enactment (CAP. 146)</u></p> <p>General License on PTD 149261, PTD 149262, PTD 149263, PTD173094</p> <p>* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.</p>	<ol style="list-style-type: none"> Noted. Noted.
4	MMHE	Johor Port Authority	License no. JP0005 Registration no. LP/JIP/AM/16/2(05)	Operation License (Private Jetty)	01 January 2010	31 December 2010	<p>* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.</p>	Completed.

ANNEXURE B: LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD (Cont'd)

No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Salient conditions	Status of compliance
5	MMHE	Department of Environment	Certificate no. DOE/1/2010/02 Permit no. JAS14110100002 2010	Written Certificate of Approval for Import of Wastes to meet the requirements of the Customs (Prohibition of Imports) Order 2008	21 January 2010	31 December 2010	* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.	Complied.
6	MMHE	Johor State Health Department of Johor	Licence no. 021322	Wholesaler's Poisons Licence (Type B Licence)	1 January 2010	31 December 2010	* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.	Complied.
7	MMHE	Royal Customs Malaysia of Johor	Reference no. KE.JB (80.05)381/02-031 sk5 (27)	Approval to use private jetty	10 March 2010	31 December 2010	Appendix B2: 19. These terms may be amended, added or revoked by the Director of Customs Johor at anytime if deemed necessary without any reasons given.	19. Noted.
8	MMHE	Royal Customs and Excise Malaysia	Reference no. J31- A017390/78	Licence under the Sales Tax Act - Manufacturer's Licence	28 July 2005	-	* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license. * There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.	Complied.

ANNEXURE B: LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD (Cont'd)

No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Salient conditions	Status of compliance
9	MMHE	CIDB Malaysia	Licence no. A125268 Registration no. 1960713-WP002866	CIDB Malaysia Registration Certificate	6 April 2009	5 April 2012	<p>Grade, category and registered specialisation: G7 Unlimited B B02 G7 Unlimited CE CE03 CE21 G7 Unlimited ME M08 M11 M12</p> <p>This certificate shall be renewed latest by 60 days before its date of expiry.</p> <p>Conditions of Registration 2. Contractor's Duty and Obligations (a) Contractor shall obey the provisions of the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (Act 520), regulations made under it and any terms, conditions or restriction that is imposed by the Board from time to time. (b) Contractor cannot join any tenders or execute any construction works after the expiry of this Certificate and until it is renewed. (c) Contractor cannot undertake to build any projects that exceeds the value of construction works that is stated under its registration grade and cannot execute any construction projects outside its category. (d) Contractor shall submit the information relating to any construction works or contracts within a month of the date of award. (e) Contractor shall submit whatever information required by the Board from time to time. (f) Contractor shall display the Registration Certificate issued by the Board or a certified copy by the Board at its business premise. (g) Contractor shall display the registration number on a sign board on all its construction site. (h) Contractor shall apply to renew the registration within 60 days before the expiration date stated in this Certificate. Any application received by the Board later than thirty days before the expiration date of this Registration Certificate will be imposed a fee of RM200.00 for late renewal.</p>	<p>2. (a) Complied.</p> <p>(b) Noted.</p> <p>(c) Noted.</p> <p>(d) Complied.</p> <p>(e) Complied.</p> <p>(f) Complied.</p> <p>(g) Complied.</p> <p>(h) Noted.</p>

ANNEXURE B: LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD (Cont'd)

No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Salient conditions	Status of compliance
10	MMHE	Ministry of Finance Malaysia	Reference no. 357-00010160	Contractor Registration Certificate	27 April 2009	23 April 2012	<p>* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.</p> <p>MMHE has registered with Ministry of Finance Malaysia in the supply / services field under the headings and subheadings below:-</p> <ul style="list-style-type: none"> 040200 - Teaching aid, 160200 - Heavy machinery 160299 - Manufacturer (trailers, low loaders and armoured carriers) 160402 - Equipment and train spare parts 190201 - Boat 1290202 - Ship / submarine 190203 - Spare parts and accessories of boat / ship 120300 - Marine equipment 120399 - Manufacturer (wide experience in marine related manufacturing at own yard in Pasir Gudang, Johor) 220101 - Air-conditioning tools (window / split) 220107 - Boat / ship (for shipyard) 20108 - Container / tank 220112 - Sand blasting & painting for ship 220114 - Buft fuel tank repairings 220115 - Components of pump / water pipe 220207 - Tugboat / ferry / boat / pilot boat malim 	Complied.
11	MMHE	Ministry of Economics and Development	15130125	Extract from the unified legal entities' register of the Ministry of Economics and Development of Turkmenistan	10 February 2010	10 February 2011	N/A	Complied.
12	MMHE	Ministry of Economics and Development	15130125	Certificate of the state registration and inclusion to the state unified register of the MMHE	12 February 2010	17 February 2012	N/A	Complied.
13	MMHE	Ministry of Economics and Development	DYK-126500000/12812	Certificate of foreign economic relations participant of Turkmenistan	10 March 2010	10 March 2011	N/A	Complied.

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No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Salient conditions	Status of compliance
14	MMHE-ATB	MITI	Licence no. A012208 Serial no. A018860	Manufacturing Licence	16 May 2000	-	<p>Licensed Manufacturer for the following products: "Columns / pressure vessels & other fabricated industrial plant components"</p> <p>Appendix A</p> <p>(a) Site: PLO 3, Pasir Gudang Industrial Estate Johor Darul Ta'zim subject to the approval of the respective State Government and the Department of Environment. The project shall be implemented within 12 months from the date of issuance of licenses or in an extended period as permitted by the Licensing Officer. If the project is not implemented within the period specified, the license may be revoked.</p> <p>(b) At least 50% of this company's shares shall be purchased and held by Malaysians including at least 30% reserved, and this company shall discuss with the Ministry of International Trade and Industry before the distribution of the reserved shares is made.</p> <p>(c) Shares of this company that is held by non Malaysian cannot be sold without obtaining prior written approval from the Ministry of International Trade and Industry. Generally, the composition of the Board of Directors of this company shall reflect the company's equity structure and the Ministry of International Trade and Industry shall be informed about any appointment and changes in its Board of Directors.</p> <p>(d) This Company shall obtain the written approval of the Ministry of International Trade and Industry before signing any transfer of technology agreement with foreign parties, such as:</p> <ul style="list-style-type: none"> - Joint venture agreement - Technical assistance and know-how agreement - License agreement - Trade marks and patent agreement - Turnkey agreement - Management agreement <p>The company will not be charged for the purchase of machines which requires the services of technical officers from machine manufacturers to supervise the assembly or initial operation of the said machines.</p>	<p>(a) Complied.</p> <p>(b) Complied.</p> <p>(c) Noted¹</p> <p>(d) Noted.</p> <p>(e) Complied.</p> <p>(i) Noted.</p>

¹ MMHE is in the midst of disposing 20% of its shareholding in MSE-ATB to ATB Riva Calzoni SpA and has made an application to MITI for the waiver of the equity restrictions on 4 June 2010. The shares will only be transferred after MITI's approval for the waiver has been obtained.

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No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Salient conditions	Status of compliance
15	MMHE-ATB	Department of Occupational Safety and Health Malaysia Ministry of Human Resources	Licence no. BT21/105	Approval of renewal of registration as manufacturing company of unfired pressure vessel	21 October 2008	16 October 2010	* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.	Complied.
16	MMHE-TPGM	Ministry of Economics and Development	14243742	Extract from the unified legal entities' register of the Ministry of Economics and Development of Turkmenistan	30 July 2010	7 July 2011	N/A	Complied.
17	MMHE-TPGM	Ministry of Economics and Development	14243742	Certificate of the state registration and inclusion to the state unified register	2 August 2010	7 July 2012	N/A	Complied.
18	TISB	MITI	Serial no. A015652 Licence no. A010296	Manufacturing Licence License granted to TISB to act as licensed manufacturer for "recovered petroleum products"	30 May 1996	-	Lampiran A (a) Site: PLO 3, Pasir Gudang Industrial Estate Johor Darul Ta'zim. (c) At least 70% of the company's shares shall be purchased and held by Malaysians including at least 30% reserved, and this company shall consult with the Ministry of International Trade and Industry before the distribution of the reserved shares. (d) Shares of this company that is not held by non Malaysian shall not be sold without prior written approval from the Ministry of International Trade and Industry. (e) Generally, the composition of the Board of Directors of this company reflects the company's equity structure and the Ministry of International Trade and Industry shall be informed of the appointment and any changes in its Board of Directors.	(a) Complied. (c) Complied. (d) Noted. (e) Complied.

ANNEXURE B: LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD (Cont'd)

No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Salient conditions	Status of compliance
						(g)	<p>This company intends to operate used machineries, prior written approval from the Ministry of International Trade and Industry shall be obtained and any reports shall be made by an independent valuer approved by the Ministry of International Trade and Industry. The prior approval of the Ministry of International Trade and Industry shall be obtained before any proposed changes, addition or reduction of the machines which affects tangible consumption and/or productivity.</p> <p>This company shall obtain the written approval of the Ministry of International Trade and Industry before signing any transfer of technology agreement with foreign parties, such as:</p> <ul style="list-style-type: none"> - Joint venture agreement - Technical assistance and know-how agreement - License agreement - Trade marks and patent agreement - Turnkey agreement - Management agreement <p>The company will not be charged for the purchase of machines which requires the services of technical officers from machine manufacturers to supervise the assembly or initial operation of the said machines.</p> <p>This company shall comply with all conditions of approval in its approved report on Environmental Impact Assessment and any import of oil sludge / slop oil for processing from foreign countries is absolutely not allowed.</p>	(g) Noted.
						(l)	<p>This company shall conduct a report on Environmental Impact Assessment (KIA) for recovery of oil and submit the report to the Director General of Environmental Quality for approval before the project may be carried out. This company shall take appropriate measures to determine the safety of storing and handling petroleum materials pursuant to the requirements under Petroleum Act (Safety Measures) Act 1984 and regulations made under it.</p>	(l) Noted.
						(l)	<p>This company shall conduct a report on Environmental Impact Assessment (KIA) for recovery of oil and submit the report to the Director General of Environmental Quality for approval before the project may be carried out. This company shall take appropriate measures to determine the safety of storing and handling petroleum materials pursuant to the requirements under Petroleum Act (Safety Measures) Act 1984 and regulations made under it.</p>	(l) Complied.
						(m)	<p>This company shall conduct a report on Environmental Impact Assessment (KIA) for recovery of oil and submit the report to the Director General of Environmental Quality for approval before the project may be carried out. This company shall take appropriate measures to determine the safety of storing and handling petroleum materials pursuant to the requirements under Petroleum Act (Safety Measures) Act 1984 and regulations made under it.</p>	(m) Complied.
						(n)	<p>This company shall conduct a report on Environmental Impact Assessment (KIA) for recovery of oil and submit the report to the Director General of Environmental Quality for approval before the project may be carried out. This company shall take appropriate measures to determine the safety of storing and handling petroleum materials pursuant to the requirements under Petroleum Act (Safety Measures) Act 1984 and regulations made under it.</p>	(n) Complied.

ANNEXURE B: LIST OF MAJOR LICENCES AND PERMITS HELD BY OUR GROUP AS AT THE LPD (Cont'd)

No.	Licensee / contractor	Approving authority	Permit / Licence / Registration number	Description of licences	Date of grant / renewal	Expiry date	Salient conditions	Status of compliance
19	TISB	MITI	Serial no. 000117 Permit no. 000056	Permission under Section 6, Petroleum Development Act, 1974 Permission is granted to TISB for the purpose of producing "recovered petroleum products".	30 May 1996	-	(a) This permission shall not be transferred to any other party including assignees, servants or agents (henceforth company) without the prior written approval from the Secretary-General of the Ministry of International Trade and Industry. This permission is valid unless it is revoked by the Secretary-General of the Ministry of International Trade and Industry. (b) This company shall, to its best efforts appoint Malaysians in its Board of Directors and the Ministry of International Trade and Industry shall be informed of the appointment and any changes in its Board of Directors. (c) This company shall hire and train Malaysians citizens so as to reflect the composition of a multi-racial country at all levels of job positions. (d) This company's production capacity for recovered petroleum products shall not exceed 8,000 tonnes metric per annum. Prior approval from the Secretary-General of the Ministry of International Trade and Industry shall be obtained before any enlargement of capacity is made. (f) This company shall also take appropriate measures to install tools of anti-pollution of air and sound and radiation hazards according to the Environmental Quality Act 1974. (h) This company is not allowed to slop oil/soil sludge from foreign countries.	(b) Noted. (c) Complied. (d) Noted. (e) Complied. (f) Complied. (h) Complied.
20	TISB	Energy Commission Malaysia	License no. 2002 Serial no. 70570	License for Personal Installations This license is given to TISB to use, work and operate, in accordance with the Electricity Regulations 1994, and electrical installation for the supply and use of electricity solely to or on the property and premises.	8 February 2010	4 February 2011	* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.	Complied.
21	TISB	Atomic Energy Licensing Board	LPTA/A/1320	Atomic Energy Class H License (Rule 18) The purpose of this license is to provide services to process oil sludge and scale.	2 July 2009	1 July 2012	* There are no conditions which seem to be applicable pursuant to the Listing; however there are other general conditions which are required to be complied with in order to maintain the license.	Complied.