

10. FINANCIAL INFORMATION (Cont'd)**10.5.7 Material litigations, contingent liabilities and material commitments****(a) Material Litigations / Arbitration**

As at LPD, neither our Company nor our subsidiaries are engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiaries and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Company or our subsidiaries.

(b) Contingent Liabilities

As at LPD, our Directors are not aware of any material contingent liabilities, which upon becoming enforceable may have a material impact on the financial position of our Group.

(c) Material Commitments

As at LPD, our Directors are not aware of any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group.

10.5.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group based on our audited proforma consolidated financial statements for the FYE 30 June 2008 to FYE 30 June 2010 are as follows:-

	FYE 2008	FYE 2009	FYE 2010
Trade receivables turnover period (months)*			
• Marine Construction ⁽¹⁾	3.81	5.64	0.33
• Vessels Chartering	-	-	-
Trade payables turnover period (months)*			
• Marine Construction ⁽²⁾	0.97	1.48	0.73
• Vessels Chartering ⁽³⁾	-	-	-
Current ratio (times)	1.26	1.24	0.94
Gearing ratio (times) ⁽⁴⁾	0.42	0.71	0.41

* Based on closing balance

Notes:-

(1) Calculated as follows:-

(Trade receivables from marine construction projects / Revenue from marine construction works) x 12 months

Trade receivables from marine construction projects – (i) are net of provision for doubtful debts; and (ii) exclude retention sums that were withheld by our clients for on-going and completed projects;

(2) Calculated as follows:-

(Trade payables as at the end of the relevant financial year for marine construction works / Cost of sales incurred for marine construction works) x 12 months

10. FINANCIAL INFORMATION (Cont'd)

Trade payables exclude retention sums accruing to our suppliers that were withheld by us and which are not due for payment;

(3) Calculated as follows:-

(Trade payables as at the end of the relevant financial year for vessels chartering and marine transportation / Cost of sales incurred for vessels chartering and marine transportation) x 12 months

(4) Calculated based on total interest bearing borrowings over shareholders' funds.

Trade Receivables

The ageing analysis of our Group's trade receivables as at 30 June 2010 is as follows:-

	Within Credit Period			Exceeding Credit Period			Total RM'000
	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-120 days RM'000	121-180 days RM'000	> 180 days RM'000	
Trade receivables							
- Third parties	-	31.25	-	-	-	2,908.89	2,940.14
- Related parties	-	-	-	-	-	-	-
Total trade receivables	-	31.25	-	-	-	2,908.89	2,940.14
Provision for doubtful debts	-	-	-	-	-	(71.44)	(71.44)
Net trade receivables	-	31.25	-	-	-	2,837.45	2,868.70
% of trade receivables	-	1.09%	-	-	-	98.91%	100.0%

Our Group's trade receivables turnover period for the last three (3) FYE ranges from 0.33 months to 5.64 months (as compared to our Group's credit terms of 60 to 90 days).

Our trade receivables turnover period is particularly higher in FYE 30 June 2009 due to the inclusion of an amount outstanding of RM23.38 million (or 42.81% of trade receivables balance), being a billing made in May 2009 for the Oriental project. Subsequently an amount of RM14.63 million was received by our Group within the credit period whilst the remaining balance was settled periodically thereafter. For illustration purposes, should the aforesaid trade receivables balance being excluded, our trade receivables turnover period for FYE 30 June 2009 is approximately 3.22 months. Our trade receivables turnover period is 0.33 times in FYE 30 June 2010 due to a large portion of the revenue for marine construction works were settled via reclaimed land as well as due to higher collection received from the Oriental and Nusajaya project in FYE 30 June 2010. There is a total of approximately RM2.84 million which is outstanding and exceeding our Group's normal credit period due to amount owing from three (3) major customers whereby the projects are still ongoing and/or our Group is in the midst of securing new contracts from.

Our Group has taken reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts. It is our policy to make provisions for trade receivables that are in dispute, under legal action or where recoveries are considered to be doubtful. Notwithstanding the above, our Directors are of the opinion that the balance trade receivables exceeding our normal credit period are recoverable taking into consideration our long term relationship with most of these clients.

10. FINANCIAL INFORMATION (Cont'd)

Whilst the trade receivables turnover period is generally within our normal credit terms (save for the exception noted in FYE 30 June 2009 as highlighted above), our Group from time-to-time may consider extending our normal credit terms under the following circumstances:-

- i) for clients who have maintained long term relationship with our Group
- ii) good credit standing and regular payment track record
- iii) for large contracts with long project duration
- iv) possibility of our Group in securing future projects / contracts from the particular client

In relation to our vessels chartering operations, our Group generally grant our clients credit terms ranging from 60 to 90 days. For the FYE 30 June 2010, our trade receivables turnover period for vessels chartering has been within the credit terms of our Group.

Amount Due from Contract Customers

As at 30 June 2010, included in the amount due from contract customers is an amount of RM147.378 million which are the Land Portion.

Land Portion represents our Group's entitlement to the reclaimed land (being settlement for our marine construction contracts). It is being included as "Amount Due from Contract Customers" whilst the Land Portion are pending the Alienation Process as at the respective FYE. It would subsequently be re-classified as "Land Held For Sale" following the Alienation Process. Notwithstanding the land titles have yet to be issued under the Alienation Process, our Group can still commence the disposal of the Land Portion. However, the resulting gain / loss from the disposal of the land can only be recognized when the disposed land individual title is issued under the Alienation Process.

As at the LPD, the total Land Portion (including Land Portion in "Amount Due From Contract Customer" and "Land Held For Sale") held by our Group is 296.72 acres which we reclaimed at a total cost of RM176.2 million. Out of the 296.72 acres, we have entered into agreements for the disposal of 58.88 acres of the Land Portion which we reclaimed at a cost of RM32.3 million but the disposals are pending completion. The indicative disposal consideration for the aforementioned Land Portion amounts to RM49.6 million.

Trade Payables

The ageing analysis of our Group's trade payables as at 30 June 2010 is as follows:-

	Within Credit Period			Exceeding Credit Period			Total RM'000
	0-30 days RM'000	31-60 days RM'000	61 - 90 days RM'000	91-120 days RM'000	121-160 days RM'000	> 180 days RM'000	
Trade payables	624.0	549.8	463.8	190.7	20.9	1,696.4	3,545.6
% of trade payables	17.6%	15.5%	13.1%	5.4%	0.6%	47.8%	100.0

The normal credit period granted by our sub-contractors and suppliers ranges from 30 to 90 days. Our trade payables turnover period has been consistent within the credit period granted by our sub-contractors and suppliers. As at LPD, RM1.49 million of trade payables exceeding credit period has been settled.

10. FINANCIAL INFORMATION (Cont'd)

In view of the good relationship with our major suppliers and sub-contractors, as at LPD there were no significant matters in dispute with respect to trade payables for the past three (3) financial years under review and there was no legal action initiated by any one of our suppliers or sub-contractors to demand for payment.

Current ratio

Our current ratio decreased from 1.26 times in FYE 30 June 2008 to 1.24 times in FYE 30 June 2009 due to the increase in bank borrowings from the drawdown of term loan to partially finance the acquisition of twenty-one (21) vessels in FYE 30 June 2009. The decrease in our current ratio for FYE 30 June 2009 is also contributed by the slight increase in amount owing to directors in FYE 30 June 2009.

Our current ratio decreased from 1.24 times in FYE 30 June 2009 to 0.94 times in FYE 30 June 2010 mainly due to the increase in bank borrowings and amount due to related party as a result of the Acquisition of Oceanlec Vessels. In addition, the decrease in land held for sale due to completion of the land disposal as detailed in Sections 10.4.1(iii) and 10.4.2 wherein the cash proceeds for the said disposal has been received in previous financial years, contributed to the decrease of our current ratio in FYE 30 June 2010.

Gearing ratio

Our gearing ratio increased from 0.42 times in FYE 30 June 2008 to 0.71 times in FYE 30 June 2009 mainly due to the increase in bank borrowings to finance the acquisition of twenty-one (21) vessels in FYE 30 June 2009. This is in line with the increase in marine construction activities of our Group in FYE 30 June 2009 which has seen an increase in land reclamation activities as well as the commencement of our Group's vessels chartering and marine transportation services.

Our gearing ratio decreased from 0.71 times in FYE 30 June 2009 to 0.41 times in FYE 30 June 2010 mainly due to the substantial increase in the shareholders' fund of our Group as a result of the PAT recorded in FYE 30 June 2010.

10.6 TREND INFORMATION

As at LPD, to the best of our Directors' knowledge and belief, our operations have not been and are not expected to be affected by any of the following:-

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those disclosed in this Section and Sections 3 and 4 of this Prospectus;
- (ii) material commitments for capital expenditures, save as set out in Section 10.5.7(c) of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and Section 3 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our Group revenue and/or profits save for those that have been disclosed in this Section, industry overview as set out in Section 5 of this Prospectus and the future plans and strategies as set out in Section 4.19 of this Prospectus;

10. FINANCIAL INFORMATION (Cont'd)

- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and Section 3 of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this Section, Sections 3 and 4 of this Prospectus.

Our Board is optimistic about the future prospects of our Group and the outlook of the marine construction industry due to the factors set out in Section 4.20 of this Prospectus, in consideration of our Group's competitive strengths as set out in Section 4.4 of this Prospectus, the significant factors materially affecting our Group's operating results and financial condition as set out in Sections 10.4.3 of this Prospectus, and our Group's dedication to implement the future plans and strategies as set out in Section 4.19 of this Prospectus.

10.7 ORDER BOOK

As at the LPD, our outstanding contracts in hand for the marine construction services amounted to approximately RM855.7 million, with expected completion period of up to year 2016. As the revenue from our marine construction projects are recognized based on the percentage-of-completion method, our outstanding contracts in hand excludes the value of completed works in respect of on-going projects which have been recognized as revenue.

Our outstanding contracts in hand for the marine construction services are however subject to termination, cancellation, deferral or rescheduling by our clients. Accordingly, our outstanding contracts in hand as at any particular date may not be indicative of our revenue for any succeeding period.

Going forward, we are confident that our outstanding contracts in hand will remain strong as we have established a reputation as a reliable marine construction contractor with the ability to consistently deliver quality work as scheduled or ahead of schedule.

10.8 DIVIDEND POLICY

Subject to the factors outlined below, our Directors intend to recommend and distribute dividends of 15% and 30% of our net distributable profit to our shareholders with respect to FYE 30 June 2011 and FYE 30 June 2012 respectively.

The abovesaid intention is in line with our Directors' policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Our Group will declare dividends, if any, in RM and will make payment of the dividends in RM.

Notwithstanding the above, our ability to pay dividends or make other distributions to our shareholders for FYE 30 June 2011 and FYE 30 June 2012 as well as for future years post-FYE 30 June 2012 is subject to various factors, such as having profits and excess funds not required to be retained to fund our business. Our Directors will consider the following factors, amongst others, when recommending dividends for approval by our shareholders or when declaring any interim dividends:-

- (i) the availability of adequate distributable reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and

10. FINANCIAL INFORMATION (Cont'd)

(iv) any material impact of tax laws and other regulatory requirements.

Any declaration and payment of interim dividends in the future will be at the discretion of the Board of Directors. It is subject to approval by our shareholders when the Company declares any final dividends. There is no assurance on whether dividend distributions will occur as intended, the amount of dividend payment, or timing of such payments.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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11. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

The Board of Directors
Benalec Holdings Berhad
38, Jalan Pengacara U1/48
Seksyen U1
Temasya Industrial Park
Glenmarie
40150 Shah Alam
Selangor Darul Ehsan

13 December 2010
Our ref: BDO/AO

Dear Sirs

**BENALEC HOLDINGS BERHAD ("BENALEC" or the "Company")
ACCOUNTANTS' REPORT (the "Report")**

1. INTRODUCTION

This Report has been prepared by BDO, an approved company auditor, for inclusion in the Prospectus of Benalec in connection with the listing of and quotation for the enlarged issued and paid-up share capital of Benalec on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Scheme"), and should not be relied on for any other purposes. The details of the Listing Scheme are disclosed in Section 3 of this Report.

2. INTERNAL RESTRUCTURING

- (a) On 17 September 2010, Oceanliner Pte. Ltd. ("Oceanliner") entered into a Memorandum of Agreement with Oceanlec Pte. Ltd. ("Oceanlec") to acquire 11 vessels held by Oceanlec ("Oceanlec Vessels") for a total consideration of SGD28,000,000 (equivalent to approximately RM65,212,000 at the exchange rate of SGD1.00: RM2.329). The purchase consideration for the vessels was settled via the assumption of Oceanlec's liabilities amounting to SGD8,546,601 (equivalent to approximately RM19,905,034 based on an exchange rate of SGD1.00: RM2.329 as at 15 September 2010) and the creation of indebtedness amounting to SGD19,453,399 (equivalent to approximately RM45,306,966 based on an exchange rate of SGD1.00: RM2.329 as at 15 September 2010) by Oceanliner to Oceanlec.
- (b) On 30 September 2010, Benalec Sdn. Bhd. ("BSB") acquired 100% of the issued and paid-up share capital of Ocean Marine Ltd. ("OML") from Oriental Grandeur Sdn. Bhd. ("OGSB") comprising 2,432,067 ordinary shares of USD1.00 each for a purchase consideration of USD2,432,067 or RM7,500,000 (based on an exchange rate of USD1:RM3.084 as at 29 September 2010), which was wholly satisfied by BSB via the creation of indebtedness to OGSB.
- (c) On 30 September 2010, BSB acquired 100% of the issued and paid-up share capital of Pacific Ltd. ("Pacific") from OGSB comprising 18,645,829 ordinary shares of USD1.00 each for a purchase consideration of USD18,645,829 or RM57,500,000 (based on an exchange rate of USD1:RM3.084 as at 29 September 2010), which was wholly satisfied by BSB via the creation of indebtedness to OGSB.



3. DETAILS OF THE LISTING SCHEME

In conjunction with and as an integral part of the listing of Benalec on the Main Market of Bursa Securities, the Company undertakes the following transactions:

3.1 Subdivision

The Company undertake a subdivision of every one (1) ordinary share of RM1.00 each into four (4) subdivided shares of RM0.25 each in the Company.

3.2 Acquisitions of Subsidiaries

Acquisitions by Benalec of:

- (a) 730,000 ordinary shares of RM10 each in BSB, representing 100% equity interest in BSB;
- (b) 1,000,000 ordinary shares of RM1.00 each in Benalec Shipyard Sdn. Bhd. ("BenShip"), representing 100% equity interest in BenShip;
- (c) 200,000 ordinary shares of SGD1.00 each in Oceanliner, representing 100% equity interest in Oceanliner;

based on the audited net assets as at 30 June 2010 for an aggregate purchase consideration of RM157,499,998 to be satisfied by way of issuance of 629,999,992 new ordinary shares of RM0.25 each in Benalec.

3.3 Public Issue

The Public Issue of 100,000,000 new ordinary shares of Benalec at RM1.00 per Public Issue Share ("IPO Price"), is to be allotted and allocated in the following manner:

- (a) 36,500,000 Public Issue Shares made available for application by Malaysian public;
- (b) 6,500,000 Public Issue Shares made available for application by eligible directors, employees and business associates of Benalec and its subsidiaries.
- (c) 57,000,000 Public Issue Shares made available via private placement to selected investors.

3.4 Offer for Sale

The Offer for Sale of 130,000,000 of the enlarged Benalec Shares ("Offer Shares") by Leaw Tua Choon, Leaw Ah Chye, Leaw Seng Hai and Foo Polin (collectively the "Offerors") will be offered at the IPO Price of RM1.00 per Share, payable in full upon application, to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI") and by way of private placement to selected investors.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

3. DETAILS OF THE LISTING SCHEME (continued)

3.5 ESOS

In conjunction with the Proposed Listing, Benalec proposes to implement an Employees Share Option Scheme ("ESOS") which entails the issuance of up to 10 percent (10%) of Benalec's issued and paid-up share capital at any one time pursuant to the options to be granted under the ESOS, to eligible Directors and employees of the Benalec Group. The option price is to be determined.

3.6 Listing and quotation

Upon completion of the Internal Restructuring, Subdivision, Acquisitions of Subsidiaries, Public Issue, Offer for Sale and ESOS, Benalec will seek the listing of and quotation for its entire enlarged issued and paid-up capital on the Main Market of Bursa Malaysia Securities Berhad.

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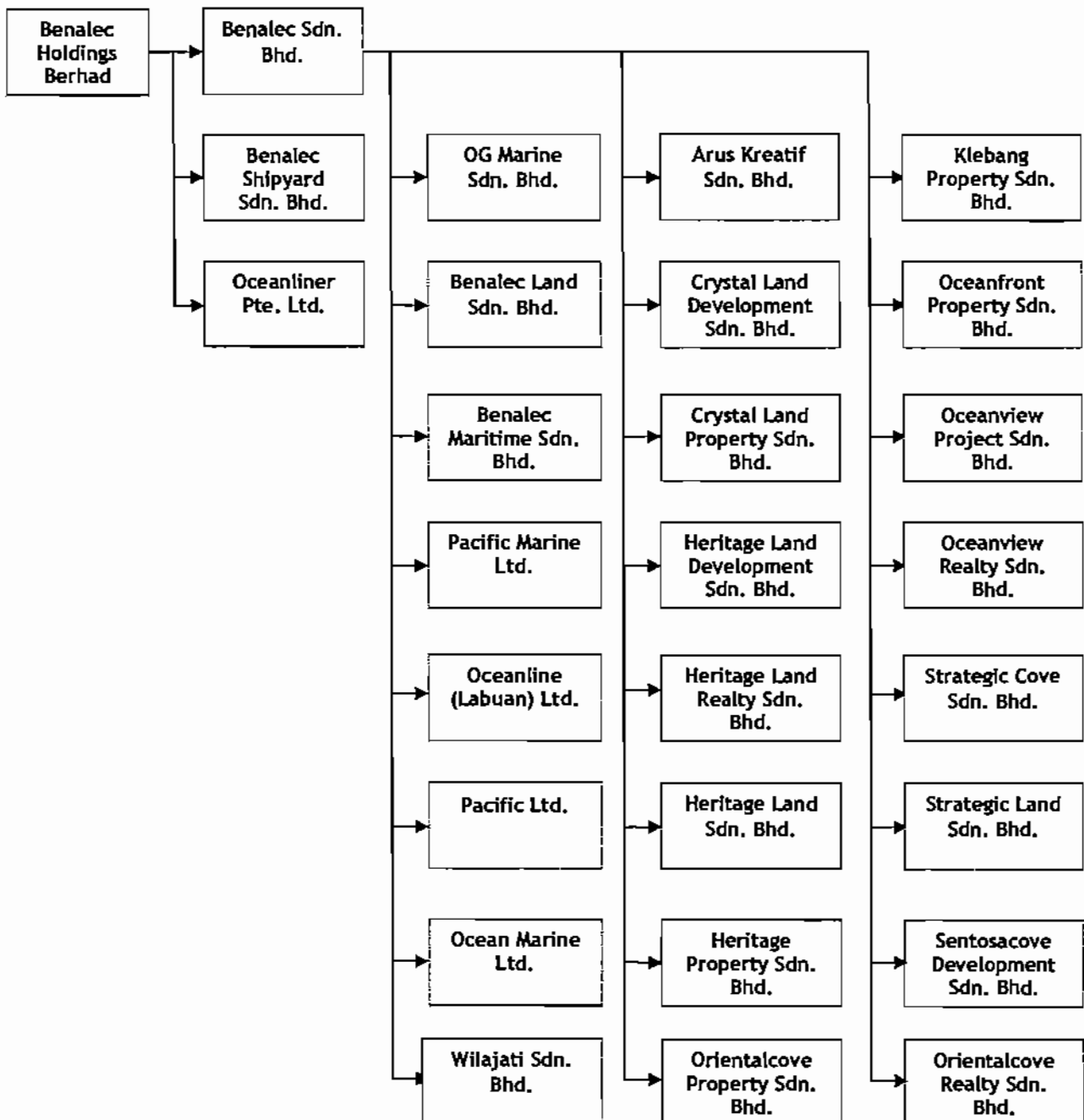


4. GENERAL INFORMATION

The Company was incorporated and domiciled in Malaysia under the Companies Act, 1965 on 12 July 2005 as a private limited liability company and subsequently changed its status to become a public limited liability company on 29 September 2010. The registered office of the Company is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

4.1 Group structure

The proposed corporate structure of Benalec Group (the "Group") upon the Listing and Quotation is as follows:



11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

4. GENERAL INFORMATION (continued)

4.2 Principal activities

The principal activity of the Company is investment holding whilst the details of the proposed subsidiaries as at the date of this Report are as follows:

Subsidiaries	Date of incorporation	Place of incorporation	Paid-up Capital	Effective equity interest (%)	Principal activities
BSB	29 Apr 1978	Malaysia	RM7,300,000	100	Marine construction and civil engineering
BenShip	16 Aug 1979	Malaysia	RM1,000,000	100	Ship building, repair, maintenance, fabrication, refurbishment and ship trading
Oceanliner	4 Jun 2009	Singapore	SGD200,000	100	Charter of vessels
Subsidiaries of BSB					
OG Marine Sdn. Bhd. ("OG Marine")	5 Nov 2002	Malaysia	RM1,000,000	100	Charter of vessels
Benalec Land Sdn. Bhd. ("Benalec Land")	9 Dec 2004	Malaysia	RM4	100	Property investment holding
Benalec Maritime Sdn. Bhd. ("Benalec Maritime")	29 Aug 2007	Malaysia	RM100,000	100	Dormant
Pacific Marine Ltd. ("Pacific Marine")	17 Apr 2009	Labuan	USD1,000,000	100	Charter and leasing of vessels
Oceanline (Labuan) Ltd. ("Oceanline Labuan")	28 Oct 2008	Labuan	USD7,050,000	100	Charter, leasing and trading of vessels
Pacific Ltd. ("Pacific")	17 Apr 2009	Labuan	USD18,645,829	100	Charter/leasing of vessels
Ocean Marine Ltd. ("OML")	17 Apr 2009	Labuan	USD4,974,761	100	Charter/leasing of vessels

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

4. GENERAL INFORMATION (continued)

4.2 Principal activities (continued)

Subsidiaries	Date of incorporation	Place of incorporation	Paid-up Capital	Effective equity interest (%)	Principal activities
Subsidiaries of BSB(continued)					
Arus Kreatif Sdn. Bhd. ("Arus Kreatif")	5 Mar 1999	Malaysia	RM500,000	100	Property investment holding
Crystal Land Development Sdn. Bhd. ("Crystal Land Development")	11 Jun 2009	Malaysia	RM2	100	Property investment holding
Crystal Land Property Sdn. Bhd. ("Crystal Land Property")	16 Apr 2009	Malaysia	RM2	100	Property investment holding
Heritage Land Development Sdn. Bhd. ("Heritage Land Development")	11 Jun 2009	Malaysia	RM2	100	Dormant
Heritage Land Realty Sdn. Bhd. ("Heritage Land Realty")	11 Jun 2009	Malaysia	RM2	100	Dormant
Heritage Land ("Heritage Land")	26 May 2009	Malaysia	RM2	100	Dormant
Heritage Property Sdn. Bhd. ("Heritage Property")	16 April 2009	Malaysia	RM2	100	Dormant
Klebang Property Sdn. Bhd. ("Klebang Property")	16 Apr 2009	Malaysia	RM2	100	Dormant
Oceanfront Property Sdn. Bhd. ("Oceanfront Property")	15 Apr 2010	Malaysia	RM2	100	Dormant

11. ACCOUNTANTS' REPORT (Cont'd)



Benolec Holdings Berhad (Company No. 702653-V)
Accountants' Report

4. GENERAL INFORMATION (continued)

4.2 Principal activities (continued)

Subsidiary	Date of Incorporation	Place of Incorporation	Paid-up Capital	Effective equity Interest (%)	Principal activities
Subsidiaries of BSB(continued)					
Oceanview Project Sdn. Bhd. ("Oceanview Project")	19 Apr 2010	Malaysia	RM2	100	Dormant
Oceanview Realty Sdn. Bhd. ("Oceanview Realty")	19 Apr 2010	Malaysia	RM2	100	Dormant
Orientalcove Realty Sdn. Bhd. ("Orientalcove Realty")	13 June 2006	Malaysia	RM3	100	Dormant
Orientalcove Property Sdn. Bhd. ("Orientalcove Property")	13 June 2006	Malaysia	RM3	100	Dormant
Sentosacove Development Sdn. Bhd. ("Sentosa Cove")	17 July 2008	Malaysia	RM250,000	100	Dormant
Strategic Cove Sdn. Bhd. ("Strategic Cove")	19 Apr 2010	Malaysia	RM2	100	Property investment holding
Strategic Land Sdn. Bhd. ("Strategic Land")	19 Apr 2010	Malaysia	RM2	100	Dormant
Wilajati Sdn. Bhd. ("Wilajati")	10 July 2008	Malaysia	RM2	100	Dormant

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

5. SHARE CAPITAL

The Company was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 2 December 2010, the Company subdivided its authorised shares to RM100,000 comprising 400,000 shares of RM0.25 each. Subsequently, on the same date, the Company increased its authorised share capital to RM500,000,000 by the creation of 1,600,000,000 new shares of RM0.25 each.

Details of the changes in the issued and paid up share capital of the Company since the date of incorporation are as follows:

Date of allotment	No of shares allotted	Cumulative no of shares allotted	Par value (RM)	Consideration	Cumulative total issued and paid-up share capital (RM)
12 July 2005	2	2	1.00	Subscriber's shares	2
2 December 2010	8	8	0.25	Subdivision of shares from RM1.00 each to RM0.25 each	2
2 December 2010	629,999,992	630,000,000	0.25	Issued as considerations for the Acquisitions of Subsidiaries	157,500,000
(i)	100,000,000	730,000,000	0.25	Public issue	182,500,000

(i) *New shares to be issued pursuant to the Public Issue*

Upon completion of the Public Issue and Offer for Sale ("IPO") as set out in Section 3 of this Report, the issued and fully paid-up share capital of the Company will be enlarged to RM182,500,000 comprising 730,000,000 Shares.

6. DIVIDEND

No dividend was declared by the Company since the date of its incorporation.

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

7. RELEVANT FINANCIAL PERIODS AND AUDITORS

Set out below are the relevant financial periods of the audited financial statements presented for the purpose of this Report ("Relevant Financial Periods") and the auditors of the respective companies within the Benalec Group for the Relevant Financial Periods:

Companies	Relevant Financial Periods	Auditors
Benalec	Financial year ended ("FYE") 30 June 2008 FYE 30 June 2009 FYE 30 June 2010	Lim Teoh & Co Lim Teoh & Co BDO
BSB	FYE 30 June 2008 FYE 30 June 2009 FYE 30 June 2010	KPMG KPMG BDO
BenShip	FYE 30 June 2008 FYE 30 June 2009 FYE 30 June 2010	Lim Teoh & Co Lim Teoh & Co BDO
Oceanliner	Financial period ("FP") 4 June 2009 (date of incorporation) to 30 June 2010	BDO
OG Marine	FYE 30 June 2008 FYE 30 June 2009 FYE 30 June 2010	Lim Teoh & Co Lim Teoh & Co BDO
Benalec Land	FYE 30 June 2008 FYE 30 June 2009 FYE 30 June 2010	Lim Teoh & Co Lim Teoh & Co BDO
Benalec Maritime	FP 29 August 2007 (date of incorporation) to 30 June 2008 FYE 30 June 2009 FYE 30 June 2010	Lim Teoh & Co Lim Teoh & Co BDO
Pacific Marine	FP 17 April 2009 (date of incorporation) to 30 June 2009 FYE 30 June 2010	BDO BDO
Oceanline (Labuan)	FP 28 Oct 2008 (date of incorporation) to 30 June 2009 FYE 30 June 2010	BDO BDO
Pacific	FP 17 April 2009 (date of incorporation) to 30 June 2009 FYE 30 June 2010	BDO BDO
OML	FP 17 April 2009 (date of incorporation) to 30 June 2009 FYE 30 June 2010	BDO BDO
Arus Kreatif	FYE 31 December 2007 FYE 31 December 2008 FPE from 1 January 2009 to 30 June 2010	KC Chai & Co KC Chai & Co Lim Teoh & Co
Crystal Land Development	FP 11 June 2009 (date of incorporation) to 30 June 2010	Lim Teoh & Co

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

7. RELEVANT FINANCIAL PERIODS AND AUDITORS (continued)

Companies	Relevant Financial Periods	Auditors
Crystal Land Property	FP 16 April 2009 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Heritage Land Development	FP 11 June 2009 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Heritage Land Realty	FP 11 June 2009 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Heritage Land	FP 26 May 2009 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Heritage Property	FP 16 April 2009 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Klebang Property	FP 16 April 2009 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Oceanfront Property	FP 15 April 2010 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Oceanview Project	FP 19 April 2010 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Oceanview Realty	FP 19 April 2010 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Orientalcove Realty	FYE 30 June 2008 FYE 30 June 2009 FYE 30 June 2010	Lim Teoh & Co Lim Teoh & Co Lim Teoh & Co
Orientalcove Property	FYE 30 June 2008 FYE 30 June 2009 FYE 30 June 2010	Lim Teoh & Co Lim Teoh & Co Lim Teoh & Co
Sentosa Cove	FP 17 July 2008 (date of incorporation) to 30 June 2009 FYE 30 June 2010	Lim Teoh & Co Lim Teoh & Co
Strategic Cove	FP 19 April 2010 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Strategic Land	FP 19 April 2010 (date of incorporation) to 30 June 2010	Lim Teoh & Co
Wilajati Sdn. Bhd.	FP 10 July 2008 (date of incorporation) to 31 December 2008 FYE 31 December 2009 FP 1 January 2010 to 30 June 2010	Lim Teoh & Co Lim Teoh & Co Lim Teoh & Co

The financial statements of all the companies within the Benalec Group for the Relevant Financial Periods as above were not subject to any audit qualification. The auditors' reports of Benalec, BSB, Benship, Oceanliner, Pacific and OML for the Relevant Financial Periods are attached in Appendix I to this Report.

11. ACCOUNTANTS' REPORT (Cont'd)



8. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This Report is prepared on a basis consistent with the accounting policies adopted by the Group as disclosed in Section 8.1 of this Report.

The financial statements of the Group for the FYE 30 June 2008 and 30 June 2009 had been previously prepared in accordance with applicable approved Private Entity Reporting Standards in Malaysia ("PERS") and the provisions of the Companies Act, 1965. The Group have adopted the applicable approved Financial Reporting Standards in Malaysia ("FRS") and IC Interpretations effective FYE 30 June 2010 and reflected such adoption of the FRS for the FYE 30 June 2008 and 30 June 2009 in this Report and the effects of these adoptions are disclosed in Section 8.2 of this Report.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency.

8.1 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in the Group's financial statements.

(a) Basis of accounting

The financial statements of the Group have been prepared under the historical cost convention unless otherwise stated in the financial statements.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Section 8.3 of this Report. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to the end of the financial year using the purchase method of accounting.

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets acquired, liabilities assumed and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

- (i) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination; and
- (ii) recognise immediately in profit or loss any excess remaining after that reassessment.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(b) Basis of consolidation (continued)

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Subsidiaries are consolidated from the date of acquisition, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently convertible or exercisable are taken into consideration.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interest is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minority's share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiaries' equity since that date.

Where losses applicable to the minority in a subsidiary exceed the minority's interest in the equity of that subsidiary, the excess and any further losses applicable to the minority are allocated against the Group's interest except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Minority interest is presented in the consolidated balance sheet within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Company.

Minority interest in the results of the Group is presented in the consolidated income statement as an allocation of the total profit or loss for the financial year between minority interest and equity holders of the Company.

Changes in the Group's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary are derecognised at their carrying amounts at the date when control is lost and any resulting difference with the fair value of the consideration received will be recognised in the income statement.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(c) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and is not depreciated. Leasehold land is depreciated over 60 years. Depreciation of other property, plant and equipment is calculated to write off the cost of assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2%
Motor vehicles	20%
Furniture and fittings	10%
Plant and machinery	10%
Tools and office equipment	10%
Barges and dredger	10%

At each balance sheet date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write-down is made if the carrying amount exceeds the recoverable amount (see Section 8.1(f) of this Report on impairment of non-financial assets).

The residual values, useful lives 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. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on 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 carrying amount is included in profit or loss.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(d) Investments

(i) Subsidiaries

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its 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.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(ii) Other investments

Non-current investments other than investments in subsidiaries are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments.

Upon disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

(e) Goodwill

Goodwill acquired in a business combination is recognised as an asset at the acquisition date and is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Impairment of assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories, assets arising from construction contracts 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.

Goodwill that has an indefinite useful life is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**8.1 Significant accounting policies (continued)****(f) Impairment of assets (continued)**

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using weighted average method. The cost of goods in transit comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition.

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

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(h) Land held for sale

Land held for sale is classified as current asset and is stated at the lower of costs and net realisable value.

Such land is available for immediate sale in its present condition and will be recovered principally through a sale transaction rather than through continuing use.

(i) Construction contracts

Contract costs comprise costs related directly to the specific contract and those that are attributable to the contract activity in general and can be allocated to the contract and such other costs that are specifically chargeable to the customer under the terms of the contract.

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

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

(i) Financial instruments recognised on the balance sheets

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(j) Financial instruments (continued)

(i) Financial instruments recognised on the balance sheets (continued)

(a) Receivables

Trade receivables and other receivables, including amount owing by related parties, are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

Receivables are not held for trading purposes.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

(c) Payables

Liabilities for trade and other amounts payable, including amounts owing to related parties are initially recognised at fair value of the consideration to be paid in the future for goods and services received, and subsequently measured at amortised cost using the effective interest method.

(d) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest bearing loans and borrowings are 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 twelve (12) months after the balance sheet date.

All borrowings costs are recognised in profit and loss in the period in which they are incurred.

(e) Equity instruments

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Dividends to shareholders are recognised in equity in the period in which they are declared.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(k) Borrowing costs

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

(l) Income taxes

Income taxes included all domestic taxes on taxable profit. Taxes in the income statements comprise current tax and deferred tax.

(i) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

11. ACCOUNTANTS' REPORT (Cont'd)



8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(l) Income taxes (continued)

(ii) Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different accounting period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

(m) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Defined contribution plan

The Company and subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

(n) Foreign currency transactions and translations

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities 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, which is the Company's functional and presentation currency.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(n) Foreign currency transactions and translations (continued)

(ii) Foreign currency translations and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(iii) Foreign operations

Financial statements of foreign operations are translated at financial year end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised as a separate component of equity.

(o) Leases and hire purchase

(i) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership of the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(ii) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.1 Significant accounting policies (continued)

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(i) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement over the goods, which coincides with delivery of goods and acceptance by customers.

(ii) Construction contracts

Profits from contract works are recognised on a percentage of completion method. Percentage of completion is determined on the proportion of contract costs incurred for work performed to date against total estimated costs where the outcome of the project can be estimated reliably.

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

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

(iii) Vessels chartering and marine transportation income

Revenue from the vessels chartering and marine transportation services is recognised when services are rendered.

(iv) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(v) Rental income

Rental income from hiring of barges is recognised on accrual basis unless collectability is in doubt.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**8.1 Significant accounting policies (continued)****(q) Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

(s) Vessels work-in-progress

Vessels work-in-progress is stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value.

Cost includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling prices less all estimated costs to completion and costs to be incurred in selling and distribution.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC Interpretations

8.2.1 Amendments to FRS and new FRS adopted

The Group has adopted all the following FRS, amendments to FRS and IC Interpretations that are effective on or before 1 January 2009 for the preparation of the financial statements for the FYE 30 June 2008, 30 June 2009 and 30 June 2010:

FRS 1	<i>First-time Adoption of Financial Reporting Standards</i>
FRS 2	<i>Share-based Payment</i>
FRS 3	<i>Business Combinations</i>
FRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
FRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>
FRS 8	<i>Operating Segments</i>
FRS 101	<i>Presentation of Financial Statements</i>
FRS 102	<i>Inventories</i>
FRS 107	<i>Cash Flow Statements</i>
FRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
FRS 110	<i>Events after the Balance Sheet Date</i>
FRS 111	<i>Construction Contracts</i>
FRS 112	<i>Income Taxes</i>
FRS 114 ₂₀₀₄	<i>Segment Reporting</i>
FRS 116	<i>Property, Plant and Equipment</i>
FRS 117	<i>Leases</i>
FRS 118	<i>Revenue</i>
FRS 119	<i>Employee Benefits</i>
FRS 119	<i>Amendment to Financial Reporting Standard FRS 119 Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures</i>
FRS 120	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>
FRS 121	<i>The Effects of Changes in Foreign Exchange Rates</i>
FRS 121	<i>Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i>
FRS 123 ₂₀₀₄	<i>Borrowing Costs</i>
FRS 124	<i>Related Party Disclosures</i>
FRS 125 ₂₀₀₄	<i>Accounting for Investments</i>
FRS 126	<i>Accounting and Reporting by Retirement Benefit Plans</i>
FRS 127	<i>Consolidated and Separate Financial Statements</i>
FRS 128	<i>Investments in Associates</i>
FRS 129	<i>Financial Reporting in Hyperinflationary Economies</i>
FRS 131	<i>Interests in Joint Ventures</i>
FRS 132	<i>Financial Instruments: Disclosure and Presentation</i>
FRS 133	<i>Earnings Per Share</i>
FRS 134 ₂₀₀₄	<i>Interim Financial Reporting</i>
FRS 136	<i>Impairment of Assets</i>
FRS 137	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
FRS 138	<i>Intangible Assets</i>
FRS 140	<i>Investment Property</i>
FRS 201 ₂₀₀₄	<i>Property Development Activities</i>
FRS 202 ₂₀₀₄	<i>General Insurance Business</i>
FRS 203 ₂₀₀₄	<i>Life Insurance Business</i>
FRS 204 ₂₀₀₄	<i>Accounting for Aquaculture</i>
FRS i-1 ₂₀₀₄	<i>Presentation of Financial Statements of Islamic Financial Institutions</i>

11. ACCOUNTANTS' REPORT (Conf'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.1 Amendments to FRS and new FRS adopted (continued)

IC Interpretation 107	<i>Introduction of the Euro</i>
IC Interpretation 110	<i>Government Assistance - No Specific Relation to Operating Activities</i>
IC Interpretation 112	<i>Consolidation - Special Purpose Entities</i>
IC Interpretation 113	<i>Jointly Controlled Entities - Non Monetary Contributions by Ventures</i>
IC Interpretation 115	<i>Operating Leases - Incentives</i>
IC Interpretation 121	<i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>
IC Interpretation 125	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>
IC Interpretation 127	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>
IC Interpretation 129	<i>Disclosure - Service Concession Arrangements</i>
IC Interpretation 131	<i>Reserve - Barter Transactions Involving Advertising Transactions</i>
IC Interpretation 132	<i>Intangible Assets - Web Site Costs</i>
IC Interpretation 201	<i>Preliminary and Pre-operating Expenditure</i>
IC Interpretation 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>
IC Interpretation 2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>
IC Interpretation 5	<i>Rights to Interests arising From Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
IC Interpretation 6	<i>Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment</i>
IC Interpretation 7	<i>Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i>
IC Interpretation 8	<i>Scope of FRS 2 Share-based payment</i>

FRS 5, FRS 6, FRS 114₂₀₀₄, FRS 120, FRS 126, FRS 128, FRS 129, FRS 131, FRS 140, FRS 201₂₀₀₄, FRS 202₂₀₀₄, FRS 203₂₀₀₄, FRS 204₂₀₀₄, FRS i-1₂₀₀₄ and abovementioned IC Interpretations are not relevant to the Group during the financial years under review.

The adoption of the FRS does not have any significant financial impact on the Group other than the form of presentation and disclosures.

8.2.2 Framework for the Preparation and Presentation of Financial Statements ("Framework") is effective for financial year beginning on 1 July 2007.

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a Malaysian Accounting Standards Board ("MASB") approved accounting standard as defined in paragraph 11 of FRS 101 and hence, does not define standards for any particular measurement or disclosure issue.

11. ACCOUNTANTS' REPORT (Cont'd)



8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.3 Early adoption of new FRS

- (a) The Group has early adopted Amendment to FRS 117 Leases as permitted by paragraph 69A in the Amendment to FRS 117.

Amendment to FRS 117 removes the requirements on the classification of leases of land and buildings, and instead, requires an assessment of the classification based on risks and rewards of the lease itself. The transitional provision of paragraph 68A of the Amendment to FRS 117 requires the assessment of land elements of unexpired leases to be made retrospectively in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors. Any difference between the fair value of the newly reclassified asset and liability of the finance lease shall be recognised in the retained earnings.

The early adoption of FRS 117 does not result in any adjustment to recognised items of assets, liabilities, income and expenses of the Group in both the current year and prior years.

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted

- (a) FRS 4 *Insurance Contracts* and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202₂₀₀₄ *General Insurance Business* and FRS 203₂₀₀₄ *Life Insurance Business*.

This Standard applies to all insurance contracts, including reinsurance contracts that an entity issues and to reinsurance contracts that it holds. This Standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. This Standard also requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

By virtue of the exemption provided under paragraph 41AA of FRS 4, the impact of applying FRS 4 on the financial statements upon first adoption of the FRS as required by paragraph 30(b) of FRS 108 *Accounting Policies, Change in Accounting Estimates and Errors* is not disclosed.

This Standard is not relevant to the Group's operations.

- (b) FRS 7 *Financial Instruments: Disclosures* and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 *Financial Instruments: Disclosure and Presentation*.

This Standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance. By virtue of the exemption provided under paragraph 44AB of FRS 7, the impact of applying FRS 7 on the consolidated financial statements upon first adoption of the FRS as required by paragraph 30(b) of FRS 108 *Accounting Policies, Change in Accounting Estimates and Errors* is not disclosed.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (c) FRS 123 *Borrowing Costs* and the consequential amendments resulting from FRS 123 are mandatory for annual periods beginning on or after 1 January 2010.

This Standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

The Group does not expect any impact on the financial statements arising from the adoption of this Standard.

- (d) FRS 139 *Financial Instruments: Recognition and Measurement* and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010.

This Standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of the FRS as required by paragraph 30(b) of FRS 108 is not disclosed.

- (e) Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations* are mandatory for annual financial periods beginning on or after 1 January 2010.

These amendments clarify that vesting conditions comprise service conditions and performance conditions only. Cancellations by parties other than the Group are accounted for in the same manner as cancellations by the Group itself and features of a share-based payment that are non-vesting conditions are included in the grant date fair value of the share-based payment.

As disclosed in Section 2.6 of this Report, the issue price of the Options pursuant to the Proposed ESOS under the Listing Scheme is to be determined, hence the impact of the adoption of the Amendments to FRS 2 cannot be reliably measured.

- (f) Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* is mandatory for annual periods beginning on or after 1 January 2010.

These amendments allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The cost method of accounting for an investment has also been removed pursuant to these amendments.

The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (g) IC Interpretation 9 *Reassessment of Embedded Derivatives* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms of the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

IC Interpretation 9 is not relevant to the Group's operations.

- (h) IC Interpretation 10 *Interim Financial Reporting and Impairment* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The Group does not expect any impact on the financial statements arising from the adoption of this Interpretation in the future.

- (i) IC Interpretation 11 *FRS 2 - Group and Treasury Share Transactions* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation requires share-based payment transactions in which the Group receives services from employees as consideration for its own equity instruments to be accounted for as equity-settled, regardless of the manner of satisfying the obligations to the employees.

IC Interpretation 11 is not relevant to the Group's operations and will be withdrawn upon the adoption of Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions which are mandatory for annual periods beginning on or after 1 January 2011.

- (j) IC Interpretation 13 *Customer Loyalty Programmes* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation requires the separation of award credits as a separately identifiable component of sales transactions involving the award of free or discounted goods or services in the future. The fair value of the consideration received or receivable from the initial sale shall be allocated between the award credits and the other components of the sale.

IC Interpretation 13 is not relevant to the Group's operations.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC Interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (k) IC Interpretation 14 *FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is mandatory for annual periods beginning on or after 1 January 2010.

This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. This Interpretation clarifies that an economic benefit is available if the Group can realise it at some point during the life of the plan or when the plan liabilities are settled, and that it does not depend on how the Group intends to use the surplus.

A right to refund is available to the Group in stipulated circumstances and the economic benefit available shall be measured as the amount of the surplus at the balance sheet date less any associated costs. If there are no minimum funding requirements, the economic benefit available shall be determined as a reduction in future contributions as the lower of the surplus in the plan and the present value of the future service cost to the Group. If there is a minimum funding requirement for contributions relating to the future accrual of benefits, the economic benefit available shall be determined as a reduction in future contributions at the present value of the estimated future service cost less the estimated minimum funding required in each financial year.

IC Interpretation 14 is not relevant to the Group's operations.

- (l) *FRS 101 Presentation of Financial Statements* is mandatory for annual periods beginning on or after 1 January 2010.

FRS 101 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

This Standard introduces the titles 'statement of financial position' and 'statement of cash flows' to replace the current titles 'balance sheet' and 'cash flow statement' respectively. A new statement known as the 'statement of comprehensive income' is also introduced in this Standard whereby all non-owner changes in equity are required to be presented in either one statement of comprehensive income or in two statements (i.e. a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

This Standard also introduces a new requirement to present a statement of financial position as at the beginning of the earliest comparative period if there are applications of retrospective restatements that are defined in FRS 108, or when there are reclassifications of items in the financial statements.

Additionally, FRS 101 requires the disclosure of reclassification adjustments and income tax relating to each component of other comprehensive income, and the presentation of dividends recognised as distributions to owners together with the related amounts per share in the statement of changes in equity or in the notes to the financial statements.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC Interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (l) FRS 101 *Presentation of Financial Statements* is mandatory for annual periods beginning on or after 1 January 2010 (continued).

This Standard introduces a new requirement to disclose information on the objectives, policies and processes for managing capital based on information provided internally to key management personnel as defined in FRS 124 *Related Party Disclosures*. Additional disclosures are also required for puttable financial instruments classified as equity instruments.

Apart from the new presentation and disclosure requirements described, the Group does not expect any other impact on the consolidated financial statements arising from the adoption of this Standard.

- (m) Amendments to FRS 139, FRS 7 and IC Interpretation 9 are mandatory for annual periods beginning on or after 1 January 2010.

These amendments permit reclassifications of non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) out of the fair value through profit or loss category in rare circumstances. Reclassifications from the available-for-sale category to the loans and receivables category are also permitted provided there is intention and ability to hold that financial asset for the foreseeable future. All of these reclassifications shall be subjected to subsequent reassessments of embedded derivatives.

These amendments also clarifies the designation of one-sided risk in eligible hedged items and streamlines the terms used throughout the Standards in accordance with the changes resulting from FRS 101.

By virtue of the exemptions provided under paragraphs 103AB of FRS 139 and 44AB of FRS 7, the impact of applying these amendments on the consolidated financial statements upon first adoption of the FRS 139 and FRS 7 respectively as required by paragraph 30(b) of FRS 108 are not disclosed. However, IC Interpretation 9 is not relevant to the Group's operations.

- (n) Amendments to FRS 132 *Financial Instruments: Presentation* is mandatory for annual periods beginning on or after 1 January 2010.

These amendments require certain puttable financial instruments, and financial instruments that impose an obligation to deliver to counterparties a pro rata share of the net assets of the entity only on liquidation to be classified as equity.

Puttable financial instruments are defined as financial instruments that give the holder the right to put the instrument back to the issuer for cash, or another financial asset, or are automatically put back to the issuer upon occurrence of an uncertain future event or the death or retirement of the instrument holder.

Presently, the Group does not expect any impact on the consolidated financial statements arising from the adoption of this Standard. However, the Group is in the process of assessing the impact of this Standard in conjunction with the implementation of FRS 139 and would only be able to provide further information in the next annual financial statements.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (o) Improvements to FRSs (2009) are mandatory for annual periods beginning on or after 1 January 2010.
- (i) Amendment to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* clarifies that the disclosure requirements of this Standard specifically apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations. Amendment to FRS 5 is not relevant to the Group's operations.
 - (ii) Amendment to FRS 8 clarifies the consistency of disclosure requirement for information about profit or loss, assets and liabilities. Amendment to FRS 8 is not relevant to the Group's operations.
 - (iii) Amendment to FRS 107 *Statement of Cash Flows* clarifies the classification of cash flows arising from operating activities and investing activities. Cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale, and the related cash receipts, shall be classified as cash flows from operating activities. Expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities. The Group does not expect any impact on the consolidated financial statements arising from the adoption of this amendment.
 - (iv) Amendment to FRS 108 clarifies that only Implementation Guidance issued by the MASB that are integral parts of FRSs is mandatory. The Group does not expect any impact on the consolidated financial statements arising from the adoption of this amendment.
 - (v) Amendment to FRS 110 *Events after the Reporting Period* clarifies the rationale for not recognising dividends declared after the reporting date but before the financial statements are authorised for issue. The Group does not expect any impact on the consolidated financial statements arising from the adoption of this amendment.
 - (vi) Amendment to FRS 116 *Property, Plant and Equipment* removes the definition pertaining the applicability of this Standard to property that is being constructed or developed for future use as investment property but do not yet satisfy the definition of 'investment property' in FRS 140 *Investment Property*. This amendment also replaces the term 'net selling price' with 'fair value less costs to sell', and clarifies that proceeds arising from routine sale of items of property, plant and equipment shall be recognised as revenue in accordance with FRS 118 *Revenue* rather than FRS 5. The Group does not expect any impact on the consolidated financial statements arising from the adoption of this amendment.
 - (vii) Amendment to FRS 117 *Leases* removes the classification of leases of land and of buildings, and instead, requires assessment of classification based on the risks and rewards of the lease itself. The Group has early adopted this amendment as disclosed in Section 8.2.3 of this Report.
 - (viii) Amendment to FRS 118 clarifies reference made on the term 'transaction costs' to the definition in FRS 139. The Group does not expect any impact on the financial statements arising from the adoption of this amendment.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (o) Improvements to FRSs (2009) are mandatory for annual periods beginning on or after 1 January 2010 (continued).
- (ix) Amendment to FRS 119 *Employee Benefits* clarifies the definitions in this Standard by consistently applying settlement dates within twelve (12) months in the distinction between short-term employee benefits and other long-term employee benefits. This amendment also provides additional explanations on negative past service cost and curtailments. The Group does not expect any impact on the financial statements arising from the adoption of this amendment.
- (x) Amendment to FRS 120 *Accounting for Government Grants and Disclosure of Government Assistance* streamlines the terms used in this Standard in accordance with the new terms used in FRS 101. Amendment to FRS 120 is not relevant to the Group's operations.
- (xi) Amendment to FRS 123 clarifies that interest expense calculated using the effective interest rate method described in FRS 139 qualifies for recognition as borrowing costs. The Group does not expect any impact on the financial statements arising from the adoption of this amendment.
- (xii) Amendment to FRS 127 *Consolidated and Separate Financial Statements* clarifies that investments measured at cost shall be accounted for in accordance with FRS 5 when they are held for sale in accordance with FRS 5. The Group does not expect any impact on the financial statements arising from the adoption of this amendment.
- (xiii) Amendment to FRS 128 *Investments in Associates* clarifies that investments in associates held by venture capital organisations, or mutual funds, unit trusts and similar entities shall make disclosures on the nature and extent of any significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances. This amendment also clarifies that impairment loss recognised in accordance with FRS 136 *Impairment of Assets* shall not be allocated to any asset, including goodwill, that forms the carrying amount of the investment. Accordingly, any reversal of that impairment loss shall be recognised in accordance with FRS 136. Amendment to FRS 128 is not relevant to the Group's operations.
- (xiv) Amendment to FRS 129 *Financial Reporting in Hyperinflationary Economies* streamlines the terms used in this Standard in accordance with the new terms used in FRS 101. This amendment also clarifies that assets and liabilities that are measured at fair value are exempted from the requirement to apply historical cost basis of accounting. Amendment to FRS 129 is not relevant to the Group's operations.
- (xv) Amendment to FRS 131 *Interests in Joint Ventures* clarifies that venturers' interests in jointly controlled entities held by venture capital organisations, or mutual funds, unit trusts and similar entities shall make disclosures on related capital commitments. This amendment also clarifies that a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities shall be made. Amendment to FRS 131 is not relevant to the Group's operations.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)****8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)**

- (o) Improvements to FRSs (2009) are mandatory for annual periods beginning on or after 1 January 2010 (continued).
- (xvi) Amendment to FRS 134 *Interim Financial Reporting* clarifies the need to present basic and diluted earnings per share for an interim period when the entity is within the scope of FRS 133 *Earnings Per Share*. This amendment is not relevant to the Group's operations.
- (xvii) Amendment to FRS 136 clarifies the determination of allocation of goodwill to each cash-generating unit whereby each unit shall not be larger than an operating segment as defined in FRS 8 before aggregation. This amendment also requires additional disclosures if the fair value less costs to sell is determined using discounted cash flow projections. Presently, the Group does not expect any impact on the financial statements arising from the adoption of this amendment. However, the Group is in the process of assessing the impact of this Standard in conjunction with the implementation of FRS 8 and would only be able to provide further information in the next annual financial statements.
- (xviii) Amendment to FRS 138 *Intangible Assets* clarifies the examples provided in this Standard in measuring the fair value of an intangible asset acquired in a business combination. This amendment also removes the statement on the rarity of situations whereby the application of the amortisation method for intangible assets results in a lower amount of accumulated amortisation than under the straight line method. Amendment to FRS 138 is not relevant to the Group's operations.
- (xix) Amendment to FRS 140 clarifies that properties that are being constructed or developed for future use as investment property are within the definition of 'investment property'. This amendment further clarifies that if the fair value of such properties cannot be reliably determinable but it is expected that the fair value would be readily determinable when construction is complete, the properties shall be measured at cost until either its fair value becomes reliably determinable or construction is completed, whichever is earlier. Amendment to FRS 140 is not relevant to the Group's operations.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (p) FRS 1 *First-time Adoption of Financial Reporting Standards* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 1 and shall be applied when the Group adopts FRSs for the first time via the explicit and unreserved statement of compliance with FRSs. An opening FRS statement of financial position shall be prepared and presented at the date of transition to FRS, whereby:

- (i) All assets and liabilities shall be recognised in accordance with FRSs;
- (ii) Items of assets and liabilities shall not be recognised if FRSs do not permit such recognition;
- (iii) Items recognised in accordance with previous General Accepted Accounting Principles ("GAAP") shall be reclassified in accordance with FRSs; and
- (iv) All recognised assets and liabilities shall be measured in accordance with FRSs.

All resulting adjustments shall therefore be recognised directly in retained earnings at the date of transition to FRSs.

The Group does not expect any impact on the financial statements arising from the adoption of this Standard.

- (q) FRS 3 *Business Combinations* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 3 and now includes business combinations involving mutual entities and those achieved by way of contract alone. Any non-controlling interest in an acquiree shall be measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The time limit on the adjustment to goodwill due to the arrival of new information on the crystallisation of deferred tax benefits shall be restricted to the measurement period resulting from the arrival of the new information. Contingent liabilities acquired arising from present obligations shall be recognised, regardless of the probability of outflow of economic resources.

Acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred and the services are received. Consideration transferred in a business combination, including contingent consideration, shall be measured and recognised at fair value at acquisition date.

In business combinations achieved in stages, the acquirer shall remeasure its previously held equity interest at its acquisition date at fair value and recognise the resulting gain or loss in profit or loss.

The Group does not expect any impact on the financial statements arising from the adoption of this Standard.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (r) FRS 127 *Consolidated and Separate Financial Statements* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 127 and replaces the current term 'minority interest' with a new term 'non-controlling interest' which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group loses control of a subsidiary, any gains or losses are recognised in profit or loss and any investment retained in the former subsidiary shall be measured at its fair value at the date when control is lost.

The Group does not expect any impact on the financial statements arising from the adoption of this Standard.

- (s) Amendments to FRSs are mandatory for annual periods beginning on or after 1 July 2010, except for Amendments to FRS 139 which is mandatory for annual periods beginning on or after 1 January 2010.
- (i) Amendments to FRS 2 *Share-based Payments* clarifies that transactions in which the Group acquired goods as part of the net assets acquired in a business combination or contribution of a business on the formation of a joint venture are excluded from the scope of this Standard. This amendment is not relevant to the Group.
- (ii) Amendments to FRS 5 clarifies that non-current asset classified as held for distribution to owners acting in their capacity as owners are within the scope of this Standard. The amendment also clarifies that in determining whether a sale is highly probable, the probability of shareholders' approval, if required in the jurisdiction, shall be considered. In a sale plan involving loss of control of a subsidiary, all assets and liabilities of that subsidiary shall be classified as held for sale, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Discontinued operations information shall also be presented. Non-current asset classified as held for distribution to owners shall be measured at the lower of its carrying amount and fair value less costs to distribute. Amendments to FRS 5 is not relevant to the Group's operations.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)****8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)**

- (s) Amendments to FRSs are mandatory for annual periods beginning on or after 1 July 2010, except for Amendments to FRS 139 which is mandatory for annual periods beginning on or after 1 January 2010 (continued).
 - (iii) Amendments to FRS 138 clarifies that the intention of separating an intangible asset is irrelevant in determining the identifiability of the intangible asset. In a separate acquisition and acquisition as part of a business combination, the price paid by the Group reflects the expectations of the Group of an inflow of economic benefits, even if there is uncertainty about the timing or the amount of the inflow. Accordingly, the probability criterion is always considered to be satisfied for separately acquired intangible assets. The useful life of a reacquired right recognised as an intangible asset in a business combination shall be the remaining contractual period of the contract in which the right was granted, and do not include renewal periods. In the case of a reacquired right in a business combination, if the right is subsequently reissued to a third party, the related carrying amount shall be used in determining the gain or loss on reissue. The Group does not expect any impact on the financial statements arising from the adoption of this amendment.
 - (iv) Amendments to FRS 139 remove the scope exemption on contracts for contingent consideration in a business combination. Accordingly, such contracts shall be recognised and measured in accordance with the requirements of FRS 139. The Group does not expect any impact on the financial statements arising from the adoption of this amendment.
 - (v) Amendments to IC Interpretation 9 clarifies that embedded derivatives in contracts acquired in a business combination, combination of entities or business under common controls, or the formation of a joint venture are excluded from this Interpretation. Amendments to IC Interpretation 9 is not relevant to the Group's operations.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (t) IC Interpretation 12 *Service Concession Arrangements* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to operators for public-to-private service concession arrangements, whereby infrastructure within the scope of this Interpretation shall not be recognised as property, plant and equipment of the operator. The operator shall recognise and measure revenue in accordance with FRS 111 *Construction Contracts* and FRS 118 for the services performed. The operator shall also account for revenue and costs relating to construction or upgrade services in accordance with FRS 111.

Consideration received or receivable by the operator for the provision of construction or upgrade services shall be recognised at its fair value. If the consideration consists of an unconditional contractual right to receive cash or another financial asset from the grantor, it shall be classified as a financial asset. Conversely, if the consideration consists of a right to charge users of the public service, it shall be classified as an intangible asset.

IC Interpretation 12 is not relevant to the Group's operations.

- (u) IC Interpretation 15 *Agreements for the Construction of Real Estate* is mandatory for annual periods beginning on or after 1 January 2012.

This Interpretation applies to the accounting for revenue and associated expenses by entities undertaking construction or real estate directly or via subcontractors. Within a single agreement, the Group may contract to deliver goods or services in addition to the construction of real estate. Such an agreement shall therefore, be split into separately identifiable components.

An agreement for the construction of real estate shall be accounted for in accordance with FRS 111 if the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Accordingly, revenue shall be recognised by reference to the stage of completion of the contract.

An agreement for the construction of real estate in which buyers only have limited ability to influence the design of the real estate or to specify only minor variations to the basic designs is an agreement for the sale of goods in accordance with FRS 118. Accordingly, revenue shall be recognised by reference to the criteria in paragraph 14 of FRS 118 (e.g. transfer of significant risks and rewards, no continuing managerial involvement nor effective control, reliable measurement, etc.).

IC Interpretation 15 is not relevant to the Group's operations.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (v) IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* is mandatory for annual periods beginning on or after 1 July 2010 (continued).

This Interpretation applies to hedges undertaken on foreign currency risk arising from net investments in foreign operations and the Group wishes to qualify for hedge accounting in accordance with FRS 139.

Hedge accounting is applicable only to the foreign exchange differences arising between the functional currency of the foreign operation and the functional currency of any parent (immediate, intermediate or ultimate parent) of that foreign operation. An exposure to foreign currency risk arising from a net investment in a foreign operation may qualify for hedge accounting only once in the consolidated financial statements.

Hedging instruments designated in the hedge of a net investment in a foreign operation may be held by any companies within the Group, as long as the designation, documentation and effectiveness requirements of FRS 139 are met.

IC Interpretation 16 is not relevant to the Group's operations.

- (w) IC Interpretation 17 *Distributions of Non-cash Assets to Owners* is mandatory for annual periods beginning on or after 1 July 2010.

This Interpretation applies to non-reciprocal distributions of non-cash assets by the Group to its owners in their capacity as owners, as well as distributions that give owners a choice of receiving either non-cash assets or a cash alternative. This Interpretation also applies to distributions in which all owners of the same class of equity instruments are treated equally.

The liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the Group. The liability shall be measured at the fair value of the assets to be distributed. If the Group gives its owners a choice of receiving either a non-cash asset or a cash alternative, the dividend payable shall be estimated by considering the fair value of both alternatives and the associated probability of the owners' selection.

At the end of each reporting period, the carrying amount of the dividend payable shall be remeasured and any changes shall be recognised in equity. At the settlement date, any difference between the carrying amounts of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

IC Interpretation 17 is not relevant to the Group's operations.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (x) Amendments to FRS 132 is mandatory for annual periods beginning on or after 1 January 2010 and 1 March 2010 in respect of the transitional provisions in accounting for compound financial instruments and classification of rights issues respectively.

These amendments remove the transitional provisions in respect of accounting for compound financial instruments issued before 1 January 2003 pursuant to FRS 132₂₀₀₄ Financial Instruments: Disclosure and Presentation. Such compound financial instruments shall be classified into its liability and equity components when FRS 139 first applies.

The amendments also clarifies that rights, options or warrants to acquire a fixed number of the Group's own equity instruments for a fixed amount of any currency shall be classified as equity instruments rather than financial liabilities if the Group offers the rights, options or warrants pro rata to all of its own existing owners of the same class of its own non-derivative equity instruments.

The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

- (y) Amendment to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters is mandatory for annual periods beginning on or after 1 January 2011.

This amendment permits a first-time adopter of FRSs to apply the exemption of not restating comparatives for the disclosures required in Amendments to FRS 7 (see Section 8.2.4 (z) of this Report).

The Group does not expect any impact on the financial statements arising from the adoption of this amendment.

- (z) Amendments to FRS 7 Improving Disclosures about Financial Instruments is mandatory for annual periods beginning on or after 1 January 2011.

These amendments require enhanced disclosures of fair value of financial instruments based on the fair value hierarchy, including the disclosure of significant transfers between Level 1 and Level 2 of the fair value hierarchy as well as reconciliations for fair value measurements in Level 3 of the fair value hierarchy.

By virtue of the exemption provided under paragraph 44G of FRS 7, the impact of applying these amendments on the financial statements upon first adoption of FRS 7 as required by paragraph 30(b) of FRS 108 are not disclosed.

- (aa) Amendments to FRS 1 *Additional Exemptions for First-time Adopters* are mandatory for annual periods beginning on or after 1 January 2011.

These amendments permits a first-time adopter of FRSs to apply the exemption of not restating the carrying amounts of oil and gas assets determined under previous GAAP.

The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

11. ACCOUNTANTS' REPORT (Cont'd)



8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.2 Adoption of New FRS, Amendments to FRS and IC interpretations (continued)

8.2.4 New FRS, Amendments to FRS and IC Interpretations not adopted (continued)

- (bb) Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions* are mandatory for annual periods beginning on or after 1 January 2011.

These amendments clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction.

Consequently, IC Interpretation 8 *Scope of FRS 2* and IC Interpretation 11 have been superseded and withdrawn.

The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

- (cc) IC Interpretation 4 *Determining whether an Arrangement contains a Lease* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation requires the determination of whether an arrangement is, or contains, a lease based on an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset. This assessment shall be made at the inception of the arrangement and subsequently reassessed if certain condition(s) in the Interpretation is met.

The Group does not expect any impact on the financial statements arising from the adoption of this amendment because there are no arrangements dependent on the use of specific assets in the Group.

- (dd) IC Interpretation 18 *Transfers of Assets from Customers* is mandatory for annual periods beginning on or after 1 January 2011.

This Interpretation applies to agreements in which an entity receives from a customer an item of property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The entity receiving the transferred item is required to assess whether the transferred item meets the definition of an asset set out in the Framework. The credit entry would be accounted for as revenue in accordance with FRS 118.

The Group does not expect any impact on the financial statements arising from the adoption of this amendment because there are no such arrangements in the Group.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.3 Significant accounting estimates and judgements

8.3.1 Critical judgements made in applying accounting policies

There are no critical judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in these financial statements.

8.3.2 Key sources of estimation uncertainty

The following are 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.

(a) Impairment of property, plant and equipment

The Group determines whether property, plant and equipment is impaired at each of the balance sheet dates. If an indication of impairment exists, the recoverable amount is estimated. Recoverable amount of an asset or cash generating unit ("CGU") is the higher of its fair value less cost to sell and its value in use.

Estimating a value in use requires management to make an estimate of the expected future cash flows to be derived from continuing use of the asset and from its ultimate disposal, expectations about possible variations in the amount, timing of those cash flows, the time value of money, price for inherent uncertainty risk, and other relevant factors.

As at 30 June 2010, management assessed that the recoverable amount of property, plant and equipment, based on value in use calculations, exceeded its carrying amount and thus, no impairment is required.

(b) 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 as disclosed in Section 8.1(c) to the financial statements. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation charge for future period is adjusted if there are significant changes from previous estimates.

(c) Construction contracts

The Group recognises construction contracts revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that construction contract costs incurred for work performed to date bear to the estimated total construction contract costs.

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

11. ACCOUNTANTS' REPORT (Cont'd)



8. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

8.3 Significant accounting estimates and judgements (continued)

8.3.2 Key sources of estimation uncertainty (continued)

(d) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Judgement is required to evaluate the adequacy of allowance for doubtful debts, including review of credit worthiness and the past collection history of each receivable. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(e) Fair value of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

9. FINANCIAL INFORMATION AND LIMITATION

The scope of work conducted in the preparation of this report does not, in itself, constitute an audit in accordance with the approved standards on auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report had not been independently verified by us. In preparing the report, we have relied upon information and representations given to us by the directors, officers and employees of the respective companies and sought explanations for apparent discrepancies, if any.

10. AUDITED FINANCIAL STATEMENTS

Key financial ratios

The key financial ratios used in the following sections are derived as follows:

- (a) Earnings before interest, tax, depreciation and amortisation ("EBITDA") is the total net profit for the financial year before interest, tax, depreciation and amortisation for the respective financial years/period.
- (b) Number of ordinary shares is the number of shares in issue at the end of the respective financial year/period.
- (c) Gross earnings per share is computed by dividing profit before tax for the respective financial years/period over the number of ordinary shares in issue at the end of the respective year/period.
- (d) Net earnings per share is computed by dividing profit after tax and attributable to the equity holders of the relevant company for the respective financial years/period over the number of ordinary shares in issue at the end of the respective year/period.
- (d) Gross profit ("GP") margin is computed by dividing the gross profit over revenue earned in the respective financial years/period.
- (e) Profit before tax ("PBT") margin is computed by dividing the profit before tax over revenue earned in the respective financial years/period.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

10. AUDITED FINANCIAL STATEMENTS (continued)

Key financial ratios (continued)

- (f) EBITDA margin is computed by dividing EBITDA over revenue earned in the respective financial years/period.
- (g) Effective tax rate is computed by dividing tax expense over profit before taxation in the respective financial years/period.
- (h) Net assets per ordinary share is computed by dividing net assets over number of ordinary shares in issue at each financial year end.
- (i) Trade receivables' turnover period is computed by dividing total net trade receivables over revenue earned and multiply by 365 days.
- (j) Trade payables' turnover period is computed by dividing total trade payables over revenue earned and multiply by 365 days.
- (k) Gearing ratio (times) is computed by dividing total borrowings over total shareholders' equity.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.1 Benalec

10.1.1 Income statements of Benalec

The income statements of Benalec, which is extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

	Section	Financial years ended 30 June		
		2008 RM'000	2009 RM'000	2010 RM'000
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Other operating expenses		(2)	(2)	(5)
Loss before tax	10.1.5	(2)	(2)	(5)
Tax expense	10.1.6	-	-	-
Net loss for the financial year		(2)	(2)	(5)
Key Financial Ratios				
<i>EBITDA (RM'000)</i>		(2)	(2)	(5)
<i>Number of ordinary shares of RM1.00 each</i>		2	2	2
<i>Gross loss per share (RM'000)</i>		(1)	(1)	(3)
<i>Net loss per share (RM'000)</i>		(1)	(1)	(3)
<i>GP margin (%)</i>		-	-	-
<i>PBT margin (%)</i>		-	-	-
<i>EBITDA margin (%)</i>		-	-	-
<i>Effective tax rate (%)</i>		-	-	-

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.1 Benalec (continued)

10.1.2 Balance sheets of Benalec

The balance sheets of Benalec, which are extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

Section	As at 30 June		
	2008 RM'000	2009 RM'000	2010 RM'000
ASSETS			
Current asset			
Cash in hand	#-	#-	#-
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10.1.7	#-	#-
Accumulated losses		(7)	(14)
TOTAL EQUITY		(7)	(14)
LIABILITY			
Current liability			
Other payables	10.1.8	7	14
TOTAL LIABILITY		7	14
TOTAL EQUITY AND LIABILITY		#-	#-

- Representing RM2

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.1 Benalec (continued)

10.1.3 Cash flow statements of Benalec

The cash flow statements of Benalec, which is extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

Section	Financial years ended 30 June		
	2008 RM'000	2009 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax, representing operating loss before working capital changes	(2)	(2)	(5)
Increase in other payables	2	2	5
Cash generated from operations, representing net cash from operating activities	-	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	#-	#-	#-
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	#-	#-	#-

- Representing RM2

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.1 Benalec (continued)

10.1.4 Statements of changes in equity of Benalec

The statements of changes in equity of Benalec, which are extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

FYE 30 JUNE 2008, 2009 & 2010	Section	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 July 2007		# -	(5)	(5)
Net loss for the financial year		-	(2)	(2)
Balance as at 30 June 2008/ 1 July 2008		# -	(7)	(7)
Net loss for the financial year		-	(2)	(2)
Balance as at 30 June 2009/ 1 July 2009		# -	(9)	(9)
Net loss for the financial year		-	(5)	(5)
Balance as at 30 June 2010		# -	(14)	(14)

- Representing RM2

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.1 Benalec (continued)

10.1.5 Loss before tax

	2008 RM'000	2009 RM'000	2010 RM'000
Loss before tax is arrived at after charging:			
Audit fees	1	1	1

10.1.6 Tax expense

The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of Benalec are as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Loss before tax	(2)	(2)	(5)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%, 2008: 26%) of chargeable income**	(1)	(1)	(2)
Total tax expense at applicable tax rates	(1)	(1)	(2)
Non-deductible expenses	1	1	2
Tax expense for the financial year	-	-	-

* With effect from year of assessment 2004, companies with a paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax rate of 20% of chargeable income up to RM500,000.

** The Malaysian income tax is calculated at the statutory tax rate of 25% (2009: 25%, 2008: 26%) of the estimated taxable profits for the fiscal year. The Malaysian statutory tax rate has been reduced to 25% from the fiscal year of assessment 2009 from the previous financial year's rate of 26%. The computation of deferred tax reflected these changes.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.1 Benalec (continued)

10.1.7 Share capital

	2008 RM'000	2009 RM'000	2010 RM'000
Authorised:			
100,000 ordinary shares of RM1 each			
At 1 beginning/end of financial year	100	100	100
Issued and fully paid-up:			
2 ordinary shares of RM1 each			
At 1 beginning/end of financial year	#	#	#

- Representing RM2

The holders of the abovementioned ordinary shares are entitled to receive dividends as and when declared by Benalec and are entitled to one vote per ordinary share at meetings of Benalec. All ordinary shares rank pari passu with regard to Benalec's residual assets.

10.1.8 Other payables

	2008 RM'000	2009 RM'000	2010 RM'000
Other payables and accruals			
Other payables and accruals			
- Third parties	4	6	9
- Related parties	3	3	5
	7	9	14
	7	9	14

(a) Amounts owing to related parties are unsecured, interest-free and payable in cash upon demand.

(b) Other payables are denominated in Ringgit Malaysia ("RM").

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11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

10. AUDITED FINANCIAL STATEMENTS (continued)

10.1 Benalec (continued)

10.1.9 Financial instruments

(a) The financial risk management objectives and policies

Benalec is exposed mainly to liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Liquidity and cash flow risk

Benalec monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Benalec's operations and to mitigate the effect of fluctuations in cash flows.

(b) Fair values

The carrying amounts of the financial instruments of Benalec as at the balance sheet date approximate their fair values due to the relatively short term maturity of the financial instruments.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB

10.2.1 Consolidated Income statements of BSB

The consolidated income statements of BSB, which is extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

	Section	Financial years ended 30 June		
		2008 RM'000 (Restated)	2009 RM'000 (Restated)	2010 RM'000
Revenue	10.2.5	76,754	202,242	314,255
Cost of sales		(54,938)	(164,206)	(203,069)
Gross profit		21,816	38,036	111,186
Other operating income		2,736	9,658	22,641
Administrative expenses		(1,490)	(1,954)	(2,010)
Other operating expenses		(3,880)	(6,889)	(5,930)
Operating profit	10.2.6	19,182	38,851	125,887
Finance cost	10.2.7	(1,207)	(4,122)	(4,361)
Profit before tax		17,975	34,729	121,526
Tax expense	10.2.8	(3,448)	(8,509)	(15,708)
Net profit for the financial year		14,527	26,220	105,818
Attributable to:				
Equity holders of the Company		14,527	26,220	86,065
Minority interests		-	-	19,753
		14,527	26,220	105,818
Key Financial Ratios				
<i>EBITDA</i>		25,676	49,148	141,286
<i>Number of ordinary shares of RM10.00 each</i>		250,000	250,000	250,000
<i>Gross earnings per share (RM)</i>		71.90	138.92	486.10
<i>Net earnings per share (RM)</i>		58.11	104.88	344.26
<i>GP margin (%)</i>		28.42	18.81	35.38
<i>PBT margin (%)</i>		23.42	17.17	38.67
<i>EBITDA margin (%)</i>		33.45	24.30	44.96
<i>Effective tax rate (%)</i>		19.18	24.50	12.93

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.2 Consolidated balance sheets of BSB

The consolidated balance sheets of BSB, which are extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

Section	As at 30 June			
	2008 RM'000	2009 RM'000	2010 RM'000	
ASSETS				
Non-current assets				
Property, plant and equipment	10.2.9	69,860	146,217	89,053
Goodwill		4	4	-
Other investments	10.2.10	173	176	171
Total non-current assets		70,037	146,397	89,224
Current assets				
Inventories	10.2.11	-	13,593	-
Land held for sale	10.2.12	53,089	53,089	27,269
Trade and other receivables	10.2.13	175,494	271,971	175,882
Tax recoverable		813	-	-
Cash and cash equivalents	10.2.15	17,736	22,255	29,831
Total current assets		247,132	360,908	232,982
TOTAL ASSETS		317,169	507,305	322,206
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the company				
Share capital	10.2.16	2,500	2,500	2,500
Retained profits	10.2.17	49,127	74,972	152,433
Foreign currency translation reserve	10.2.18	32	26	(1,564)
TOTAL EQUITY		51,659	77,498	153,369

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.2 Consolidated balance sheets of BSB (continued)

Section	As at 30 June			
	2008 RM'000	2009 RM'000	2010 RM'000	
LIABILITIES				
Non-current liabilities				
Other payables	10.2.19	40,061	44,614	4,222
Borrowings	10.2.20	18,925	61,800	33,589
Deferred tax liabilities	10.2.21	8,646	14,371	10,572
Total non-current liabilities		67,632	120,785	48,383
Current liabilities				
Trade and other payables	10.2.19	194,230	282,013	105,321
Borrowings	10.2.20	3,571	25,950	6,448
Provision for taxation		77	1,059	8,685
Total current liabilities		197,878	309,022	120,454
TOTAL LIABILITIES		265,510	429,807	168,837
TOTAL EQUITY AND LIABILITIES		317,169	507,305	322,206
Key Financial Ratios				
<i>No. of ordinary shares of RM10.00 each in Issue ('000)</i>		250	250	250
<i>Net assets</i>		51,659	77,498	153,369
<i>Net assets per ordinary share of RM10.00 each</i>		206.64	310.00	613.48
<i>Trade receivables' turnover period (days)</i>		146.08	170.36	15.32
<i>Trade payables' turnover period (days)</i>		57.70	79.52	9.73
<i>Gearing ratio (times)</i>		0.44	1.13	0.26

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.3 Consolidated cash flow statements of BSB

The consolidated cash flow statements of BSB, which is extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

	Section	Financial years ended 30 June		
		2008 RM'000	2009 RM'000 (Restated)	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		17,975	34,729	121,526
Adjustments for:				
Allowance for doubtful debts		-	-	850
Depreciation of property, plant and equipment	10.2.6	6,955	11,303	15,907
Gain on disposal of property, plant and equipment	10.2.6	(763)	(8,575)	(6,046)
Interest expense		1,121	3,536	4,175
Interest income		(375)	(420)	(315)
Goodwill written off		-	-	102
Dividend income		-	(2)	(3)
Unrealised foreign exchange loss		-	469	679
Gain on disposal of subsidiary	10.2.29	-	-	(1,531)
Gain on disposal of land held for sale		-	-	(11,173)
Loss on disposal of other investment		-	-	7
Operating profit before working capital changes		24,913	41,040	124,178
(Increase)/Decrease in inventories		-	(13,593)	13,593
Increase in trade and other receivables		(98,162)	(81,105)	(3,294)
Increase/(Decrease) in trade and other payables		86,689	88,023	(58,197)
Cash generated from operations		13,440	34,365	76,280
Income taxes paid		(1,649)	(988)	(1,251)
Interest paid		(57)	(3,536)	(4,175)
Net cash from operating activities		11,734	29,841	70,854

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.3 Consolidated cash flow statements of BSB (continued)

Section	Financial years ended 30 June		
	2008 RM'000	2009 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment	(3)	(1)	-
Fixed deposits (pledged to)/withdrawal from banks	(9,563)	4,810	(3,785)
Interest received	375	420	315
Dividends received	-	-	1
Purchase of property, plant and equipment 10.2.9	(46,563)	(118,725)	(35,843)
Net cash outflow from disposal of subsidiary 10.2.29	-	-	(19,664)
Additional contribution by minority interests	-	-	2,482
Acquisition of subsidiaries 10.2.28	-	-	(732)
Proceeds from disposal of property, plant and equipment	25,655	40,274	30,027
Net cash used in investing activities	(30,099)	(73,222)	(27,199)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from/(repayment of) term loans	17,640	59,715	(6,507)
Repayment of hire purchase liabilities	(343)	(489)	(528)
Repayment to directors	-	(2,612)	(7,535)
Net repayment to related parties	-	(8,918)	(14,377)
Net proceeds from trust receipts	-	6,712	(5,661)
Interest paid	(1,063)	-	-
Dividends paid	-	(375)	(2,288)
Net cash from/(used in) financing activities	16,234	54,033	(36,896)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,131)	10,652	6,759
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	254	(1,846)	8,829
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	31	23	(388)
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	(1,846)	8,829	15,200

11. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.4 Consolidated statements of changes in equity of BSB

The consolidated statements of changes in equity of BSB, which are extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

FYE 30 JUNE 2008, 2009 & 2010	Share capital RM'000	Non-Distributable		Distributable		Total RM'000	Minority interests RM'000	Total equity RM'000
		Foreign currency translation reserve RM'000		Retained profits RM'000				
Balance as at 1 July 2007	2,500	-	-	34,970	-	37,470	-	37,470
Income recognised directly in equity:								
Foreign currency translation differences	-	32	-	-	-	32	-	32
Net profit for the financial year	-	-	14,527	14,527	-	14,527	-	14,527
Total recognised income and expense for the year	-	32	14,527	14,527	-	14,559	-	14,559
Dividends paid	-	-	(370)	(370)	-	(370)	-	(370)
Balance as at 30 June 2008/ At 1 July 2008	2,500	32	49,127	49,127	-	51,659	-	51,659
Expense recognised directly in equity:								
Foreign currency translation differences	-	(6)	-	-	-	(6)	-	(6)
Net profit for the financial year	-	-	26,220	26,220	-	26,220	-	26,220
Total recognised income and expense for the year	-	(6)	26,220	26,220	-	26,214	-	26,214
Dividends paid	-	-	(375)	(375)	-	(375)	-	(375)
Balance as at 30 June 2009/ At 1 July 2009	2,500	26	74,972	74,972	-	77,498	-	77,498

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.4 Consolidated statements of changes in equity of BSB (continued)

	Share capital RM'000	Non-Distributable		Distributable		Total RM'000	Minority interests RM'000	Total equity RM'000
		Foreign currency translation reserve RM'000		Retained profits RM'000				
FYE 30 JUNE 2008, 2009 & 2010	2,500	26		74,972		77,498	-	77,498
Balance as at 30 June 2009 / At 1 July 2009 (continued)	-	(2,205)		-		(2,205)	-	(2,205)
Foreign currency translation differences	-	316		(6,316)		(6,000)	6,000	-
Effect of dilution of interest in subsidiary	-							
Total income and expenses recognised directly in equity	-	(1,889)		(6,316)		(8,205)	6,000	(2,205)
Net profit for the financial year	-	-		86,065		86,065	19,753	105,818
Total recognised income and expense for the year	-	(1,889)		79,749		77,860	25,753	103,613
Dividends paid	-	-		(2,288)		(2,288)	-	(2,288)
Additional contribution by minority interests	-	-		-		-	2,482	2,482
Effect of disposal of subsidiary	-	299		-		299	(28,235)	(27,936)
Balance as at 30 June 2010	2,500	(1,564)		152,433		153,369	-	153,369

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.5 Revenue

	2008 RM'000	2009 RM'000	2010 RM'000
Contract revenue	73,437	115,589	102,405
Sales of sand	1,890	85,414	194,027
Rental of marine equipment	1,427	1,239	17,823
	<u>76,754</u>	<u>202,242</u>	<u>314,255</u>

10.2.6 Operating profit

	2008 RM'000	2009 RM'000	2010 RM'000
Operating profit is arrived at after charging:			
Auditors' remuneration			
- holding company auditor	40	40	90
- (over)/under provision in prior years	-	(4)	6
- other auditors	14	34	11
Allowance for doubtful debts	-	-	850
Depreciation of property, plant and equipment	6,955	11,303	15,907
Directors' emoluments	289	288	386
Goodwill written off	-	-	102
Loss on other investment	-	-	7
Rental of land and premises	6	42	11
Rental of machinery and vehicle	150	151	3,401
Rental of tugboat	11	501	2
Foreign exchange loss:-			
- Realised	-	745	-
- Unrealised	-	469	679
And crediting:			
Dividend income	5	2	3
Gain on disposal of:-			
- Property, plant and equipment	763	8,575	6,046
- Land held for sale	-	-	11,173
- Subsidiary	-	-	1,531
Interest income	375	420	315
Foreign exchange gain:-			
- Realised	137	-	1,552
- Unrealised	335	-	-

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.6 Operating profit (continued)

	2008 RM'000	2009 RM'000	2010 RM'000
Estimated monetary value of benefits-in-kind received by Directors	36	46	43

10.2.7 Finance cost

	2008 RM'000	2009 RM'000	2010 RM'000
Interest expense	1,121	3,536	4,175
Bank charges	86	586	186
	1,207	4,122	4,361

10.2.8 Tax expense

	2008 RM'000	2009 RM'000	2010 RM'000
Malaysian tax expense:			
Current income tax	1,627	2,292	19,480
(Over)/under provision in prior years	(101)	492	27
Foreign tax expense - current	1,526 18	2,784 -	19,507 -
Deferred tax:			
Origination of temporary differences	2,124	6,141	(2,157)
Over provision in prior years	(220)	(416)	(1,642)
	1,904	5,725	(3,799)
	3,448	8,509	15,708

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.8 Tax expense (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of BSB are as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Profit before tax	17,975	34,729	121,526
Taxation at Malaysian statutory tax rate of 25% (2009: 25%, 2008: 26%) **	4,674	8,682	30,382
Effect of tax rates in foreign jurisdiction	18	(1,000)	(3,733)
Total tax expense at applicable tax rates	4,692	7,682	26,649
Non-deductible expenses	185	677	312
Reduction in statutory rate on first RM500,000 chargeable income of certain subsidiaries*	(30)	(25)	(50)
Effect of change in tax rate	(626)	-	-
Non-taxable income	(452)	(1,230)	(8,609)
Effect of controlled transfer	-	1,329	(979)
	3,769	8,433	17,323
(Over)/under provided in prior years:			
- income tax	(101)	492	27
- deferred tax	(220)	(416)	(1,642)
Tax expenses for the financial year	3,448	8,509	15,708

* With effect from year of assessment 2004, certain subsidiaries with a paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax rate of 20% of chargeable income up to RM500,000.

** The Malaysian income tax is calculated at the statutory tax rate of 25% (2009: 25%, 2008: 26%) of the estimated taxable profits for the financial year. The Malaysian statutory tax rate has been reduced to 25% for the year of assessment 2009 as compared to the previous financial year's tax rate of 26%. The computation of deferred tax reflected these changes.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.9 Property, plant and equipment

2008	Balance as at 1.7.2007 RM'000	Additions RM'000	Disposals RM'000	Balance as at 30.6.2008 RM'000
At cost				
Freehold land	2,325	-	-	2,325
Buildings	2,100	86	-	2,186
Motor vehicles	3,009	1,441	(63)	4,387
Furniture and fittings	400	11	-	411
Plant and machinery	3,875	674	(151)	4,398
Tools and office equipment	2,246	72	-	2,318
Barges and dredger	54,014	44,919	(28,283)	70,650
	67,969	47,203	(28,497)	86,675
2008	Balance as at 1.7.2007 RM'000	Charge for the year RM'000	Disposals RM'000	Balance as at 30.6.2008 RM'000
Accumulated depreciation				
Buildings	262	89	-	351
Motor vehicles	2,416	385	(57)	2,744
Furniture and fittings	265	21	-	286
Plant and machinery	2,182	348	(102)	2,428
Tools and office equipment	1,407	205	-	1,612
Barges and dredger	6,933	5,907	(3,446)	9,394
	13,465	6,955	(3,605)	16,815
2009	Balance as at 1.7.2008 RM'000	Additions RM'000	Disposals RM'000	Balance as at 30.6.2009 RM'000
At cost				
Freehold land	2,325	-	-	2,325
Buildings	2,186	29	-	2,215
Motor vehicles	4,387	491	(420)	4,458
Furniture and fittings	411	21	-	432
Plant and machinery	4,398	203	-	4,601
Tools and office equipment	2,318	296	-	2,614
Barges and dredger	70,650	118,349	(35,094)	153,905
	86,675	119,389	(35,514)	170,550

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.9 Property, plant and equipment (continued)

2009	Balance as at 1.7.2008 RM'000	Charge for the year RM'000	Disposals RM'000	Foreign exchange movement RM'000	Balance as at 30.6.2009 RM'000
Accumulated depreciation					
Buildings	351	90	-	-	441
Motor vehicles	2,744	457	(273)	-	2,928
Furniture and fittings	286	24	-	-	310
Plant and machinery	2,428	417	-	-	2,845
Tools and office equipment	1,612	220	-	-	1,832
Barges and dredger	9,394	10,095	(3,541)	29	15,977
	16,815	11,303	(3,814)	29	24,333

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)								
10.2 BSB (continued)								
10.2.9 Property, plant and equipment (continued)								
	Balance as at 1.7.2009 RM'000	Additions RM'000	Disposals RM'000	Acquisition of subsidiary RM'000	Disposal of subsidiary RM'000	Foreign exchange movement RM'000	Reclassification RM'000	Balance as at 30.6.2010 RM'000
At cost								
Freehold land	2,325	-	-	-	-	-	-	2,325
Buildings	2,215	1,084	(504)	-	(1,072)	3	-	1,726
Motor vehicles	4,458	1,514	-	-	-	-	-	5,972
Furniture and fittings	432	93	-	-	(86)	(6)	-	433
Plant and machinery	4,601	1,277	-	-	(30)	-	589	6,437
Tools and office equipment	2,614	120	(1)	-	(48)	6	-	2,691
Barges and dredger	153,905	33,103	(25,551)	3,540	(60,825)	(2,988)	(589)	100,595
	170,550	37,191	(26,056)	3,540	(62,061)	(2,985)	-	120,179
2010								
Accumulated depreciation								
Buildings	441	102	(29)	-	(13)	-	-	501
Motor vehicles	2,928	479	-	-	-	-	-	3,407
Furniture and fittings	310	28	-	-	(6)	(1)	-	331
Plant and machinery	2,845	479	-	-	(2)	-	245	3,567
Tools and office equipment	1,832	207	(1)	-	(4)	1	-	2,035
Barges and dredger	15,977	14,612	(2,043)	-	(6,935)	(81)	(245)	21,285
	24,333	15,907	(2,073)	-	(6,960)	(81)	-	31,126

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.9 Property, plant and equipment (continued)

	2008 RM'000	2009 RM'000	2010 RM'000
Net carrying amount			
Freehold land	2,325	2,325	2,325
Buildings	1,835	1,774	1,225
Motor vehicles	1,643	1,530	2,565
Furniture and fittings	125	122	102
Plant and machinery	1,970	1,756	2,870
Tools and office equipment	706	782	656
Barges and dredger	61,256	137,928	79,310
	<u>69,860</u>	<u>146,217</u>	<u>89,053</u>

(i) The Group made the following cash payments to purchase property, plant and equipment:

	2008 RM'000	2009 RM'000	2010 RM'000
Purchase of property plant and equipment	47,203	119,389	37,191
Financed by hire purchase	(640)	(664)	(1,348)
Cash payment on purchase of property, plant and equipment	<u>46,563</u>	<u>118,725</u>	<u>35,843</u>

(ii) The net carrying amounts of property, plant and equipment held under hire purchase arrangements are as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Motor vehicles	700	715	1,989
Plant and machinery	818	547	682
	<u>1,518</u>	<u>1,262</u>	<u>2,671</u>

(iii) The costs of property, plant and equipment pledged as security for borrowings as disclosed in Section 10.2.20 are as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Freehold land	1,750	1,750	1,750
Building	750	497	447
Barges	10,571	21,208	15,100
	<u>13,071</u>	<u>23,455</u>	<u>17,297</u>

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.10 Other investments

	2008 RM'000	2009 RM'000	2010 RM'000
Non-current			
At cost:			
Quoted shares in Malaysia	48	48	40
Unit trusts quoted in Malaysia	103	106	109
Unquoted shares	22	22	22
	<u>173</u>	<u>176</u>	<u>171</u>
Market value of quoted shares:			
Quoted shares in Malaysia	26	25	42
Unit trusts quoted in Malaysia	103	106	109
	<u>129</u>	<u>131</u>	<u>151</u>

The carrying amount of the above quoted investments as at balance sheet date approximated their fair values.

10.2.11 Inventories

	2008 RM'000	2009 RM'000	2010 RM'000
At cost:			
Goods in transit - construction materials	-	13,593	-

The cost of inventories recognised in the income statement amounted to RM13,593,000 (2009 : RMNil, 2008: RMNil).

10.2.12 Land held for sale

	2008 RM'000	2009 RM'000	2010 RM'000
Leasehold land - at costs			
At beginning of year	53,089	53,089	53,089
Transfer from amount due from contract customers	-	-	71,552
Less: Leasehold land sold	-	-	(97,372)
At end of year	<u>53,089</u>	<u>53,089</u>	<u>27,269</u>

In 2009 and 2008, leasehold land amounting to RM14,840,000 was charged as security for banking facilities granted to a third party purchaser of the said leasehold land. During the financial year 2010, the sale of the leasehold land was completed and the titles of the leasehold land were transferred to the said purchaser.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.13 Trade and other receivables

	2008 RM'000	2009 RM'000	2010 RM'000
Current			
Trade receivables			
Third parties	30,790	92,134	13,260
Related parties	-	2,334	-
Less: Allowance for doubtful debts	(72)	(72)	(72)
	30,718	94,396	13,188
Amount due from contract customers (Section 10.2.14)	112,181	149,753	147,837
Other receivables			
Other receivables, deposits and prepayments:			
- Third parties	24,534	4,388	3,508
- Related parties	7,963	22,612	12,199
Amount owing by Directors	98	822	-
Less: Allowance for doubtful debts	-	-	(850)
	32,595	27,822	14,857
	175,494	271,971	175,882

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by BSB range from 60 to 90 days.
- (b) Amounts owing by related parties and Directors are unsecured, interest-free and repayable on demand. Related parties are disclosed in Section 10.2.26 of this Report.
- (c) Included in trade receivables are retention sums for contract works amounting to RM10,320,000 (2009: RM12,146,000, 2008: RM5,081,000).
- (d) Information on the financial risk of trade and other receivables are disclosed in Section 10.2.27 of this Report.
- (e) The currency exposure profile of trade and other receivables is as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Ringgit Malaysia	152,783	243,166	173,495
Singapore Dollar	22,711	27,549	113
United States Dollar	-	1,256	2,274
	175,494	271,971	175,882

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
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10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.14 Amounts due from/to contract customers

	2008 RM'000	2009 RM'000	2010 RM'000
Aggregate costs incurred to date	171,549	255,535	310,076
Add: Attributable profits	62,806	88,636	136,499
	234,355	344,171	446,575
Less: Progress billings	(156,451)	(291,084)	(287,360)
Less: Transfer to land held for sale	-	-	(71,552)
	77,904	53,087	87,663
Analysed as:			
Amount due from contract customers (Section 10.2.13)	112,181	149,753	147,837
Amount due to contract customers (Section 10.2.19)	(34,277)	(96,666)	(60,174)
	77,904	53,087	87,663

Included in the amount due from customers are contract sums to be settled via the apportionment of completed reclaimed land, and of which the issuance of document title of the land by the local land office is still pending at the end of the financial year, amounting to as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Receivable by way of land	111,744	149,295	147,378

Additions to aggregate costs incurred during the financial years include the following:

	2008 RM'000	2009 RM'000	2010 RM'000
Rental of equipment expense:			
Taman Pendang Sdn. Bhd.#	150	150	150
Rental of vessels:			
Oriental Grandeur Sdn. Bhd.#	17,455	15,696	11,782
Purchase of fuel:			
Oriental Grandeur Sdn. Bhd.#	10,666	-	-
Subcontracting services and purchase of of construction materials:			
Oriental Grandeur Marine Sdn. Bhd.#	12,492	13,883	11,051

- Companies in which the directors of BSB have interests.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10.2 BSB (continued)

10.2.15 Cash and cash equivalents

	2008 RM'000	2009 RM'000	2010 RM'000
Cash and bank balances	220	9,548	15,200
Fixed deposits with licensed banks	17,516	12,707	14,631
Cash and cash equivalents	17,736	22,255	29,831

(a) Included in fixed deposits with licensed banks is RM13,718,000 (2009: RM10,111,000, 2008: RM13,517,000) held by certain Directors of BSB on behalf of the Group ("Affected FD") which have been pledged for banking facilities.

(b) The fixed deposits (including all the Affected FD) are pledged as security for borrowings as disclosed in Section 10.2.20. Subsequent to the FYE 30 June 2010, BSB has received the approvals from its lenders for the discharge of charges over the Affected FD. As represented by the Directors and management of BSB, upon completion of the discharge of charges over the Affected FD which is tentatively expected by the FYE 30 June 2011, the Affected FD will thereafter be placed under BSB's name.

(c) The currency exposure profile of cash and cash equivalents is as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Ringgit Malaysia	17,648	13,385	18,070
Singapore Dollar	88	8,791	7,962
United States Dollar	-	79	3,799
	17,736	22,255	29,831

(d) For the purposes of the consolidated cash flow statements, cash and cash equivalents comprise the following as at balance sheet date:

	2008 RM'000	2009 RM'000	2010 RM'000
Cash and bank balances	220	9,548	15,200
Fixed deposits with licensed banks	17,516	12,707	14,631
	17,736	22,255	29,831
Less: Bank overdraft (Section 10.2.20)	(2,066)	(719)	-
Less: Fixed deposits pledged as security	(17,516)	(12,707)	(14,631)
Cash and cash equivalents, as disclosed in Section 10.2.3	(1,846)	8,829	15,200

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.16 Share capital

	2008	2009	2010
	RM'000	RM'000	RM'000
Authorised:			
500,000 ordinary shares of RM10 each			
At beginning/end of financial year	5,000	5,000	5,000
Issued and fully paid-up:			
250,000 ordinary shares of RM10 each			
At beginning/end of financial year	2,500	2,500	2,500

The holders of the abovementioned ordinary shares are entitled to receive dividends as and when declared by BSB and are entitled to one vote per ordinary share at meetings of BSB. All ordinary shares rank *pari passu* with regard to BSB's residual assets.

10.2.17 Retained profits

Effective 1 January 2008, BSB is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by 31 December 2013.

BSB has decided not to make this election and has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its retained earnings amounting to approximately RM24,675,000. The balance of retained profits may be distributed under the single tier system.

10.2.18 Foreign exchange translation reserve

The foreign exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the BSB Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the BSB Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

The movement of foreign exchange translation reserve is disclosed under Section 10.2.4.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.19 Trade and other payables

	2008 RM'000	2009 RM'000	2010 RM'000
Non-current			
Other payables			
- Third parties	4,652	-	-
- Related parties	35,409	44,614	4,222
	40,061	44,614	4,222
Current			
Trade payables			
Third parties	8,684	35,777	5,414
Amount due to contract customers (Section 10.2.14)	34,277	96,666	60,174
Other payables and accruals			
Other payables and accruals			
- Third parties	134,941	133,952	25,777
- Related parties	13,115	14,294	13,956
Amount owing to Directors	3,213	1,324	-
	151,269	149,570	39,733
	194,230	282,013	105,321
Total trade and other payables	234,291	326,627	109,543

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.
- (b) Amounts owing to related parties and Directors are unsecured, interest-free and payable upon demand in cash. Related parties are disclosed in Section 10.2.26.
- (c) Information on financial risks of trade and other payables are disclosed in Section 10.2.27.
- (d) The currency exposure profile of trade and other payables is as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Ringgit Malaysia	206,251	257,655	99,923
Singapore Dollar	21,688	55,530	6,594
United States Dollar	6,352	13,442	3,026
	234,291	326,627	109,543

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.20 Borrowings

	2008 RM'000	2009 RM'000	2010 RM'000
Non-current liabilities			
Secured:			
Term loans	18,487	61,256	32,748
Hire purchase liabilities	438	544	841
	<u>18,925</u>	<u>61,800</u>	<u>33,589</u>
Current liabilities			
Secured:			
Bank overdrafts	2,066	719	-
Trust receipts	-	6,713	1,052
Term loans	1,149	18,093	4,449
Hire purchase liabilities	356	425	947
	<u>3,571</u>	<u>25,950</u>	<u>6,448</u>
	<u>22,496</u>	<u>87,750</u>	<u>40,037</u>

(a) The borrowings are secured against the following:

- (i) Legal charge over certain property, plant and equipment;
- (ii) Fixed deposits of the Group;
- (iii) Joint and several guarantee by the Directors;
- (iv) Term loans are repayable by 36, 60, 120 and 180 equal monthly instalments;
- (v) Assignment over the sales contract of the barges;
- (vi) Corporate guarantee given by companies in which certain Directors have interests;
- (vii) Assignment of receivables or any other assignment of earnings over vessels/barges acceptable to the bank;
- (viii) Assignment of insurances in favour of the bank as mortgage and loss payee covering but not limited to the hull and machinery coverage and war risks;
- (ix) Irrecoverable instructions from BSB to the principal project owner to remit the proceeds directly to its non-checking project account; and
- (x) Land pledged as payments via distribution of completed reclaimed land for a project.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.20 Borrowings (continued)

(b) Terms and repayment schedule

	Carrying amount RM'000	Within 1 year RM'000	Between 2 - 5 years RM'000	After 5 years RM'000
2008				
Bank overdrafts	2,066	2,066	-	-
Term loans	19,636	1,149	17,049	1,438
Hire purchase liabilities	794	356	438	-
	<u>22,496</u>	<u>3,571</u>	<u>17,487</u>	<u>1,438</u>
2009				
Bank overdrafts	719	719	-	-
Term loans	79,349	18,093	61,256	-
Trust receipts	6,713	6,713	-	-
Hire purchase liabilities	969	425	544	-
	<u>87,750</u>	<u>25,950</u>	<u>61,800</u>	<u>-</u>
2010				
Term loans	37,197	4,449	32,224	524
Trust receipts	1,052	1,052	-	-
Hire purchase liabilities	1,788	947	841	-
	<u>40,037</u>	<u>6,448</u>	<u>33,065</u>	<u>524</u>

The hire purchase liabilities are payable as follows:

	Carrying amount RM'000	Within 1 year RM'000	2 - 5 years RM'000
2008			
Minimum lease payments	851	388	463
Less: Interest in suspense	(57)	(32)	(25)
	<u>794</u>	<u>356</u>	<u>438</u>
2009			
Minimum lease payments	1,027	467	560
Less: Interest in suspense	(58)	(42)	(16)
	<u>969</u>	<u>425</u>	<u>544</u>
2010			
Minimum lease payments	1,900	1,017	883
Less: Interest in suspense	(112)	(70)	(42)
	<u>1,788</u>	<u>947</u>	<u>841</u>

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.20 Borrowings (continued)

(c) Information on financial risk of borrowings is disclosed in Section 10.2.27.

(d) The currency exposure profile of borrowings is as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Ringgit Malaysia	22,496	79,251	40,037
Singapore Dollar	-	8,499	-
	<u>22,496</u>	<u>87,750</u>	<u>40,037</u>

10.2.21 Deferred tax liabilities

The recognised deferred tax liabilities are as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Property, plant and equipment	8,664	14,389	10,572
Other temporary differences	(18)	(18)	-
	<u>8,646</u>	<u>14,371</u>	<u>10,572</u>

The movement of components of deferred tax (asset)/liability are as follows:

	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
At 1 July 2007	6,755	(13)	6,742
Recognised in the income statement	1,909	(5)	1,904
At 30 June 2008	8,664	(18)	8,646
Recognised in the income statement	5,725	-	5,725
At 30 June 2009	14,389	(18)	14,371
Recognised in the income statement	(3,817)	18	(3,799)
At 30 June 2010	<u>10,572</u>	<u>-</u>	<u>10,572</u>

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.22 Dividends

Dividends recognised during the financial year are as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
FY 2008			
Interim dividend of RM2.00 per ordinary shares less 26% tax, paid on 30 December 2007	370	-	-
FY 2009			
Interim dividend of RM2.00 per ordinary shares less 25% tax, paid on 15 December 2008	-	375	-
FY 2010			
First interim dividend of RM2.00 per ordinary shares less 25% tax, paid on 21 December 2009	-	-	375
Second interim dividend of RM10.20 per ordinary shares less 25% tax, paid on 21 June 2010	-	-	1,913
	-	-	2,288

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.23 Commitments

Capital commitments

	2008 RM'000	2009 RM'000	2010 RM'000
Capital expenditure in respect of purchase of property, plant and equipment:			
Contracted but not provided for	103,829	11,098	-

10.2.24 Contingent liabilities

	2008 RM'000	2009 RM'000	2010 RM'000
Corporate guarantee given to a bank for credit facilities granted to related parties			
- Banship	-	186	1,689
- Oceanlec	-	-	22,883

10.2.25 Employee benefits

	2008 RM'000	2009 RM'000	2010 RM'000
Administrative			
Salaries, overtime and bonus	1,025	1,437	1,378
Contributions to defined contribution plan	89	110	149
Other employee benefits	75	152	122
	1,189	1,699	1,649
Capitalised in contract customers			
Salaries, overtime and bonus	576	969	826
Contributions to defined contribution plan	40	74	64
	616	1,043	890

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.26 Related party disclosures

(a) Identities of related party

Parties are considered to be related to BSB if BSB has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where BSB and the party are subject to common control or common significant influence. Related parties may be individuals or other parties. The related parties are as follows:

	Name of related parties*
(i)	Benalec Shipyard Sdn. Bhd. ("BenShip")
(ii)	Benalec Marine Sdn. Bhd. ("BMSB")
(iii)	Haruman Utama Sdn. Bhd. ("HUSB")
(iv)	Oceanlec Pte. Ltd. ("Oceanlec")
(v)	Oriental Grandeur Sdn. Bhd. ("OGSB")
(vi)	Oriental Grandeur Marine Sdn. Bhd. ("OGMSB")
(vii)	Strategic Oscar Sdn. Bhd. ("SOSB")
(viii)	Taman Pendang Sdn. Bhd. ("TPSB")
(ix)	Bumit Tabah Sdn. Bhd. ("BTSB")

* Companies in which the Directors of the BSB have substantial financial interests.

(b) In addition to the transactions detailed elsewhere in the financial statements, BSB had the following transactions with related parties during the financial year:

	2008 RM'000	2009 RM'000	2010 RM'000
Vessels chartering charges			
OGSB	(17,455)	(15,696)	(11,782)
Purchase of fuel			
OGSB	(10,666)	-	-
Purchase of construction materials and subcontracting services			
OGMSB	(12,492)	(13,883)	(11,051)
Rental of equipment			
TPSB	(150)	(150)	(150)
Rental income			
BMSB	549	-	-
Benship	865	1,175	1,155
Oceanlec	-	-	1,004
OGMSB	13	63	88
Disposal of Oceanlec to directors	-	-	28,932
Revenue earned			
BTSB	2,185	-	5
HUSB	10,629	20,264	15,836
SOSB	-	-	21,969
BMSB	12,316	6,696	3,445

The Directors are of the opinion that the terms and conditions and prices of the above transactions are not materially different from that obtainable in transactions with unrelated parties.

11. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.27 Financial instruments

(a) The financial risk management objectives and policies

BSB's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

BSB is exposed mainly to credit risk, interest rate risk, liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Credit risk

Management monitors the exposure to credit risk on an ongoing basis. Informal credit evaluations are performed on all customers requiring credit over a certain amount. BSB does not require collateral in respect of financial assets.

As at the balance sheet date, there was no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

(ii) Interest rate risk

BSB's primary interest rate risk relates to interest-bearing borrowings from financial institutions. BSB's fixed-rate borrowings are exposed to a risk of changes in their fair values due to changes in interest rates. Short term receivables and payables are not exposed to interest rate risk. There is no formal hedging policy with respect to interest rate exposure.

The following tables set out the carrying amounts, the effective interest rates as at the balance sheet date of BSB's financial assets and financial liabilities that are exposed to interest rate risk and the periods in which they mature, or if earlier, reprice.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.27 Financial instruments (continued)

(a) The financial risk management objectives and policies (continued)

(ii) Interest rate risk (continued)

	Section	Weighted average effective interest rate %	Within 1 year RM'000	Between 2 to 5 years RM'000	After 5 years RM'000	Total RM'000
At 30 June 2008						
Fixed rate						
Deposits with licensed banks						
	10.2.15	2.28	17,516	-	-	17,516
Bank overdrafts						
	10.2.20	7.6	2,066	-	-	2,066
Hire purchase liabilities						
	10.2.20	2.35 to 3.5	356	438	-	794
Floating rate						
Term loans						
	10.2.20	3.68 to 7.4	1,149	17,049	1,438	19,636
At 30 June 2009						
Fixed rate						
Deposits with licensed banks						
	10.2.15	2.25	12,707	-	-	12,707
Bank overdrafts						
	10.2.20	6.80	719	-	-	719
Trust receipts						
	10.2.20	5.5	6,713	-	-	6,713
Hire purchase liabilities						
	10.2.20	5.89	425	544	-	969
Floating rate						
Term loans						
	10.2.20	10.39	18,093	60,734	522	79,349
At 30 June 2010						
Fixed rate						
Deposits with licensed banks						
	10.2.15	2.27	14,631	-	-	14,631
Trust receipts						
	10.2.20	7.08	1,052	-	-	1,052
Hire purchase liabilities						
	10.2.20	5.58	947	841	-	1,788
Floating rate						
Term loans						
	10.2.20	11.77	4,449	32,224	524	37,197

(iii) Liquidity and cash flow risk

BSB monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance BSB's operations and to mitigate the effect of fluctuations in cash flows.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.27 Financial instruments (continued)

(b) Fair values

The carrying amounts of the financial instruments of BSB as at the balance sheet date approximate their fair values due to the relatively short term maturity of the financial instruments except as set out below:

	Section	Carrying amount RM'000	Fair value RM'000
As at 30 June 2008			
Other investments			
- Quoted shares in Malaysia	10.2.10	48	26
- Unit trusts quoted in Malaysia	10.2.10	103	103
- Unquoted shares	10.2.10	22	22
Other payables and amount due to related parties	10.2.19	40,061	#
Term loans	10.2.20	19,636	14,139
Hire purchase liabilities	10.2.20	794	725
As at 30 June 2009			
Other investments			
- Quoted shares in Malaysia	10.2.10	48	25
- Unit trusts quoted in Malaysia	10.2.10	106	106
- Unquoted shares	10.2.10	22	22
Amount due to related parties	10.2.19	44,614	#
Term loans	10.2.20	79,349	63,078
Hire purchase liabilities	10.2.20	969	894
Corporate guarantee	10.2.24	186	**
As at 30 June 2010			
Other investments			
- Quoted shares in Malaysia	10.2.10	40	42
- Unit trusts quoted in Malaysia	10.2.10	109	109
- Unquoted shares	10.2.10	22	22
Amount due to related parties	10.2.19	4,222	#
Term loans	10.2.20	37,197	28,100
Hire purchase liabilities	10.2.20	1,788	1,647
Corporate guarantee	10.2.24	24,572	**

- It is impracticable to determine the fair values of amounts due to other payables and related parties due to lack of fixed repayment terms.

** - The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote. Accordingly, the Directors are of the view that the fair values of the unsecured corporate guarantees for banking facilities of subsidiaries and related parties are negligible.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.27 Financial instruments (continued)

(b) Fair values (continued)

The methods and assumptions used by management to determine the fair values of the financial instruments are as follows:

- (i) In respect of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.
- (ii) The fair values of quoted investments are their quoted market prices at the balance sheet date. The fair values of unquoted investments are estimated based on valuation approach by reference to the Group's share of net assets of the investees based on the latest available financial statements of the investees.
- (iii) The fair value of long term borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.28 Acquisition of subsidiaries

FYE 30 June 2010

- (a) On 2 July 2009, BSB acquired three (3) ordinary shares of USD1 each in Oceanline Labuan and on the same day, subscribed for 999,997 paid-up share capital of USD1.00 each of USD999,997 by way of capitalisation the amount owing from Oceanline Labuan. Subsequently, during the FYE 30 June 2010, BSB subscribed for additional paid-up share capital in Oceanline Labuan of 3,000,000 ordinary shares of USD1 each for USD3,000,000 by way of capitalising the amount owing from Oceanline Labuan.
- (b) On 28 June 2010, BSB acquired the entire issued and paid-up ordinary share capital of the following subsidiaries, all of which, are incorporated in Malaysia are as follows:

Name of subsidiaries	Cash consideration RM
Arus Kreatif	481,540
Crystal Land Development	2
Crystal Land Property	2
Heritage Land Development	2
Heritage Land Realty	2
Heritage Land	2
Heritage Property	2
Klebang Property	2
Oceanfront Property	2
Oceanview Project	2
Oceanview Realty	2
Orientalcove Property	3
Orientalcove Realty	3
Sentosacove Development	250,000
Strategic Cove	2
Strategic Land	2
Wilajati	2

The acquired subsidiaries have contributed the following results to the Group during the FYE 30 June 2010:

	2010 RM'000
Revenue	1,350
Profit for the financial year	9

If the acquisition had occurred on 1 July 2009, the Group's results would have been as follows:

	2010 RM'000
Revenue	314,256
Profit for the financial year	103,968

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.28 Acquisition of subsidiaries (continued)

The summary of effects on acquisition of the subsidiaries on acquisition date is as follows:

	Acquirees' carrying Amount RM'000
Property, plant and equipment	3,540
Receivables	804
Cash and cash equivalents	* -
Payables	<u>(3,710)</u>
Group's share of net assets	634
Goodwill on acquisition written off	<u>98</u>
Total cost of acquisition	732
Cash and cash equivalents of subsidiaries acquired	<u>* -</u>
Net cash outflow of the Group on acquisition	<u><u>732</u></u>

* - Representing RM35

FYE 30 June 2009

On 29 June 2009, BSB acquired the entire equity interest in Pacific Marine of 3 ordinary shares of USD1 each for a purchase consideration of USD3 (equivalent to approximately RM11). The Company also subscribed for an additional new issue of 999,997 ordinary shares of USD1 each in Pacific Marine at par for cash consideration of USD1,000,000 (equivalent to approximately RM3,540,490 on the same date).

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.29 Disposal of a subsidiary

FYE 30 June 2010

On 3 July 2009, BSB subscribed for additional paid-up share capital of 780,000 ordinary shares of SGD1.00 each in Oceanlec for SGD 780,000 (equivalent to approximately RM1,898,000). On the same day, Oceanlec increased its paid-up share capital by way of issuing 1,020,000 shares of SGD1.00 each to the Directors of BSB, which resulted in a dilution of the Group's interest in Oceanlec from 100% to 49%. By virtue of BSB's board of directors and shareholders who are also directors and shareholders in Oceanlec, control over Oceanlec is deemed to be retained by BSB even after the dilution of the BSB's interest in Oceanlec from 100% to 49% during the financial year. BSB continues to recognise Oceanlec as its subsidiary until its disposal of the entire remaining equity interest in Oceanlec on 13 May 2010. The net impact of the dilution of BSB's interest in Oceanlec from 100% to 49% is recognised in the statement of changes in equity.

On 13 May 2010, BSB disposed the balance equity interest of 49% in Oceanlec for a total cash consideration of RM28,932,000 to certain Directors of BSB.

The effect of the disposal is as follows:

	At date of disposal RM'000
Assets and liabilities	
Current assets	83,719
Non-current assets	55,102
Current liabilities	<u>(83,484)</u>
Total assets disposed	55,337
Less: Minority interests	(28,235)
Add: Foreign exchange reserve	<u>299</u>
Net assets disposed	27,401
Gain on disposal of subsidiary	<u>1,531</u>
Total disposal consideration	28,932
Less : Cash and cash equivalents disposed	<u>(48,596)</u>
Net cash outflow from disposal of subsidiary	<u><u>(19,664)</u></u>

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

10. AUDITED FINANCIAL STATEMENTS (continued)

10.2 BSB (continued)

10.2.30 Comparatives figures

Certain comparative figures for the Relevant Financial Periods have been reclassified to conform with the FYE 30 June 2010 presentation as follows:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
FYE 30 June 2008			
Income statement			
Cost of sales	50,824	4,114	54,938
Other operating expenses	7,994	(4,114)	3,880
Balance sheet			
Trade receivables - non current	113,848	(113,848)	-
Trade and other receivables	53,686	121,808	175,494
Trade and other payables	(186,270)	(7,960)	(194,230)
FYE 30 June 2009			
Income statement			
Cost of sales	158,664	5,542	164,206
Administrative expenses	1,926	28	1,954
Other operating expenses	12,984	(6,095)	6,889
Finance costs	3,597	525	4,122
Cash flow statement			
Net cash from operating activities	21,388	8,453	29,841
Net cash used in investing activity	(73,224)	2	(73,222)
Net cash from financing activity	62,488	(8,455)	54,033

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip

10.3.1 Income statements of BenShip

The income statements of BenShip, which is extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

	Section	Financial years ended 30 June		
		2008 RM'000	2009 RM'000	2010 RM'000
Revenue	10.3.5	4	4,182	10,966
Cost of sales	10.3.6	-	(3,472)	(7,902)
Gross profit		4	710	3,064
Other operating income		1	14	111
Administrative expenses		-	-	(581)
Other operating expenses		(69)	(182)	(691)
Operating (loss)/profit		(64)	542	1,903
Finance costs	10.3.7	-	(177)	(75)
(Loss)/Profit before tax	10.3.8	(64)	365	1,828
Tax expense	10.3.9	(7)	(79)	(477)
Net (loss)/profit for the financial year		(71)	286	1,351
Key Financial Ratios				
EBITDA (RM'000)		(44)	602	2,091
Number of ordinary shares of RM1.00 each ('000)		1,000	1,000	1,000
Gross earnings per share (RM)		(0.06)	0.37	1.83
Net earnings per share (RM)		(0.07)	0.29	1.35
GP margin (%)		80.0	16.98	27.94
PBT tax margin (%)		NM	8.73	16.67
EBITDA margin (%)		NM	14.4	19.13
Effective tax rate (%)		(10.94)	21.64	26.09

NM - Not meaningful

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.2 Balance sheets of BenShip

The balance sheets of BenShip, which are extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

Section	As at 30 June			
	2008 RM'000 (Restated)	2009 RM'000 (Restated)	2010 RM'000	
ASSETS				
Non-current assets				
Property, plant and equipment	10.3.10	5,179	6,077	7,285
Total non-current assets		5,179	6,077	7,285
Current assets				
Vessels work-in-progress	10.3.11	1,557	11,752	10,804
Trade and other receivables	10.3.12	1,829	5,369	876
Deposits with licensed banks	10.3.13	500	600	500
Cash and bank balances	10.3.13	4	37	719
Total current assets		3,890	17,758	12,899
TOTAL ASSETS		9,069	23,835	20,184
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	10.3.14	1,000	1,000	1,000
Retained profits		1,041	1,327	2,678
TOTAL EQUITY		2,041	2,327	3,678

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.2 Balance sheet of BenShip (continued)

	Section	As at 30 June		
		2008 RM'000 (Restated)	2009 RM'000 (Restated)	2010 RM'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	10.3.15	7	57	134
Total non-current liabilities		7	57	134
Current liabilities				
Trade and other payables	10.3.16	7,021	21,237	14,386
Borrowings	10.3.17	-	186	1,689
Tax payable		-	28	297
Total current liabilities		7,021	21,451	16,372
TOTAL LIABILITIES		7,028	21,508	16,506
TOTAL EQUITY AND LIABILITIES		9,069	23,835	20,184
Key Financial Ratios				
<i>No. of ordinary shares of RM1.00 each in issue ('000)</i>		1,000	1,000	1,000
<i>Net assets</i>		2,041	2,327	3,678
<i>Net assets per ordinary share of RM1.00 each</i>		2.04	2.33	3.68
<i>Trade receivables' turnover period (days)</i>		-	305.45	-
<i>Trade payables' turnover period (days)</i>		117,975	167.57	39.24
<i>Gearing ratio (times)</i>		-	0.08	0.46

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.3 Cash flow statements of BenShip

The cash flow statement of BenShip, which is extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

	Section	Financial years ended 30 June		
		2008 RM'000	2009 RM'000 (Restated)	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax		(64)	365	1,828
Adjustments for:				
Depreciation of property, plant and equipment	10.3.8	21	73	207
Gain on disposal of property, plant and equipment	10.3.8	-	(2)	-
Unrealised gain on foreign exchange		-	-	(61)
Interest expense		-	172	68
Interest income		-	(13)	(12)
Operating (loss)/profit before working capital changes		(43)	595	2,030
(Increase)/decrease in work-in-progress		(4,937)	(10,195)	949
Increase/(Decrease) in trade and other receivables		(516)	(12)	976
Increase/(Decrease) in trade and other payables		6,940	1,287	(119)
Cash generated from/(used in) operations		1,444	(8,325)	3,836
Interest paid		-	(172)	(68)
Tax paid		-	-	(130)
Net cash from/(used in) operating activities		1,444	(8,497)	3,638
CASH FLOWS FROM INVESTING ACTIVITIES				
Issue of shares		750	-	-
Fixed deposits pledged to banks		(500)	(100)	100
Interest received		-	13	12
Purchase of property, plant and equipment	10.2.9	(1,690)	(996)	(1,415)
Proceeds from disposal of property, plant and equipment		-	27	-
Net cash used in investing activities		(1,440)	(1,056)	(1,303)

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.3 Cash flow statements of BenShip (continued)

Section	Financial years ended 30 June		
	2008 RM'000	2009 RM'000 (Restated)	2010 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings	-	5,160	3,319
Repayment of borrowings	-	(4,974)	(1,816)
Repayment to related parties	-	9,400	(3,156)
Net cash from/(used in) financing activities	-	9,586	(1,653)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4	33	682
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	-	4	37
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	4	37	719

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2008 RM'000	2009 RM'000	2010 RM'000
Cash and bank balances	4	37	719

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.4 Statements of changes in equity of BenShip

The statements of changes in equity of BenShip, which are extracted from the audited financial statements for the past three (3) financial years up to FYE 30 June 2010, are set out below:

FYE 30 JUNE 2008, 2009 & 2010	Section	Share capital RM'000	Distributable Retained profits RM'000	Total RM'000
Balance as at 1 July 2007		250	1,112	1,362
Issue shares		750	-	750
Net loss for the financial year		-	(71)	(71)
Balance as at 30 June 2008/ 1 July 2008		1,000	1,041	2,041
Net profit for the financial year		-	286	286
Balance as at 30 June 2009/ 1 July 2009		1,000	1,327	2,327
Net profit for the financial year		-	1,351	1,351
Balance as at 30 June 2010		1,000	2,678	3,678

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.5 Revenue

	2008 RM'000	2009 RM'000	2010 RM'000
Sales of vessel	-	3,500	10,221
Repairing services	4	650	745
Sales of machinery	-	32	-
	<u>4</u>	<u>4,182</u>	<u>10,966</u>

10.3.6 Cost of sales

Costs of sales comprise vessel construction costs, repair services costs and cost of machineries sold.

10.3.7 Finance cost

	2008 RM'000	2009 RM'000	2010 RM'000
Interest expense	-	172	68
Bank charges	-	5	7
	<u>-</u>	<u>177</u>	<u>75</u>

10.3.8 (Loss)/Profit before tax

	2008 RM'000	2009 RM'000	2010 RM'000
(Loss)/Profit before tax is arrived at after charging:			
Auditors' remuneration	1	2	2
Depreciation of property, plant and equipment	21	73	207
Realised loss on foreign exchange	-	3	18
Rental of land and premises	-	-	31
Rental of office equipment	-	-	4
Rental of jetty	-	1	-
Staff costs:-			
- Wages, salaries and bonus	-	-	395
- Contributions to defined contribution plans	-	-	40
- Other employee benefits	-	-	96
	<u>-</u>	<u>-</u>	<u>96</u>

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.8 (Loss)/Profit before tax (continued)

	2008 RM'000	2009 RM'000	2010 RM'000
(Loss)/Profit before tax is arrived at after charging: (continued)			
And crediting:			
Gain on disposal of property, plant and equipment	-	2	-
Fixed deposit interest received	1	12	12
Gain on foreign exchange			
- Realised	-	-	38
- Unrealised	-	-	61

10.3.9 Tax expense

	2008 RM'000	2009 RM'000	2010 RM'000
Malaysian tax expense:			
Current income tax	-	28	400
Deferred tax:			
Origination of temporary differences	7	51	63
Underprovision in prior years	-	-	14
	<u>7</u>	<u>79</u>	<u>477</u>

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.9 Tax expense (continued)

The numerical reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rate of BenShip are as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
(Loss)/Profit before tax	(64)	365	1,828
Tax at 20% for the first RM500,000 of chargeable income*	(13)	73	100
Tax at statutory rate of 25%	-	-	333
Effect of expenses not deductible for tax purpose	20	6	30
Underprovision of deferred tax in prior year	-	-	14
Tax expenses for the financial year	7	79	477

* With effect from year of assessment 2004, companies with a paid-up share capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax rate of 20% of chargeable income up to RM500,000.

** The Malaysian income tax is calculated at the statutory tax rate of 25% (2009: 25%, 2008: 26%) of the estimated taxable profits for the fiscal year. The Malaysian statutory tax rate has been reduced to 25% from the fiscal year of assessment 2009 from the previous financial year's rate of 26%. The computation of deferred tax reflected these changes.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.10 Property, plant and equipment

2008	Balance as at 1.7.2007 RM'000	Additions RM'000	Disposals RM'000	Balance as at 30.6.2008 RM'000
At cost				
Leasehold land	-	5,066	-	5,066
Furniture and fittings	-	69	-	69
Plant and machinery	-	30	-	30
Tools and equipment	-	28	-	28
Office equipment	-	7	-	7
	-	5,200	-	5,200

2008	Balance as at 1.7.2007 RM'000	Charge for the year RM'000	Disposals RM'000	Balance as at 30.6.2008 RM'000
Accumulated depreciation				
Leasehold land	-	16	-	16
Furniture and fittings	-	3	-	3
Plant and machinery	-	1	-	1
Tools and equipment	-	1	-	1
	-	21	-	21

2009	Balance as at 1.7.2008 RM'000	Additions RM'000	Disposals RM'000	Reclassi- fication RM'000	Balance as at 30.6.2009 RM'000
At cost					
Leasehold land	5,066	25	-	-	5,091
Buildings	-	-	-	136	136
Furniture and fittings	69	43	-	-	112
Plant and machinery	30	446	-	-	476
Tools and equipment	28	158	(27)	-	159
Office equipment	7	22	-	-	29
Vessel equipment	-	36	-	-	36
Construction-in-progress	-	266	-	(136)	130
	5,200	996	(27)	-	6,169

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.10 Property, plant and equipment (continued)

2009	Balance as at 1.7.2008 RM'000	Charge for the year RM'000	Disposals RM'000	Balance as at 30.6.2009 RM'000
Accumulated depreciation				
Leasehold land	16	31	-	47
Buildings	-	1	-	1
Furniture and fittings	3	10	-	13
Plant and machinery	1	17	-	18
Tools and equipment	1	11	(2)	10
Office equipment	-	2	-	2
Vessel equipment	-	1	-	1
	21	73	(2)	92

2010	Balance as at 1.7.2009 RM'000	Additions RM'000	Disposals RM'000	Reclassi- fication RM'000	Balance as at 30.6.2010 RM'000
At cost					
Leasehold land	5,091	-	-	-	5,091
Buildings	136	-	-	954	1,090
Furniture and fittings	112	28	-	-	140
Plant and machinery	476	472	-	-	948
Tools and equipment	159	32	-	-	191
office equipment	29	60	-	-	89
Vessel equipment	36	-	-	-	36
Construction-in- progress	130	824	-	(954)	-
	6,169	1,416	-	-	7,585

2010	Balance as at 1.7.2009 RM'000	Charge for the year RM'000	Disposals RM'000	Balance as at 30.6.2010 RM'000
Accumulated depreciation				
Leasehold land	47	85	-	132
Buildings	1	4	-	5
Furniture and fittings	13	14	-	27
Plant and machinery	18	76	-	94
Tools and equipment	11	19	-	30
Office equipment	2	5	-	7
Vessel equipment	1	4	-	5
	93	207	-	300

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.10 Property, plant and equipment (continued)

	2008	2009	2010
	RM'000	RM'000	RM'000
Net carrying amount			
Leasehold land	5,050	5,044	4,959
Buildings	-	135	1,085
Furniture and fittings	66	99	113
Plant and machinery	29	458	854
Tools and equipment	27	149	161
Office equipment	7	27	82
Vessel equipment	-	35	31
Construction-in-progress	-	130	-
	<u>5,179</u>	<u>6,077</u>	<u>7,285</u>

The leasehold land and buildings are charged to a licensed bank for banking facilities granted to BenShip.

10.3.11 Vessels work-in-progress

Vessels work-in-progress represents ships under construction by the BenShip.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.12 Trade and other receivables

	2008 RM'000	2009 RM'000	2010 RM'000
Current			
Trade receivables			
Related company	-	3,500	-
Other receivables			
Other receivables			
- Third parties	808	1,075	828
- Related parties	-	27	11
Due from Directors	1,008	750	-
Deposits	13	17	13
Prepayment	-	-	24
	1,829	1,869	876
	1,829	5,369	876

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by BenShip Sdn. Bhd. range from 30 to 60 days.
- (b) Amounts due from related parties and Directors are unsecured, interest-free and repayable on demand.
- (c) The currency exposure profile of trade and other receivables is as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Ringgit Malaysia	1,829	1,842	876
Singapore Dollar	-	27	-
United States Dollar	-	3,500	-
	1,829	5,369	876

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.13 Deposits with licensed banks and cash and bank balances

The fixed deposits are pledged as security for banking facilities granted to the BenShip as disclosed in Section 10.3.17.

The maturity periods and the average interest rates of the fixed deposits are 30 days (2009: 30 days, 2008: 30 days) and 2.1% (2009: 2.56%, 2008: 2.4%) respectively.

The currency exposure profile of deposits with licensed banks and cash and balances is as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Ringgit Malaysia	504	637	602
Singapore Dollar	-	-	617
	<u>504</u>	<u>637</u>	<u>1,219</u>

10.3.14 Share capital

	2008 RM'000	2009 RM'000	2010 RM'000
Authorised:			
1,000,000 ordinary shares of RM1 each			
At beginning of financial year	250	1,000	1,000
Increased during the year	750	-	-
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
At end of financial year	1,000	1,000	1,000
Issued and fully paid-up:			
1,000,000 ordinary shares of RM1 each			
At beginning of financial year	250	1,000	1,000
Issued during the year at par	750	-	-
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
At end of financial year	1,000	1,000	1,000

The holders of the abovementioned ordinary shares are entitled to receive dividends as and when declared by BenShip and are entitled to one vote per ordinary share at meetings of BenShip. All ordinary shares rank *pari passu* with regard to BenShip's residual assets.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.15 Deferred tax liabilities

The recognised deferred tax liabilities are as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
<u>Property, plant and equipment</u>			
At beginning of financial year	-	7	57
Recognised in the income statement	7	50	77
At end of financial year	7	57	134

10.3.16 Trade and other payables

	2008 RM'000	2009 RM'000	2010 RM'000
Current			
Trade payables			
Third parties	315	1,594	850
Other payables and accruals			
Other payables and accruals			
- Third parties	782	791	1,356
- Related parties	5,924	18,852	12,180
	6,706	19,643	13,536
	7,021	21,237	14,386

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to BenShip range from 30 to 90 days.

(b) Amounts owing to related parties and Directors are unsecured, interest-free and payable in cash upon demand.

(c) The currency exposure profile of trade and other payables is as follows:

	2008 RM'000	2009 RM'000	2010 RM'000
Ringgit Malaysia	7,021	20,373	11,499
Singapore Dollar	-	864	1,470
United States Dollar	-	-	1,414
	7,021	21,237	14,383

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.17 Borrowings

	2008 RM'000	2009 RM'000	2010 RM'000
Current liabilities			
Secured borrowing	-	186	1,689

The borrowings are secured against the following:

- (i) Legal charges created on the Company's land and buildings;
- (ii) Corporate guarantee by a related party;
- (iii) Pledged of fixed deposits of the Company; and
- (iv) Interest rates of the borrowings range between 3.58% to 7.05% (2009: 4.99% to 8.0%, 2008: Nil).

10.3.18 Related party disclosures

(a) Identities of related party

Parties are considered to be related to BenShip if BenShip has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where BenShip and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The related parties are as follows:

	Name of related parties*
(i)	Oceanline Labuan
(ii)	Oriental Grandeur Sdn. Bhd. ("OGSB")

* Companies in which the Directors of BenShip have substantial financial interests.

- (c) In addition to the transactions detailed elsewhere in the financial statements, BenShip had the following transactions with related parties during the financial year:

	2008 RM'000	2009 RM'000	2010 RM'000
Sales of vessels			
Oceanline Labuan	-	3,500	10,221
Provision of repairing works			
OGSB	-	650	744
Sales of machinery			
OGSB	-	32	-

The Directors are of the opinion that the terms and conditions and prices of the above transactions are not materially different from that obtainable in transactions with unrelated parties.

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.3 BenShip (continued)

10.3.19 Financial Instruments

(a) The financial risk management objectives and policies

BenShip is exposed mainly to liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Liquidity and cash flow risk

BenShip monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance BenShip's operations and to mitigate the effect of fluctuations in cash flows.

(b) Fair values

The carrying amounts of the financial instruments of BenShip as at the balance sheet date approximate their fair values due to the relatively short term maturity of the financial instruments.

10.3.20 Comparatives figures

Certain comparative figures for the Relevant Financial Periods have been reclassified to conform with the FYE 30 June 2010 presentation as follows:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
FYE 30 June 2008			
Balance sheet			
Property, plant and equipment	1,669	3,510	5,179
Work-in-progress	5,067	(3,510)	1,557
Capital reserve	1,107	(1,107)	-
Retained profits	-	1,107	1,107
FYE 30 June 2009			
Balance sheet			
Property, plant and equipment	5,947	130	6,077
Work-in-progress	11,882	(130)	11,752
Capital reserve	1,107	(1,107)	-
Retained profits	-	1,107	1,107
Cash flow statement			
Net cash from/(used in) operating activities	4,283	(12,780)	(8,497)
Net cash (used in)/from investing activities	(4,436)	3,380	(1,056)
Net cash from financing activities	186	9,400	9,586

11. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS

10.4 Oceanliner

10.4.1 Income statement of Oceanliner

The income statement of Oceanliner, which is extracted from the audited financial statements for the past one financial period up to FYE 30 June 2010, are set out below:

		Financial period from 4 June 2009 to 30 June 2010
Section		SGD
Revenue		-
Cost of sales		-
Gross profit		-
Other operating expenses		(5,260)
Loss before tax	10.4.5	(5,260)
Tax expense	10.4.6	-
Net loss for the financial year		(5,260)
Key Financial Ratios		
<i>EBITDA</i>		(5,260)
<i>Number of ordinary shares of SGD1.00 each</i>		200,000
<i>Gross loss per share (SGD)</i>		-
<i>Net loss per share (SGD)</i>		0.03
<i>GP margin (%)</i>		-
<i>PBT margin (%)</i>		-
<i>EBITDA margin (%)</i>		-
<i>Effective tax rate (%)</i>		-

11. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS (continued)

10.4 Oceanliner

10.4.2 Balance sheet of Oceanliner

The balance sheet of Oceanliner, which are extracted from the audited financial statements for the past one financial period up to FYE 30 June 2010, are set out below:

	Section	As at 30 June
		2010 SGD
ASSETS		
Current asset		
Cash and bank balances	10.4.7	199,355
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	10.4.8	200,000
Accumulated losses		(5,260)
TOTAL EQUITY		194,740
LIABILITY		
Current liability		
Trade and other payables	10.4.9	4,615
TOTAL LIABILITY		4,615
TOTAL EQUITY AND LIABILITY		199,355

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11. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS (continued)

10.4 Oceanliner (continued)

10.4.3 Cash flow statement of Oceanliner

The cash flow statement of Oceanliner, which is extracted from the audited financial statements for the past one financial period up to FYE 30 June 2010, are set out below:

Section	Financial period ended 30 June 2010
	SGD
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax, representing operating loss before working capital changes	(5,260)
Increase in other payables	4,615
Net cash used in operating activities	(645)
CASH FLOWS FROM FINANCING ACTIVITY	
Proceeds from issuance of shares, representing net cash from financing activity	199,998
CASH AND CASH EQUIVALENTS AS AT DATE OF INCORPORATION	2
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD	199,355

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.4 Oceanliner (continued)

10.4.4 Statement of changes in equity of Oceanliner

The statement of changes in equity of Oceanliner, which are extracted from the audited financial statements for the past one financial period up to FYE 30 June 2010, are set out below:

FPE 30 June 2010	Section	Share capital SGD	Accumulated losses SGD	Total SGD
At date of Incorporation, 4 June 2009		2	-	2
Issuance of shares		199,998	-	199,998
Net loss for the financial period		-	(5,260)	(5,260)
Balance as at 30 June 2010		200,000	(5,260)	194,740

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.4 Oceanliner (continued)

10.4.5 Loss before tax

	2010 SGD
Loss before tax is arrived at after charging:	
Audit fees	<u>1,000</u>

10.4.6 Tax expense

The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of Oceanliner are as follows:

	2010 SGD
Loss before tax	<u>(5,260)</u>
Taxation at statutory tax rate of 17% of chargeable income*	(894)
Non-deductible expenses	<u>894</u>
Tax expense for the financial year	<u>-</u>

* The Singapore income tax is calculated at the statutory tax rate of 17% of the estimated taxable profits for the fiscal period.

10.4.7 Cash and bank balances

The currency profile of cash and bank balances as at balance sheet date is as follows:

	2010 SGD
United States Dollar	141
Singapore Dollar	<u>199,214</u>
	<u>199,355</u>

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.4 Oceanliner (continued)

10.4.8 Share capital

	Number of ordinary shares	2010 SGD
Issued and fully paid-up:		
At date of incorporation	2	2
Issued during the period	199,998	199,998
At end of financial period	<u>200,000</u>	<u>200,000</u>

Oceanliner has one class of ordinary shares which carries no right to fixed income. Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

At the date of incorporation, Oceanliner issued 2 ordinary shares at SGD1 per share. During the financial period, Oceanliner issued additional 199,998 ordinary shares at SGD1 per share. The newly issued shares rank pari passu with the then existing ordinary shares.

10.4.9 Other payables

	2010 SGD
Other payables and accruals	
Other payables and accruals	
- Third parties	3,000
- Related parties	1,615
	<u>4,615</u>

(a) Amounts owing to related parties are unsecured, interest-free and payable in cash upon demand.

(b) The currency profile of other payables as at balance sheet date is as follows:

	2010 SGD
United States Dollar	110
Singapore Dollar	<u>4,505</u>
	<u>4,615</u>

11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.4 Oceanliner (continued)

10.4.9 Financial instruments

(a) The financial risk management objectives and policies

Oceanliner is exposed mainly to liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Liquidity and cash flow risk

Oceanliner monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Oceanliner's operations and to mitigate the effect of fluctuations in cash flows.

(b) Fair values

The carrying amounts of the financial instruments of Oceanliner as at the balance sheet date approximate their fair values due to the relatively short term maturity of the financial instruments.

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.5 Pacific

10.5.1 Income statements of Pacific

The income statements of Pacific, which is extracted from the audited financial statements for the past two financial year/period up to FYE 30 June 2010, are set out below:

	Section	Financial period from 17 April 2009 to 30 June 2009	FYE 30 June 2010
		USD	USD
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other operating expenses		(2,108)	(10,705)
Loss before tax	10.5.5	(2,108)	(10,705)
Tax expense	10.5.6	-	-
Net loss for the financial year		(2,108)	(10,705)
Key Financial Ratios			
<i>EBITDA</i>		(2,108)	(10,705)
<i>Number of ordinary shares of USD1.00 each</i>		3	3
<i>Gross loss per share (USD)</i>		-	-
<i>Net loss per share (USD)</i>		NM	NM
<i>GP margin (%)</i>		-	-
<i>PBT margin (%)</i>		-	-
<i>EBITDA margin (%)</i>		-	-
<i>Effective tax rate (%)</i>		-	-

NM - Not meaningful

11. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS (continued)

10.5 Pacific

10.5.2 Balance sheets of Pacific

The balance sheets of Pacific, which are extracted from the audited financial statements for the past two financial year/period up to FYE 30 June 2010, are set out below:

Section	As at 30 June	As at 30 June
	2009 USD	2010 USD
ASSETS		
Current asset		
Other receivables	3	3
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	3	3
Accumulated losses	(2,108)	(12,813)
TOTAL EQUITY	(2,105)	(12,810)
LIABILITY		
Current liability		
Other payables	2,108	12,813
TOTAL LIABILITY	2,108	12,813
TOTAL EQUITY AND LIABILITY	3	3

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.5 Pacific (continued)

10.5.3 Cash flow statement of Pacific

The cash flow statement of Pacific, which is extracted from the audited financial statements for the past two financial year/period up to FYE 30 June 2010, are set out below:

Section	Financial period ended 30 June 2010	FYE 30 June 2010
	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax, representing operating loss before working capital changes	(2,108)	(10,705)
Increase in other payables	-	5,733
Cash used in operations, representing net cash used in operating activities	(2,108)	(4,972)
CASH FLOWS FROM FINANCING ACTIVITY		
Advances from related parties, representing net cash from financing activities	2,108	4,972
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR/DATE OF INCORPORATION	-	-
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD	-	-

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.5 Pacific (continued)

10.5.4 Statement of changes in equity of Pacific

The statement of changes in equity of Pacific, which are extracted from the audited financial statements for the past two financial year/period up to FYE 30 June 2010, are set out below:

FPE 30 June 2009 & FYE 30 June 2010	Section	Share capital USD	Accumulated losses USD	Total USD
At date of incorporation, 17 April 2009		3	-	3
Net loss for the financial period		-	(2,108)	(2,108)
Balance as at 30 June 2009/1 July 2009		3	(2,108)	(2,105)
Net loss for the financial year		-	(10,705)	(10,705)
Balance as at 30 June 2010		3	(12,813)	(12,810)

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.5 Pacific (continued)

10.5.5 Loss before tax

	2009 USD	2010 USD
Loss before tax is arrived at after charging:		
Audit fees	-	1,233

10.5.6 Tax expense

In accordance with the Labuan Business Activity Tax Act, 1990, Pacific shall be taxed at the rate of 3% on the profit or at a flat amount of RM20,000.

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.5 Pacific (continued)

10.5.7 Share capital

	Number of ordinary shares 2009	2009 USD	Number of ordinary shares 2010	2010 USD
Authorised:				
At date of incorporation, at end of financial year/period	14,000	14,000	14,000	14,000
Issued and fully paid-up:				
At date of incorporation, at end of financial year/period	3	3	3	3

The holders of the abovementioned ordinary shares are entitled to receive dividends as and when declared by Pacific and are entitled to one vote per ordinary share at meetings of Pacific. All ordinary shares rank pari passu with regard to Pacific's residual assets.

10.5.8 Other payables

	2009 USD	2010 USD
Other payables and accruals		
Other payables and accruals		
- Third parties	-	5,733
- Related parties	2,108	7,080
	2,108	12,813

(a) Amounts owing to related parties are unsecured, interest-free and payable in cash upon demand.

(b) The currency profile of trade and other payables as at balance sheet date is as follows:

	2009 USD	2010 USD
Ringgit Malaysia	2,108	3,341
United States Dollar	-	9,472
	2,108	12,813

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

10. AUDITED FINANCIAL STATEMENTS (continued)

10.5 Pacific (continued)

10.5.9 Financial instruments

(a) The financial risk management objectives and policies

Pacific is exposed mainly to liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Liquidity and cash flow risk

Pacific monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Pacific's operations and to mitigate the effect of fluctuations in cash flows.

(b) Fair values

The carrying amounts of the financial instruments of Pacific as at the balance sheet date approximate their fair values due to the relatively short term maturity of the financial instruments.

11. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS (continued)

10.6 OML

10.6.1 Income statements of OML

The income statements of OML, which is extracted from the audited financial statements for the past two financial year/period up to FYE 30 June 2010, are set out below:

	Section	Financial period from 17 April 2009 to 30 June 2009	FYE 30 June 2010
		USD	USD
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other operating expenses		(2,108)	(10,705)
Loss before tax	10.6.5	(2,108)	(10,705)
Tax expense	10.6.6	-	-
Net loss for the financial year		(2,108)	(10,705)
Key Financial Ratios			
<i>EBITDA</i>		(2,108)	(10,705)
<i>Number of ordinary shares of USD1.00 each</i>		3	3
<i>Gross loss per share (USD)</i>		-	-
<i>Net loss per share (USD)</i>		NM	NM
<i>GP margin (%)</i>		-	-
<i>PBT margin (%)</i>		-	-
<i>EBITDA margin (%)</i>		-	-
<i>Effective tax rate (%)</i>		-	-

NM - Not meaningful

11. ACCOUNTANTS' REPORT (Cont'd)



10. AUDITED FINANCIAL STATEMENTS (continued)

10.6 OML

10.6.2 Balance sheets of OML

The balance sheets of OML, which are extracted from the audited financial statements for the past two financial year/period up to FYE 30 June 2010, are set out below:

	Section	As at 30 June	As at 30 June
		2009 USD	2010 USD
ASSETS			
Current asset			
Other receivables		3	3
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10.6.7	3	3
Accumulated losses		(2,108)	(12,813)
TOTAL EQUITY		(2,105)	(12,810)
LIABILITY			
Current liability			
Other payables	10.6.8	2,108	12,813
TOTAL LIABILITY		2,108	12,813
TOTAL EQUITY AND LIABILITY		3	3

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.6 OML (continued)

10.6.3 Cash flow statement of OML

The cash flow statement of OML, which is extracted from the audited financial statements for the past two financial year/period up to FYE 30 June 2010, are set out below:

Section	Financial period ended 30 June 2010	FYE 30 June 2010
	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax, representing operating loss before working capital changes	(2,108)	(10,705)
Increase in other payables	-	5,733
Cash used in operations, representing net cash used in operating activities	(2,108)	(4,972)
CASH FLOWS FROM FINANCING ACTIVITY		
Advances from related parties, representing net cash from financing activities	2,108	4,972
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR/DATE OF INCORPORATION	-	-
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD	-	-

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.6 OML (continued)

10.6.4 Statement of changes in equity of OML

The statement of changes in equity of OML, which are extracted from the audited financial statements for the past two financial year/period up to FYE 30 June 2010, are set out below:

FPE 30 June 2009 & FYE 30 June 2010	Section	Share capital USD	Accumulated losses USD	Total USD
At date of incorporation, 17 April 2009		3	-	3
Net loss for the financial period		-	(2,108)	(2,108)
Balance as at 30 June 2009/1 July 2009		3	(2,108)	(2,105)
Net loss for the financial year		-	(10,705)	(10,705)
Balance as at 30 June 2010		3	(12,813)	(12,810)

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.6 OML (continued)

10.6.5 Loss before tax

	2009 USD	2010 USD
Loss before tax is arrived at after charging:		
Audit fees	-	<u>1,233</u>

10.6.6 Tax expense

In accordance with the Labuan Business Activity Tax Act, 1990, OML shall be taxed at the rate of 3% on the profit or at a flat amount of RM20,000.

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11. ACCOUNTANTS' REPORT (Cont'd)



Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report

10. AUDITED FINANCIAL STATEMENTS (continued)

10.6 OML (continued)

10.6.7 Share capital

	Number of ordinary shares 2009	2009 USD	Number of ordinary shares 2010	2010 USD
Authorised:				
At date of incorporation, at end of financial year/period	14,000	14,000	14,000	14,000
Issued and fully paid-up:				
At date of incorporation, at end of financial year/period	3	3	3	3

The holders of the abovementioned ordinary shares are entitled to receive dividends as and when declared by OML and are entitled to one vote per ordinary share at meetings of OML. All ordinary shares rank pari passu with regard to OML's residual assets.

10.6.8 Other payables

	2009 USD	2010 USD
Other payables and accruals		
Other payables and accruals		
- Third parties	-	5,733
- Related parties	2,108	7,080
	2,108	12,813

(a) Amounts owing to related parties are unsecured, interest-free and payable in cash upon demand.

(b) The currency profile of trade and other payables as at balance sheet date is as follows:

	2009 USD	2010 USD
Ringgit Malaysia	2,108	3,341
United States Dollar	-	9,472
	2,108	12,813

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

10. AUDITED FINANCIAL STATEMENTS (continued)

10.6 OML (continued)

10.6.9 Financial instruments

(a) The financial risk management objectives and policies

OML is exposed mainly to liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Liquidity and cash flow risk

OML monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance OML's operations and to mitigate the effect of fluctuations in cash flows.

(b) Fair values

The carrying amounts of the financial instruments of OML as at the balance sheet date approximate their fair values due to the relatively short term maturity of the financial instruments.

11. ACCOUNTANTS' REPORT (Cont'd)



*Benalec Holdings Berhad (Company No. 702653-V)
Accountants' Report*

10. AUDITED FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 30 June 2010 for Benalec Group.

Yours faithfully

A handwritten signature of 'BDO' in a stylized, cursive font.

BDO
AF : 0206
Chartered Accountants

A handwritten signature in cursive script, appearing to be 'Ooi Thiam Poh'.

Ooi Thiam Poh
2495/01/12 (J)
Chartered Accountant

Appendix 1



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC HOLDINGS SDN. BHD.**

Report on the Financial Statements

We have audited the financial statements of Benalec Holdings Sdn. Bhd., which comprise the balance sheet as at 30 June 2010 of the Company, and the income statement, statement of changes in equity and cash flow statement of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 26.

The financial statements of the Company for the financial year ended 30 June 2009 were audited by another firm of auditors, whose report dated 2 December 2009, expressed an unqualified opinion on those statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC HOLDINGS SDN. BHD. (continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company as at 30 June 2010 and of the results of operations of the Company and of the cash flow of the Company for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature of the BDO firm, consisting of the letters 'BDO' in a stylized, cursive script.

BDO
AF : 0206
Chartered Accountants

A handwritten signature of Ooi Thiam Poh, consisting of a stylized cursive script.

Ooi Thiam Poh
2495/01/12 (J)
Chartered Accountant

Kuala Lumpur
15 September 2010

11. ACCOUNTANTS' REPORT (Cont'd)

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC HOLDINGS SDN. BHD.

Report on the Financial Statements

We have audited the financial statements of Benalec Holdings Sdn. Bhd., which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 11.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Private Entity Reporting Standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2009 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Lim Teoh & Co.
AF- 0287
Chartered Accountants
503A Jalan Pintu Sepuluh, 05100 Alor Setar,
Kedah Darul Aman.



Teoh Tit Eng
539/4/10 (J/PH)
Chartered Accountant

Date: 02 DECEMBER 2009

11. ACCOUNTANTS' REPORT (Cont'd)

- 5 -

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC HOLDINGS SDN. BHD.**

Report on the Financial Statements

We have audited the financial statements of Benalec Holdings Sdn. Bhd., which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 13.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2008 and of its financial performance and cash flows for the year then ended.

11. ACCOUNTANTS' REPORT (Cont'd)

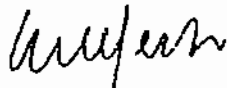
- 6 -

Report on Other Legal and Regulatory Requirements

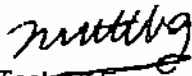
In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act be kept by the Company have been properly kept in accordance with the provisions of the Act

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Lim Teoh & Co
AF- 0287
Chartered Accountants



Tech TIT Eng
539/4/10 (J/PH)
Chartered Accountant

Date: 01 DECEMBER 2008

11. ACCOUNTANTS' REPORT (Cont'd)

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC SDN. BHD.
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of Benalec Sdn. Bhd., which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 77.

The financial statements of the Group and of the Company for the financial year ended 30 June 2009 were audited by another firm of auditors, whose report dated 20 April 2010, expressed an unqualified opinion on those statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No:
39054 - A

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC SDN. BHD. (continued)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2010 and of the results of operations of the Group and of the Company and of the cash flows of the Group and of the Company for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

BDO
AF: 0206
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Ooi Thiam Poh'.

Ooi Thiam Poh
2495/01/12 (J)
Chartered Accountant

Kuala Lumpur
15 September 2010



KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

Independent auditors' report to the members of Benalec Sdn. Bhd.

(Company No. 39054-A)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Benalec Sdn. Bhd., which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 38.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (Cont'd)



Company No. 39054-A

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 5 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 20 April 2010

Chew Beng Hong
Approval Number: 2920/02/12(J)
Chartered Accountant



KPMG (Firm No. AF 0758)
Chartered Accountants
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47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

Independent auditors' report to the members of Benalec Sdn. Bhd.

(Company No. 39054-A)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Benalec Sdn. Bhd., which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 35.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Company No. 39054-A

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 22 JAN 2009

Abdullah Abu Samah
Approval Number: 2013/06/10(J)
Chartered Accountant

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
49956 - P



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC SHIPYARD SDN. BHD.**

Report on the Financial Statements

We have audited the financial statements of Benalec Shipyard Sdn. Bhd., which comprise the balance sheet as at 30 June 2010 of the Company, and the income statement, statement of changes in equity and cash flow statement of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 39.

The financial statements of the Company for the financial year ended 30 June 2009 were audited by another firm of auditors, whose report dated 6 December 2009, expressed an unqualified opinion on those financial statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
49956 - P

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC SHIPYARD SDN. BHD. (continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company as at 30 June 2010 and of the results of operations of the Company and of the cash flow of the Company for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads 'BDO'.

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
15 September 2010

A handwritten signature in black ink that reads 'Ooi Thiam Poh'.

Ooi Thiam Poh
2495/01/12 (J)
Chartered Accountant

11. ACCOUNTANTS' REPORT (Cont'd)

Company No: 49956 P

- 5 -

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC SHIPYARD SDN. BHD.**

Report on the Financial Statements

We have audited the financial statements of Benalec Shipyard Sdn. Bhd., which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 15.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Private Entity Reporting Standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2009 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Lim Tech & Co.
AF-0217
Chartered Accountants
503A Jalan Pintu Sepuluh, 05100 Alor Setar,
Kedah Darul Aman.



Teoh Tit Eng
53914/10 (J/PH)
Chartered Accountant

Date: 06 December 2009

11. ACCOUNTANTS' REPORT (Cont'd)

Company No: 49956 P

- 5 -

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BENALEC SHIPYARD SDN. BHD.**

Report on the Financial Statements

We have audited the financial statements of Benalec Shipyard Sdn. Bhd., which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 17.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2008 and of its financial performance and cash flows for the year then ended.

11. ACCOUNTANTS' REPORT (Cont'd)

Company No: 49956 P

- 6 -

Report on Other Legal and Regulatory Requirements

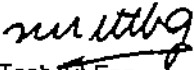
In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Lim Teoh & Co.
AF- 0287
Chartered Accountants



Teoh Tit Eng
539/4/10 (J/PH)
Chartered Accountant

Date: 04 DECEMBER 2008

11. ACCOUNTANTS' REPORT (Cont'd)



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 Fax: +65 6828 9111
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 www.bdo.com.sg

BDO LLP
 Certified Public Accountants
 19 Keppel Road
 #02-01 Jit Poh Building
 Singapore 089058

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OCEANLINER PTE. LTD.

We have audited the accompanying financial statements of Oceanliner Pte. Ltd. (the "Company"), which comprise the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from date of incorporation, 4 June 2009 to 30 June 2010, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and balance sheet and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (Cont'd)



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OCEANLINER PTE. LTD. (Continued)

Opinion

In our opinion,

- (a) the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 30 June 2010 and of the results, changes in equity and cash flows of the Company for the financial period 4 June 2009 (date of incorporation) to 30 June 2010; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

BDO LLP

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
17 September 2010

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
LL 07031

2



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BDO Binder (AAL 0012)
Chartered Accountants
12th Floor Menara Uni, Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
PACIFIC LIMITED**

Report on the Financial Statements

We have audited the financial statements of Pacific Limited, which comprise the balance sheet as at 30 June 2010 of the Company and the income statement, statement of changes in equity and cash flow statement of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 23.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Labuan Companies Act, 1990. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
LL 07031

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
PACIFIC LIMITED (continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Labuan Companies Act, 1990 so as to give a true and fair view of the state of affairs of the Company as at 30 June 2010 and of the results of operations of the Company and of the cash flows of the Company for the financial year then ended.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 117(1) of the Labuan Companies Act, 1990 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads 'BDO Binder'.

BDO Binder
AAL : 0012
Chartered Accountants

A handwritten signature in black ink that reads 'Hlew Kim Loong'.

Hlew Kim Loong
2858/08/12 (J)
Chartered Accountant

Kuala Lumpur
15 September 2010

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
LL 07031



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Chartered Accountants
12th Floor Menara Uni-Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

2

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
PACIFIC LIMITED**

Report on the Financial Statements

We have audited the financial statements of Pacific Limited, which comprise the balance sheet as at 30 June 2009 of the Company and the income statement, statement of changes in equity and cash flow statement of the Company for the financial period from 17 April 2009 to 30 June 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 22.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Labuan Companies Act, 1990. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
LL 07031

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
PACIFIC LIMITED (continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Labuan Companies Act, 1990 so as to give a true and fair view of the state of affairs of the Company as at 30 June 2009 and of the results of operations of the Company and of the cash flows of the Company for the financial period from 17 April 2009 to 30 June 2009.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 117(1) of the Labuan Companies Act, 1990 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads 'BDO Binder'.

BDO Binder
AAL : 0012
Chartered Accountants

A handwritten signature in black ink that reads 'Hiew Kim Loong'.

Hiew Kim Loong
2858/08/12 (J)
Chartered Accountant

Kuala Lumpur
15 September 2010

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
LL 07031

2



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Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
OCEAN MARINE LTD.**

Report on the Financial Statements

We have audited the financial statements of Ocean Marine Ltd., which comprise the balance sheet as at 30 June 2010 of the Company and the income statement, statement of changes in equity and cash flow statement of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 23.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Labuan Companies Act, 1990. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
LL 07031

3



**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
OCEAN MARINE LTD. (continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Labuan Companies Act, 1990 so as to give a true and fair view of the state of affairs of the Company as at 30 June 2010 and of the results of operations of the Company and of the cash flows of the Company for the financial year then ended.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 117(1) of the Labuan Companies Act, 1990 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Handwritten signature of BDO Binder in black ink.

BDO Binder
AAL : 0012
Chartered Accountants

Handwritten signature of Hiew Kim Loong in black ink.

Hiew Kim Loong
2858/08/12 (J)
Chartered Accountant

Kuala Lumpur
15 September 2010

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
LL 07031

2



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BDO Binder (AAL 0012)
Chartered Accountants
12th Floor Menara Umi Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
OCEAN MARINE LTD.**

Report on the Financial Statements

We have audited the financial statements of Ocean Marine Ltd., which comprise the balance sheet as at 30 June 2009 of the Company and the income statement, statement of changes in equity and cash flow statement of the Company for the financial period from 17 April 2009 to 30 June 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 22.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Labuan Companies Act, 1990. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No:
LL 07031



**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
OCEAN MARINE LTD. (continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Labuan Companies Act, 1990 so as to give a true and fair view of the state of affairs of the Company as at 30 June 2009 and of the results of operations of the Company and of the cash flows of the Company for the financial period from 17 April 2009 to 30 June 2009.

Other Matters

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A handwritten signature in black ink, appearing to read 'BDO Binder'.

BDO Binder
AAL : 0012
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Hlew Kim Loong'.

Hlew Kim Loong
2858/08/12 (J)
Chartered Accountant

Kuala Lumpur
15 September 2010

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON

(Prepared for inclusion in the Prospectus)

F R O S T & S U L L I V A N

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13 DEC 2010

The Board of Directors
Benalec Holdings Berhad
38, Jalan Pengacara U1/48
Seksyen U1
Temasya Industrial Park
Glenmarie
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT ON THE MARINE CONSTRUCTION INDUSTRY FOR BENALEC HOLDINGS BERHAD ("BENALEC" OR "COMPANY")

We, Frost & Sullivan Malaysia Sdn Bhd ("Frost & Sullivan"), have prepared the Executive Summary of the Independent Market Research report on the Marine Construction Industry ("Report") for inclusion in the Prospectus of Benalec in relation to the Initial Public Offering exercise of the Company on the Main Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview and future prospects of the marine construction industry.

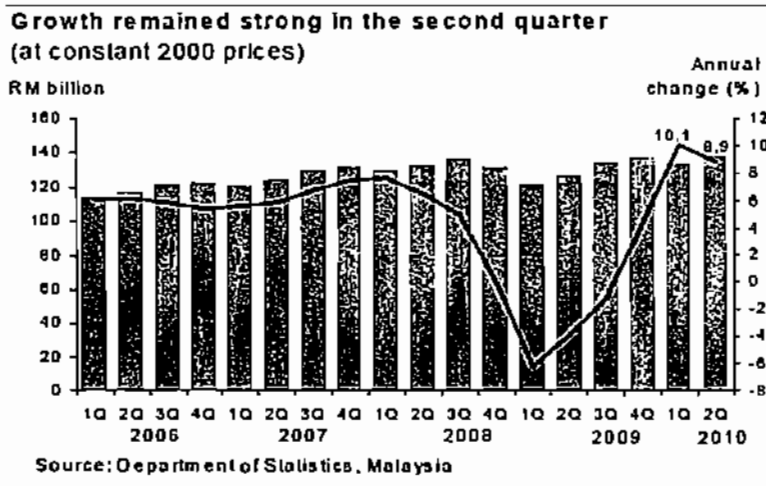
Bangalore	Bangkok	Beijing	Bogota	Buenos Aires	Cape Town	Chennai	Delhi	Dubai	Frankfurt
Kolkata	Kuala Lumpur	London	Melbourne	Mexico City	Mumbai	New York	Oxford	Palo Alto	Paris
	Sao Paulo	Sao Paulo	Seoul	Shanghai	Singapore	Sydney	Tokyo	Toronto	

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

1 Overview and Outlook of the Malaysian Economy

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2010, driven by sustained expansion in domestic demand and continued robust growth in external demand. The stronger domestic demand was due to higher private and public sector spending, while the expansion in external demand spurred domestic production. On the supply side, major economic sectors continued to record strong growth during the quarter, led by the manufacturing and services sectors.



During the quarter, domestic demand expanded by 9% (1Q 10: 5.3%), due mainly to higher private consumption and continued improvements in both business and public sector spending. Private consumption grew by 7.9% (1Q 10: 5.1%), supported by the favourable labour market conditions, relatively low inflation and a steady increase in income levels amid sustained consumer confidence. The public sector contributed positively to growth, with public consumption expanding by 6.9% during the quarter, following higher expenditure on emoluments. Gross fixed capital formation also increased, registering a stronger growth of 12.9% (1Q 10: 5.4%), supported by further improvement in private sector investment activity and sustained public sector capital expenditure. Private sector capital spending continued to benefit from the relatively strong increase in domestic production and exports. Public sector capital expenditure provided additional impetus to the domestic economy, with development expenditure disbursed mainly to the education and transportation sectors.

On the supply side, major economic sectors registered strong expansion during the second quarter, driven by the manufacturing and services sectors. The manufacturing sector expanded at a sustained pace of 15.9% (1Q 10: 17%), with broad-based growth across all clusters. The services sector grew strongly by 7.3% (1Q 10: 8.5%), supported mainly by the strong performance of the wholesale and retail trade; finance and insurance; and transport and storage sub-sectors. The construction sector expanded by 4.1% during the quarter (1Q 10: 8.7%), supported mainly by the strong growth in the non residential sub-sector. Growth in the agriculture sector moderated to 2.4% (1Q 10: 6.8%) due to lower production of industrial crops, while the mining sector registered a growth of

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

1.9% (1Q 10: 2.1%) supported by higher production of natural gas amid lower production of crude oil.

(Source: Bank Negara Malaysia Press Release, *Economic and Financial Developments in Malaysia in the Second Quarter of 2010*)

2 The Marine Construction Industry

2.1 Definition

Marine construction is a subset discipline under civil engineering and involves all forms of dredging, reclamation and fortification works carried out at coastal areas, river mouths and navigational waterways for the purpose of coastal protection, maritime development, waterfront development and the construction of maritime and social infrastructure. Activities under marine construction include the following:

- Capital / remedial / maintenance dredging of river mouths and navigational waterways
- Dredging and land reclamation
- Shore and beach erosion protection works such as rock revetment, breakwater construction and beach nourishment
- Marine piling for the construction of marine and social infrastructure
- Construction of coastal structures such as bridges, jetties, piers, docks, harbours, slipways and marinas
- Construction of off-coast structures such as beacons / lighthouse, wind turbines and terminals

2.2 Industry Value Chain and Segmentation

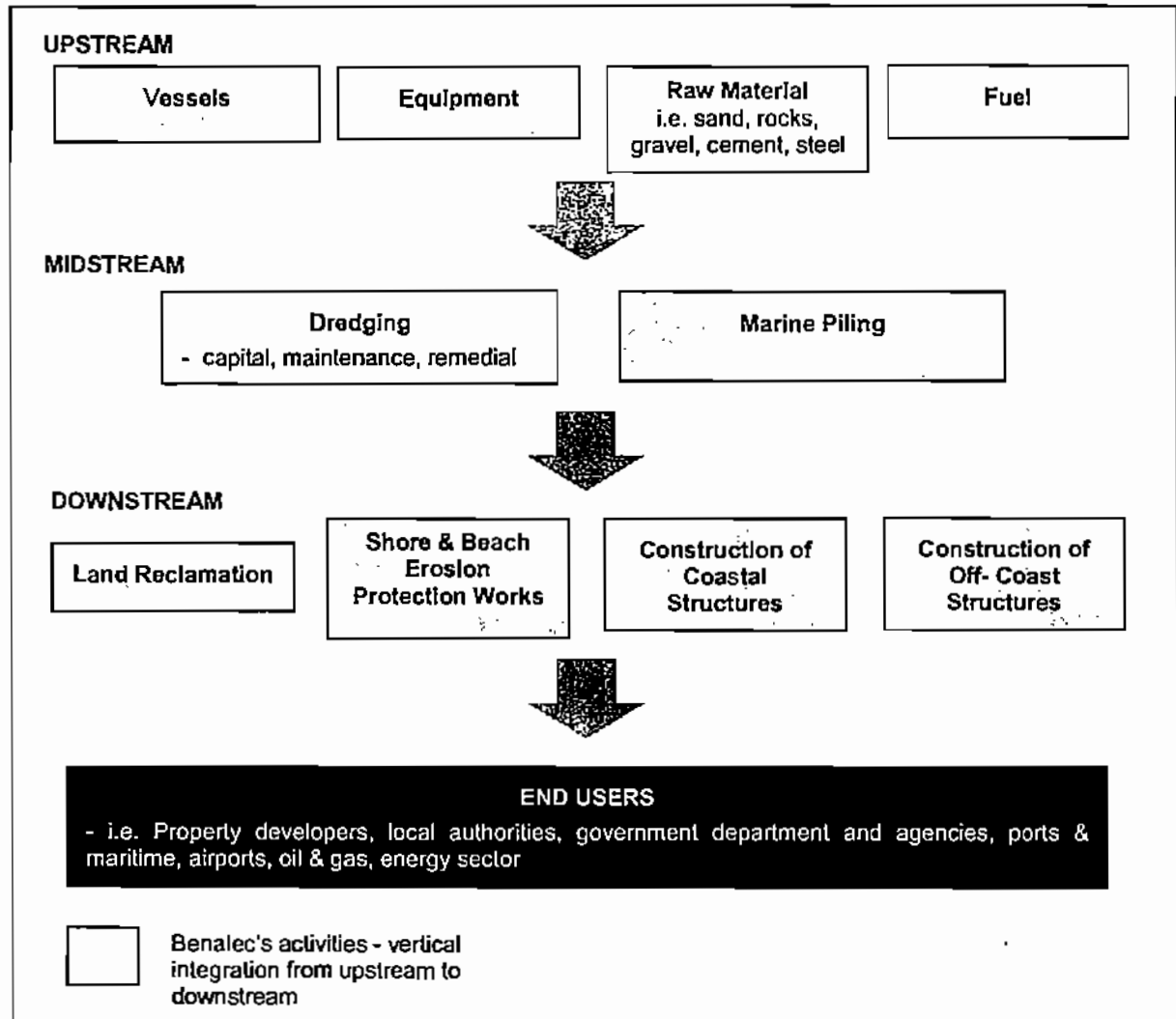
The marine construction value chain can be segmented into upstream, midstream and downstream activities. The upstream segment refers to the supply of vessels (i.e. tugboats and barges), equipment (i.e. dredgers, piling systems), raw materials (i.e. sand, rocks, gravel, cement and steel), and fuel (i.e. diesel) that are used in the operations. The midstream segment involves the core activities of marine construction which are dredging and marine piling. These are enablers for the activities involved in the downstream segment such as land reclamation, shore / beach erosion protection works and coastal and off-coast constructions. The end users for the marine construction activities include private developers, local authorities, government departments and agencies and other sectors such as ports and maritime, airports, oil and gas, and energy.

The industry value chain is depicted in a chart as follows, whereby Benalec's vertical integration within the marine construction value chain as observed in the upstream, midstream and downstream activities are shaded.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

The Marine Construction Industry Value Chain



(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

2.3 Dredging for the Marine Construction Industry

In the marine construction industry, dredging is part of the midstream activities and the main function is for capital, maintenance and remedial dredging of navigational waterways by the removal of siltation and deepening of channels, and supporting downstream activities such as land reclamation, shore and beach protection works and in the preparation for construction of coastal structures.

Dredging utilizes dredging equipment which is very expensive and has high resale value. Typically, brand new mechanical dredgers cost in the range of € 5 million - € 20 million (RM 20 million - RM 83 million) and hydraulic dredgers € 1.2 million - € 20 million (RM 5 million - RM 83 million) with the exception of the trailer suction hopper dredgers (TSHD) which costs anywhere between € 20 million - € 50 million (RM 80

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

million - RM 210 million) for China-made units or more than € 100 million (RM 420 million) for top European or Japanese models.

Dredgers that are typically used in Malaysia and Asia regions are mechanical dredgers such as grab / clamshell dredger and dipper / backhoe dredger, and hydraulic dredgers such as plain suction dredger, sand pump ship, cutter suction dredger (CSD) and trailer suction hopper dredger (TSHD).

The dredging of sand from the sea is a licensed activity and can only be conducted by approved contractors on designated sand pits within the coastal waters of the country. The dredging of sand without permit is an offence in most countries because of the environmental concerns that arrive from uncontrolled dredging. Sand dredging for the purpose of land reclamation is usually conducted using suction dredgers or sand pump ships because sand mixture with water is very fluid and flows easily. Transportation of the dredged sand is normally by tug-and-barge system, whereby multiple barges are deployed for the job at one time for efficiency. This system allows another barge to be filled while the tugboat tows an already filled barge for dumping. The TSHD is a vessel specially built for mass land reclamation projects because of the ability to sweep the sand from the seabed and deposit to the site in massive quantities at a faster rate than conventional suction dredgers. For large projects, the use of TSHD is considered as more cost-effective as the job can be completed faster.

2.4 Land Reclamation

Land reclamation from the sea involves the relocation of building materials to the coastal reclamation site to build an extension of landmass or a new island, usually for socio-economic purposes. Aggregates such as sand, soil and gravel are dredged from offshore seabed or rivers and deposited to the reclaimed area. Due to the high volume of sand required in land reclamation, dredging is the most cost effective way of relocating the materials. Hence, the demand for land reclamation had driven the advancement in dredging technology whereby larger dredging vessels and better techniques have been developed that can dredge vast amount of sand effectively.

Land reclamation is a complex engineering activity which requires extensive knowledge and study in hydrology, geotechnical and structural engineering. The building of new landmass is highly regulated as it involves the extension of state or national borders. Reclamation of coastal land may result in instability of the land reclaimed and long term excessive settlement. The technology involved and materials used largely depend on the environmental and geological factors at the site. Typically, sea sand is a major component in land reclamation because it is easy to obtain in abundance and the rigid granular properties that act as natural drainage gives minimal settlement.

For island or coastal states and countries where land is scarce, land is reclaimed from mangroves and the sea to create new land area for the building of social infrastructure such as airports, harbours, power plants and urban development in order to support the population growth. However, land reclamation also contributes towards the building of jetties, piers, ports, harbours, terminals, coastal roads and bridges.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

Other reasons for land reclamation are often for commercial development and the tourism industry by the building of sea resorts and marinas. Land reclamation adds value to the land that was previously not suitable for development. Land reclamation is also a method for beach or coastal erosion control through beach nourishment or building of breakwaters at river mouths.

The cost for land reclamation projects are high because of the large amount of raw materials required, the use of expensive and sophisticated heavy machineries, labour involved, time to complete and most importantly in the feasibility studies and engineering design involved which are unique to each site.

2.5 Shore and Beach Erosion Protection Works

Shore and beach protection works are conducted to protect coastal ecosystem against erosion and flood. The natural ebb and current of the sea erodes coastlines and over time beaches and coastal land may be engulfed by the sea. This will disrupt coastal communities and may result in loss of habitat for wildlife in coastal areas.

Shore protection works include rock revetment and sea walls. These structures fortify the coastal banks by the construction of hard edges to stop the tides from eroding the shore. Other method of protection deflects the currents by building obstructions such as groynes or geotextile tubes ("geotubes") out in the sea. This will retain the soft edge of beaches. Breakwaters are normally built at river mouths or estuaries of navigational waterways. Beach nourishment is to restore an eroding beach by replacing the sand on the beach and creating a new sandy shoreline. This is done through the placement of sand fill along the shoreline to widen the beach.

3 Demand Conditions**3.1 Past Performance of the Marine Construction Industry in Malaysia**

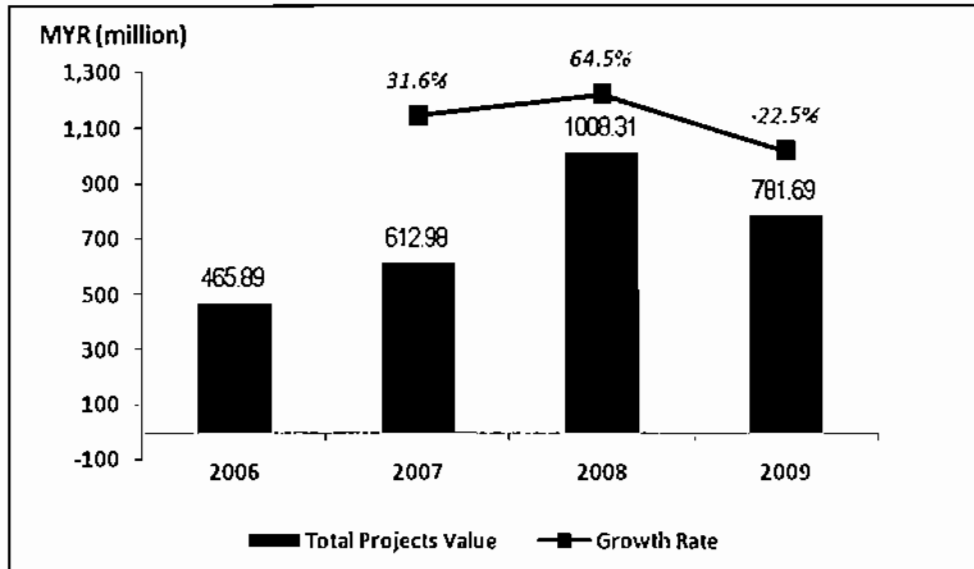
The following graph is an estimation of the marine construction projects awarded in Malaysia for the duration of 2006 to 2009. The market size is calculated based on total project value. Projects and its values are limited to information as registered in the Construction Industry Development Board (CIDB) database and from the Department of Irrigation and Drainage (DID).

Based on the project value awarded, the marine construction industry in Malaysia has been showing an uptrend with CAGR for 2006-2009 at 18.8%.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

Marine Construction Projects Awarded in Malaysia, by Project Value (2006-2009)



CAGR (2006-2009): 18.8%

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

The industry has grown by 68% since 2006, and in 2009 is estimated to value approximately RM 782 million. In 2008 there was a spike in the value of projects awarded and value estimated at RM 1.01 billion. This was mainly because it was the peak period of the 9th Malaysia Plan whereby allocations towards capital projects were being utilised. Three major projects which contributed towards the year's outstanding performance were the reclamation project for the expansion of the Lapangan Terbang Kuala Terengganu (26.2%), the Sungai Pahang major dredging and rehabilitation project (25.6%), and the Melaka reclamation projects (12.6%). Furthermore, there were a number of marine construction activities taking place around the Iskandar economic region such as the Nusajaya waterfront development and upgrading of ports, harbour and navigational waterways along the Straits of Tebrau. The projects value for the development along the Iskandar economic region contributed approximately 20.2% towards 2008 market value. In 2008, 55% out of the total projects awarded were attributed to land reclamation projects.

The Malaysia Economic Plan is drafted every 5 years therefore it would be safe to expect similar trend to occur every 5 years where there is a steady uptrend with a peak towards the latter half of the period when funds are ready for disbursement and projects awarded to industry players.

The following table highlights some of the development projects in Malaysia that involved marine construction activities valued at RM 100 million and above, as extracted from the CIDB Contractor Profile and Details online database.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

Major Marine Construction Projects in Malaysia (2006-2009)

Location	Project	Type of Development	Project Value (RM million)
Melaka	*Melaka reclamation projects	Mixed	395.6
Iskandar Economic Region	*Nusajaya Waterfront development	Mixed	159.3
	Tanjung Bin Port upgrade	Ports infrastructure	161.0
	*Tanjung Langsat Port upgrade	Ports infrastructure	121.4
SCORE	*Tanjung Manis development	Infrastructure & industrial zone	216.3
Kuala Terengganu	Lapangan Terbang Kuala Terengganu upgrade, land reclamation and beach erosion protection	Airport infrastructure	264.0
Sungai Pahang	Dredging and rehabilitation	Navigational waterway	258.2
Port Klang	Capital dredging for the expansion of the Southern navigational channel	Navigational waterway	100.0
Pulau Tioman	Tekek beach rehabilitation	Beach rehabilitation, tourism	132.2
Batu Maung, Penang	Construction of MITP International Fisheries Port	Ports infrastructure	168.9

**Consolidated over the period 2006-2009*

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

3.2 Past Performance of the Marine Construction Industry in Asia Pacific

In the Asia Pacific region, major development projects that require large-scale marine land reclamation activities have occurred mostly in high income countries and city-states such as in Singapore, Hong Kong, Japan and Macau. In China, reclamation activities are highly active around the economic zones such as Shenzhen, Yuhuan and Shanghai.

Singapore

Singapore is a small island at the southern tip of Malaysia with a total landmass of 581.5 sq km originally and mainly composed of many smaller islands and mangrove land with a web of rivers and streams, with a shortage of readily suitable areas for development. The population growth and economic prosperity required Singapore to increase its land area by merging several smaller islands together to be more functional by conducting massive land reclamation from the sea for residential, social and commercial purposes. Since the 1960's, Singapore has conducted several phases of land reclamation activities and by which had resulted in the landmass to be expanded by 22% of its original size. Examples of development on reclaimed land in Singapore include the Changi Airport, The Tuas Industrial Park, Sentosa Cove Island and Marina Bay Sands Casino.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)**EXECUTIVE SUMMARY*****Hong Kong***

Hong Kong is an island located off the China Pearl River delta. The island consists of 1,095 sq km of territory and includes over 200 offshore islands. However the main island of Hong Kong is only 80 sq km and is home to a population of 7 million people. The geography of Hong Kong is very hilly with steep slopes and has irregular coast lines with many bays, rivers and beaches. Reclamation activities in Hong Kong started as early as in the mid 19th century during colonial times. Hong Kong is intensely urbanized particularly at Kowloon Bay and Victoria Harbour, and due to its economic prosperity has been required to conduct large-scale land reclamation as a solution to ease the population congestion, and has resulted in over 10% of increase in land area. Large-scale reclamation were conducted on Lantau Island for the development of the Hong Kong International Airport, the Island Eastern Corridor (IEC) since the 1990s in the Central and Wan Chai district for the development of Hong Kong Terminal, and the Central - Wan Chai bypass and causeway whereby 43.3 hectares of land were reclaimed for a total project value of over HKD 6 billion.

Japan

Japan is a hotspot for land reclamation activities and has conducted some major land reclamation projects in the past mainly to address its population congestion and because of irregular coastline not suitable for development. The Kansai International Airport was built in 1989 on a man-made reclaimed island off Osaka and utilized 21 million cubic meters of earth and cost USD 20 billion. Lessons learned from the building of this airport were applied to successfully build other airports on reclamation land such as the Kobe Airport. In 2008, Japan conducted land reclamation for the expansion of commercial and residential development at Isahaya Bay and the relocation of the US Marine Corps Air Station to the city of Iwakuni, which resulted in the land area to increase further by 14 sq km. These two development totaled approximately USD 6 billion.

Macau

Macau has been active in reclamation of land since the last century due to its very small land area of approximately 11.6 sq km. Currently, its landmass has more than doubled to 29.5 sq km area due to reclamation activities for residential and commercial development. Among the development projects on reclaimed land includes the building of the Macau International Airport at a total cost of USD 1.05 billion and the redevelopment of the Taipa Ferry Terminal at a cost of USD 188 million.

China

Shenzhen, Yuhuan and Shanghai are all top China port cities and industrial zones with economic activities mostly centred on electronics, manufacturing and industrial fabrication. Land reclamation has been highly active in these areas and is mainly for industrial land, ports and airports infrastructure, and for residential township to support the rapid population growth. In Shenzhen, land reclamation has been conducted around the Pearl River mouth area and Shenzhen Bay for the construction of Huanggang Port costing approximately RMB 6.5 billion (RM 3 billion), and Shenzhen Airport costing approximately RMB 6.6 billion (RM 3.05 billion). In Yuhuan, the Xuanmen Land Reclamation project has been conducted since 1975 in various phases with total land reclaimed at 266.7 sq km. The Shanghai Luchao Port development had seen approximately 133 sq km of land was reclaimed at a cost of RMB 40 billion.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

Major Marine Construction Projects in Asia

Country	Project	Type of Development	Project Duration	Project Cost / Estimates
Singapore	Changi Airport reclamation	Airport infrastructure	Phase 1 reclamation completed in 1979	SGD 230 million
	Sentosa Island reclamation	Commercial	2000 - 2006	SGD 60 million
	Jurong Island & Tuas Petrochemical Terminal	Residential, commercial & industrial	Various phases since 1995 to 2008	SGD 5.4 billion
	Marina Bay Sands	Commercial & tourism	2006 - 2010	SGD 8 billion
	Pulau Tekong Naval Base expansion	Military infrastructure	2002 - 2005	SGD 2.2 billion
	Marina Coastal Expressway (MCE)	Highway	2008 - 2013	USD 4.1 billion
Hong Kong	Victoria Harbour reclamation	Residential and commercial	Various phases since the 1850's to 1997	n/a
	Hong Kong International Airport	Airport infrastructure	Completed in 1998	n/a
	Hong Kong Central Reclamation Phase I	Train Terminal, rail track infrastructure, waterfront	1993 - 1998	HKD 2.71 billion
	Hong Kong Central Reclamation Phase II	Commercial, naval base, government complex	1994 -1997	HKD 320 million
	Hong Kong Central Reclamation Phase III	Rail track, piers, road infrastructure	Started in 2003. Expected to complete in 2011.	HKD 3.56 billion
Japan	Kansai International Airport	Airport infrastructure	1987 - 1994	USD 20 billion
	Kobe Airport	Airport infrastructure	1999 - 2006	n/a
	Isahaya Bay Reclamation	Commercial	1952 - 2008	USD 2 billion
	Okinawa reclamation for the relocation of US Marine Corps Air Base	Military airbase infrastructure	n/a	USD 4 billion
Macau	Macau International Airport	Airport infrastructure	1992 - 1995	USD 1.05 billion
	Taipa Island reclamation	Ferry Terminal	Started in 2008. Expected to complete in 2013.	USD 188 million
China	Huanggang Port	Port Infrastructure	1987 - 1988	RMB 6.5 billion
	Shenzhen Bao'an International Airport	Airport Infrastructure	1 st Phase 1989 – 1991 2 nd Phase 1995 - 2010	RMB 6.6 billion

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

	Xuanmen Land Reclamation Project	Industrial, ports, residential	Completed in three phases starting from 1975 until 2010	n/a
	Shanghai Luchao Port	Port Infrastructure	2002 - 2005	RMB 40 billion

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

4 Demand Dependencies

4.1 Population Congestion Due to Land Scarcity

As the option to expand inland have been exhausted, new solutions were required in order to address the excessive congestion and land scarcity.

Cities looking to expand outwards into the sea to manage the population congestion relied on dredging as enablers for land to be reclaimed from the sea. Reclaimed land is used to build new facilities such as ports and harbours, airports, roads, factories and other social infrastructures.

In Malaysia, this scenario is true for city states like Penang, whose land area is scarce and suffer extreme congestion within the district borderline and for Johor where the population is concentrated in Johor Bahru because of the economic and financial institutions which resulted in high inter-migration into the area.

4.2 Increase in Waterfront Development Because of Economic Prosperity

Due to the high economic activity and commercial opportunities that exists around these busy ports and trade routes, the coastal communities are among the first to prosper. The population influx brought about the need to manage the land around coastal areas.

The trend for marine construction activities often relies on various factors, among which is population congestion in an area scarce of land. However for Malaysia where land is in fair abundance the driver for waterfront development is often the result of increasing wealth and country prosperity thus enabling the development for commercial and tourism.

The government's economic strategy is to propel Malaysia into a high income economy and catapult the Malaysia's economic income to be a high GDP country.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

Hence the prosperity gained will enable better construction of infrastructure and the development of waterfront for social, economic and recreational activities.

Already can be observed are the developments that are being undertaken at the new economic regions of Iskandar, ECER and SCORE. The new economic corridors are strategically located in coastal areas or river basins because of the accessibility via water which enables building of ports nearby. The development of these economic regions will boost the coastal development in these areas.

The need to built infrastructure such as roads, airports and commercial centres will require capital dredging of ports and land reclamation for the development and beautification of the coastal strip along these corridors.

4.3 Expansion of Existing Ports and Harbour from Increasing International Trade

Globalization of industries has driven growth for international trading as bigger ships and in higher numbers is required for moving high amount of cargo internationally. The influx of trade shipping has resulted in congestions at key shipping routes, providing opportunities for the ports industry within the route to improve berthing services.

Under the 10th Malaysia Plan there was an added importance given towards the maritime industry as the gateway to international trading activities.

Malaysia's strategic location at the centre of the trade route between Europe and Asia makes the Straits of Malacca one of the world's busiest waterways. In 2008, Port Klang was ranked 15th among the ports in the world based on container traffic, while Tanjung Pelepas Port was ranked at 19th position. Malaysia most vibrant container ports for international trade are located in Penang, Klang, Malacca, Tanjung Pelepas (Iskandar) and Labuan.

The recovery of export and import activities in China is an indicator of the recovering trade activities between Europe and Asia, and Malaysia being strategically located in the shipping route will benefit from this trend.

The Suez Canal Authority (SCA) has recently completed an upgrade of the Suez Canal to allow bigger cargo ships to pass through. As a result SCA recorded a jump of 20% based on freight weight during the first half of 2010 as compared to the previous year. This trend for bigger ships will mean that Malaysian ports will have to upgrade and deepen the harbours in order to be able to service the fleet of supersize container ships that will be passing through the Straits of Malacca on their way between Europe and Asia.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

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4.4 Environmental Protection from Flood, Erosion and Climate Change

As a result of global warming and melting of the polar ice caps, the sea levels are rising. Coastal communities and island states are the most at risk from flooding. Countries below sea levels are the most vulnerable and need to reinforce their coastal protection strategies which will include dredging and reclamation.

The effect of climate change has already taken its toll as seen by the increasing occurrence of flooding such as in Singapore, Pakistan, Bangladesh and China. The need to elevate coastal areas by reclaiming more land, and manage drainage through capital dredging of rivers and water channels are more apparent now.

Malaysia's own geographical factors are among the key drivers for the sustainability of the marine construction industry in Malaysia, particularly in dredging and coastal protection works.

The erosion assessment study by the DID has identified that the sandy beaches are most prone to erosion from natural causes and at least 29% of the coastal shoreline are showing patterns of erosion, out of which 288 km of shoreline is category 1 erosion. Erosion that can severely threaten coastal livelihood are categorized as category 1 areas and under the Environmental Quality Act, 1974, the DID is required to employ mitigation strategies to bar the impact of erosion towards the community.

The mitigation strategies involve marine construction works such as river dredging, rock revetment, construction of breakwaters, beach nourishment and trenching of drainage channels for flood mitigation, and controlled development of coastal areas.

The Government has allocated funds for river management, coastal protection and flood mitigation which is being managed by the DID. The allocation under the 9th Malaysia Plan totalled RM 6.8 billion, with a further RM 5 billion allocated under the 10th Malaysia Plan. These allocations further show that the marine construction industry is an important aspect in the development of Malaysia and is highly sustainable.

4.5 Expansion of Oil and Gas Terminals Due to Increase in Offshore Exploration and High International Demand for Fuel

Hydrocarbon and gas deposits in Malaysia are located offshore with producing regions off the East Coast of Peninsular Malaysia and off the Sarawak, Sabah and Labuan waters. During the period 2002 to 2008, 68 oil and gas fields were discovered in Malaysia.

The 10th Malaysia plan has emphasized the importance of the maritime industry as the *forefront of Malaysia's economic growth* and as *key enablers of the offshore oil*

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and gas sectors. Major oil and gas terminals in Malaysia are located in Kerteh, Lumut, Tanjung Bin, Miri, Sapangar and Tanjung Manis.

Expansion works on the oil and gas terminals are currently being conducted particularly in the two main economic regions of Iskandar and SCORE.

The Tanjung Bin terminal in Iskandar is being further developed as the Eastern Gate of the Iskandar Development whereby the work includes expansion of the main terminal and capital dredging of the navigational waterway to allow for bigger tankers and vessels to harbour.

The Tanjung Manis terminal is being upgraded as part of the SCORE economic node development which includes upgrade of the terminal and harbour.

Furthermore, within the SCORE designated area, is the plan to build refineries in Mukah thus will require the port system in the node to be upgraded in order to handle the bulk transportation requirements.

4.6 Product Substitution

There is no effective substitute for dredging and land reclamation within the marine construction industry.

4.7 Future Prospects (Malaysia)

In Malaysia, the three main states that are most active and with the greatest potential for future marine construction activities are Penang, Melaka and Johor. Penang and Melaka have been, and will continue to be, active in dredging and land reclamation activities due to the scarcity of land, and are both required to consider expanding sea-ward. Johor has recently been heavily involved in these activities due to the development in the Iskandar region. SCORE and Sabah Development Corridor (SDC) are the latest development projects yielding potentially high value marine construction projects.

The port industry is a key sector with high prospects for the marine construction industry. Waterways upgrade and expansion of bulk and cargo terminal capacities in Malaysia are currently being embarked in key ports including in Butterworth, Tanjung Pelepas, Johor Port, Klang, and Tanjung Manis.

The 10th Malaysia Plan has allocated RM 1 billion for dredging of Westport and Port of Tanjung Pelepas.

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Other than these key economic nodes, there exists a steady requirement for marine construction jobs for coastal protection, flood mitigation and development as drafted under the Integrated Shore Management Plan (ISMP) and managed by the Department of Drainage and Irrigation. The 10th Malaysia Plan has allocated approximately RM 5 billion for flood mitigation projects.

The future prospects for the marine construction industry lies in these areas of growth and the industry income from these developments is estimated to potentially generate the industry revenue of at least RM 60 billion within the next 10 years.

4.7.1 Penang

Penang forms part of the North Corridor Economic Region (NCER). The Penang Structure Plan 2020 (*Rancangan Struktur Negeri Pulau Pinang 2020*) has earmarked several coastal areas in Penang as the primary and secondary development corridors, and for the development of the tourism industry. Development of these areas, which require marine construction works, is expected to be completed by 2020. They are:

Penang Island:

- George Town – Bayan Baru – Bayan Lepas
- George Town – Tanjung Tokong
- Batu Maung – Teluk Kumbar

Penang Mainland:

- Butterworth – Bagan Ajam – Telok Air Tawar
- Butterworth – Seberang Jaya – Bukit Mertajam
- Juru – Bukit Minyak - Tasik Mutiara
- Batu Kawan – Valdor
- Sungai Bakap – Jawi – Nibong Tebal – Sri Ampangan
- Penaga – Kuala Muda

These developments involve the need to reclaim at least 1,500 hectares of land around the coast of Penang Island and Mainland, with reclamation cost estimated at approximately RM 6.5 billion.

As Penang aspires to be the leading communication and transportation hub for the region, several infrastructure projects has been proposed and in development such as the second bridge linking the island and the mainland, coastal roads from Teluk Air Tawar in Butterworth to Kuala Muda in Kepala Batas as well as the coastal Jelutong Expressway on the island. Improving on the airport facilities, the Bayan Lepas airport expansion plan involves reclamation of land for the runway to be extended further. Further potential exist for waterfront development of the new

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designated area in Batu Kawan on mainland Penang, as the Penang Cyber City 3 (PCC3).

The construction of the Penang second bridge is estimated at RM 4.3 billion and will be the longest bridge in South East Asia upon its expected completion in year 2013.

The proposed Penang Outer Ring Road (PORR) will be a two-lane dual carriageway expressway whereby 12 km of the expressway will be elevated, mostly along Penang's hilly terrain and a stretch of the PORR will be built on reclaimed land off the shore of Persiaran Gurney. The PORR project which is expected to cost RM 1.02 billion was put on hold during the 9th Malaysia Plan but has recently been given the go ahead by the Economic Planning Unit (EPU).

The main ports development will be at and around the North Butterworth Container Terminal (NBCT) and South Butterworth Container Terminal (SBCT) with investments of RM 1.1 billion. The plan will involve land reclamation activities of approximately 1,000 hectares which will be developed into container yards and other value added activities such as:-

- Free-Trade Zone activities
- Warehousing/CFS and Logistic activities
- Distripark and Inland Clearance Depot (ICD)
- Cold Storage and Halal Hub
- Centralized Tanker Facilities (CTF)

Current and Future Marine Construction Projects, Penang (2010-2020)

Project	Developer	Details	End Use of Marine Construction	Project Value / Estimate (RM)
North Butterworth Container Terminal (NBCT) Phase 3	Penang Port Sdn. Bhd.	Phase 3A is expected to be completed in 2011.	Reclamation to build Container Terminal	672 million
North Channel Dredging	Penang Port Sdn. Bhd.	Dredging of the 11.5-meter approach channel depth (ACD) North Channel to 13.5 meters ACD to serve large vessels calling at the port. Requesting for allocation under the 10 Malaysia Plan. Expected to commence in 2010 to 2012.	Dredging to upgrade navigational waterway	1 billion
Redevelopment of Swettenham Pier	Penang Port Sdn. Bhd.	Commenced in 2006 and completed in 2009.	Dredging & reclamation for waterfront development	65 million

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Dangerous Goods Terminal	Penang Port Sdn. Bhd.	Relocation and construction of a new Dangerous Goods (DG) Terminal to the south of PBCT by 64 meters	Reclamation to build bulk terminal	250 million
Proposed petroleum tank farm and Halal Hub Terminal south of the Butterworth Port	Penang Port Sdn. Bhd.	Reclamation of 400 hectares of land	Reclamation to build Petrochemicals and Cargo Terminal	1.5 billion
Centralised Tanker Facilities (CTF) at Bagan Ajam Toll on 40 hectares of site.	Penang Port Sdn. Bhd.	This project will form a hub for moving liquid cargoes in and out within Malaysian and International waters. The water draft will be approximately 13 meters to accommodate expected size of up to 50,000 dead-weight tonnage vessels. To be operational by 2013.	Reclamation to build tanker facilities	1.2 billion
Development of the 400m stretch from the pier to Tanjung City Marina	Penang Port Sdn. Bhd.	n/a	Dredging & reclamation for waterfront development	n/a
2 nd Penang Bridge	Jambatan Kedua Sdn Bhd	Expected to complete in 2013	Dredging & reclamation to build bridge	4.5 billion
Tanjung Pinang reclamation and mixed development	E & O Group	Expected to fully complete by 2012	Dredging & reclamation for waterfront development	5 billion
Jelutong "The Light" waterfront development	IJM Land Berhad	Land reclamation of 210 acres currently being conducted. Construction work expected to start in 2012 (Phase 2).	Reclamation & waterfront development	6.5 billion
Penang Outer Ring Road	n/a	Project currently on hold.	Reclamation for building coastal highway	1.02 billion
Proposed development at Batu Kawan for PCC3	n/a	n/a	Reclamation for waterfront development	n/a

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

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4.7.2 Melaka

The Melaka Structure Plan 2020 (*Rancangan Struktur Negeri Melaka 2020*) has designated the coastal areas of Melaka as the main development areas and to conduct massive land reclamation. The reclaimed lands are essentially to be developed for tourism, commercial and social infrastructure. These development areas are targeted to be completed by 2020.

The Melaka State Government has approved land reclamation activities for the proposed area between Kuala Sungai Linggi and Kuala Sungai Merlimau. This involves an area of approximately 2,835 hectares and estimated reclamation cost of at least RM 6.3 billion. The proposed development includes construction of coastal roads, new residential and commercial areas as well as areas specifically for tourism attractions.

Development of the reclaimed land are controlled and regulated by the Melaka State Government. Developers must comply with the social and economic requirements whereby at least 10% of the reclaimed land is to be designated as a waterfront park and one-sixth of the reclaimed land are allocated to the State Government.

On top of coastal development, the monorail river project launched in 2008 and valued at RM 15.9 million also includes dredging, reclamation and fortification works on 1.6 km of Melaka river bank. The first phase of the monorail project will be open to public end of 2010.

Currently the land reclamation projects at Klebang area are already underway whereby at least 1,805 acres are being reclaimed from the sea.

Current and Future Marine Construction Projects, Melaka (2010-2020)

Project	Developer	Details	End Use of Marine Construction	Project Value / Estimate (RM)
Land reclamation	n/a	Proposal for reclamation between Sungai Linggi and Kuala Sungai Merlimau.	Land reclamation for waterfront development	6.3 billion (reclamation cost)
Melaka river monorail	Jabatan Keretapi Malaysia	Commenced in 2008 and expected to launch to public end of 2010.	Monorail for tourism	15.9 million
Klebang land reclamation	State Government of Melaka	Commenced. At least 1,805 acres are being reclaimed.	Land reclamation for mixed development	n/a

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

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4.7.3 Iskandar Malaysia (Iskandar) in Johor

Johor has been experiencing massive growth with the enactment of the Iskandar Development Authority Act 2007. The Iskandar Development Authority has been empowered to promote and spur the economic activity of Iskandar located at the southern-most tip of the state of Johor, covering an area of 2,217 sq km or 3 times the size of Singapore.

Iskandar covers the logistics triangle of Senai Airport, Port of Tanjung Pelepas and Johor Port in Pasir Gudang. Johor has a natural advantage as it is within close proximity of Singapore and Batam thus benefits from economic spill over of these growth areas. Furthermore, under the National Physical Plan (NPP), the Johor Bahru - Pasir Gudang - Tanjung Pelepas area has been designated as the Level 2 Regional Growth Conurbation whereby plays a strategic role as a symbiotic support to the Level 1 growth conurbation which is the Kuala Lumpur - Klang Valley - Seremban region.

One of the outlined plans is to develop and transform Johor into an international transportation and distribution hub, making the airport and seaports central to the development of Iskandar. This Iskandar development is projected to benefit Johor by catalysing the area into a high GDP state through the generation of economy and creation of high income jobs.

The Iskandar coastal flagship zones or Special Economic Zones (SEC), which includes Johor Bahru City Center, Nusajaya, the Eastern Gate and Western Gate developments are high opportunity areas for the marine construction industry. Several land reclamation activities have been approved within the SEC such as the waterfront development in Johor Bahru at Danga Bay, whereby 1.5 km of coastline will be reclaimed to create a new shoreline.

Other activities in the pipeline include development of the Nusajaya area which will see development of the land to include waterfront beaches, golf courses and marina development. The corridor includes significant development to improve port facilities, specifically at Tanjung Pelepas, Pasir Gudang and Tanjung Langsat which will include upgrading of the ports to deepen navigational waterways.

At the Eastern Gate, Tanjung Langsat Industrial Complex will be developed as a petrochemical terminal to handle bulk cargo such as liquefied natural gas (LNG). The Lido Boulevard reclamation project which is along 2.4 km of the Straits of Tebrau, will reclaim 49.2 hectares of land and cost RM 240 million.

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Current and Future Marine Construction Projects, Iskandar (2010-2020)

Project	Developer	Details	End Use of Marine Construction	Project Value / Estimate (RM)
Danga Bay reclamation	Danga Bay Sdn. Bhd.	1.5km of coastline to be reclaimed	Waterfront development	20 billion
Lido Boulevard reclamation	Central Malaysian Properties Sdn Bhd	2.4 km of coast, 49.2 hectares area to be reclaimed. Commenced in Mar 2020 and expected to complete by 2011	Land reclamation for waterfront development	240 million (land reclamation cost)
Nusajaya development	Bandar Nusajaya Development Sdn Bhd	Proposed mixed development includes golf course, resorts & marina.	Dredging & reclamation waterfront development	160 million (land reclamation cost)
Port of Tanjung Pelepas (PTP)	Pelabuhan Tanjung Pelepas Sdn Bhd	Proposed in the 10 th Malaysia Plan to conduct capital dredging	Capital dredging & reclamation for upgrading port	2 billion
Pasir Gudang Port	Johor Port Berhad	n/a	Capital dredging & reclamation for upgrading port	n/a
Tanjung Langsat Bulk Terminal	Tanjung Langsat Port Sdn. Bhd.	n/a	Dredging & reclamation for upgrading port	n/a

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

4.7.4 Sarawak Corridor of Renewable Energy (SCORE)

SCORE is a major initiative undertaken to develop the central region of Sarawak into a developed state by 2020 which will require total planned investment of approximately RM 334 billion. The core of the corridor is in the utilization of the central region's abundance energy resources such as hydropower, natural gas and coal. With the SCORE development, Sarawak is able to price its energy competitively and as a result encourage investment in energy-intensive industries within the region.

The SCORE coastal growth nodes are located along 320 km of coast stretching from Tanjung Manis, Mukah and Samalaju, and includes the parts of Rajang River waterfront near the river delta, promising growth opportunities for maritime construction projects.

Tanjung Manis, located at the Rajang River delta will see 77,000 hectares of area to be developed within the next 20 years. The port city is designated as the 'Preferred Halal Hub Cluster Project' for the region by the Halal Development Corporation (HDC).

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Other economic sectors targeted include palm oil industry cluster, deep-sea fishing, timber-based industry and shipbuilding. The waterfront development plan includes the construction of dry bulk and cargo terminals, palm oil processing plant and refineries, recreational facilities (i.e. golf course), residential development, resorts and government facilities.

The Samalaju node, located at the coast of Sarawak central region, will see development of 8,000 hectares of land for industrial development, and designated as the centre for energy-intensive industries. Construction will be conducted in 3 phases and to be completed by 2013.

The Mukah node is designated and acts as a hub for ICT, education and R&D, as well as to have industrial areas for the steel, aluminium and food processing industries.

The growth nodes will be connected by world class logistics facilities by the proposed new Tanjung Manis deep-sea port that will cost RM 300 million, upgrade of existing Tanjung Manis airport costing RM 500 million, the construction of a new Mukah Airport for RM 600 million and the upgrade of Samalaju Port.

Current and Future Marine Construction Projects, SCORE (2010 – 2030)

Project	Developer	Details	End Use of Marine Construction	Project Value / Estimate (RM)
Tanjung Manis new deep-sea port	Sarawak Timber Industry Development Corp (STIDC)	Yet to commence. Target to complete by 2013.	Dredging & reclamation to build new port	300 million
Upgrade of Tanjung Manis airport	Tanjung Manis Development Sdn Bhd	Yet to commence. Target to complete by 2013.	Dredging & reclamation to expand airport	500 million
Upgrade of Samalaju port	Naim Holdings Berhad, Cahya Mata Sarawak Berhad & Bintulu Development Authority	n/a	Dredging to upgrade port & deepen waterway	n/a
Samalaju Industrial Park	Naim Holdings Berhad, Cahya Mata Sarawak Berhad & Bintulu Development Authority	n/a	Reclamation for waterfront development	1.5 billion
Mukah Smart City	Regional Corridor Development Authority, Sarawak	n/a	Reclamation for waterfront development	n/a
New Mukah Airport	Malaysia Airports Holdings Berhad	Commenced.	Dredging & reclamation to expand airport	600 million

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

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4.7.5 Sabah Development Corridor (SDC)

The SDC blueprint outlines a long-term development plan that targets key sectors which are tourism, logistics, agriculture and manufacturing. The potential for marine construction activities will be apparent in the Sabah industrial zone within the Western sub-region with the waterfront development and expansion of the Kinabalu Harbour which is estimated to cost RM 2 billion over the next 15 years.

The port authority have also included in the pipeline plans to further develop the ports in order to support manufacturing and agricultural activities, and as part of the strategy to turn Sabah into a key destination for transshipment of bulk cargo and the gateway to the fast growth Indo-China region. Within the development plans include expansion of the Sapangar, Sandakan and Lahad Datu ports storage, expansion of the Sapangar Oil Terminal and the construction of a new Sapangar Bay Container Terminal.

Current and Future Marine Construction Projects, SDC (2010 – 2025)

Project	Developer	Details	End Use of Marine Construction	Project Value / Estimate (RM)
Kinabalu Waterfront	n/a	n/a	Waterfront development	2 billion
Sapangar Bay Oil Terminal expansion	Sabah Ports Sdn. Bhd.	Port upgrade & expansion	Bulk Cargo terminal	n/a
New Sapangar Bay Container Terminal	Sabah Ports Sdn. Bhd.	New port	Container port	n/a
Expansion of Lahad Datu port	Sabah Ports Sdn. Bhd.	To expand storage	Container port	n/a
Expansion of Sandakan port	Sabah Ports Sdn. Bhd.	To expand storage	Container port	n/a

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

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4.7.6 Port Klang

Klang is designated as the Selangor Halal Hub centre, and in support of this status, the Government has allocated 400 hectares of Pulau Indah as the Industrial and Commercial Free Zone or known as Port Klang Free Zone (PKFZ).

Among key developments in the Port Klang area includes the reactivation of the North Port container terminal expansion project which was postponed during the global financial crisis 2008-2009. The project is expected to cost RM 585 million and to complete in 2012.

Westport Authority has also announced plans to increase terminal capacity and upgrade facilities whereby it is expected to invest RM 3 – RM 4 billion over the next 15 years on capital dredging for upgrading the waterways, massive land reclamation and the building of 2 km of berth.

As part of the Pulau Indah development, a waterfront commercial project for the construction of a resort is expected to cost RM 800 million.

Current and Future Marine Construction Projects, Port Klang (2010 – 2025)

Project	Developer	Details	End Use of Marine Construction	Project Value / Estimate (RM)
North Port expansion	NCB Holdings Berhad	Expected to complete in 2012	Dredging & Reclamation to upgrade waterway and expand terminal	585 million
Westport land reclamation	Westport Malaysia	15 years port expansion project	Dredging & Reclamation to upgrade waterway and expand port facilities	3-4 billion
Pulau Indah waterfront resort	D'Tiara Corp Sdn Bhd	Expected to complete in Dec 2011	3.5km shoreline development	800 million

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

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4.7.7 Sepang Gold Coast (SGC)

Sepang is targeted as the next tourism development area based on its close vicinity to KLIA and the F1 race track. The SGC project estimated to cost a total of at least RM 3 billion is envisaged to be the longest coastal tourist destination in Asia, stretching 22km from Bagan Lalang to Tanjung Sepat and encompassing 500 acres of shorefront development. Among the development that will take place includes resorts, theme parks and marinas.

Current and Future Marine Construction Projects, SGC (2010)

Project	Developer	Details	End Use of Marine Construction	Project Value / Estimate (RM)
Golden Palm Tree Villa (Phase1)	Sepang Goldcoast Sdn Bhd & PNB	Completed	Resort	315 million
Escapade (Phase 2)	Sepang Goldcoast Sdn Bhd & PNB	Completed	Recreation	n/a
Sea Tropics Resort (Phase 3)	Sepang Goldcoast Sdn Bhd & PNB	Expected to complete in 2012	Resort	300 million

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

4.7.8 Integrated Shoreline Management Plan (ISMP)

The ISMP is a long term management plan by the DID for the implementation of short-term and long-term strategies for mitigating coastline erosion on Malaysia's shoreline that faces severe threat of erosion and siltation problems at the river mouths.

The DID has identified, 93 shoreline locations (288 km) and 26 river mouths to be in category 1 critical condition. The category 2 shoreline erosion located at 57 shoreline locations (193 km) and 40 river mouths is expected to enter critical condition within the next 5-10 years and provides an indication for future marine construction projects.

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4.7.9 Flood Mitigation

Based on the national study of river basins by the DID, 29,799 areas across the country are regarded as flood prone areas, and affecting over 5 million of the population. During 2006-2009, the DID recorded 24 severe occurrence of flooding at 21 flood prone areas.

During 2006-2009 the DID have spent approximately RM 2 billion for flood mitigation projects at Empangan Perlis, Sungai Muda (Kedah), Daerah Petaling (Selangor), Lembangan Sungai Kelantan, Sungai Gombak and Sungai Kerayong (Selangor). The 10th Malaysia plan has allocated RM 5 billion for flood mitigation programmes.

4.8 Future Prospects (Asia Pacific)

In Asia Pacific (APAC), land reclamation activities are localized and most active in Singapore, Hong Kong, Macau and Japan. These are generally high GDP, high population density city states and busy ports of the world. Land reclamation is conducted for the expansion of urban development, ports facilities and for infrastructure such as airports, bridges, coastal roads and power plants.

In addition, a bulk of projects in APAC also involve dredging of rivers for flood mitigation and maintenance of ports and navigational waterways such as in China, Bangladesh, Pakistan, Vietnam, Indonesia, Guam and South Korea. With the exception of South Korea, these countries within the region are categorized as third world countries with high population and low GDP per capita whereby the main economic generator is in agriculture, export of raw materials or manufacturing. The communities are highly concentrated around deltas and river areas due to the water source and fertile land. Flood mitigation is a priority for these countries and they often obtain funding from international monetary agencies because of the high cost.

The following are examples of current and potential marine construction projects of significant value in APAC and its estimated project value. These projects are expected to be completed within the next 10 years. Total project value in the APAC region is estimated at over RM 170 billion within the next 10 years.

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Current and Future Marine Construction Projects, Asia Pacific (2010-2015)

Project	Country	Details	Project Status	Estimated value	RM Value
Reclamation of Jurong Island Phase 4	Singapore	Land reclamation for the purpose of mixed development and building of the Jurong Industrial Park.	Commenced.	SGD 3.5 billion	8.0 billion
Dredging and Land Reclamation at Pasir Panjang	Singapore	Reclamation for building power plant	Continues Until Oct 2010	SGD 1.9 billion	4.4 billion
Coastal protection & restoration works at Pulau Tekong	Singapore	Land reclamation to expand army base	Restoration in 1.65 km of coast. Expected to complete in Dec 2010	n/a	n/a
Tuas Reclamation Project	Singapore	Reclamation to upgrade Port & Petrochemical Terminal	Expected to complete in Nov 2010	SGD 1.1 billion	2.5 billion
Dredging at East Keppel Fairway	Singapore	Dredging to upgrade port	Expected to complete in Jan 2011	n/a	n/a
Widening and deepening the Bukit Timah Canal - Upstream (Phase 1)	Singapore	Dredging for flood mitigation	Awarded and expected to complete in 2011.	SGD 20.0 million	46.0 million
Widening and deepening the Bukit Timah Canal - Maple Ave to Sungei Ulu Pandan (Phase 2)	Singapore	Dredging for flood mitigation	Tender expected to be called in 2011	n/a	n/a
Marina Coastal Expressway	Singapore	Dredging & reclamation for highway construction	Ongoing and expected to complete in 2013	SGD 4.0 billion	9.2 billion
Reclamation for Hong Kong–Zhuhai–Macao Bridge (HZMB)	Hong Kong	Dredging & reclamation for bridge construction	Reclaim 130 hectares of seabed and construction of 4.1 km of seawall. Expected to complete in 2016.	n/a	n/a

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Reclamation of the seabed in front of the Star Ferry Pier from Central reclamation phase I to Lung King Street including construction of seawalls;	Hong Kong	Reclamation for waterfront mixed development	18 hectares to be reclaimed	HKD 5.8 billion	2.3 billion
Reclamation works for HK-Zhuhai-Macau Boundary Crossing Facilities including necessary reclamation works for the west landing point and toll plaza of HZMB Main Bridge	HK / Macau	Dredging & reclamation for building bridge	Hong Kong-Zuhai-Macau Bridge To be completed by 2016	RMB 73.0 billion (Total project value)	33.7 billion
Land reclamation for new urban zone	Macau	Land reclamation for mixed development	Land reclamation of 361.65 hectares (3.6 sq km). To commence in 2011.	n/a	n/a
Kansai International Airport – 2 nd Phase	Japan	Reclamation to expand airport	542 hectares to be reclaimed to expand the runway and additional terminal. Expected to complete 2011.	USD 13.0 billion	40 billion
Cebu Port Dredging	Philippines	Dredging for port upgrade	Under review	600.0 million Pesos	41.7 million
Navotas City Reclamation Project	Philippines	Reclamation for waterfront development	Launched in 2009 145 hectares to be reclaimed	50.0 billion Pesos	3.45 billion
Port modernizing programme Phase 1A	Guam	Dredging & reclamation for port upgrade	Finalizing preliminary design work	USD 104.5 million	324.0 million
Sao Bien International Port	Vietnam	Dredging & construction of new port	Awarded	USD 160.3 million	497.0 million
Proposal for Angat Dam dredging	Vietnam	Dredging for flood mitigation	Proposal stage.	n/a	n/a
Sea port development	Vietnam	Dredging & construction of new port	Master plan approved.	USD 24.0 million	74.4 million

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Saigon International Terminals Vietnam (Silv) Project Package 1-Quay Deck, Dredging And Reclamation	Vietnam	Dredging & reclamation for upgrading port and container terminal	Awarded	USD 163.3 million	506.0 million
Proposal for land reclamation outside Victoria Harbour	Hong Kong	Reclamation for mixed development	Proposal stage	n/a	n/a
Dredging of Pulau Baai Port	Indonesia	Maintenance dredging of navigational waterway	Not yet awarded	125.0 billion Rupiah	43.8 million
Jakarta Urgent Flood Mitigation Project and Ancol Reclamation	Indonesia	Dredging for flood mitigation and construction works	World Bank loan. Project delayed.	USD 150.0 million	465.0 million
Capital dredging at 7 rivers	Bangladesh	Dredging for flood mitigation	USD 100 million funding by Qatar	10.0 billion Taka	435.0 million
4 rivers dredging (Nakdong, Yeongsan, Geum & Han)	South Korea	Maintenance dredging for flood mitigation	Ongoing and expected to complete by 2014	22.0 trillion Korean Won	58.3 billion
Large-scale reclamation project aims to simultaneously landfill two estuaries, those of the Mankyung and Tongjin Rivers, by the construction of a 33 kilometer long sea dyke.	South Korea	Reclamation for mixed development	Area to be reclaimed 40,100 hectares	USD 3.0 billion	9.3 billion

Currency Conversion Matrix

1SGD = 2.3 RM 1000 Kr Won = 2.65 RM

1USD = 3.1 RM 100 Taka = 4.36 RM

1HKD = 0.4 RM 1000 Rp = 0.35 RM

1 Pesos = 0.07 RM

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

Singapore

Land reclamation activities in Singapore is ongoing with several projects currently undertaken such as at Jurong Island and Tuas Island for the expansion of the Petrochemical Terminals, expansion of the Pulau Tekong Naval Base, Pasir Panjang waterfront development, and the Marina Coastal Expressway (MCE). Flood mitigation projects include dredging and widening of the Bukit Timah Canal (upstream and downstream). These projects are estimated to have a total value of at least RM 24 billion.

Hong Kong

Current reclamation projects include the building of Hong Kong – Zhuhai – Macau bridge (MZHB) which is estimated to cost approximately RMB 73 billion (RM 33.7 billion). To ease further congestion, the Hong Kong authorities have suggested plans to conduct more reclamation as well as to infill sections of the Hong Kong harbour to make way for property development.

Macau

Macau is set to undertake further reclamation of 3.5 sq km of land in the five zones of its Peninsular and Taipa Island, as well as the allocation for the development of the MZHB.

Japan

The most recent major reclamation works is being conducted for the expansion of the Kansai International Airport in Osaka, Japan for additional runways and terminal. The expansion project will see additional 5.4 sq km land to be reclaimed. The project value is worth USD 13 billion (RM 40 billion) and expected to complete in 2011.

5 Industry Players and Competition

5.1 Overview of Global Industry Competitiveness

The international scenario has consolidated into a few key players – mostly dominated by companies from Belgium and the Netherlands. They operate large fleets of dredgers and vessels and have annual revenue in the range of € 1.4 billion – € 2.2 billion (RM 5.8 billion – RM 9.2 billion).

Other major international players are Japanese, Korean, German and Spanish companies, however most of these companies do not take on much projects beyond their own borders. Much of the core marine construction technology and processes, specifically dredging, had originated and was invented by the Dutch.

The competitive landscape within the South Asia region such as in India, Bangladesh and Pakistan is generally dominated by the top international players due to the sophisticated technology and economies of scale derived from the application

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

of these more advanced technologies. Due to the high cost of marine construction, specifically dredging and reclamation, and considering the financial state of most of these countries, funding for the projects are generally provided by international governments and monetary agencies.

In South East Asia, the competitive landscape is mainly dominated by many small to medium sized domestic players operating within national boundaries. However for large scale and high value projects, the competition is often dominated by the key international players or by local joint ventures with the international players due to the sophistication required in executing these projects.

5.2 Competitive Landscape in Malaysia

Dredging and reclamation for the marine construction industry in Malaysia is a niche and consolidated industry. Due to the nature of the industry, where high capital investments, technically competent personnel and good track record within industry are required, there are approximately 15 players who are active in marine construction, specifically dredging and land reclamation projects in Malaysia.

Marine Construction Companies in Malaysia, 2010 (in alphabetical order):

- Benalec
- Clamshell Dredging Sdn. Bhd.
- HRA Teguh Sdn. Bhd.
- Hock Seng Lee Berhad
- Inai Kiara Sdn. Bhd.
- Loh & Loh Corporation Berhad
- Malaysian Maritime & Dredging Corporation Sdn. Bhd.
- Malaysian Resources Corporation Berhad
- NDC Dredging and Construction Sdn Bhd
- See Song & Sons Sdn. Bhd.
- See Yong & Son Sdn. Bhd.
- Tidalmarine Dredging Sdn. Bhd.
- Wajar Mutiara Sdn. Bhd.

Note: This list is not exhaustive

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

5.3 Barriers to Entry***High Capital Expenditure***

Marine construction activities involve the usage of heavy machinery such as dredging vessels, marine piling systems, cranes and heavy duty winches, and most equipment are imported such as the dredgers. To support the activities will require a large fleet of vessels such as tugboats, anchor handling tugboats (AHT) and barges for moving the equipment and materials on water. The capital investments for a marine construction fleet can range from anywhere between RM 15 million – RM 310 million.

High Replacement and Maintenance Cost

Marine construction activities involve heavy duty works within a saltwater environment which corrodes metals and are highly strenuous to the equipment. The equipment requires regular maintenance and replacement of parts are frequent due to the fast rate of wear. The replacement parts are specialized and expensive; often need to be imported from China, Europe or the US. Maintenance of a marine construction fleet runs on an average of tens of thousands per month.

Vertical Integration of the Industry Value Chain

Due to the capital intensive nature of the business requiring very specific tools for specific jobs, and the need for large fleet of vessels to support the marine activities, most of the major operators in this industry are also involved in the various activities within the marine construction industry in order to maximize and diversify their services. Some of the operators are also involved in upstream activities such as shipbuilding to support their fleet requirement which indirectly reduce the working capital by vertically integrating within the value chain. This enables them to benefit from a much higher profit margin due to the lower cost incurred as well as able to have control over the progress of projects and reduce idle time, simultaneously placing them above competitors as they are able to offer competitive pricing within the industry without compromising profitability.

Technical Knowledge and Acquired Industry Expertise

The marine construction activities are complex and require extensive knowledge in civil engineering, land reclamation, coastal protection, dredging technology, construction and all the processes involved. The activities are conducted in a coastal environment and subjected to geographical, weather and tidal conditions. The technology required is usually very specific to the locations because of the unique properties of the underlying soil and the different climate and weather patterns that will affect the sea and tidal conditions, and expertise is often gained from experience in being involved in the business for over a long period of time.

Ownership of Large Fleet

Most major players within this industry own their own fleet for the marine construction activities as it is more efficient to be in control of the fleet without having to neither depend on availability of suppliers nor be subject to the fluctuation of charter rates. The major players build their fleet of vessels over time and based on the projects that they have in their pipeline. Otherwise owning a large fleet will not be sustainable. The ownership of a large fleet of vessels also gives an added

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

advantage over competitors as multiple vessels can be deployed at one time, fast-tracking the projects, which is often an attractive proposition for developers and a key decisive factor when awarding projects to the contractors.

Established Track Record and Reputation

The marine construction industry relies on support from within the industry in order to maximize the availability of resources particularly when involving super-scale projects. Very often industry players will form joint ventures for particular projects and build relations and trust within the industry. Therefore, companies with experience within the industry often form joint-ventures with other established players to increase their chances of being awarded with the projects. Furthermore, most major marine construction players have been in the industry for decades thus have established their track record and reputation which cannot be easily replicated by newer entrants.

5.4 Industry Risks and Challenges for Operators***Competition from International Players***

Large scale projects such as land reclamation and capital dredging of ports and harbour require advance dredging equipment in order to minimize impact to environment and for faster turnaround. Such large scale jobs are usually awarded to international dredging companies due to the advanced technology and equipment that they have which enables faster turnaround of projects. These large capital projects are also more financially attractive to international players. For example, the dredging and reclamation activities in Nusajaya and the construction of Penang second bridge are both being undertaken by local joint venture with the international marine construction companies.

Susceptibility to Economic Conditions

The nature of the industry is that coastal development projects are often driven by federal or state development plans and are funded by the government. Such large scale projects often experience delays or setbacks during economic downturns or financial crisis especially when there is a cutback on marine construction spending by the government. Furthermore, economic downturns which affect Malaysia's key trading partners will result in reduced demand for marine construction services from these countries. Furthermore, reduced shipping and trading activities will affect port service industry revenues and therefore any related spending for marine construction which supports this industry will also be greatly reduced.

Susceptibility to Weather Conditions

Marine construction works are highly dependable on favourable weather conditions in order for the job to be completed. The challenges faced by local operators include tide swells especially during the monsoon seasons. These adverse weather conditions can sometimes cause significant delays in projects as well as lost opportunity cost with the increase in idle times.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

Susceptibility to Environmental Concerns

Environmental concerns related to marine construction activities include disruption of marine wildlife due to the noise and stirring of sediments that result in high level of suspended particles in the water. Disposal of dredge spoils from dredging activities are also regulated to ensure no leaching of contaminants in the marine environment occurs. Furthermore, land reclamation activities and building of marine structures may result in the loss of coastal marine habitats such as mangroves and coral reefs. Operating heavy equipment and vessels in the vicinity of these marine habitats require extreme diligence and supervision to ensure that accidental damage to the ecosystem is minimized. In 2006, construction barges had resulted in the damage to 370 sq meters of the Sipadan reef off the coast of Sabah.

Susceptibility to Political and Market Forces in obtaining the Supply of Raw Materials

In instances where the source of sand for reclamation have to be obtained outside the country where reclamation is taking place, the import of large amounts of sand will be subject to the political relationship with the supplying country. The industry is exposed to political and market forces such as probability of sand export quota or export ban by the exporting country, fluctuating transportation cost and price inflation caused by imbalances in the supply and demand. For diesel supply, the industry is susceptible to the global oil fluctuations. However, in Malaysia sand supply is not an issue because of the readily available supply within the country territory and the Government subsidies diesel cost thus the risk from global price fluctuation is minimized.

Susceptibility to Regulatory Approvals

Being a highly regulated industry, operators are required to obtain approvals from relevant governing authorities such as the DOE, DID, Office of Land and Minerals, Marine Department and Department of Fisheries. Failure to obtain clearance from any of these authorities is an offence and punishable by the law.

6 Market Share in Malaysia

6.1 Benalec's Market Share and Ranking in Malaysia

The cumulative market size of the marine construction industry in Malaysia for the duration of 2006 - 2009 is estimated to worth approximately RM 2.87 billion, based on the value of projects awarded during this period.

This estimation is based on the value of marine construction projects awarded in 2006 – 2009 but does not indicate completion of activity nor has that payment in due been received by the contracting parties. The projects considered include coastal protection works, dredging of navigational waterways, ports and harbour upgrades, land reclamation and marine structures. The projects exclude remedial dredging of rivers, offshore projects related to the oil and gas industry and other drainage and irrigation works that are conducted inland which are not part of Benalec's current core activities.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

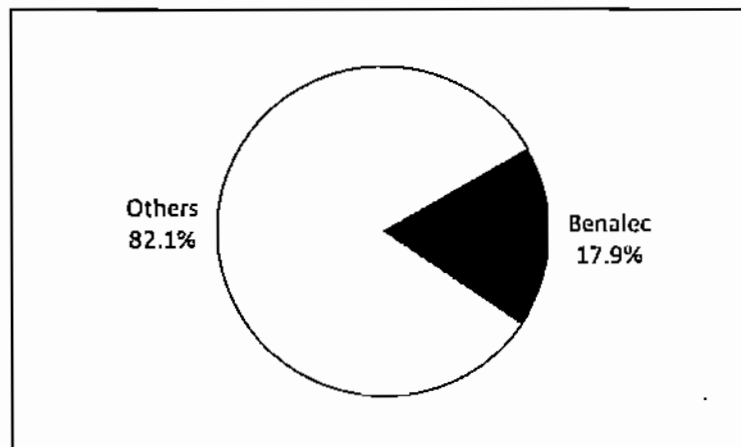
EXECUTIVE SUMMARY

Benalec's market share, based on marine construction projects secured between 2006 and 2009, is estimated to be approximately 17.9% of this cumulative market size.

Based on this market share, which is in turn based on publicly available information, Benalec is ranked among the Top 2 most active companies in Malaysia in marine construction projects in Malaysia for the duration 2006 – 2009.

Other industry players and their respective market share are Inai Kiara Sdn. Bhd. (25.1%), Malaysian Resources Corporation Berhad (16.5%), Hock Seng Lee Berhad (8.6%), Malaysian Maritime & Dredging Corporation Sdn. Bhd. (7.8%), See Song & Sons (6.7%) and others (17.3%) for the same period. The industry players' market share is based on project value figures (2006 -2009) extracted from the Contractor Profile and Details available on CIDB online database as at 15 September 2010.

Benalec's Market Share of the Marine Construction Projects Awarded in Malaysia, by Project Value (2006-2009, Cumulative)



Note:

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

7 Supply Conditions and Dependencies

The marine construction industry is dependable on the dredgers, diesel/ fuel and labour. For land reclamation activities, the industry is also highly dependable on the supply of sand as raw material.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

7.1 Dredgers

Dredging equipment is imported and manufacturers are typically from Europe, United States, Japan and China. The most advanced technologies are by European and Japanese manufacturers.

It is common trade practice for Malaysian companies to purchase used vessels from dredge suppliers or from other companies within the industry. Used dredgers typically still fetch a fair price, for example a clamshell dredger may still fetch a resale value of € 1.5 million - € 2.2 million (RM 6 million - RM 9 million) whereas a brand new unit would cost around USD 5 million - USD 7 million (RM 16 million - RM 22 million).

A brand new cutter suction dredger, with 1,000 cubic meter per hour capacity costs approximately € 4 million - € 5 million (RM 17 - 21 million). European-made dredgers are significantly more expensive than Chinese-made units. For example, a Dutch brand TSHD will cost approximately € 100 million (RM 420 million), 5 times the price of a Chinese-made unit.

7.2 Diesel / Fuel Price

Marine construction activities may be affected by global fluctuations in fuel prices. However in Malaysia, fuel prices are subsidized and controlled by the government. The growth trend in diesel price has been stable for the last 10 years in Malaysia and the supply is readily available.

Diesel Price in Malaysia for Construction Industry (2000-2009)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Date	1-Oct	1) 20 Oct 2) 16 Nov	1) 1 May 2) 1 Nov	1-Mar	1) 1 May 2) 1 Oct	1) 1 Mar 2) 5 May 3) 31 Jul	28-Feb		16-Dec	
West Malaysia	0.701	1)0.801 2)0.701	1)0.721 2)0.741	0.761	1)0.781 2)0.831	1)0.881 2)1.081 3)1.281	1.581	1.581	1.70	1.70
Sabah	0.704	1)0.804 2)0.704	1)0.724 2)0.744	0.764	1)0.784 2)0.834	1)0.884 2)1.084 3)1.284	1.584	1.584	1.70	1.70
Sarawak	0.698	1)0.798 2)0.698	1)0.718 2)0.738	0.758	1)0.7783 2)0.828	1)0.878 2)1.078 3)1.278	1.578	1.578	1.70	1.70

(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (*Cont'd*)

EXECUTIVE SUMMARY

7.3 Sand Suppliers

Sand required for reclamation projects are usually in ready supply within South East Asia, and can be sourced from Malaysia, Indonesia, Vietnam and Cambodia, subject to the local Government's policies.

Most countries within the region have enough sand supply to cater for their own needs with the exception of Singapore which relies on international sand supply.

The market price in South East Asia for sea sand is between USD 3 – USD 6 per cubic meter (approximately USD 5 - USD 10 per metric tonne).

In Malaysia, local sea sand price for reclamation use in Malaysia is historically stable at approximately RM 1 - RM 3 per metric tonne.

7.4 Labour Supply

The marine construction industry requires manual handling and heavy lifting, as well as working in harsh conditions on sea vessels and extended time away from land. Such working conditions are less sought after by locals and therefore often in this industry will employ labour forces from Indonesia, Cambodia, Vietnam, or Bangladesh. The labour supply from these countries is readily available and at competitive rates.

Marine construction companies in Malaysia are generally dependent on foreign labour from Indonesia, Cambodia, Vietnam, or Bangladesh to fulfil their manpower requirements.

7.5 Reliance and Vulnerability to Imports

Dredging equipment is largely imported because there are no local manufacturers that build dredgers for the local market and only a handful of manufacturers worldwide. The typical waiting time for a new order can be 6 months to 1 year. For the ancillary systems such as tugboats and barges, domestic shipyards have the capability to manufacture, however the waiting time can be between 6 months to 1 year. It is also common practice in the industry to obtain used equipment from other operators, however the availability is limited and the condition of equipment is unpredictable.

For large scale capital marine construction projects, the industry is still reliant on international players because of better equipment and expertise to execute the projects. It is common for local players to seek joint ventures with their international counterparts to secure larger projects as well as a way to obtain technology transfer from these more advanced players.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

8 Relevant Laws and Regulations

8.1 Relevant Laws

All marine construction activities including navigational waterways (rivers, river mouths and coastal) are regulated under the following Acts and Legislation:

Laws and Regulations Relevant to Marine Construction Activities

Acts and Legislation	
Parliament	<ul style="list-style-type: none"> National Policies of Government of Malaysia Third National Agricultural Policy (1998-2010) Federal Constitutions Ministerial Functions Act (1969) (<i>Perintah Menteri-menteri Kerajaan Persekutuan 2004</i>): DID role in river management in on flood mitigation and river conservancy Other Legislations
Land	<ul style="list-style-type: none"> National Land Code 1965 And Waters Land Conservation Act 1960
River Management	<ul style="list-style-type: none"> Waters Act 1920 (Cap 146) (1989) Environmental Quality Act 1974 : (1985) Environmental Quality Regulations (Prescribed premises, Sewerage and Industrial Effluent): Environmental Quality Order 1987 (Environmental Impact Assessment – Prescribed Activities) National Forestry Act 1984 (Forestry Rules 1986) Mining Enactment 1936 (F.M.S. Cap 147) Fisheries Act 1963 (1985) / Inland Fisheries Act Local Government Act 1976 – Act 171 (<i>Akta Kerajaan Tempatan 1976</i>) Drainage Works Act 1954 (Act 354) (Revised-1989) (<i>Akta Kerja Penyaliran 1954</i>) Irrigation Areas Act 1953 (Act 386) (Revised-1989) Road, Drainage and Building Act 1974 (Act 133) (<i>Akta Jalan, Parit dan Bangunan 1974</i>) Drainage and Irrigation Ordinance 1956- Sabah Sarawak Rivers Ordinance 1993
Coastal Management	<ul style="list-style-type: none"> Town and Country Planning Act 1976 Environmental Quality Act 1974 : (1985) Environmental Quality Order 1987(Environmental Impact Assessment – Prescribed Activities) Mining Enactment 1936 (F.M.S. Cap 147) Fisheries Act 1963 (1985) / Inland Fisheries Act

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

	<ul style="list-style-type: none"> ▪ National Land Code (<i>Kanun Tanah Negara</i>) ▪ Waters Act 1920 (1989) ▪ Continental Shelf Act 1966 (Revised 1972) (<i>Akta Pelantar Benua 1966</i>) ▪ National Forestry Act 1984 (Revised 1993) (<i>Akta Perhutanan Negara 1984</i>) ▪ Fee Act (Marine Parks Malaysia) (Revised 2003) (<i>Akta Fi Taman Laut Malaysia</i>)
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(Extracted from the Independent Market Research on the Marine Construction Industry prepared by Frost and Sullivan)

8.2 Contractor Licensing

- **Pusat Khidmat Kontraktor (*Contractors Service Centre*)**
All civil engineering contractors operating in Malaysia must register with the Kementerian Kerja Raya (*Ministry of Works*) and obtain contractor license to legitimise their operations.
- **Registration with the Construction Industry Development Board (CIDB)**
Registration with CIDB is a mandatory requirement for all marine construction contractors and specific to the skill or trade. Marine construction is categorized under Civil Engineering Construction (CE). Trade specialization is summarized as follows.

CIDB Categorisation of Civil Engineering Trade Specialization Relevant to Marine Contractors (2010)

Specialization	Description
CE02 Bridge construction	Building of concrete, bricks wooded or steel bridges
CE03 Marine structure	Jetties, ports, harbours, terminals, sea and river fortification
CE04 Dams	Dam works
CE06 Flood control systems	Channels trenching, dredging of rivers and coastal works, land reclamation
CE15 Off-coast works	Construction works off coast
CE16 Under water construction	Underwater construction and works
CE18 Land Reclamation	Land reclamation
CE30 Earthworks and underwater drainage	Earth stabilization works and underwater drainage

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON *(Cont'd)*

EXECUTIVE SUMMARY

Contractors are also required to obtain the Accreditation and Certification of Skilled Construction Workers and Construction Site Supervisors in the specific skill or trade in order to be registered as a Trade Contractor with the CIDB.

8.3 Project and Contract Work Approval

All marine construction related projects and activities must obtain approvals from the following authorities:

- Marine Department Malaysia
- Department of Environment (DOE)
- Department of Drainage and Irrigation (DID)
- Department of Fisheries
- District Land and Minerals Office

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

EXECUTIVE SUMMARY

9 Prospects and Outlook for Benalec

The performance of the marine construction industry in Malaysia in 2006 to 2009 has shown steady growth at CAGR of 18.8%. Despite the global financial crisis 2008 - 2009, the industry has shown that it is resilient domestically. The prospects for growth are bright, based on future projects in the pipeline that exists particularly in Penang, Melaka, Iskandar, Port Klang and SCORE. The 10th Malaysia Plan has identified the ports and harbour industry as a key economic sector for targeted growth in Malaysia and has allocated a substantial amount of funding in support of the industry. The Government is committing resources towards making Malaysia a high income, high GDP nation by the announcement of the five economic regions during the 9th Malaysia Plan, by which the development of these region encompasses coastal, river and waterfront development as well as the upgrade of infrastructure such as the construction of power plants and energy stations, better drainage control and flood mitigation systems.

Benalec's future growth lies in these areas of opportunities in supporting Malaysia building the infrastructure required in order to realise the high income economy strategy. In addressing the local competitive scenario, Benalec's business strategy and vertical integration within the industry value chain are among the strengths the company has over its competitors. This can be seen by Benalec's control of approximately 18% of the marine construction market share in Malaysia for the period 2006 - 2009.

On the regional front, the opportunities that exist in APAC with future projects estimated at over RM 170 billion, is also a positive indicator for Benalec to invest and expand its operations beyond domestic borders.

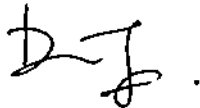
Benalec, with its years of experience and established track record, coupled with its skills, competency as well as fleet size, is expected to emerge as a strong regional competitor. With further investments toward upgrading its fleet, Benalec will be well-positioned to succeed in seeking projects within the APAC region.

12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON *(Cont'd)*

EXECUTIVE SUMMARY

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

For and on behalf of Frost & Sullivan Malaysia Sdn Bhd,



Dennis Tan
Director
Frost & Sullivan Malaysia Sdn. Bhd.

13. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)



BENALEC HOLDINGS BERHAD (702653-V)

(CIVIL & MARINE ENGINEERING SPECIALIST)

No. 38, Jalan Pengacara U1/48, Temasya Industrial Park, Glenmarie,
40150 Shah Alam, Selangor, Malaysia

Tel: +603-55697366, 55698366, 55699366 Fax: +603-55690366

Email: enquiry@benalec.com.my Website: <http://www.benalec.com>

Date: **20 DEC 2010**

The Shareholders of
Benalec Holdings Berhad
Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Dear Sir/Madam

On behalf of the Board of Directors of Benalec Holdings Berhad ("**Benalec**"), I wish to report after due enquiry by the Board of Directors of Benalec, that between the period from 30 June 2010 (being the date to which the last audited financial statements of Benalec and its subsidiaries ("**Group**") have been made up) to the date of this letter, (being a date not earlier than 14 days before the issuance of this Prospectus), that:-

- (a) the business of our Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantee or indemnity given by the Company or any of its subsidiaries;
- (e) there have been, since the last audited financial statements of our Group, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowings by the Company or any of its subsidiaries; 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 our Group since the last audited financial statements of our Group.

Yours faithfully

For and on behalf of the Board of Directors
BENALEC HOLDINGS BERHAD



LEAW SENG HAI
Group Managing Director

14. ESOS BY-LAWS

The draft By-Laws of the ESOS are set out below:

1. DEFINITIONS AND INTERPRETATIONS

1.1 In this Scheme, the words herein shall bear the following meanings namely:

"Act"	: Companies Act 1965 and any amendments made to it from time to time
"Board"	: The Board of Directors of the Company
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	: Bursa Malaysia Securities Berhad (635998-W)
"By-Laws"	: The terms and conditions of the Scheme as amended from time to time
"CDS Account"	: A Central Depository System account opened with the Bursa Depository for the recording of dealings in securities by a depositor
"Date of Allocation"	A date to be determined by the Option Committee to be the date on which an employee is deemed eligible to participate in the Scheme
"Date of Offer"	: The date on which an Offer (including subsequent offers) is made by the Option Committee in writing to any Eligible Employee to participate in the Scheme
"Directors"	: All Executive Directors, non-executive directors, independent or non-independent directors of the Eligible Companies
"Eligible Companies"	: The Company and its Eligible Subsidiaries
"Eligible Employees"	: Persons eligible to be granted options under the Scheme being those satisfying the conditions stipulated in By-Law 3
"Eligible Subsidiaries"	: Subsidiaries within the Group which are eligible to participate in the Scheme as determined by the Option Committee but excluding the subsidiaries which are dormant
"Executive Director"	: Any executive director involved in the day-to-day management and on the payroll of Eligible Companies
"Grantee"	: A Selected Employee who has accepted the Offer by the Option Committee in accordance with the provisions of By-Law 6
"Company"	: Benalec Holdings Berhad (Company No.702653 - V)
"Group"	: Benalec Holdings Berhad and its subsidiaries as defined in Section 5 of the Act
"Listing Requirements"	: Main Market Listing Requirements of Bursa Malaysia Securities Berhad

14. ESOS BY-LAWS (Cont'd)

- "Market Day"** : Any day between Monday to Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading in securities
- "Maximum Allowable Allocation"** : The maximum number of new Shares that can be offered and allotted to a Selected Employee to be determined by the Option Committee in accordance with the provisions of By-Law 4
- "Notice of Allotment"** : A notice confirming the allotment of Shares to the Grantee in accordance with By-Law 9.6(ii) hereof
- "Offer"** : An offer made in writing by the Option Committee in accordance with the provisions or in the manner indicated in By-Law 5 to an Eligible Employee
- "Options"** : The right of a Grantee to subscribe for Shares pursuant to the contract constituted by acceptance in the manner indicated in By-Law 6 of any Offer made in accordance with the terms of the Scheme and where the context so requires, means any part of the Options as shall remain unexercised
- "Option Committee"** : The committee appointed by the Board to administer the Scheme
- "Option Period"** : A period commencing from the Date of Offer by the Option Committee to a Selected Employee pursuant to By-Law 5 hereof until the expiry date and/or termination of the Scheme or such date as may be specifically stated in such Offer for an Eligible Employee to exercise the Options PROVIDED THAT no Option Period shall extend beyond the duration of the Scheme referred to in By-Law 20 hereof
- "Person Connected with Employee" or "Person Connected with Director"** : Has the meaning given in relation to persons connected with a director or major shareholder as defined in Paragraph 1.01 of the Listing Requirements.
- "Scheme"** : The scheme for the grant of Options to Eligible Employees to subscribe for new Shares in the Company in accordance with these By-Laws and such Scheme to be known as "Benalec Holdings Berhad Employees' Share Option Scheme"
- "Selected Employee"** : An Eligible Employee who has been selected by the Option Committee and to whom an Offer has been made by the Option Committee in accordance with the terms of the Scheme
- "Shares" or "Benalec Holdings Berhad's Shares"** : Ordinary shares of par value of RM0.25 each in the capital of the Company
- "Subscription Price"** : The price at which the Grantee shall be entitled to subscribe for new Shares as set out in By-Law 7

14. ESOS BY-LAWS (Cont'd)

"Take Over Period" : In the case of a takeover offer referred to in By-Law 13 which is unconditional, the period commencing on the posting of the offer document in respect of a takeover offer and ending on the closing date for acceptance of the takeover offer or, in the case of a takeover offer referred to in By-Law 13 which is conditional, the period commencing on the date the takeover is declared unconditional and ending on the closing date for acceptance of the takeover offer

In these By-Laws:

- (i) Words denoting the masculine gender shall include the feminine gender and vice-versa, and the singular includes the plural and vice-versa.
- (ii) The headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.
- (iii) Any liberty or power which may be exercised or any determination which may be made hereunder by the Option Committee may be exercised at the Option Committee's discretion.

2. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

- 2.1 The maximum number of new Shares to be offered and allotted under the Scheme shall not exceed in aggregate 10 percent (%) of the issued and paid-up share capital (excluding treasury shares) of the Company at any point of time or any limit prescribed by any guidelines, rules and regulations of the relevant authorities during the duration of the Scheme as referred to in By-Law 20. The Company will within the duration of the Scheme keep available sufficient unissued Shares in the capital of the Company to satisfy all outstanding Options.
- 2.2 Notwithstanding the provisions of By-Law 2.1 or any other provision herein contained, in the event the maximum number of new Shares comprised in the Options granted under the Scheme exceeds the aggregate of 10 percent (%) of the issued and paid-up share capital (excluding treasury shares) of the Company as a result of the Company purchasing its own Shares in accordance with the provisions of Section 67A of the Act and thereby diminishing its issued and paid-up capital, then such Options granted prior to the adjustment of the issued and paid-up capital of the Company shall remain valid and exercisable in accordance with the provisions of the Scheme and no further options shall be offered until the total number of shares to be issued under the Scheme falls below 10% of its issued and paid-up capital (excluding treasury shares).

3. ELIGIBILITY

- 3.1 To qualify for selection for participation in the Scheme, any employee (including Directors) of an Eligible Company as at the Date of Allocation:
 - (a) is a person who has attained eighteen (18) years of age;
 - (b) must have been confirmed in service and have served at least six (6) months in the employment of the Eligible Company (unless the Option Committee under certain circumstances and at its sole discretion reduces the period of six (6) months to a lesser period as it deems fit);
 - (c) where the employee is under an employment contract, the contract is for a duration of at least one (1) year; and
 - (d) must have complied with any other criteria imposed by the Option Committee from time to time;

14. ESOS BY-LAWS (Cont'd)

- 3.2 For avoidance of doubt, Eligible Employees and Directors who are employed by or on the payroll of Eligible Subsidiaries of the Company are also eligible to participate in the Scheme provided they fulfil the abovementioned selection criteria.
- 3.3 Subject to the provisions of By-Law 23, no Eligible Employee shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the Group for the duration of the Scheme.
- 3.4 Eligibility, however, does not confer on an Eligible Employee a claim or right to an Offer under the Scheme unless the Offer has been made in writing by the Option Committee to the Eligible Employee under By-Law 5.

4. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOCATION OF SHARES

- 4.1 Subject to By-Law 4.3 and any adjustment which may be made under By-Law 14, the Option Committee shall be entitled at its absolute discretion to determine the number of new Shares to be comprised in an Offer made to the Selected Employees under the Scheme, but the Option Committee shall not be obliged in any way to offer a Selected Employee an Option for all the specified maximum number of Shares.
- 4.2 Subject to By-Law 4.3 and any adjustment which may be made under By-Law 14, the number of new Shares that may be offered and allotted to any Selected Employee under the Scheme shall be at the absolute discretion of the Option Committee after taking into consideration the performance, seniority and length of service of the Selected Employee in the Eligible Company.
- 4.3 Not more than fifty percent (50%) of the Shares available under the Scheme would be allocated in aggregate, to the Directors and Senior Management. In addition, not more than ten percent (10%) of the Shares available under the Scheme shall be allocated to any Director or employee, who singly or collectively through persons connected with such Director or employee, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares). The term "Senior Management" shall be subject to criteria to be determined by the Option Committee that may change from time to time.
- 4.4 A Grantee who is promoted during the tenure of the Scheme may be eligible for consideration of new additional Shares under the Scheme at the discretion of the Option Committee up to the Maximum Allowable Allocation to be determined by the Option Committee for the category to which he has been promoted to.
- 4.5 An employee or Director who during the tenure of the Scheme becomes an Eligible Employee may be eligible to participate in the Scheme, the number of new Shares of which is to be decided by the Option Committee at its absolute discretion subject to any Maximum Allowable Allocation for the category to be determined by the Option Committee. Any Selected Employee holding more than one (1) position in the Eligible Companies and thereby falling within more than one (1) category of Selected Employees in the Eligible Companies shall only be entitled to the Maximum Allowable Allocation of the higher category.
- 4.6 The allotment of Shares arising from By-Law 4.4 above shall be made from the balance of new Shares available under the Scheme including those from Offers and Options which have lapsed or terminated.

14. ESOS BY-LAWS (Cont'd)

5. OFFER

- 5.1 The Option Committee may at its absolute discretion at any time and from time to time as it shall deem fit make an Offer to any Selected Employee, whom the Option Committee may in its absolute discretion select, to subscribe for new Shares, in accordance with the terms of the Scheme. Nothing herein shall prevent the Option Committee from making more than one (1) Offer to any Selected Employee.
- 5.2 The actual number of new Shares which may be offered to a Selected Employee shall be at the absolute discretion of the Option Committee and shall not be less than one hundred (100) new Shares but no more than the Maximum Allowable Allocation. Such Offer is personal to the Selected Employee and is non-assignable and non-transferable.
- 5.3 No Option will be granted to any Director of the Company or to any Eligible Employee who is a person connected with any Director unless the specific grant of Options to the Director or to any Eligible Employee who is a person connected with such Director shall have previously been approved by the shareholders of the Company in a general meeting.
- 5.4 The Option Committee will in its offer letter ("Offer Letter") to a Selected Employee state, *inter alia*, the number of Shares that can be subscribed under the Offer, the Subscription Price determined in accordance with the provisions of By-Law 7 and the closing date for acceptance of the Offer. The Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Selected Employee or the Selected Employee ceasing to be employed by an Eligible Company for any reason whatsoever prior to the acceptance of the Offer by the Selected Employee in the manner set out in By-Law 6 hereof.
- 5.5 Nothing herein shall prevent the Option Committee from making more than one (1) Offer during the duration of the Scheme to each Selected Employee after the first Offer was made provided always the aggregate Options offered to each Selected Employee (including Options already offered under previous Offers, if any) shall not exceed the Maximum Allowable Allocation of such Selected Employee.
- 5.6 The Company shall keep and maintain at its expense a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allocation, the number of Options offered, the number of Options exercised, the Date of Offer and the Subscription Price.

6. ACCEPTANCE OF OFFER

- 6.1 An Offer made under By-Law 5 shall be valid for a period of forty-five (45) days from the Date of Offer and may be accepted within this prescribed period by the Selected Employee by written notice to the Option Committee of such acceptance, accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) as consideration for the grant of the Option.
- 6.2 If the Offer is not accepted in the manner aforesaid, such Offer shall, upon the expiry of the aforesaid period, automatically lapse and thereafter be null and void and of no further effect.
- 6.3 Within thirty (30) days of the date of acceptance of an Offer, the Option Committee shall issue to each of the Grantees, a certificate ("Option Certificate") in such form as may be determined by the Option Committee, for all valid acceptances of the Offer in accordance with the provisions of this By-Law.

14. ESOS BY-LAWS (Cont'd)

7. SUBSCRIPTION PRICE

Subject to any adjustments in accordance with By-Law 14 hereof, the price at which a Grantee is entitled to subscribe for each new Benalec Holdings Berhad's Share shall be determined by the Option Committee in a fair and equitable manner.

The subscription price for the shares under the Scheme shall be the following:-

- (a) In respect of any Offer which is made in conjunction with the Company's listing on the Main Market of Bursa Securities, the initial offer price to the Malaysian public; or
- (b) In respect of any Offer which is made subsequent to the Company's listing on the Main Market of Bursa Securities, the higher of the par value of the Shares or based on the 5 day weighted average market price of the underlying shares immediately preceding the Date of Offer at a discount of not more than ten percent (10%).

8. NON-ASSIGNABLE

An Option is personal to the Grantee. Save and except as provided in By-Law 18.4, an Option shall be non-assignable and non-transferable.

9. EXERCISE OF OPTION

- 9.1 An Option granted to a Grantee under the Scheme, subject to the provisions of By-Law 18, is exercisable only by the Grantee during his lifetime and whilst he is in the employment of the Group and within the Option Period.
- 9.2 Upon an acceptance of an Offer, the Grantee may during the Option Period exercise his Options in full or in part on such time and working days as the Option Committee may from time to time notify the Grantee. The Option Committee may pursuant to By-Law 16 hereof, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Benalec Holdings Berhad's Shares and/or such percentage of total new Benalec Holdings Berhad's Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its sole discretion including amending or varying any terms and conditions imposed earlier.
- 9.3 Any partial exercise of the Option shall not preclude the Grantee from exercising the Option as to the balance of the Shares of his entitlement under the Scheme (if any) prior to the expiry of the Grantee's employment contract or prior to the expiry of the Option Period, whichever is the earlier. When an Option is exercised only in part, a new Option certificate for the balance of the Options not exercised shall be issued accordingly by the Option Committee to the Grantee within thirty (30) Market Days after receipt by the Company of notice of the partial exercise together with the requisite remittance as required by By-Law 9.5.
- 9.4 The Grantee shall notify the Company in writing of his intention to exercise an Option in such form as the Option Committee may prescribe or approve ("Notice of Exercise"). An Option may be exercised in respect of such lesser number of new Shares as the Grantee may decide to exercise provided that the number shall be in multiples of and not less than one hundred (100) new Shares.
- 9.5 Every Notice of the Exercise shall state the number of new Shares the Grantee intends to subscribe and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof and the Option Certificate which is the prima facie proof of a Grantee's entitlement to the Options set out therein.

14. ESOS BY-LAWS (Cont'd)

- 9.6 The Grantee shall state his CDS Account number in the Notice of Exercise and the Company shall within eight (8) Market Days after the date of receipt of the Notice of Exercise and remittance from the Grantee or such other period as may be prescribed by Bursa Securities:
- (i) issue and/or allot and/or issue the relevant number of Shares to the Grantee;
 - (ii) deliver a notice of allotment to the Grantee; and
 - (iii) make an application for the quotation of such number of Shares.

No share certificates will be delivered to the Grantee.

- 9.7 Any failure to comply with the foregoing provisions and/or to state the CDS Account number in the Notice of Exercise or inaccuracy in the CDS Account number shall result in the Notice of Exercise being rejected. The Option Committee shall inform the Grantee of the rejection by notice in writing within fourteen (14) days from the date of rejection and the Grantee shall then be deemed not to have exercised his Options.

- 9.8 Notwithstanding anything to the contrary herein contained in these By-Laws, the Option Committee shall have the right in its absolute discretion by notice in writing to that effect:

- (i) to suspend the right of any Grantee who is found to have contravened the written policies and guidelines of the Group (whether or not such contravention may give rise to a disciplinary proceeding being instituted) to exercise his Option. In addition to this right of suspension, the Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate in its absolute discretion, on the right of exercise of the Option having regard to the nature of the contravention PROVIDED ALWAYS that in the event such contravention would result in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or
- (ii) to suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his Option pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate in its absolute discretion, on the right of exercise of the Option having regard to the nature of the charges made or brought against such Grantee PROVIDED ALWAYS that:
 - (a) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the right of such Grantee to exercise his Option; or
 - (b) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice and become null and void, upon the pronouncement of such dismissal or termination of service of such Grantee; or
 - (c) in the event such Grantee is found guilty but is not dismissed or termination of service is not recommended, the Option Committee shall have the right to determine in its absolute discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such terms and conditions as it deems appropriate, upon such exercise.

14. ESOS BY-LAWS (Cont'd)

10. RIGHTS OF A GRANTEE

- 10.1 The Options shall not carry any right to vote at any general meeting of the Company.
- 10.2 A Grantee shall not be entitled to any dividends, rights or other entitlements on his unexercised Options.

11. RIGHTS ATTACHING TO SHARES

The new Shares to be allotted and issued upon any exercise of the Options shall upon such issuance and allotment, rank *pari passu* in all respects with the then issued and fully paid-up Shares except that the Shares so issued will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be entered in the Record of Depositors in order to be entitled to any dividends, rights, allotments and/or other distributions) of which is prior to the date of allotment of new Shares and will be subject to all the provisions of the Company's Articles of Association relating to transfer, transmission and otherwise of the Shares.

12. RETENTION PERIOD

Save as set out pursuant to By-Law 9.2, The Shares to be issued and allotted to a Grantee pursuant to the exercise of an Option under the Scheme may not be subject to any retention period or restriction on transfer. Grantees are encouraged to hold the Shares as investments rather than for immediate realisation to yield profit. A non-executive Director must not sell, transfer or assign Shares obtained through the exercise of Options offered to him pursuant to the Scheme within 1 year from the date of the Offer Letter.

13. TAKEOVER AND COMPULSORY ACQUISITION AND SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION ETC.

- 13.1 In the event a takeover offer shall be made to the shareholders of the Company by a general offer or otherwise, then notwithstanding By-Law 9.2, each Grantee shall be entitled during the Takeover Period to exercise in whole or in part his/her Option as regards to all the new Shares comprised therein;
- 13.2 In the event a person making the offer becomes entitled or bound to exercise rights of compulsory acquisition of the Shares of the Company under the provisions of the Act or the Capital Markets and Services Act 2007 and gives notice to the Grantee that it intends to exercise such rights on a specific date ("Specific Date"), the Option shall remain exercisable by the Grantee until the expiry of the Specific Date. In the foregoing circumstance, if the Grantee fails to exercise his Option or elects to exercise only in respect of a portion of such Shares by the Specific Date, then the Option, or as the case may be, the Option in relation to such balance Shares, shall automatically lapse after the Specific Date and be null and void.
- 13.3 In the event that the High Court sanctions a compromise or arrangement between the Company and its members for the purposes of, or in connection with, a scheme for reconstruction of the Company under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act, any Option shall remain exercisable by the Grantee at any time and from time to time during the period commencing with the date upon which the compromise or arrangement is sanctioned by the court and up to but excluding the date upon which such compromise or arrangement becomes effective. Upon the aforesaid compromise or arrangement becoming effective, all Options, to the extent unexercised, shall automatically lapse and shall be null and void.

14. ESOS BY-LAWS (Cont'd)

14. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

14.1 Subject to By-Law 14.3, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a capitalisation issue, rights issue, bonus issue, consolidation or subdivision of shares, reduction of capital or any other variation of capital, the Company shall cause such adjustment to be made to:

(i) the number of new Shares comprised in the Options granted to each Grantee (save for Options already exercised); and/or

(ii) the Subscription Price;

as shall be necessary to give a Grantee the same proportion of the issued capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment.

The computation for the adjustment to the number of new Shares comprised in the Options granted to each Grantee and/or the Subscription Price is set out in Appendix A to these By-Laws. Any adjustments made must be in compliance with the provisions of this By-Law 14.

14.2 By-Law 14.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

(i) an issue of Shares upon the exercise of Options pursuant to the Scheme; or

(ii) an issue of Shares arising from the conversion of securities with a right of conversion into Shares; or

(iii) an issue of securities as consideration for an acquisition; or

(iv) an issue of securities as a private placement or restricted issue; or

(v) an issue of securities as a special issue approved by the relevant governmental authorities; or

(vi) a purchase by the Company of its own Shares pursuant to Section 67A of the Act.

14.3 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Act, By-Law 14.1 shall be applicable in respect of such parts of the scheme which involves any alterations in the capital structure of the Company to which By-Law 14.1 is applicable, Provided That By-Law 14.1 shall not be applicable in respect of such parts of the scheme which involves any alterations in the capital structure of the Company to which By-Law 14.2 is applicable.

14.4 An adjustment pursuant to By-Law 14.1 shall be made at the following times:

(i) in the case of a rights issue, bonus issue or other capitalisation issue on the Market Day immediately following the date of entitlement in respect of such issue; or

(ii) in the case of a consolidation or subdivision of Shares or capital reduction or any other variation of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation, subdivision or reduction.

Upon any adjustment being made, the Option Committee shall within ten (10) Market Days from the adjustment date give notice in writing to the Grantee or his legal or personal representatives where the Grantee is deceased, of the adjustment and the event giving rise thereto.

14. ESOS BY-LAWS (Cont'd)

- 14.5 In the event of a fraction of a Share arising from the adjustments referred to in this By-Law would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be to the nearest board lot of one hundred (100) Shares.
- 14.6 All adjustments, other than on a bonus issue, must be confirmed in writing either by an approved external auditor of the Company or the Company's Principal Adviser (as defined in the Listing Requirements) (who shall act as an expert and not as an arbitrator), to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a copy of the certificate from an approved external auditor or such other persons as allowed by Bursa Securities to the effect that in the opinion of such auditor or persons, acting as an expert and not as an arbitrator, an adjustment is fair and reasonable either generally or as regards such Grantee, and such certification shall be final and binding on all parties. For the purposes of this By-Law, an approved external auditor shall have the meaning given in Section 8 of the Act.

15. LISTING AND QUOTATION OF SHARES

- 15.1 The new Shares to be allotted to the Grantee will not be listed or quoted on Bursa Securities until the Option is exercised in accordance with the provisions of By-Law 9 whereupon the Company shall make an application to Bursa Securities for the quotation for such Shares within eight (8) Market Days after the date of receipt of the Notice of Exercise and remittance from the Grantee.
- 15.2 The Company and the Option Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and howsoever relating to the delay on the part of the Company in allotting and issuing Shares or in procuring Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

16. ADMINISTRATION OF THE SCHEME

- 16.1 The Option Committee shall administer the Scheme in such manner as it shall in its absolute discretion deem fit and within such powers and duties as are conferred upon it by the Board including but not limited to the following:
- (i) subject to the provisions of the Scheme, construe and interpret the Scheme and Options granted under it, to define the terms therein and to recommend to the Board to establish amend and revoke rules and regulations relating to the Scheme and its administration. The Option Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and
 - (ii) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.
- 16.2 The Board shall have power from time to time to rescind the appointment of any person in the Option Committee and to appoint new members of the Option Committee as the Board deems fit.

14. ESOS BY-LAWS (Cont'd)

17. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

Any subsequent modifications and/or changes to the Scheme or the By-Laws shall not require the approvals of any regulatory authority. However, such changes may only be effected upon recommendation by the Option Committee to the Board who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the provisions of the Scheme provided that no such amendment and/or modification shall be made which would either prejudice the rights then accrued to any Grantee who has accepted an Option without his prior consent, or which would alter to the advantage of any Grantee the provisions of the Scheme without the prior approval of the shareholders of the Company at a general meeting. The Company shall be required to submit to Bursa Securities each time a modification or change is made, a confirmation letter that the modification or change does not contravene any of the relevant provisions of the Listing Requirements on employee share options scheme and the Rules of Bursa Depository no later than five (5) Market Days after the effective date of the said amendments.

18. TERMINATION OF OPTIONS

18.1 In the event of cessation or termination of employment or appointment of a Grantee with the Group for whatever reason prior to the exercise, or full exercise, of his Options, as the case may be, such Option shall cease immediately on the date of such cessation or termination without any claim against the Company provided always that, subject to the written approval of the Option Committee in its absolute discretion, where the Grantee ceases his employment or appointment with an Eligible Company by reason of:

- (i) his retirement at or after attaining normal retirement age;
- (ii) retirement before the normal retirement age with the consent of the Option Committee;
- (iii) ill-health, injury or disability;
- (iv) redundancy; or
- (v) any other reasons which are acceptable to the Option Committee;

a Grantee may exercise his unexercised Options within the relevant Option Period subject to any conditions imposed by the Option Committee.

18.2 If a Grantee ceases his employment or appointment with an Eligible Company by reason of his resignation or for reasons other than those stated in By-Law 18.1, his remaining unexercised Options shall cease with immediate effect on the date of such cessation. For the avoidance of any doubt, the date of termination of employment of the Grantee or tender by the Grantee of his resignation, shall be deemed to be the date on which a Grantee ceases his employment or appointment with such Eligible Company unless approval was given by the Option Committee to extend the Options for a predefined period of time or before the expiration of the Options whichever is earlier.

18.3 An Option shall immediately become void and of no further force and effect upon the Grantee being adjudicated a bankrupt.

18.4 (i) In the event where a Grantee dies before the expiration of the Option Period and at the time of his death holds unexercised Options, such Options shall cease immediately on the date of his death without any claim against the Company PROVIDED ALWAYS that subject to the written approval of the Option Committee in its absolute discretion, such unexercised Options may be exercised in full by the legal or personal representatives of the Grantee after the date of his death within the Option Period and not later than twenty-four (24) months after the date of his death.

14. ESOS BY-LAWS (Cont'd)

- (ii) Notwithstanding By-Law 18.4(i), the Grantee may, during his lifetime, nominate any of his immediate family members who have attained the age of eighteen (18) years at the time of nomination to exercise the Option or Options (which are unexercised at the time of the death of the deceased Grantee) after the death of the deceased Grantee but in any event during the Option Period. The Options exercised pursuant to the provision of this By-Law 18.4(ii) may be for the benefit of the estate of the Grantee or for the personal benefit of the nominated person. The nomination as aforesaid shall be made by the Grantee during his lifetime and shall be in the prescribed form approved by the Option Committee and the Shares to be allotted and issued will be in the name of the deceased Grantee's estate or in the name of the nominated person as the Grantee shall elect in his lifetime. In the event no nomination is made by the Grantee during his lifetime, his unexercised Options shall only be exercised by his the legal personal representatives pursuant to By-Law 18.4(i) above.
- (iii) For the purposes of By-Law 18.4(ii) above, the term "immediate family members" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the Grantee.

18.5 Any Options which have been offered by the Option Committee but have not been accepted in the manner prescribed in By-Law 6.1 arising from an Eligible Employee's death or the cessation or termination of his employment with an Eligible Company, as the case may be, shall become null and void and of no further force and effect.

19. LIQUIDATION OF THE COMPANY

In the event of the liquidation of the Company, all unexercised or partially exercised Options shall cease and be null and void.

20. DURATION & TERMINATION OF THE SCHEME

20.1 The scheme shall be in force for a period of five (5) years commencing from the effective date of the implementation of the Scheme, which shall be the date of full compliance with all relevant requirements including the following:

- (i) submission of the final copy of the By-Laws to Bursa Securities;
- (ii) receipt of approval or approval-in-principle (as the case may be) for the listing of the Benalec Holdings Berhad's Shares to be issued under the Scheme from Bursa Securities;
- (iii) procurement of shareholder approval for the Scheme;
- (iv) receipt of approval of any other relevant authorities, where applicable; and
- (v) fulfilment of all conditions attached to the above proposals, if any.

The Principal Adviser of the Company will be required to submit a confirmation letter to Bursa Securities of full compliance of By-Law 20.1 and stating the effective date of implementation ("Effective Date") together with a certified true copy of the relevant resolution passed by the shareholders in the general meeting. The submission of the confirmation letter must be made no later than five (5) Market Days after the Effective Date.

14. ESOS BY-LAWS (Cont'd)

Upon expiry of the Scheme, the Board shall have the absolute discretion, without having to obtain approval of the Company's shareholders, to extend the duration of the Scheme provided that the initial period of the Scheme and such extension of the Scheme made pursuant to this By-Law shall not in aggregate exceed the duration of ten (10) years. In the event the Scheme is extended in accordance with this provision, the Option Committee shall furnish a written notification to all Grantees and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the Scheme.

20.2 The Company may at any time terminate the Scheme provided it has obtained:

- (i) the consent of its shareholders at a general meeting, wherein at least a majority of the shareholders present and voting thereat, voted in favour of the termination; and
- (ii) the written consent of all the Grantees who have yet to exercise their Options, either in part or in whole.

20.3 The Company may implement a new employees' share option scheme after the expiration or termination of the Scheme, subject to the relevant approvals being obtained.

21. DISPUTES/DIFFERENCES

In the case of any dispute or difference that may arise between the Option Committee and Grantee as to any provisions contained in the By-Laws, the Option Committee shall determine such dispute or difference by a written decision given to the Eligible Employee. The said decision shall be final and binding on the parties.

22. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to preparation and/or operation of the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of new Shares pursuant to the exercise of any Option shall be borne by the Company save and except for any taxes (including income tax) and stamp duty, if any, arising from the exercise of any Options under the Scheme.

23. TRANSFERS FROM OTHER COMPANIES TO ELIGIBLE COMPANIES

In the event:

- (i) an employee who was employed in a company which is related to the Company pursuant to Section 6 of the Act, (that is to say, a company which does not fall within the definition of "the Group") and is subsequently transferred from such company to an Eligible Company; or
- (ii) an employee who was in the employment of a company which subsequently becomes an Eligible Company as a result of a restructuring or divestment exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in sub-clause (i) above:

(The first mentioned company in By-Laws 23.1(i) and 23.1(ii) above are hereinafter referred to as the "Previous Company"), such an employee of the Previous Company (the "Affected Employee") shall, if the Affected Employee satisfies all the conditions of the By-Laws hereunder, be eligible to participate in the Scheme on the following conditions:

14. ESOS BY-LAWS (Cont'd)

- (a) the Affected Employee shall be entitled to continue to exercise all such unexercised options which were granted to him under the employees' share option scheme (if any) in which he was participating (the "Previous ESOS") whilst the Affected Employee was in the employment of the Previous Company in accordance with the By-Laws of such Previous ESOS but he shall not, upon such restructuring or divestment as the case may be, be eligible to participate for further options of such Previous ESOS;
- (b) the Affected Employee shall only be eligible to participate in the Scheme for its remaining duration thereof; and
- (c) if the Affected Employee has participated in the Previous ESOS, the number of Shares to be offered to such Affected Employee under the Scheme shall be in the absolute discretion of the Option Committee.

24. DIVESTMENT FROM THE GROUP

If a Grantee who was in the employment of a company in the Group which was subsequently divested from the Group, then such employee will notwithstanding such divestment and subject to the provisions of By-Laws 9 and 18 be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a period of three (3) months from the date of such divestment and within the Option Period, failing which the right of such employee to subscribe for the number of new Shares or any part thereof granted under such unexercised Options shall automatically lapse upon the expiration of the said three (3) month period and be null and void and of no further force and effect.

25. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme does not form part of or constitute and shall not in any way be construed as a term or condition of employment of an Eligible Employee.

26. COMPENSATION

26.1 Notwithstanding any provisions of these By-Laws, this Scheme shall not:

- (i) form part of any contract of employment between an Eligible Company of the Group and any employee or Director of the Eligible Company or afford such Grantee any additional rights to compensation or damages in consequence of the termination of office or employment for any reason and the rights of any Grantee under the terms of his office and employment with the Eligible Company shall not be affected by his participation in the Scheme; or
- (ii) confer on any person any legal or equitable rights (other than those constituting the Option themselves) against the Eligible Company directly or indirectly or give rise to any cause of action at law or in equity against the Eligible Company or the Group.

26.2 No Grantee or his legal or personal representatives shall bring any claim, action or proceedings against the Company or the Option Committee or any party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Options or his Options ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 17.

27. ARTICLES OF ASSOCIATION OF THE COMPANY

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the Scheme and the Articles of Association of the Company, the provisions of the Articles of Association shall at all times prevail.

14. ESOS BY-LAWS (Cont'd)

28. INSPECTION OF THE AUDITED ACCOUNTS

All Grantees are entitled to inspect, during normal office hours from 9.30 a.m. to 4.30 p.m., Mondays to Fridays (except all public holidays declared in Malaysia) or as otherwise specified by the Option Committee, the latest audited accounts of the Company at the registered office of the Company for the time being.

29. NOTICE

Each employee will be notified of the Scheme either in writing or through posting on the Company's notice board.

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14. ESOS BY-LAWS (Cont'd)**APPENDIX A**

The Subscription Price and/or the number of Shares to be comprised in the Options in respect of the right to subscribe for new Shares so far as unexercised to which a Grantee may be entitled from time to time be adjusted, calculated or determined by the Option Committee and certified by the external auditor or such other persons allowed by Bursa Securities in accordance with the following relevant provisions in consultation with the merchant bank and/or the external auditor:

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value, the Subscription Price and the additional Shares comprised in the Options so far as unexercised ("Additional Shares Under Option") shall be adjusted, calculated or determined in the following manner:

$$\text{New Subscription Price} = \frac{S \times \text{Revised par value for each Share}}{\text{Original par value for each Share}}$$

$$\text{Additional Shares Under Option} = \frac{T \times \text{Original par value for each Share}}{\text{Revised par value for each Share}} - T$$

Where:

S = Existing Subscription Price; and

T = Existing number of Shares comprised in the Option in respect of the right to subscribe for new Shares so far as unexercised

(The par value shall be adjusted to the revised par value)

Each such adjustment will be effective from the close of business of the Market Day next following the date on which the consolidation or subdivision or conversion becomes effective (being the date on which the Shares are traded on Bursa Securities at the new par value) or such other date as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make an issue of new Shares credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\text{New Subscription Price} = \frac{S \times A}{A + B}$$

Whilst the Additional Shares Under Option shall be calculated in the following manner:

$$\text{Additional Shares Under Option} = \frac{T \times (A + B)}{A} - T$$

Where:

A = The aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;

14. ESOS BY-LAWS (Cont'd)

- B = The aggregate number of new Shares to be issued pursuant to any allotment credited as fully-paid by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund);
- S = Existing Subscription Price; and
- T = Existing number of Shares comprised in the Option in respect of the right to subscribe for new Shares so far as unexercised

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for such issue.

(c) If and whenever the Company shall make:

- (i) A Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unappropriated by available assets); or
- (ii) Any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe Shares by way of rights; or
- (iii) Any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares;

then and in any such case, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = \frac{S \times (C - D)}{C}$$

Where:

- S = Existing Subscription Price
- C = The Current Market Price (as defined in paragraph (h) below) of one (1) Share on the Market Day immediately preceding the date on which the Capital Distribution, or as the case may be, the offer or invitation is publicly announced or (failing any such announcement), immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and
- D = (A) In the case of an offer or invitation to acquire or subscribe for Shares under paragraph (c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for Shares under paragraph (c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or
- (B) In the case of any other transaction falling within this paragraph (c), the fair market value, as determined (with the concurrence of the external auditor of the Company) by a licensed merchant bank or universal broker, of that portion of the Capital Distribution attributable to one (1) Share.

14. ESOS BY-LAWS (Cont'd)

For the purpose of definition (A) of "D" above, the "value of rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

- C = C in this paragraph (c);
- E = The subscription price of one (1) additional Share under the terms of such offer or invitation to acquire or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares;
- F = The number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or right to acquire or subscribe for Shares; and
- 1 = One (1)

In the case of paragraphs (c)(ii) and (c)(iii) above, the Additional Shares Under Option shall be calculated as follows:

$$\text{Additional Shares Under Option} = T \times \frac{(C)}{(C - D^*)} - T$$

Where:

- T = Existing number of Shares comprised in the Option in respect of the right to subscribe for new Shares so far as unexercised;
- C = C in this paragraph (c); and
- D* = The "value of the rights attributable to one (1) Share" (as defined below)

For the purpose of D* above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

- C = C in this paragraph (c);
- E* = The subscription consideration of one (1) new Share under the terms of such offer or invitation to acquire or subscribe for one (1) Share;
- F* = The number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share; and
- 1 = One (1).

14. ESOS BY-LAWS (Cont'd)

For the purpose of this paragraph (c), "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (other than an issue falling within paragraph (b) above) credited as fully or partly paid up by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or capital redemption reserve fund). Any dividend charged or provided for in the accounts of any period or made shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for the above transaction.

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in paragraph (b) above and also makes any offer or invitation to its ordinary shareholders as provided in paragraph (c)(ii) or paragraph (c)(iii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose for the offer or invitation, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = \frac{S \times [(G \times C) + (H \times I)]}{(G + H + B) \times C}$$

and in respect of each case referred to in paragraph (b) and paragraph (c)(ii) above, the Additional Shares Under Option shall be calculated in the following manner:

$$\text{Additional Shares Under Option} = \frac{T \times [(G + H^* + B) \times C]}{(G \times C) + (H^* \times I^*)} - T$$

Where:

- G = The aggregate number of issued and fully paid-up Shares on the entitlement date;
- C = C in paragraph (c) above;
- H = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or with rights to acquire or subscribe for Shares as the case may be;
- H* = The aggregate number of shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = The subscription price of one (1) additional Share under an offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of securities or exercise of such rights to acquire or subscribe for one (1) additional Share as the case may be;
- I* = The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;
- B = B in paragraph (b) above;

14. ESOS BY-LAWS (Cont'd)

S = Existing Subscription Price; and

T = Existing number of Shares comprised in the Option in respect of the right to subscribe for new Shares so far as unexercised.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for such issues.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in paragraph (c)(ii) above together with an offer or invitation to acquire or subscribe securities convertible into shares or securities with rights to acquire or subscribe for Shares as provided in paragraph (c)(iii) above, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = \frac{S \times (G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the Additional Shares Under Option shall be calculated in the following manner:

$$\text{Additional Shares Under Option} = \frac{T \times (G + H^*) \times C}{(G \times C) + (H^* \times I^*)} - T$$

Where:

G = G as in paragraph (d) above;

C = C as in paragraph (c) above;

H = H as in paragraph (d) above;

H* = H* as in paragraph (d) above;

I = I as in paragraph (d) above;

I* = I* as in paragraph (d) above;

J = The aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such exercise of such rights to subscribe for Shares by the ordinary shareholders;

K = The exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share;

S = Existing Subscription Price; and

T = Existing number of Shares comprised in the Option in respect of the rights to subscribe for new Shares so far as unexercised.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for above transaction.

14. ESOS BY-LAWS (Cont'd)

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in paragraph (b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in paragraph (c)(ii) above together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in paragraph (c)(iii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of offer or invitation, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = \frac{S \times [(G \times C) + (H \times I) + (J \times K)]}{(G + H + J + B) \times C}$$

and the Additional Shares Under Option shall be calculated in the following manner:

$$\text{Additional Shares Under Option} = \frac{T \times [(G + H^* + B) \times C]}{(G \times C) + (H^* \times I^*)} - T$$

Where:

- G = G as in paragraph (d) above;
 C = C as in paragraph (c) above;
 H = H as in paragraph (d) above;
 H* = H* as in paragraph (d) above;
 I = I as in paragraph (d) above;
 I* = I* as in paragraph (d) above;
 J = J as in paragraph (e) above;
 K = K as in paragraph (e) above;
 B = B as in paragraph (b) above;
 S = Existing Subscription Price; and
 T = Existing number of shares comprised in the Option in respect of the right to subscribe for new shares so far as unexercised.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for the above transaction.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders alike and requiring an adjustment under paragraphs (c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any Shares or any securities convertible into shares or with rights to acquire or subscribe for Shares, and in any such case the Total Effective Consideration per Share (as defined below) is less than ninety per centum (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Subscription Price shall be adjusted in the following manner:

14. ESOS BY-LAWS (Cont'd)

$$\text{New Subscription Price} = \frac{S \times (L + M)}{L + N}$$

Where:

- L = The number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- M = The number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (exclusive of expenses);
- N = The aggregate number of Shares which so issued or in the case of securities convertible into Shares of with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights; and
- S = Existing Subscription Price

For the purposes of this paragraph (g) the "Total Effective Consideration" shall determined by the directors of the Company with the concurrence of an investment bank and/or the external auditor and shall be:

- (a) In the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (b) In the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (c) In the case of the issue by the Company of securities with rights to acquire or subscription for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commission, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "Total Effective Consideration per Share" shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of this paragraph (g), the Average Price of a Share shall be the average price of one (1) Share as derived from either the last dealt price or average transacted price for one (1) or more board lots of the Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basic upon which the issue price of such Shares is determined.

Each such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day next following the date on which the issue is announced, or (failing any such announcement) on the Market Day next following the date on which the Company determined the offering price of such shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the completion of the above transaction.

14. ESOS BY-LAWS (Cont'd)

- (h) For the purpose of paragraphs (c), (d), (e) and (f), the "Current Market Price" in relation to one (1) Share for any relevant day shall be the either the average of the last dealt price or average transacted price for the five (5) consecutive Market Days before such date or other period as many be determined in accordance with any guidelines issued, from time to time, by the SC.

The foregoing provisions on adjustment of the Subscription Price shall be subject to the following:

- (a) On any such adjustment the resultant Subscription Price shall be rounded up to the nearest one (1) sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of larger par value) involve an increase in the Subscription Price or reduce the number of Shares comprised in the Option so far as unexercised to which the Grantee is already entitled to;
- (b) No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of "would be less than one (1) sen" or the number of Shares comprised in the Option so far as unexercised is less than one (1) Share and any adjustment that would otherwise be required then to be made will not be carried forward;
- (c) If an event giving rise to any such adjustment shall be capable of falling within any two (2) or more of paragraphs (i) to (ii) of By-Law 14.1 (both inclusive) or if such event is capable of giving rise to more than one (1) adjustment, the adjustment shall made in such manner as the Directors of the Company and the external auditor or the Company may agree;
- (d) If for any reason an event giving rise to an adjustment to the Subscription Price and/or the number of Shares comprised in the Option so far as unexercised to which a Grantee may be entitled to is cancelled, revoked or not completed, the adjustment shall not be required to be made or shall be reversed with effect from such date and in such manner as the Directors of the Company and the external auditor or the Company may agree;
- (e) No adjustment shall be made in any event whereby the Subscription Price would be reduced to below the par value of a Share and in the event that any adjustment shall result in the Subscription Price be reduced below the par value of a Share, then the adjustment shall be made to the par value of a Share only; and

In determining a Grantee's entitlements to subscribe for Shares, any fractional entitlements will be disregarded.

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15. VALUATION CERTIFICATE*(Prepared for inclusion in the Prospectus)*

VALUATION CERTIFICATE

Our Ref. : VPJ 10.756a(i-xliii).SC
 Date : 5th November 2010

The Board of Directors,
 Benalec Holdings Berhad
 38, Jalan Pengacara U1/48,
 Temasya Industrial Park
 Glenmarie Subang Jaya
 Selangor 40150
 Malaysia

Dear Sirs,

RE: VALUATION OF 43 UNITS OF VESSELS IN CONJUNCTION WITH THE DISPOSAL OF THE SAID VESSELS BY ORIENTAL GRANDEUR SDN BHD ("OCSB") TO OCEANMARINE LTD ("OML") AND PACIFIC LTD (PACIFIC) ("VALUATION") WHICH IN TURN IS PROPOSED TO BE ACQUIRED BY BENALEC HOLDINGS BERHAD ("COMPANY" OR "BENALEC HOLDINGS BERHAD") PURSUANT TO ITS PROPOSED LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") ("PROPOSED LISTING")

This letter has been prepared for inclusion in the Prospectus of BENALEC HOLDINGS BERHAD in conjunction with its listing on The Main Market of Bursa Malaysia Securities Berhad.

The Valuation was undertaken as part of an internal restructuring exercise involving the disposal of the 43 units of vessels by OCSB to OML AND PACIFIC ("Internal Restructuring") which in turn is proposed to be acquired by Benalec Holdings Berhad to facilitate Benalec Holdings Berhad's Proposed Listing.

We have been instructed by OCSB to ascertain the Market Value of the subject vessels which are owned by OCSB on an "as is where is basis" for the purpose of facilitating the Internal Restructuring.

We have conducted our inspection of the vessels on 15th July 2010. However, for the purpose of this proposed disposal exercise, material date of valuation shall be as at 28th September 2010.

The Basis of Valuation is the "Market Value" which is defined under the Malaysia Valuation Standards, is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In arriving at the Market Value of the vessel, we have adopted the Comparison Method of Valuation as the main approach. This method of valuation seeks to determine the value of the vessel being valued by comparing and adopting as a yardstick recent transactions and sale evidence involving other similar vessel with compatible certification, facilities, size of vessel and engine capacity, deck and electronic equipment on board and etc.

In addition to the foregoing approach, we have also considered the Depreciated Replacement Cost Method of valuation. Under this method, the value is arrived at by estimating the current new replacement costs of the vessel and there from less the accrued depreciation for age and obsolescence.

However, the Comparison Method is adopted to arrive the market value.

Others factors as stated below are taken into consideration:

- i) The intensity of use these plants and machinery items;
- ii) Their present physical condition;
- iii) Availability of spares/replacement and adaptability to modifications;
- iv) Demand and supply' and
- v) Regulation of industry.

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15. VALUATION CERTIFICATE (Cont'd)

The subject of valuation comprises 43 units of vessels is categorized as follows:

a) **Barge (15 units)**

The Barges comprise of 15 units which operate mainly in Malaysian Waters, they are mostly used in marine transportation, including construction material, oversize cargo, heavy construction equipment, coal, logs, livestock, bulk cargo, shipment, towage, salvage, heavy lifting, hydrographic, topographic survey off-shore standby duties, ship-building/refurbishing steel fabrication at own shipyard. All the barges are *Flat Top Steel Dumb Barge* which was built in year 1990s with the length of 150 feet (1 unit), 180 feet (4 units), 210 feet (1 unit), 220 feet (2 units), 230 feet (6 units) and 250 feet (1 units).

The best comparable is chosen based on similar type, size, deck loading, year build and country of origin for the vessel. In deriving at the value of the barges, we adopt and adjust the similar comparable vessels available in the local and international market as follows:

i) **Barge 150' x 50' x 10'**

Comparables/ Principal Particulars	Deck/Crane/ Construction Barge	Flat Top Deck Barge	Flat Top Deck Barge	Flat Top Barge c/w Side Board & Ramp Door
Year of Built	2008	2010	2007	1991
Country of Origin	West India	Malaysia	Malaysia	Malaysia
Dimension (LxBxD)	118'x39.3'x8.2'	130'x48'x10'	120'x40'x8'	150'x50'x10'
GRT/NRT	1408/423	Not Available	261/78	512/154
Deck loading (mt/sq.m)	7.5	5	Not Available	Not Available
Price (RM)	2,000,000	2,590,000	980,521	484,954

ii) **Barge 180' x 50' x 10'**

Comparables/ Principal Particulars	Deck Barge	Flat Top Barge c/w Side Board & Ramp Door	Flat Top Barge c/w Side Board & Ramp Door	Flat Top Barge c/w Side Board & Ramp Door
Year of Built	2001	2008	1991	2007
Country of Origin	Netherlands	Malaysia	Malaysia	Malaysia
Dimension (LxBxD)	180'x25'x7'	180' x 50' x 10'	180' x 50' x 12'	180' x 50' x 10'
GRT/NRT	1408/423	638/191	729/319	633/190
Deck loading (mt/sq.m)	15	Not Available	Not Available	Not Available
Price (RM)	3,831,731	1,853,628	950,000	3,540,000

iii) **Barge 210' x 60' x 14'**

Comparables/ Principal Particulars	Aggregate Barge	Flat Top Barge c/w Side Board & Ramp Door	Flat Top Barge c/w Side Board & Ramp Door
Year of Built	1996	1991	1992
Country of Origin	Singapore	Malaysia	Malaysia
Dimension (LxBxD)	210' x 60' x 10'	210' x 56' x 12'	210' x 60' x 10'
GRT/NRT	1053	1002/300	1070/323
Deck loading (mt/sq.m)	15	Not Available	Not Available
Price (RM)	1,440,000	1,550,000	1,520,000

15. VALUATION CERTIFICATE (Cont'd)

iv) Barge 220' x 60' x 14'

Comparables/ Principal Particulars	Deck Barge	Deck Barge
Year of Built	1993	2007
Country of Origin	Not Available	Not Available
Dimension (LxBxD)	220'x60'x14'	220'x66'x14'
GRT/NRT	Not Available	1664/500
Deck loading (mt/sq.m)	Not Available	Not Available
Market Asking Price	RM2,232,790	RM3,840,000

v) Barge 230' x 60' x 14' to 230' x 80' x 18'

Comparables/ Principal Particulars	Deck Barge	Deck Barge with Ramp	Flat Top Barge c/w Side Board & Ramp Door	Flat Top Barge c/w Side Board & Ramp Door
Year of Built	2008	2008	2001	2008
Country of Origin	Singapore	Not Available	Panama	Malaysia
Dimension (LxBxD)	230'x 64'x14'	230'x 70'x16'	230' x 80' x 18'	230' x 64' x 14'
GRT/NRT	1368/410	1800/540	3117/935	1413/423
Deck loading (mt/sq.m)	10	10	Not Available	Not Available
Price (RM)	7,580,800	3,360,000	3,540,000	3,707,926

vi) Barge 250' x 70' x 16'

Comparables/ Principal Particulars	Flat Top Barge c/w Side Board & Ramp Door	Flat Top Barge c/w Side Board & Ramp Door	Flat Top Barge c/w Side Board & Ramp Door
Year of Built	2007	2007	2007
Country of Origin	Malaysia	Malaysia	Malaysia
Dimension (LxBxD)	250'x80'x16'	250' x 80' x 16'	250' x 80' x 16'
GRT/NRT	2308/693	2308/693	2307/692
Deck loading (mt/sq.m)	Not Available	Not Available	Not Available
Price (RM)	3,540,000	3,540,000	6,026,624

For details explanation on the adjustments, please refer to Schedule 2 attached.

b) Dredger (4 units)

The dredgers comprise of 4 units which operate mainly in Malaysian waters, they are mostly used in marine construction or costal reclamation activity. All the dredgers are *Clamshell Dredger* which was built in year 1980s to 1990s with the buckets of 3m3 Clamshell Dredger (1 unit), 8m3 Clamshell Dredger (1 unit) and 4m3 Clamshell Dredger (2 units).

The best comparable is chosen based on similar type, size, lifting capacity, year build and country of origin for the vessel. In deriving at the value of the dredger, we adopt and adjust the similar comparable vessels available in the local and international market as follows:-

15. VALUATION CERTIFICATE (Cont'd)

Comparables/ Principal Particulars	7.5m ³ Clamshell Dredger - Dumb	5m ³ Clamshell Dredger - Dumb	120-Ton Floating Crane
Year of Built	(1965/1997)/2001	(1960/1975)/2006	1960
Country of Origin	Greece	Greece	Japan
Dimension (LxBxD)	29.85mx19.65mx2.81m	36mx17.7mx2.35m	39.38mx17mx3m
GRT/NRT	537.96	507	448
Crane	LIMA 2400B, 75tons	LIMA 2400A, 100tons	120tons
Lifting Capacity	75 tons	100 tons	150 tons
Price (RM)	3,104,802	3,104,602	3,625,600

For details explanation on the adjustments, please refer to Schedule 2 attached.

c) Sand Pump Barge (2 units)

The sand pump barges comprise 2 units which mainly operate in Malaysian waters, they are mostly used in marine construction or costal reclamation activity. All the sand pump barges was build in year 1990s with the hopper capacity (m³/hr) of 1,000m³/hr (1 unit) and 1,800m³/hr (1 unit).

The best comparable is chosen based on similar type, size, hopper capacity, year build and country of origin for the vessel. In deriving at the value of the sand pump barge, we adopt and adjust the similar comparable vessels available in the local and international market as follows:-

Comparables/ Principal Particulars	TSHD Dredger	Sand Pump Barge (1000m ³ /hr)
Year of Built	1981	1993
Country of Origin	China	Belize
Dimension (LxBxD)	80mx15.1mx5.6m	52.67mx15.24mx3.02m
GRT/NRT	718	639/192
Hopper Capacity	3,500 m ³ /hr	1,000 m ³ /hr
Price (RM)	8,160,000	1,402,424

For details explanation on the adjustments, please refer to Schedule 2 attached.

d) Split Hopper Barge (4 units)

The split hopper barges comprise 4 units which operate mainly in Malaysian waters, they are mostly used in marine construction or costal reclamation activity. All the split hopper barges was build in year 1990s with the cargo capacity (m³) of 1,000m³ (4 unit).

The best comparable is chosen based on similar type, size, cargo capacity, year build and country of origin for the vessel. In deriving at the value of the split hopper barge, we adopt and adjust the similar comparable vessels available in the local and international market as follows:-

Comparables/ Principal Particulars	1000m ³ Hopper Barge	1000m ³ Hopper Barge	1000m ³ Hopper Barge
Year of Built	1993	1993	1994
Country of Origin	Honduras	Honduras	Malaysia
Dimension (LxBxD)	47.92mx12.4mx4.7m	47.54mx12.8mx4.5m	47.81mx12.4mx4.7m
GRT/NRT	683/223	820/262	691/254
Cargo Capacity	1,000 m ³	1,000 m ³	1,000 m ³
Price (RM)	1,950,000	1,950,000	1,950,000

For details explanation on the adjustments, please refer to Schedule 2 attached.

15. VALUATION CERTIFICATE (Cont'd)**e) Tugboat (18 units)**

The tugboats comprise 18 units which operate mainly in Malaysian waters, they are mostly used in Marine Transportation includes construction material, oversize cargo, heavy construction equipment, coal, logs, livestock and bulk cargo. All the tugboats was build in year 1980s to 2000s with the main engine capacity of 500HP (2 units), 700HP (1 unit), 800HP (7 units), 840HP (1 unit), 940HP (1 unit), 960HP (2 units), 1200HP (2 units) and 1400HP (2 units).

The best comparable is chosen based on similar type, size, main engine capacity, year build and country of origin for the vessel, flag/location and others. In deriving at the value of the tugboat, we adopt and adjust the similar comparable vessels available in the local and international market as follows:

i) 500 HP Tugboat

Comparables/ Principal Particulars	400 hp Twin Screw Tug	500 HP Single Screw Tugboat	500 HP Single Screw Tugboat
Year of Built	1967/2007	1983	1983
Flag/Location	Not Available	Not Available	Not Available
Dimension (LxBxD)	14.2 mx4.79mx2.01m	13.14mx4.29mx2.5m	15.15mx4.91mx2.5m
GRT/NRT	Not Available	40/12	38/12
Main Engine	2 x 200 HP Detroit	Not Available	Not Available
Price (RM)	736,000	550,000	550,000

ii) 700 HP to 800 HP Tugboat

Comparables/ Principal Particulars	600 HP Model Bow Tug	800 HP Steel Tugboat	600 HP Harbor/Coastal Tugboat	Internal Combustion Engine - 800 HP	700HP Multicat
Year of Built	2009(rebuilt)	2006	2009(rebuilt)	2000	2009
Flag/Location	USA	Not Available	USA	Malaysia	Egypt
Dimension (LxBxD)	18.30mx5.26mx1.53m	28mx8.1mx4m	15.80mx5.5mx1.5m	22.1mx6.1mx2.7m	23.9mx8mx1.8m
GRT/NRT	49/33	212/64	Not Available	96.54/7.09	Not Available
Main Engine	2 x GM-8V71 600 HP Detroit	Not Available	2 x Caterpillar D343 800 HP Detroit	4-Stroke Caterpillar Diesel- 800hp	2 x Caterpillar 3406
Bollard Pull	Not Available	Not Available	Not Available	10 tons	15 tons
Price (RM)	1,200,000	3,983,117	672,000	2,741,002	5,920,000

iii) 900 HP to 1,000 HP Tugboat

Comparables/ Principal Particulars	900 hp Model Bow Tug	900 hp Model Bow Tug	1000 hp Lugger Tug	1070HP Tug
Year of Built	1966/2000	1950	2009	2001
Flag/Location	Trinidad	London	USA	USA
Dimension (LxBxD)	21.33mx6.7mx1.83m	27mx6.9mx3.5m	19.8mx7.9mx2.6m	24.58mx7.5m
GRT/NRT	Not Available	128/38	Not Available	173/52
Main Engine	2 x GM-2711 900 HP Detroit	2 x Bolnes 6DL 900 HP Detroit	2 x 500HP Cummins K-19	2 x 500HP Cummins K-19
Bollard Pull	Not Available	Not Available	Not Available	Not Available
Price (RM)	1,360,000	1,159,002	1,575,000	1,646,090

15. VALUATION CERTIFICATE (Cont'd)

iv) 1,100 HP to 1,500 HP Tugboat

Comparables/ Principal Particulars	1200 HP Harbor Tug	1248 HP Twin Screw Tug	1200 HP Harbor Tug	1300 HP Triple Screw Tug Boat	1500 BHP Twin Screw Harbor Tug
Year of Built	1971/2009	2002	1967	2008	1983
Flag/Location	Romania	Not Available	Canadian	USA	Jordan
Dimension (LxBxD)	29.26mx8.32mx3.29m	28.67mx10mx3m	29.26mx8.32mx3.29m	21.03mx7.92mx2.43m	22mx6.8mx3.25m
GRT/NRT	194/61	194/61	120	96/76	91.25
Main Engine	2 x 600HP Rusku 6D30/50	2 x 624HP Caterpillar	2 x 650HP GM 12V71	3 x 429HP Mitsubishi	2 x 750HP Man
Bollard Pull	18 tons	Not Available	13 tons	Not Available	20 tons
Price (RM)	1,429,750	2,595,002	1,440,000	1,890,000	1,120,000

Comparables/ Principal Particulars	1200HP Twin Screw Tugboat	1200HP Twin Screw Tugboat
Year of Built	2008	2008
Flag/Location	Singapore	Singapore
Dimension (LxBxD)	22.5mx7.3mx3.5m	22.5mx7.3mx3.5m
GRT/NRT	Not Available	Not Available
Main Engine	Not Available	Not Available
GRT/NRT	163/49	163/49
Price (RM)	1,125,000	1,180,000

For details explanation on the adjustments, please refer to Schedule 2 attached.

Our Reports and Valuation are prepared on the basis that all the vessels were in good operational conditions and issued with all the relevant certificates and licenses as required are valid at the date of our valuation, and all that expired certificates and licenses will be renewed accordingly.

The Valuation Reports have been prepared in accordance with the "Guidelines on Asset Valuation" issued by the Securities Commission and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisals and Estate Agents Malaysia. We have relied upon the information provided to us by the client in arriving at the Market Value of the Subject Vessels.

Based on all the above, we certify that in our opinion the total Market Value for the existing use of the above mentioned Vessels using the valuation method stated amount to Ringgit Malaysia Sixty Five Million Only (RM65,000,000.00).

15. VALUATION CERTIFICATE (Cont'd)

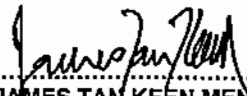


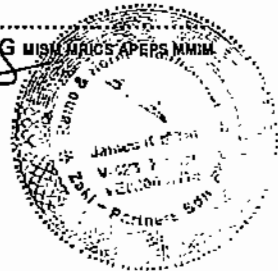
The above value can be summarized as follows:-

Type of Vessel	Number of Vessel	Market Value (RM)
Barge	15	27,820,000
Dredger	4	4,100,000
Sand Pump Barge	2	4,600,000
Split Hopper Barge	4	5,730,000
Tugboat	18	22,750,000
Total	43	65,000,000

The detail of the vessel and Market Value are shown in Schedule 1 attached.

Yours faithfully,
 For & on behalf of
**RAINE & HORNE INTERNATIONAL
 ZAKI + PARTNERS SDN BHD**


 JAMES TAN KEEN MENG Wakil Agensi APERS MMMA
 Registered Valuer
 Reg No: V423
 B. AppSc PRM CDipAF



15. VALUATION CERTIFICATE (Cont'd)

SCHEDULE 1 : MARKET VALUE OF EACH VESSEL

NO.	NAME	Official No.	Type	Detailed Specification	Builder	Built	Length (M)	Breadth (M)	Depth (M)	Boiler Pull (Tons)	Flag	Port of Registry	Gross Tonnage	Net Tonnage	Market Value (RM)
1	OCEANLINE 153	27501093	Barge Working	150' x 50' x 10' Steel Work Barge c/w Four Point Mooring Winches	Universal Dockyard Ltd, China	1993	48.70	15.20	3.00	-	Mongolia	Ulaanbaatar	593	167	580,000
2	CATHAY 1813 (ex-AREPO 318)	27541092	Barge	180' x 50' x 10' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Jiangxi Shipyard, China	1993	51.46	15.24	3.00	-	Mongolia	Ulaanbaatar	634	180	870,000
3	CATHAY 188	328910	Barge	180' x 50' x 10' Steel Deck Cargo Barge	Uni-France Shipbuilding & Engineering Pte Ltd, Singapore	1989	52.67	15.24	3.05	-	Malaysia	Labuan	625	188	1,000,000
4	CATHAY 187	330479	Barge	180' x 50' x 10' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Chun Hong Shipbuilding Pte Ltd, Singapore	1994	52.67	15.24	3.05	-	Malaysia	Port Klang	618	185	1,000,000
5	CATHAY 1811 (ex-AREPO 118)	27531095	Barge	180' x 50' x 10' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Lon Yi Shipbuilding Construction Pte Ltd, Singapore	1995	52.87	15.24	3.05	-	Mongolia	Ulaanbaatar	630	180	1,000,000
6	CATHAY 212	328918	Barge	210' x 60' x 14' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Lingco Shipbuilding Pte Ltd, Singapore	1988	61.45	18.28	4.27	-	Malaysia	Labuan	1277	368	1,570,000
7	CATHAY 223	330460	Barge	230' x 60' x 14' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Taoxing Shipyard, China	1996	64.37	18.28	4.27	-	Malaysia	Port Klang	1273	361	1,670,000
8	CERGAS 222	328468	Barge	220' x 60' x 14' Flat Steel Deck Cargo c/w Side Board & Ramp Door	Jiangsu Shipyard, China	1997	64.37	18.28	4.27	-	Malaysia	Port Klang	1273	382	1,700,000
9	CERGAS 231	328462	Barge	230' x 60' x 14' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Jiangsu Wujiang Qujing Shipyard, China	1996	67.30	18.30	4.27	-	Malaysia	Port Klang	1388	410	2,490,000
10	OCEANLINK 2301 (ex-SMS 2301)	334292	Barge	230' x 60' x 14' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Jing Jiang Shipping Engineering Corp, China	1996	67.30	18.28	4.27	-	Malaysia	Port Klang	1382	409	2,760,000
11	OCEANLINK 2308 (ex-AREPO 230)	334281	Barge	230' x 64' x 14' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Comfort Marine Pte Ltd, Singapore	1998	67.30	19.51	4.27	-	Malaysia	Port Klang	1425	428	2,590,000
12	CERGAS 232	328532	Barge	230' x 64' x 14' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Jiangsu Yangziliang Shipyard, China	1990	67.30	19.51	4.27	-	Malaysia	Port Klang	1413	424	2,640,000
13	OCEANLINK 2302 (ex-ELINK 1)	334280	Barge	230' x 64' x 14' Steel Deck Cargo Barge	PT Nansedah Mutiara Shipyard, Indonesia	1998	67.3	19.51	4.27	-	Malaysia	Port Klang	1408	423	2,870,000
14	Oceanline 2322 (ex-AREPO 322)	27571095	Barge	230' x 60' x 12' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Chun Hong Shipbuilding Pte Ltd, Singapore	1995	67.50	18.29	3.66	-	Mongolia	Ulaanbaatar	1171	352	1,630,000
15	CATHAY 251	328516	Barge	250' x 70' x 16' Steel Deck Cargo Barge c/w Side Board & Ramp Door	Xinghua Industry Co, China	1997	73.15	21.40	4.90	-	Malaysia	Port Klang	1972	591	3,450,000
														Subtotal :	27,820,000

15. VALUATION CERTIFICATE (Cont'd)

NO.	NAME	Official No.	Type	Detailed Specification	Builder	Built	Length (M)	Breadth (M)	Depth (M)	Boilard Pull (Tons)	Flag	Port of Registry	Gross Tonnage	Net Tonnage	Market Value (RM)
16	CATHAY GO 1	27711088	Dredger	3m3 Clamshell Dredger	Aria Pacific Shipyard, Singapore	1989	27.50	12.00	3.05	-	Mongolia	Ulaanbaatar	195	57	200,000
17	CATHAY CD 5	27551008	Dredger	8m3 Clamshell Dredger	Tomoko Company Limited, Japan	1988	35.80	18.00	3.00	-	Mongolia	Ulaanbaatar	475	172	1,900,000
18	CATHAY CD 3	328533	Dredger	4m3 Clamshell Dredger	PT. Sentosa Mulia Shipyard, Batam, Indonesia	1906	35.11	13.72	3.05	-	Malaysia	Port Klang	447	135	1,000,000
19	CATHAY CD 6	K-13081010	Dredger	4m3 Clamshell Dredger	Lagoo Shipbuilding Pte Ltd	1908	35.11	13.71	3.05	-	Kiribati	Tarawa	437	132	1,000,000
														Subtotal :	4,100,000
20	CATHAY SP 7 (ex. CATHAY 189)	860920003	Sand Pump Barge	Sand Pump Barge (1000m3/hr)	Kay Hui Trading Co Pte Ltd, Singapore	1993	52.87	15.24	3.02	-	Beize	Douze	839	191	1,200,000
21	HIKARIGO	19050695	Sand Pump Barge	Sand Pump Barge (1800m3/hr)	Hokodate Dock Co Ltd, Japan	1995	74.40	27.00	3.50	-	Mongolia	Ulaanbaatar	2112	833	3,400,000
														Subtotal :	4,800,000
22	CATHAY SHB 1005	327207	Spill Hopper Barge	1000m3 Spill Hopper Barge	Shuzhou Shipbuilding Corporation China	1993	47.82	12.80	4.50	-	Malaysia	Port Klang	835	285	1,250,000
23	CATHAY SHB 1006	327200	Spill Hopper Barge	1000m3 Spill Hopper Barge	Shuzhou Shipbuilding Corporation China	1993	47.82	12.80	4.50	-	Malaysia	Port Klang	835	285	970,000
24	CATHAY SHB 1010 (ex. CATHAY SHB 1003)	334285	Spill Hopper Barge	1000m3 Spill Hopper Barge	Jiangqi Jianghai Shipyard, China	1993	47.82	12.40	4.70	-	Malaysia	Port Klang	741	257	1,750,000
25	CATHAY SHB 1019 (ex. CATHAY SHB 1008)	334253	Spill Hopper Barge	1000m3 Spill Hopper Barge	Jiangqi Jianghai Shipyard, China	1993	47.97	12.40	4.70	-	Malaysia	Port Klang	741	257	1,750,000
														Subtotal :	6,730,000

15. VALUATION CERTIFICATE (Cont'd)

NO.	NAME	Official No.	Type	Detailed Specification	Builder	Built	Length (M)	Breadth (M)	Depth (M)	Boiler Pull (Tons)	Flag	Port of Registry	Gross Tonnage	Net Tonnage	Market Value (RM)
26	CATHAY 58	328325	Tugboat	500HP Twin Screw Steel Tugboat	Vesper Pte Ltd, Singapore	1987	16.18	4.11	2.13	5	Malaysia	Port Klang	38.11	7.88	600,000
27	CATHAY 68	328332	Tugboat	700HP Steel Tugboat	Trong Hai Shipbuilding Co, Singapore	1982	16.25	5.71	2.38	8	Malaysia	Port Klang	48.99	7.23	900,000
28	CATHAY 17	329906	Tugboat	940HP Steel Tugboat	Kiang Nguong Shipbuilding Contractor, Malaysia	1981	18.68	6.10	2.44	10	Malaysia	Port Klang	89.78	13.08	1,300,000
28	OCEANLINE 11 (o.k. JUMEIRAH)	332423	Tugboat	840HP Twin Screw Steel Tugboat	PT Mahken Raja Konstruksi Nasional, Indonesia	1981	18.32	6.00	3.00	10	Malaysia	Port Klang	89	27	1,280,000
30	CATHAY 28	329461	Tugboat	980HP Steel Tugboat	Berjaya Dockyard S/B, Malaysia	1986	17.06	5.49	2.44	10	Malaysia	Port Klang	88.39	8.26	1,450,000
31	CATHAY 35	329463	Tugboat	660HP Steel Tugboat	Berjaya Dockyard S/B, Malaysia	1983	17.86	5.40	2.44	10	Malaysia	Port Klang	68.38	8.28	1,470,000
32	PIONEER 8	27731003	Tugboat	1420HP Steel Tugboat	Japan/Singapore	1963/1963	22.40	8.70	2.65	10	Mongolia	Ulaanbaatar	96.65	32	1,100,000
33	CATHAY 88	327001	Tugboat	1200HP Steel Tugboat	Borneo Shipping & Timber Agencies S/B, Malaysia	1984	21.71	7.10	2.61	15	Malaysia	Port Klang	111.11	9.85	1,880,000
34	OCEANLINE 21 (o.k. ELINE 4)	332424	Tugboat	1400HP Steel Tugboat	Tuang Ak (Sarawak) S/B, Malaysia	1988	23.39	7.3	3.5	19	Malaysia	Port Klang	191	58	2,280,000
35	CATHAY 6	329467	Tugboat	800HP Anchor Handling Tugboat	Far East Lavington Shipbuilders, Singapore	1981	16.00	7.62	2.44	10	Malaysia	Port Klang	80.44	8.42	1,100,000
36	CATHAY 10	329465	Tugboat	800HP Anchor Handling Tugboat	Asia Pacific Shipyard, Singapore	1988	17.50	7.70	2.49	10	Malaysia	Port Klang	93.18	12.78	1,100,000
37	CATHAY 28	327193	Tugboat	800HP Anchor Handling Tugboat	Sin Seng Huat Marine Services, Malaysia	1995	16.38	4.88	1.63	10	Malaysia	Port Klang	43.18	10.71	1,150,000
38	CATHAY 8	327370	Tugboat	800HP Anchor Handling Tugboat	Benalet S/B, Malaysia	1987	19.82	4.88	2.29	10	Malaysia	Port Klang	59.81	12.97	1,160,000
39	CATHAY 38	328282	Tugboat	800HP Anchor Handling Tugboat	Benalet S/B, Malaysia	1989	19.62	4.88	2.26	10	Malaysia	Port Klang	58.81	12.87	1,160,000
40	CATHAY 78	328395	Tugboat	800HP Anchor Handling Tugboat	Benalet S/B, Malaysia	2000	17.87	4.88	1.82	8	Malaysia	Port Klang	40.57	8.11	1,260,000
41	CATHAY 58	328512	Tugboat	1200HP Anchor Handling Tugboat	Benalet S/B, Malaysia	2002	18.73	7.32	2.44	15	Malaysia	Port Klang	145.07	14.43	1,940,000
42	CATHAY 98	327240	Tugboat	500HP Multi-Cal Twin Screw Tugboat	Rehland Jozwik, Germany	1978	17.28	8.00	2.00	8	Malaysia	Port Klang	88.83	49.33	600,000
43	CATHAY 78	328922	Tugboat	800HP Multi-Cal Twin Screw Tugboat	Delta Shipyard Sierdrogh, Holland	1992	17.31	6.00	2.40	10	Malaysia	Port Klang	78.49	22.51	1,100,000
													Subtotal :	22,750,000	
													Total	65,000,000	

15. VALUATION CERTIFICATE (Cont'd)**Schedule 2 : Explanatory notes on Valuation Adjustments****i) % Adjustment for Year Made**

The year made determine the age of the vessel, equipments, engines and others. Generally, the total lifespan is 30 years with good maintenance or periodically recondition of the vessel. However, the best available or closest market value is applied in arriving the market value after allowing for the market trend. As for the new replacement cost, we have adopt straight line depreciation over 30 years and also we assume that every year estimated 5 to 15 percent increase on the new replacement cost subject to the demand and supply of the market.

ii) % Adjustment on Size

Size of the vessel is one of the factor that determine the physical worth in terms of material used and also the design of the ship for different utilization (deep water or shallow water). Generally on all vessels, an adjustment of plus/minus 5% is provided for every 10 metres difference in length of the subject vessel as compared to the comparable chosen. However, we have adopted the best or closest to the subject vessel.

iii) % Adjustment on Engine Capacity

The no. of main engine, capacity and make of the engines are important considerations for tugboat. It determine the capability of mobility, speed, down times, replacement factor and etc. Based on the current or new design, twin engines are recommended. However, we have adopted the best or closest to the subject vessel for comparison purposes and estimated plus/minus 2% different adjustment is applied for every 100BHP difference.

iv) % Adjustment on Deck Loading

This apply to the barges only, the deck loading depends on the thickness of steel sheels on the structure, and also the usage of the barges. However, we have adopted the best or closest to the subject vessel for comparison purposes and estimated plus/minus 5% different adjustment is applied for every 10m²/sq.m difference.

v) % Adjustment on Deck Equipments

As technology improves over time, the newer subject vessel compared to the chosen comparable the higher the rates adopted and vice versa. Generally on all vessels, an adjustment of minus or positive 5% is provided for every 10 years difference in age of the subject vessels as compared to the comparables chosen. However, we have adopted the best or closest to the subject vessel.

vi) % Adjustment For Physical Condition

This is subject to the physical condition of the vessel as at the date of valuation. Generally, all vessels are in operation condition with routine maintenance program. However, there are few vessels were under their routine refurbishment program. Hence, the adjustment of the value is based on the physical condition of the valuation.

15. VALUATION CERTIFICATE (Cont'd)

Raine & Horne 

VALUATION CERTIFICATE

Our Ref. : VPJ 10.756(i-xi).SC
Date : 5th November 2010

The Board of Directors,
Benalec Holdings Berhad
3B, Jalan Pengacara U1/4B,
Temasya Industrial Park
Glenmarie Subang Jaya
Selangor 40150
Malaysia

Raine & Horne International
Zaki + Partners Sdn. Bhd.

(Company No. 99440-T)

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Taman Megah, 47301 Petaling Jaya,
Selangor Darul Ehsan.
Telephone : 03-7880 6542
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Dear Sirs,

RE: VALUATION OF 11 UNITS OF VESSELS IN CONJUNCTION WITH THE DISPOSAL OF THE SAID VESSELS BY OCEANLEC PTE LTD ("OCEANLEC") TO OCEANLINER PTE LTD ("OCEANLINER") ("VALUATION") WHICH IN TURN IS PROPOSED TO BE ACQUIRED BY BENALEC HOLDINGS BERHAD ("COMPANY" OR "BENALEC HOLDINGS BERHAD") PURSUANT TO ITS PROPOSED LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") ("PROPOSED LISTING")

This letter has been prepared for inclusion in the Prospectus of BENALEC HOLDINGS BERHAD in conjunction with its listing on The Main Market of Bursa Malaysia Securities Berhad.

The Valuation was undertaken as part of an internal restructuring exercise involving the disposal of the 11 units of vessels by Oceanlec to Oceanliner ("Internal Restructuring") which in turn is proposed to be acquired by Benalec Holdings Berhad to facilitate Benalec Holdings Berhad's Proposed Listing.

We have been instructed by Oceanlec to ascertain the Market Value of the subject vessels which are owned by Oceanlec on an "as is where is basis" for the purpose of facilitating the Internal Restructuring.

We have conducted our inspection of the vessels on 14th July 2010. However, for the purpose of this proposed disposal exercise, material date of valuation shall be as at 15th September 2010.

The Basis of Valuation is the "Market Value" which is defined under the Malaysia Valuation Standards, is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In arriving at the Market Value the vessel, we have adopted the Comparison Method of Valuation as the main approach. This method of valuation seeks to determine the value of the vessel being valued by comparing and adopting as a yardstick recent transactions and sale evidence involving other similar vessel with compatible certification, facilities, size of vessel and engine capacity, deck and electronic equipment on board and etc.

In addition to the foregoing approach, we have also considered the Depreciated Replacement Cost Method of valuation. Under this method, the value is arrived at by estimating the current new replacement costs of the vessel and there from less the accrued depreciation for age and obsolescence.

However, the Comparison Method is adopted to arrive the market value.

Others factors as stated below are taken into consideration:

- i) The intensity of use these plants and machinery items;
- ii) Their present physical condition;
- iii) Availability of spares/replacement and adaptability to modifications;
- iv) Demand and supply; and
- v) Regulation of industry.

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15. VALUATION CERTIFICATE (Cont'd)

The subject of valuation comprises 11 units of vessels is categorized as follows:

a) Barge (8 units)

The Barges comprise of 8 units which operate mainly in Singapore and Malaysian Waters, they are mostly used in Marine Transportation includes construction material, oversize cargo, heavy construction equipment, coal, logs, livestock and bulk cargo. All the barges are *Flat Top Steel Dumb Barge* which was built in year 2008 with the length of 300 feet (6 units) and 330 feet (2 units).

The best comparable is chosen based on similar type, size, deck loading, year build and country of origin for the vessel. In deriving at the value of the barges, we adopt and adjust the similar comparable vessels available in the local and international market as follows:

Comparables/Principal Particulars	300' Deck Cargo Barge	300' Deck Cargo Barge	300' Deck Cargo Barge
Year Build	New 2010	New 2010	New 2010
Country of Origin	China	China	China
Dimension (LxBxD)	300'x90'x18'	300'x80'x18'	300'x80'x18'
Deck Loading (m/sq.m)	15	5	5
Price (RM)	8,000,000	4,800,000	7,308,000

Comparables/Principal Particulars	330' Deck Cargo Barge	350' Deck Cargo Barge
Year Build	Not available	2006
Country of Origin	China	China
Dimension	330'x90'x21'	350'x90'x21'
Deck Loading (m/sq.m)	15	15
Price (RM)	7,200,000	7,200,000

For details explanation on the adjustments, please refer to Schedule 2 attached.

b) Tugboat (3 units)

The Tugboat comprise of 3 units which operate mainly in Singapore and Malaysian Waters, they are mostly used in Marine Transportation includes construction material, oversize cargo, heavy construction equipment, coal, logs, livestock and bulk cargo. All the tugboat are *Steel Twin Screw Tugboat* which was built in year 2007/08 with the main engine capacity of 2400HP (2 units) and 3200HP (1 unit).

The best comparable is chosen based on similar type, size, main engine capacity, year build and country of origin for the vessel. In deriving at the value of the tugboat, we adopt and adjust the similar comparable vessels available in the local and international market as follows:

Comparables/ Principal Particulars	2400HP Twin Screw Tugboat	2400HP Twin Screw Tugboat	2400HP Twin Screw Tugboat	2400HP Twin Screw Tugboat
Year Build	2008	2004	2008	2007
Class	RINA	BKI	GL	GL
Dimension (LxBxD)m	29.85x9.1x4.2	26x9.1x4	28.19x9.1x4.2	28.79x9.15x4.3
Main Engine Capacity (HP)	2 x Cummins KTA38 1200HP	2 x Watsila 920 kW@1650 rpm	2 x Cummins KTA38 1200HP	Not Available
Price (RM)	6,240,000	8,640,000	9,744,000	3,157,150

15. VALUATION CERTIFICATE (Cont'd)

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Comparables/ Principal Particulars	3200HP Twin Screw Tugboat	3200HP Ocean Tugboat	3200HP Ocean Tugboat	3200HP Ocean Tugboat
Year Build	1999	2009	2009	2010
Class	Panama	NKK	NKK	NKK
Dimension (LxBxD)m	29x9x4.25	29.39x9x4.2	29.39x9x4.2	29.39x9x4.2
Main Engine Capacity (HP)	Not Available	2 x Cummins KTA20M2-1600HP	Not Available	Not Available
Price (RM)	6,507,960	8,800,000	9,280,000	9,600,000

For details explanation on the adjustments, please refer to Schedule 2 attached.

Our Reports and Valuation are prepared on the basis that all the vessels were in good operational conditions and issued with all the relevant certificates and licenses as required are valid at the date of our valuation, and all that expired certificates and licenses will be renewed accordingly.

The Valuation Reports have been prepared in accordance with the "Guidelines on Asset Valuation" issued by the Securities Commission and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisals and Estate Agents Malaysia. We have relied upon the information provided to us by the client in arriving at the Market Value of the Subject Vessels.

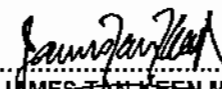
Based on all the above, we certify that in our opinion the total Market Value for the existing use of the above mentioned Vessels using the valuation method stated amount to Ringgit Malaysia Sixty Five Million And Two Hundred And Twelve Thousand Only (RM65,212,000.00).

The above value can be summarized as follows:-

Type of Vessel	Number of Vessels	Market Value (RM)
Barge	8	43,662,000
Tugboat	3	21,550,000
Total	11	65,212,000

The detail of the vessel and Market Value are shown in Schedule 1 attached.

Yours faithfully,
For & on behalf of
RAINE & HORNE INTERNATIONAL
ZAKI + PARTNERS SDN BHD


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JAMES TAN KEEN MENG MISM MRICS AREPS MMIM
Registered Valuer
Reg No. V423
B. AppSc PRM CDipAF



15. VALUATION CERTIFICATE (Cont'd)

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SCHEDULE 1 : MARKET VALUE OF EACH VESSEL

NO.	NAME	Official No.	Type	Specification	Builder	Year Built	Length (M)	Breadth (M)	Depth (M)	Class	Port of Registry	Gross Tonnage	Net Tonnage	Ballast Tonnage	Market Value (RM)
1	OCEANLEC 303	394351	Barge	300' x 80' x 18' Deck Cargo Barge	Nanjing Sandangli Ship Industry Co Ltd	2008	87.88	24.40	5.50	ABS	Singapore	3231	869	-	5,200,000
2	OCEANLEC 305	394352	Barge	300' x 80' x 18' Deck Cargo Barge	Nanjing Sandangli Ship Industry Co Ltd	2008	87.88	24.40	5.50	ABS	Singapore	3231	869	-	5,200,000
3	OCEANLINE 301	384273	Barge	300' x 80' x 18' Deck Cargo Barge	Nanjing Yonghua Shipbuilding Co Ltd	2008	87.88	24.40	5.50	ABS	Singapore	3231	869	-	5,200,000
4	OCEANLINE 302	384287	Barge	300' x 80' x 18' Deck Cargo Barge	Nanjing Yonghua Shipbuilding Co Ltd	2008	87.88	24.40	5.50	ABS	Singapore	3231	869	-	5,200,000
5	OCEANLEC 306	384542	Barge	300' x 80' x 18' Deck Cargo Barge	Nanjing Asapride Shipping Making Co Ltd	2008	87.88	24.40	5.50	ABS	Singapore	3231	869	-	5,200,000
6	OCEANLEC 307	394543	Barge	300' x 80' x 18' Deck Cargo Barge	Nanjing Asapride Shipping Making Co Ltd	2008	87.88	24.40	5.50	ABS	Singapore	3231	869	-	5,200,000
7	OCEANLINK 331	394595	Barge	330' x 90' x 20' Deck Cargo Barge	Yangzhou Changrun Yunhao Shipbuilding Co Ltd	2008	96.39	27.43	6.10	ABS	Singapore	4149	1244	-	6,231,000
8	OCEANLINK 332	394696	Barge	330' x 90' x 20' Deck Cargo Barge	Yangzhou Changrun Yunhao Shipbuilding Co Ltd	2008	96.39	27.43	6.10	ABS	Singapore	4149	1244	-	6,231,000
												Sub total :			43,882,000
9	OCEANLINE 262	9506116	Tugboat	2400HP Twin Screw Tug Boat (31M)	Kabook Shipyard (M) S/B Sib	2007	28.51	9.00	4.00	GL	Singapore	295	89	12	6,200,000
10	OCEANLEC 263	9506978	Tugboat	2400HP Twin Screw Tug Boat (30M)	Sapor Shipbuilding Industries S/B, Malaysia	2008	28.45	9.00	4.60	GL	Singapore	272	82	15	6,350,000
11	OCEANLEC 322	9506954	Tugboat	3200HP Twin Screw Tug Boat (31M)	Sapor Shipbuilding Industries S/B, Malaysia	2008	28.93	9.50	4.20	GL	Singapore	317	96	30	9,000,000
												Sub total :			21,650,000
												Total			65,532,000

15. VALUATION CERTIFICATE (Cont'd)**Schedule 2 : Explanatory notes on Valuation Adjustments****i) % Adjustment for Year Made**

The year made determine the age of the vessel, equipments, engines and others. Generally, the total lifespan is 30 years with good maintenance or periodically recondition of the vessel. However, the best available or closest market value is applied in arriving the market value after allowing for the market trend. As for the new replacement cost, we have adopt straight line depreciation over 30 years and also we assume that every year estimated 5 to 15 percent increase on the new replacement cost subject to the demand and supply of the market.

ii) % Adjustment on Size

Size of the vessel is one of the factor that determine the physical worth in terms of material used and also the design of the ship for different utilization (deep water or shallow water). Generally on all vessels, an adjustment of plus/minus 5% is provided for every 10 metres difference in length of the subject vessel as compared to the comparable chosen. However, we have adopted the best or closest to the subject vessel.

iii) % Adjustment on Engine Capacity

The no. of main engine, capacity and make of the engines are important considerations for tugboat. It determine the capability of mobility, speed, down times, replacement factor and etc. Based on the current or new design, twin engines are recommended. However, we have adopted the best or closest to the subject vessel for comparison purposes and estimated plus/minus 2% different adjustment is applied for every 100BHP difference.

iv) % Adjustment on Deck Loading

This apply to the barges only, the deck loading depends on the thickness of steel sheets on the structure, and also the usage of the barges. However, we have adopted the best or closest to the subject vessel for comparison purposes and estimated plus/minus 5% different adjustment is applied for every 10m²/sq.m difference.

v) % Adjustment on Deck Equipments

As technology improves over time, the newer subject vessel compared to the chosen comparable the higher the rates adopted and vice versa. Generally on all vessels, an adjustment of minus or positive 5% is provided for every 10 years difference in age of the subject vessels as compared to the comparable chosen. However, we have adopted the best or closest to the subject vessel.

vi) % Adjustment For Physical Condition

This is subject to the physical condition of the vessel as at the date of valuation. Generally, all vessels are in operation condition with routine maintenance program. However, there are few vessels were under their routine refurbishment program. Hence, the adjustment of the value is based on the physical condition of the valuation.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION

16.1 SHARE CAPITAL

- (i) Save for the ESOS Options as disclosed in Section 2.3.4 and 14.0 of this Prospectus, no shares will be allocated or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) Save for the ESOS Options as disclosed in Section 2.3.4 and 14.0 of this Prospectus, neither our Company nor our subsidiaries has any capital that is under option, or agreed conditionally or unconditionally to be put under option.
- (iii) As at the date of this Prospectus there is one (1) class of shares in our Company, being ordinary shares of RM0.25 each, the details of which are outlined in Section 2.2.1 of this Prospectus.
- (iv) Save as disclosed in Sections 2.3, 4.1.4 and 4.16 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years preceding from the date thereof.
- (v) Save for the IPO Shares reserved for our eligible Directors, employees and business associates as disclosed in Section 2.3.1(ii) of this Prospectus and the ESOS as set out in Sections 2.3.4 and 14.0 of this Prospectus, there is currently no other scheme for or involving our Directors or employees of our Company or our subsidiaries.
- (vi) Save for the ESOS Options as disclosed in Section 2.3.4 and 14.0 of this Prospectus, neither our Company nor our subsidiaries have any outstanding convertible debt securities, options, warrants or uncalled capital as at the date of this Prospectus.

16.2 ARTICLES OF ASSOCIATION

The following provisions are extracted from our Company's Articles of Association. The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Articles of Association.

- (i) Transfer of securities

Article 33

The transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

Article 34

The instrument of transfer lodged with the Company shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the holder of the share until the transferee's name is entered in the Register as the holder of that share and/or the Record of Depositors, as the case may be.

Article 35

No share shall in any circumstance be knowingly transferred to any partnership or unincorporated association or body or infant, bankrupt or person of unsound mind.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 36

The Directors may decline to register any instrument of transfer of shares which are not fully paid (whether these are quoted or otherwise) to a person of whom they do not approve. Subject to the Act, the Listing Requirements, the Central Depositories Act and the Rules, if the Directors refuse to register a transfer they shall send to the transferee written notice of the refusal and reasons therefore.

Article 37

The Depository may, in its absolute discretion, refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

Article 38

Subject to the Act, the Company may charge a fee not exceeding RM3.00 or such other amount as the law may allow the Company to charge (excluding any stamp duty and other charges payable) on the registration of each probate or letter of administration, certificate of death, stop notice, power of attorney or other document relating to or affecting the title to any shares or other securities, or otherwise for making any entry in the Register or any other register affecting the title to any shares or other securities.

Article 39

Subject to the Central Depositories Act and the Rules, any Member may transfer all or any of its securities by instrument in writing in the form prescribed and approved by the Exchange and the Registrar (as the case may be). Subject to these Articles, there shall be no restriction on the transfer of fully paid-up shares except where required by law. The instruments shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the shares transferred until the transfer is registered and the name of the transferee is entered in the Register and/or Record of Depositors as the case may be, in respect thereof. All transfer of deposited securities shall be effected in accordance with the Act, the Central Depositories Act and the Rules.

Article 40

Subject to the Rules, the Register may be closed for such periods as the Directors may from time to time determine provided that such register shall not be closed for more than thirty (30) days in any year. The Company shall before it closes such register:

- (a) give notice of such intended book closure (in the case of the Register) in accordance with Section 160 of the Act;
- (b) give notice of such intended closure to the Exchange at least ten (10) Market Days (or such other period as prescribed by the Exchange or any relevant governing laws and/or guidelines) before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.

The Company shall give notice in accordance with the Rules to enable the Depository to prepare the appropriate Record of Depositors.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 42

Subject to the Act, every entry in the Register, purporting to have been made on the basis of an instrument of transfer or other document in good faith by the Company shall be conclusively deemed to have been duly and properly made including (without limitation) where:

- (a) the instrument of transfer or other document is obtained or created fraudulently or is otherwise void, voidable or otherwise unenforceable; or
- (b) the Company or any of its Directors or officers may have notice that such instrument of transfer was signed, executed and/or delivered by the transferor or other authorised person in blank as to the name of the transferee or the particulars of the shares transferred or otherwise made defectively,

and any person who becomes the registered holder of any shares by reason of any such entry shall be entitled to be recognised as the registered holder of such shares, and the Company, its Directors and/or other officers shall not be liable to any person by reason of any such entry being made.

Article 43

Neither the Company nor any of its Directors shall be liable for any transfer of shares effected by the Depository.

Transmission of Securities

Article 45

Subject to the provisions of the Act, the Central Depositories Act, and the Rules, in the case of the death of a member, the executors or administrators of the deceased, shall be the only persons recognised by the Company as having any title to interest in his shares; but nothing herein contained shall release the estate of the deceased share holder from any liability in respect of any share which had been held by him.

Article 46

Any person becoming entitled to a share in consequence of the death or bankruptcy or insolvency or winding up or mental disorder of a member may, upon such evidence being produced and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, provided always that where the share is a Deposited Security, subject to the Rules, a transfer or withdrawal of the share may be carried out by the person so becoming entitled.

Article 47

Where the registered holder of any share dies, becomes bankrupt or suffers from mental disorder, his personal representative or the official assignee of his estate or the committee of his estate, as the case may be, shall upon the production of such evidence as may from time to time be properly required by the Directors in that behalf, be entitled to the same dividends but he shall not be entitled to receive notices of or to attend or vote at meetings of the Company, or save as aforesaid, to any of the rights or privileges of a member, unless and until he shall have become a member in respect of the prescribed security.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 48

Where:

- a) the securities of the Company are listed on another stock exchange; and
- b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

(ii) Remuneration of Directors

Article 104

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that:-

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) 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;
- (c) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 105

The salary of any executive Director for his services shall be determined by the Directors and may be of any description but such salary may not include a commission on or percentage of turnover.

Article 106

The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committees established by the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors. The Directors shall also be entitled to receive any meeting allowances or fees for attending any Board's or committees' meetings, and such meeting allowances or fees shall be determined by the Directors and be by way of a fixed sum.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)Article 107

If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing 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 Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover.

(iii) Voting and Borrowing Powers of DirectorsArticle 122

Except as provided by Article 123, the Directors may exercise all the powers of the Company to borrow money of any sum or sums from any person, bank, firm or company and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof and to issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company and its Subsidiaries. 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 asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its Subsidiaries.

Article 123

Subject to the Act and Listing Requirements, the Directors shall not borrow any money or mortgage or charge any of the Company's or its Subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 124

The Directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular, by the issue of bonds, perpetual or redeemable debentures or debenture stock, or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being.

Article 131

Subject to these Articles, questions arising at any meeting of the Directors shall be decided by a majority of votes. Where two (2) Directors form a quorum, the Chairman of the 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 second or casting vote.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 135

- (1) No Director may deliberate and vote in regard to any contract or proposed contract or arrangement in which he is interested, directly or indirectly, nor any contract or proposed contract or arrangement with any other company in which he is interested, directly or indirectly, either as an officer of that other company or as a holder of shares or other securities in that other company. A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest in accordance with the provisions of the Act and the Listing Requirements.
- (2) A general notice that a Director, alternate Director or Managing Director is a member of or interested in any specified firm or corporation with whom any contract is proposed to be entered into in relation to the affairs of the Company and is to be regarded as interested in all transactions with such firm or corporation shall be deemed to be a sufficient disclosure under this clause as regards such Director and the said transaction and after such general notice it shall not be necessary for such Director to give any special notice relating to any particular transaction with such firm or corporation.

Article 136

A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment as hereinabove mentioned are considered or where any decision is taken upon any contract or arrangement in which he is in any way interested provided always that he has complied with Section 131 and all other relevant provisions of the Act and of these Articles.

Article 137

A Director of the Company may be or become Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Director may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them Directors or other officers of such corporation) and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such appointment is or may become interested in the exercise of such voting rights in manner aforesaid provided always that he has complied with Section 131 and all other relevant provisions of the Act and of these Articles.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)Article 138

Where proposals are under consideration concerning or relating to the terms of employment, consultancy or other services of or to be provided by Directors to or with the Company or any body corporate in which the Company is interested or other related matters, the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own.

Article 139

If a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to vote, the question may, before the conclusion of the meeting, be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive.

(iv) Changes In Capital and Variation of Class Rights

Article 10

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 share or security 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.

Article 63

Without prejudice to the rights attached to any existing shares or class of shares, the Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs.

Article 64

Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company. All new shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transmissions, forfeiture, lien or otherwise.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 65

Subject to the Act and any applicable law or regulation, the Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association (subject nevertheless to the provisions of the Act) and so that in the subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the shares from which the reduced share is derived; or
- (c) cancel any shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 66

Subject to any direction by the Company in general meeting, if any consolidation and/or subdivision of shares results in Members being entitled to any issued shares of the Company in fractions, the Directors may deal with such fractions as they may determine including (without limitation), selling the shares to which Members are so entitled for such price as the Directors may determine and paying and distributing to the Members entitled to such shares in due proportions the net proceeds of such sale.

Article 68

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner authorised by the Act and subject to any consent required by law.

Article 69

Notwithstanding Article 70 hereof, 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 (¾) 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.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)Article 70

If at any time the share capital is divided into different classes of shares, the right 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 or abrogated with the consent in writing of the holders of three-fourths ($\frac{3}{4}$) 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 that class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third ($\frac{1}{3}$) 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.

Article 71

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

16.3 LIMITATION 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.

16.4 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contract which is not in the ordinary course of business of our Group within two (2) years preceding the date of this Prospectus:-

- (i) Agreement dated 17 September 2010 between Oceanliner and Oceanlec for the acquisition by Oceanliner of 11 vessels held by Oceanlec for a total consideration of SGD28,000,000 to be settled by Oceanliner via the assumption of Oceanlec's bank borrowings amounting to approximately SGD8,546,601 and the balance of approximately SGD19,453,399 via creation of indebtedness by Oceanliner to Oceanlec. The acquisition was completed on 17 September 2010;
- (ii) Share Sale Agreement dated 30 September 2010 between BSB and OGSB for the acquisition by BSB of OGSB's wholly owned subsidiaries, OML and Pacific for a total purchase consideration of RM65 million (RM7.5 million for OML and RM57.5 million for Pacific), to be settled by the creation of indebtedness of RM65 million owing by BSB to OGSB. This indebtedness shall be settled by cash proceeds received from the sale of reclaimed land or units/buildings developed on reclaimed lands, beneficially owned by BSB, from time to time in the proportion of 30:70 whereby 30% from each cash proceeds will be paid to OGSB until full repayment of the purchase consideration of RM65 million. The acquisition was completed on 30 September 2010;
- (iii) Share Sale Agreement dated 5 October 2010 between the Leaw Brothers, Foo Polin and Benalec in relation to the acquisition by Benalec of 730,000 ordinary shares of RM10.00 each comprising the entire issued and paid-up share capital of BSB from the Leaw Brothers and Foo Polin for a purchase consideration of RM153,369,559.00, to be satisfied via the issuance of 613,478,236 new Shares in Benalec at an issue price of RM0.25 per Share;

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (iv) Share Sale Agreement dated 5 October 2010 and a Supplemental Share Sale Agreement dated 1 December 2010 between the Leaw Brothers and Benalec in relation to the acquisition of 1,000,000 ordinary shares of RM1.00 each comprising the entire issued and paid-up share capital of BenShip from the Leaw Brothers for a purchase consideration of RM3,678,253, to be satisfied via the issuance of 14,713,012 new Shares in Benalec at an issue price of RM0.25 per Share;
- (v) Share Sale Agreement dated 5 October 2010 between the Leaw Brothers and Benalec in relation to the acquisition of 200,000 ordinary shares of SGD1.00 each comprising the entire issued and paid-up share capital of Oceanliner for a purchase consideration of RM452,186.00, to be satisfied via the issuance of 1,808,744 new Shares in Benalec at an issue price of RM0.25 per Share; and
- (vi) Underwriting Agreement dated 6 December 2010 between the Company and AmlInvestment Bank as the Sole Underwriter for the underwriting of 43,000,000 Public Issue Shares ("Underwritten Shares") at an underwriting commission of 2% of the value of the total Underwritten Shares and upon the terms and conditions contained therein.

16.5 MATERIAL LITIGATION OR ARBITRATION

We have not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence which has a material effect on the financial position of our Group and the Directors do not know of proceedings pending or threatened or any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of our Group.

16.6 REPATRIATION OF CAPITAL AND PROFITS

To the best knowledge of our Directors, there are no governmental laws, decrees, regulations or other legislation that may affect the repatriation of capital and the remittance of profit by or to our Group.

16.7 GENERAL INFORMATION

During the last financial year and the current financial year to date, there were no:-

- (i) public take-over offers by third parties in respect of our Company's shares; and
- (ii) public take-over offers by our Company in respect of other companies' shares.

16.8 CONSENTS

The written consent of the Principal Adviser, Sole Underwriter, Sole Placement Agent, Company Secretaries, Solicitors for the IPO, Principal Bankers, Share Registrars, Issuing House and Syariah Adviser to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

The written consent of the Reporting Accountants and Auditors to the inclusion in this Prospectus of their name, Accountants' Report, letters relating to the Proforma Consolidated Financial Information in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Independent Registered Valuers to the inclusion in this Prospectus of their names and the Valuation Certificate 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.

The written consent of the Independent Market Research Consultants to the inclusion in this Prospectus of their name and the Independent Market Research Report in the form and context in which they are contained in this Prospectus, has been given before the issuance of this Prospectus and has not been subsequently withdrawn.

16.9 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of our Company during normal business hours for a period of twelve (12) months from the date of this Prospectus:-

- (i) The Memorandum and Articles of Association of our Company;
- (ii) The Directors' Report referred to in Section 13 of this Prospectus;
- (iii) The Accountants' Report as included in Section 11 of this Prospectus;
- (iv) The Reporting Accountants' letters relating to the Proforma Consolidated Financial Information as set out in Section 10.3 of this Prospectus;
- (v) The audited financial statements of our Company and our subsidiaries for the past three (3) financial years ended 30 June 2010;
- (vi) The Executive Summary of the Independent Market Research report as set out in Section 12 of this Prospectus and the full Independent Market Research report, both prepared by Frost & Sullivan;
- (vii) The ESOS By-Laws set out in Section 14 of this Prospectus;
- (viii) The material contracts referred to in Section 4.9(b) and 16.4 of this Prospectus;
- (ix) Valuation Reports prepared by Raine & Horne and its Valuation Certificate thereof as set out in Section 15; and
- (x) The letters of consent referred to in Section 16.8 of this Prospectus.

For information purposes, the agreements between the State Government of Melaka ("State Government") and HUSB and SOSB (the "Concessionaires") respectively ("State Agreements") as annexed in the agreements between BSB and the Concessionaires respectively which are set out in Section 4.9(b)(iii) and (v) have been excluded for inspection purposes pursuant to a waiver granted by the SC via its letter dated 24 November 2010 ("Waiver Letter").

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

The State Agreements contain a confidentiality clause which prohibits the Concessionaires to divulge to any other person any provision of the State Agreements or any documents referred to in the State Agreements, or any proprietary or confidential information required from each of the parties, unless such disclosure is required by law or any other regulatory authority to whom such information might normally be supplied or to enable any of the parties to perform its obligations under the State Agreements.

In this respect, the Concessionaires had on 24 September 2010 written to the State Government to explain that BSB, which the Concessionaires had engaged as contractor for the reclamation projects via sub-contracting agreements is proposing to list via its proposed holding company, Benalec, on the Main Market of Bursa Securities (the "Listing Exercise").

Pursuant to the Listing Exercise, the Company may be required to disclose information on inter-alia the reclamation projects and hence consent is required from the State Government. It was also mentioned in the letter that Benalec will seek a waiver to the requirement for making the State Agreements available for public inspection.

The State Government had reverted via its letter dated 5 October 2010 that the disclosure of the State Agreements is only restricted to the SC and not for public inspection.

The Concessionaires (on behalf of the Company) subsequently had a follow up meeting with the State Government to inform the State Government that certain information within the State Agreements will be included in the Prospectus and had explained the rationale of such appropriate disclosures in the Prospectus.

Subsequent thereto, the State Government had granted their consent on 7 October 2010 for certain information from the State Agreements to be included in the Prospectus.

Further, the Company had on 29 October 2010 written to the Concessionaires requesting them to write to the State Government to consider making available the State Agreements for public inspection and identifying the confidential and commercially sensitive information to be redacted. Subsequent thereto, the Concessionaires had on 2 November 2010 forwarded a reply from the State Government dated 1 November 2010 stating that the State Government considers all provisions in the State Agreements to be confidential and no provisions of the State Agreements are to be disclosed to any party without the consent of the State Government. Hence, the request for the consent of the State Government to making available the State Agreements for public inspection by the respective Concessionaires was rejected.

As such, any person who wishes to inspect the abovementioned State Agreements will have to, on their own, obtain prior written consent from the State Government of Melaka.

16.10 RESPONSIBILITY STATEMENTS

This Prospectus has been seen and approved by our Directors and Promoters and the Offerors and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

AmInvestment Bank 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 the IPO.

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17. PROCEDURES FOR APPLICATION AND ACCEPTANCE

17.1 OPENING AND CLOSING OF APPLICATIONS

Applications will be accepted from 10.00 a.m. on 28 December 2010 to 5.00 p.m. on 6 January 2011 or for such further period or periods as the Directors, Promoters and Offerors of our Company together with the Sole Underwriter in their absolute discretion may mutually decide. In the event that the closing date of the IPO is extended, the dates for the balloting, allotment of the IPO Shares and the Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in a widely circulated daily Bahasa Malaysia and English newspapers. Late applications will not be accepted.

17.2 METHODS OF APPLICATION

Application Form, Electronic Share Application and Internet Share Application.

17.3 PROCEDURES FOR APPLICATIONS

THE FOLLOWING RELEVANT APPLICATION FORMS ISSUED WITH THE NOTES AND INSTRUCTIONS PRINTED THEREIN ARE ENCLOSED WITH THIS PROSPECTUS AND ARE DEEMED TO FORM PART THEREOF:-

- (i) White Application Forms for the application of Malaysian public;
- (ii) Pink Application Forms for the application by eligible Directors, employees and business associates of our Group;

You can obtain White Application Forms together with copies of this Prospectus, subject to availability, from AmInvestment Bank, participating organizations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or MIH.

Pink Application Forms together with copies of this Prospectus will be sent out to eligible Directors, employees and business associates of our Group.

17.4 GENERAL CONDITIONS FOR APPLICATIONS

Applications shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of our Company.

(i) Application by Malaysian Public for Allocations via Balloting

Applications for the 36,500,000 Shares made available for applications by the Malaysian public must be made on the White Application Forms provided or by way of Electronic Share Application through a Participating Financial Institution's ATM or Internet Share Application through the Internet financial services website of the Internet Participating Financial Institutions. A corporation or institution cannot apply for shares by way of Electronic Share Application or Internet Share Application.

(ii) Application by Eligible Directors, Employees and Business Associates

Applications for the 6,500,000 Shares reserved for eligible Directors, employees and business associates of our Group must be made on the Pink Application Forms provided. The application must not be made on any other Application Form or by way of Electronic Share Application through a Participating Financial Institution's ATM or Internet Share Application through the Internet financial services website of the Internet Participating Financial Institutions.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

(iii) Application by Selected Investors via Placement

Selected investors being allocated the 187,000,000 Shares under this category will be contacted directly by the Sole Placement Agent and are to follow the instructions as communicated by the Sole Placement Agent.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability, from AmInvestment Bank, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and MIH.

The submission of an Application Form does not necessarily mean that the application will be successful.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the IPO Shares.

Only 1 Application Form from each applicant will be considered and applications must be for 100 ordinary shares or multiples thereof. Multiple applications will not be accepted. A person who submit multiple applications in his own name or by using the name of others, with or without their consent, commits an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to 10 years under Section 182 of the CMSA.

Persons submitting applications by way of Application Forms or Electronic Share Applications or Internet Share Applications must have a CDS account.

The amount payable in full upon application is RM1.00 per Share. Persons submitting applications by way of Applications Forms may not submit applications by way of Electronic Share Applications or Internet Share Applications and vice versa. A corporation or institution cannot apply for shares by way of Electronic Share Application or Internet Share Application.

IN THE CASE OF AN INDIVIDUAL APPLICANT OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME AND NATIONAL REGISTRATION IDENTITY CARD (NRIC) NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS STATED IN:-

- (i) (a) THE APPLICANT'S NRIC;
 - (b) ANY VALID TEMPORARY IDENTITY DOCUMENT AS ISSUED BY THE NATIONAL REGISTRATION DEPARTMENT FROM TIME TO TIME; OR
 - (c) THE APPLICANT'S RESIT PENGENALAN SEMENTARA (JPN KP 09) ISSUED PURSUANT TO PERATURAN 5(5), PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; AND
- (ii) THE RECORDS OF BURSA DEPOSITORY.

WHERE THE APPLICANT IS A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME AND THE ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT STATED IN HIS / HER AUTHORITY CARD.

IN THE CASE OF A CORPORATE / INSTITUTIONAL APPLICANT, THE NAME AND THE CERTIFICATE OF INCORPORATION NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT STATED IN THE APPLICANT'S CERTIFICATE OF INCORPORATION.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

No acknowledgement of the receipt of the Application Form or Application monies will be made by our Company and / or MIH.

17.5 APPLICATIONS USING APPLICATION FORMS**17.5.1 Terms and Conditions for Applications using the White and Pink Application Forms**

Applications by way of White and Pink Application Forms shall be made on, and subject to, the terms and conditions set out below:-

- (i) Applicant who is an individual must be a Malaysian citizen residing in Malaysia, with a CDS account and a Malaysian address (White Application Forms only).

Applicant who is an individual must have a correspondence address in Malaysia with CDS account (Pink Application Forms only).

- (ii) Applicants which are corporations / institutions incorporated in Malaysia must have a CDS account and be subject to the following:-

- a. If the corporation / institution has a share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and
- b. There is majority of Malaysian citizens on the board of directors / trustee.

Applicants which are corporations / institutions incorporated outside Malaysia must have a CDS account and provide a correspondence address in Malaysia (Pink Application Forms only).

- (iii) Applicant which is a superannuation, co-operative, foundation, provident or pension fund must be established or operating in Malaysia and has a CDS account.

- (iv) Applications will not be accepted from trustees, any person under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations / institutions referred to in Sections 17.5.1(ii) and (iii) above or the trustees thereof.

- (v) Application for the Shares must be made on the respective Application Forms issued together with this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein is accompanied by this Prospectus. Applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible will not be accepted.

- (vi) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY EITHER:-

- 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); OR
- MONEY ORDER OR POSTAL ORDER (FOR APPLICANTS FROM SABAH AND SARAWAK ONLY); OR

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- GUARANTEED GIRO ORDER (GGO) FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
- ATM STATEMENT OBTAINED ONLY FROM:-
 - 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

AND MUST BE MADE OUT IN FAVOUR OF "MIH SHARE ISSUE ACCOUNT NO. 507" AND CROSSED "A/C PAYEE ONLY" (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT.

APPLICATIONS ACCOMPANIED BY MODE OF PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES OR INAPPROPRIATE BANKER'S DRAFTS / CASHIER'S ORDERS / MONEY ORDERS OR POSTAL ORDER / ATM STATEMENT / GGO WILL NOT BE ACCEPTED. DETAILS OF REMITTANCES MUST BE COMPLETED IN THE APPROPRIATE BOXES PROVIDED ON THE APPLICATION FORMS.

- (vii) AN APPLICANT MUST STATE HIS CDS ACCOUNT NUMBER IN THE SPACE PROVIDED IN THE APPLICATION FORM AND HE SHALL BE DEEMED TO HAVE AUTHORISED BURSA DEPOSITORY TO DISCLOSE INFORMATION PERTAINING TO THE CDS ACCOUNT TO MIH / COMPANY.
- (viii) THE NAME AND ADDRESS OF THE APPLICANT MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, ATM STATEMENT, MONEY ORDER OR POSTAL ORDER OR GGO FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD.
- (ix) The Board reserves the right to require any successful applicant to appear in person at the registered office of MIH within 14 days of the date of the notice issued to him to ascertain the regularity or propriety of the Application. The Board 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 the successful applicant for the purpose of complying with this provision.
- (x) MIH, on the authority of the Board reserves the right to reject Applications which do not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
- (xi) MIH, on the authority of the Board reserves the right not to accept any Application or accept any Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xii) Where an Application is not accepted or accepted in part only, the full amount or the balance of the Application monies, as the case may be, without interest, will be returned and despatched to the applicant within 10 Market Days from the date of the final ballot of the Applications lists by ordinary post at the applicant's address last maintained with Bursa Depository or where the application is not accepted due to the applicant not having provided a CDS account, to the address per the National Registration Identity Card or "Resit Pengenaln Sementara (JPN KP 09)" or any valid temporary identity document as issued by the National Registration Department from time to time at the applicant's own risk.
- (xiii) The applicant shall ensure that his / her personal particulars stated in the Application Form are identical with the records maintained by Bursa Depository. The applicant must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to his / her registered or correspondence address last maintained with Bursa Depository.
- (xiv) MIH, on the authority of the Board reserves the right to bank in all Application monies from unsuccessful applicants and partially successful applicants, which would subsequently be refunded without interest by registered post.
- (xv) Each completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents must be 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
- or **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, so as to arrive not later than 5.00 p.m. on 6 January 2011 or for such further period or periods as the Board, Promoters and / or Offeror of our Company together with the Sole Underwriter in their absolute discretion may mutually decide.
- (xvi) Directors and employees of MIH and their immediate families are strictly prohibited from applying for the Shares.
- (xvii) PLEASE DIRECT ALL ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO MIH.

17.6 APPLICATIONS USING ELECTRONIC SHARE APPLICATION

- (i) **Steps for Electronic Share Application through a Participating Financial Institution's ATM**
- (a) Applicant must have an account with a Participating Financial Institution (as detailed in Section 17.6(ii) below) and an ATM card issued by that Participating Financial Institution to access the account.
- (b) Applicant must have a CDS account.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (c) Applicant is to apply for the Shares, via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 17.6(ii) below under the Terms and Conditions for Electronic Share Application. Applicant is to enter at least the following information through the ATM where the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so:-
- Personal Identification Number (PIN);
 - MIH Share Issue Account No. 507;
 - CDS Account Number;
 - Number of Shares, applied for and / or the Ringgit Malaysia amount to be debited from the account; and
 - Confirmation of several mandatory statements.

(ii) Terms and Conditions for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "Steps"). For illustration purposes, the procedures for Electronic Share Application at ATMs are set out in "Steps for Electronic Share Application through a Participating Financial Institution's ATM" in Section 17.6(i) above. The Steps set out the actions that the applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application.

Only an applicant who is an individual with a CDS Account is eligible to utilise the facility.

The applicant must have an existing bank account with, and be an ATM cardholder of, one of the Participating Financial Institutions before he can make an Electronic Share Application at an ATM of that Participating Financial Institutions. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for shares at an ATM belonging to other Participating Financial Institutions. Upon completion of his Electronic Share Application transaction, the applicant will receive a computer-generated transaction slip (Transaction Record), confirming the details of his 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 MIH. The Transaction Record is for retention by the applicant and should not be submitted with any Application Form.

Upon the closing of the offer for the Application for the Shares, on 6 January 2011, at 5.00 p.m. ("Closing Date and Time"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for the Shares to MIH as soon as practicable but not later than 12.00 p.m. of the 2nd business day after the Closing Date and Time.

An applicant will be allowed to make an Electronic Share Application for shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which he has an account and its branches, subject to the applicant making only one Application. An applicant who has a bank account with a Participating Financial Institution and has been issued an ATM card will be allowed to apply for shares via an ATM of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to the applicant making only one Application.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

AN APPLICANT MUST ENSURE THAT HE USES HIS OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. AN APPLICANT OPERATING A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION MUST ENSURE THAT HE ENTERS HIS OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO HIM IN HIS OWN NAME. HIS APPLICATION WILL BE REJECTED IF HE FAILS TO COMPLY WITH THE FOREGOING CONDITIONS.

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions set out below:-

- (a) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of our Company.
- (b) The applicant is required to confirm the following statement (by depressing predesignated keys or buttons on the ATM keyboard) and undertake that the following information given is true and correct:-
- I have attained 18 years of age as at the Closing Date of the application for the IPO Shares;
 - I am a Malaysian citizen residing in Malaysia;
 - I have read the relevant Prospectus and understood and agreed with the terms and conditions of this Application;
 - This is the only Application that I am submitting; and
 - I hereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to myself and my account with the Participating Financial Institution and Bursa Depository to MIH and other relevant authorities.

The Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless the applicant completes all the steps required by the Participating Financial Institution. By doing so, the applicant shall be treated as signifying his confirmation of 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 Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of the applicant's particulars to MIH, or any relevant regulatory bodies.

- (c) THE APPLICANT CONFIRMS THAT HE IS NOT APPLYING FOR SHARES AS NOMINEE OF ANY OTHER PERSONS AND THAT ANY ELECTRONIC SHARE APPLICATION THAT HE MAKES IS MADE BY HIM AS BENEFICIAL OWNER. THE APPLICANT SHALL ONLY MAKE ONE ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE SHARES WHETHER AT THE ATMS OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS OR VIA INTERNET SHARE APPLICATION.
- (d) The applicant must have sufficient funds in his account with the relevant Participating Financial Institution at the time he makes his Electronic Share Application, failing which his 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.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (e) The applicant agrees and undertakes to subscribe for or purchase and to accept the number of Shares applied for as stated on the Transaction Record or any lesser number of Shares that may be allotted or allocated to him in respect of his Electronic Share Application. In the event that our Company decides to allot or allocate any lesser number of Shares or not to allot or allocate any Shares to the applicant, the applicant agrees to accept any such decision as final. If the applicant's Electronic Share Application is successful, his confirmation (by his action of pressing the designated key or button on the ATM) of the number of Shares applied for shall signify, and shall be treated as, his acceptance of the number of Shares that may be allotted or allocated to him and to be bound by the Memorandum and Articles of Association of our Company.
- (f) MIH, on the authority of our Directors reserves the right to reject 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 shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
- (g) Where an 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 Application. Where the Electronic Share Application is not successful, the relevant Participating Financial Institution will credit the full amount of the Application monies without interest into the applicant's account with that Participating Financial Institution within 2 Market Days after the receipt of confirmation from MIH. MIH shall inform the Participating Financial Institutions of the non-successful or partially successful Applications within 2 Market Days after the balloting date. The applicants may check their accounts on the fifth Market Day from the balloting day.

Where an Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into the applicant's account with the Participating Financial Institution within 2 Market Days after the receipt of confirmation from MIH. 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 MIH by way of cheques issued by MIH. The cheques will be issued to the applicants not later than 10 Market Days from the day of the final ballot of the Application list. Should applicants encounter any problems in their Applications, they may refer to the Participating Financial Institutions.

- (h) The applicant requests and authorises our Company:-
- to credit the Shares allotted or allocated to the applicant into the CDS account of the applicant; and
 - to issue share certificate(s) representing such Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (i) The applicant, acknowledging that his Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond the control of our Company, MIH or the Participating Financial Institution, irrevocably agrees that if:-
- our Company or MIH does not receive the applicant's Electronic Share Application; or
 - data relating to the applicant's Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to our Company or MIH,
- the applicant shall be deemed not to have made an Electronic Share Application and the applicant shall not claim whatsoever against our Company, MIH or the Participating Financial Institutions for the shares applied for or for any compensation, loss or damage.
- (j) All particulars of the applicant in the records of the relevant Participating Financial Institution at the time he makes his Electronic Share Application shall be deemed to be true and correct and our Company, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (k) The applicant shall ensure that his personal particulars as recorded by both Bursa Depository and relevant Participating Financial Institution are correct and identical. Otherwise, his Electronic Share Application is liable to be rejected. The applicant must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to his registered or correspondence address last maintained with Bursa Depository.
- (l) By making and completing an Electronic Share Application, the applicant agrees that:-
- (a) in consideration of our Company agreeing to allow and accept the making of any Application for shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, his Electronic Share Application is irrevocable;
 - (b) our Company, the Participating Financial Institutions, Bursa Depository and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to his Electronic Share Application to our Company due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;
 - (c) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of the offer made by the applicant to subscribe for and purchase Shares for which the applicant's Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the said shares;
 - (d) the applicant irrevocably authorises Bursa Depository to complete and sign on his behalf as transferee or renounee any instrument of transfer and / or other documents required for the issue or transfer of the Shares allotted or allocated to the applicant; and

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (m) our Company agrees that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and / or the Electronic Share Application and / or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that our Company irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (n) The Board reserves the right to require any successful applicant to appear in person at the registered office of MIH within 14 days of the date of the notice issued to him to ascertain the regularity or propriety of the Application. The Board 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 the successful applicant for the purpose of complying with this provision.
- (o) MIH, on the authority of the Board reserves the right to reject applications which do not conform to these instructions.
- (p) Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:-
 - AFFIN BANK BERHAD; OR
 - AMBANK (M) BERHAD; OR
 - BANK MUAMALAT MALAYSIA BERHAD; OR
 - CIMB BANK BERHAD; OR
 - EON BANK BERHAD; OR
 - HSBC BANK MALAYSIA BERHAD; OR
 - MALAYAN BANKING BERHAD; OR
 - OCBC BANK (MALAYSIA) BERHAD; OR
 - PUBLIC BANK BERHAD; OR
 - RHB BANK BERHAD; OR
 - STANDARD CHARTERED BANK MALAYSIA BERHAD (at selected branches only)
- (q) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

17.7 APPLICATIONS USING INTERNET SHARE APPLICATION

(I) Steps for Internet Share Application

The exact steps for Internet Share Application in respect of the IPO Shares are as set out on the Internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, the steps for an application for the IPO Shares via Internet Share Application may be as set out below. The steps set out the actions that the applicant must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

YOU MUST HAVE A CDS ACCOUNT BEFORE YOU CAN MAKE ANY APPLICATION FOR THE IPO SHARES. 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.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (a) Connect to the Internet financial services website of the Internet Participating Financial Institution with which the applicant has an account.
- (b) Login to the Internet financial services facility by entering the applicant's user identification and PIN / password.
- (c) Navigate to the section of the website on applications in respect of initial public offerings.
- (d) Select the counter in respect of the IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (f) At the next screen, complete the online application form.
- (g) Check that the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of IPO 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.
- (h) By confirming such information, the applicant also undertakes that the following information given are true and correct:-
 - (i) The applicant has attained 18 years of age as at the Closing Date of the application for the IPO Shares;
 - (ii) The applicant is a Malaysian citizen residing in Malaysia;
 - (iii) The applicant has, prior to making the Internet Share Application, received and / or has had access to a printed / electronic copy of this Prospectus, the contents of which the applicant has read and understood;
 - (iv) The applicant agrees to all the terms and conditions of the Internet Share Application as set out in this Prospectus and has carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO shares;
 - (v) The Internet Share Application is the only application that the applicant is submitting for the IPO Shares;
 - (vi) The applicant authorises the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from the applicant's account with the Authorised Financial Institution;

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (vii) The applicant gives 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 Securities Industry (Central Depositories) Act, 1991) to 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 the applicant, the Internet Share Application made by the applicant or the applicant's account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
- (viii) The applicant is not applying for the IPO Shares as a nominee of any other person and the application is made in the applicant's own name, as beneficial owner and subject to the risks referred to in this Prospectus;
- (ix) The applicant authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with the IPO, all information relating to the applicant 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 Applications 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 relating to the applicant furnished by the applicant to the Internet Participating Financial Institution in connection with the use of the Internet Share Applications services;
- (i) Upon submission of the online application form, the applicant will be linked to the website of the Authorised Financial Institution to effect the online payment of the application money for the IPO.
- (j) 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 of the application money is being made.
- (k) Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (l) The applicant is advised to print out the Confirmation Screen for reference and retention.

(II) TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION

Applications for the IPO Shares may be made through the Internet financial services website of the Internet Participating Financial Institutions.

APPLICANTS ARE ADVISED NOT TO APPLY FOR THE IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Internet Participating Financial Institution

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:-

- CIMB Investment Bank Berhad at www.eipocimb.com; or
- CIMB Bank Berhad at www.cimbclicks.com.my; or
- Malayan Banking Berhad at www.maybank2u.com.my; or
- Affin Bank Berhad at www.affinOnline.com; or
- RHB Bank Berhad at www.rhbbank.com.my; or
- Public Bank Berhad at www.pbebank.com

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN AND THE STEPS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR INTERNET SHARE APPLICATIONS IN RESPECT OF THE IPO SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions set out herein:-

- (i) An applicant making an Internet Share Application shall:-
 - (a) be an individual with a CDS Account;
 - (b) have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. Applicant must have ready their user identification (User ID) and Personal Identification Numbers (PIN) / password for the relevant Internet financial services facilities; and
 - (c) be a Malaysian citizen and have a mailing address in Malaysia.

Applicants are advised to note that a User ID and PIN / password issued by one of the Internet Participating Financial Institutions cannot be used to apply for the IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An Internet Share Application shall be made on and shall be subject to the terms of this prospectus and our Company's Memorandum and Articles of Association.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) The applicant is required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given are true and correct:-
- (a) The applicant has attained 18 years of age as at the date of the application for the IPO Shares;
 - (b) The applicant is a Malaysian citizen residing in Malaysia;
 - (c) The applicant has, prior to making the Internet Share Application, received and / or has had access to a printed / electronic copy of this Prospectus, the contents of which the applicant has read and understood;
 - (d) The applicant agrees to all the terms and conditions of the Internet Share Application as set out in this Prospectus and has carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO;
 - (e) The Internet Share Application is the only application that the applicant is submitting for the IPO Shares;
 - (f) The applicant authorises the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - (g) The applicant gives 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 Securities Industry (Central Depositories) Act, 1991) to 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 the applicant, the Internet Share application made by the applicant or the applicant's account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
 - (h) The applicant is not applying for the IPO Shares as a nominee of any other person and the application is made in the applicant's own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (i) The applicant authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with the IPO, all information relating to the applicant 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 relating to the applicant furnished by the applicant to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (iv) The application will not be successfully completed and cannot be recorded as a completed application unless the applicant has 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.
- For the purposes of this Prospectus, "Confirmation Screen" shall mean 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 the applicant's Internet Share Application, including the number of IPO Shares applied for which can be printed out by the applicant for his records.
- Upon the display of the Confirmation Screen, the applicant shall be deemed to have confirmed the truth of the statements set out in Section 17.7(II)(iii) herein.
- (v) The applicant must have sufficient funds in the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.
- (vi) The applicant irrevocably agrees and undertakes to subscribe for and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted to the applicant in respect of the Internet Share Application. In the event that our Company decides to allot any lesser number of such IPO Shares or not to allot any IPO Shares to the applicant, the applicant agrees to accept any such decision of our Company as final.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, the confirmation by the applicant of the number of IPO Shares applied for (by way of the applicant's action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:-

- (a) acceptance by the applicant of the number of IPO Shares that may be allotted or allocated to the applicant in the event that the applicant's Internet Share Application is successful or successful in part, as the case may be; and
 - (b) The applicant's agreement to be bound by the Memorandum and Articles of Association of our Company.
- (vii) The applicant is fully aware that multiple or suspected multiple Internet Share Applications for the IPO Shares of our Company will be rejected. Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
- (viii) Where an Internet Share Application is unsuccessful or successful in part only, the Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Internet Share Application. Where an Internet Share Application is unsuccessful, the Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution within 2 Market Days after receipt of written confirmation from MIH.

MIH shall inform the Internet Participating Financial Institution of unsuccessful or partially successful applications within 2 Market Days from the balloting date.

Where the Internet Share Application is accepted in part only, the relevant Internet Participating Financial Institution will credit the balance of the application monies in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into the applicant's account with the Internet Participating Financial Institution within 2 Market Days after receipt of written confirmation from MIH. A number of applications will however be held in reserve to replace any successfully balloted applications that are subsequently rejected. In respect of such applications that are subsequently rejected, the application monies (without interest or any share of revenue or other benefit arising therefrom) will be refunded to applicants by MIH by way of cheques issued by MIH. The cheques will be issued to the applicants within 10 Market Days from the day of the final ballot of the Applications list.

For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institution will arrange for a refund of the application money (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) within 10 Market Days from the day of the final ballot of the Applications list.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Except where MIH is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institution to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, applicants are strongly advised to consult the Internet Participating Financial Institution through which the application was made in respect of the mode or procedure of enquiring on the status of an applicant's Internet Share Application in order to determine the status or exact number of IPO Shares allotted, if any, before trading the IPO Shares on Bursa Securities.

- (ix) Internet Share Applications will be closed at 5.00 p.m. on 6 January 2011 or for such further period or periods as the Directors, Promoters and / or Offeror of our Company together with the Sole Underwriter in their absolute discretion may mutually decide. An Internet Share Application is deemed to be received only upon its completion, that is when the Confirmation Screen is displayed on the Internet financial services website. Applicants are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.
- (x) The applicant irrevocably agrees and acknowledges that the Internet Share Application is subject to risk 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 the control of the Internet Participating Financial Institution, the Authorised Financial Institution and our Company. If, in any such event, our Company, MIH and / or the Internet Participating Financial Institution and / or the Authorised Financial Institution do not receive the applicant's Internet Share Application and / or the payment therefor, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, the applicant shall be deemed not to have made an Internet Share Application and the applicant shall have no claim whatsoever against our Company, MIH or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to the IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.
- (xi) All particulars of the applicant in the records of the relevant Internet Participating Financial Institution at the time of the Internet Share Application shall be deemed to be true and correct, and our Company, the Internet Participating Financial Institutions, MIH and all other persons who, are entitled or allowed under the law to such information or where the applicant expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

The applicant shall ensure that the personal particulars of the applicant as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical, otherwise the applicant's Internet Share Application is liable to be rejected. The notification letter on successful allotment will be sent to the applicant's address last registered with Bursa Depository. It is the responsibility of the applicant to notify the Internet Participating Financial Institution and Bursa Depository of any changes in the applicant's personal particulars that may occur from time to time.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xii) By making and completing an Internet Share Application, the applicant is deemed to have agreed that:-
- (a) In consideration of our Company making available the Internet Share Application facility to the applicant, through the Internet Participating Financial Institution acting as agents of our Company, the Internet Share Application is irrevocable;
 - (b) The applicant has irrevocably requested and authorised our Company to register the IPO Shares allotted to the applicant for deposit into the applicant's CDS Account;
 - (c) Neither our Company nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in Section 3 herein or to any cause beyond their control;
 - (d) The applicant 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 applicant's Internet Share Application by MIH, our Company and / or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and / or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution;
 - (e) The acceptance of the offer made by the applicant to subscribe for the IPO Shares for which the applicant's Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by or on behalf of our Company and not otherwise, notwithstanding the receipt of any payment by or on behalf of our Company;
 - (f) The applicant is not entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of the applicant's Internet Share Application by our Company;
 - (g) In making the Internet Share Application, the applicant has relied solely on the information contained in this Prospectus. Our Company, the Sole Underwriter, the Adviser 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 on by the applicant in making the Internet Share Application;
 - (h) The acceptance of an applicant's Internet Share Application by our Company and the contract resulting therefrom under the IPO shall be governed by and construed in accordance with the laws of Malaysia, and the applicant irrevocably submits to the jurisdiction of the courts of Malaysia.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xiii) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:-
- (a) CIMB Investment Bank Berhad - RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;
 - (b) CIMB Bank Berhad - RM2.00 for applicants with CDS accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS accounts with other ADAs;
 - (c) Malayan Banking Berhad - RM1.00;
 - (d) No fee will be charged by Affin Bank Berhad for applications by their account holders;
 - (e) RHB Bank Berhad – RM2.50; and
 - (f) Public Bank Berhad – RM2.00

17.8 APPLICATION AND ACCEPTANCE

MIH, on the authority of the Board reserves the right not to accept any Application which does not strictly comply with the instructions or to accept any Application in part only without assigning any reason therefor.

The submission of an Application Form does not necessarily mean that the Application will be successful.

ALL APPLICATIONS MUST BE FOR 100 ORDINARY SHARES OR MULTIPLES THEREOF.

In the event of an over-subscription, acceptance of Applications by Malaysian public shall be subject to ballot to be conducted in the manner approved by the Directors of our Company and on a fair and equitable basis. Due consideration will be given to the desirability of distributing the Shares, to a reasonable number of applicants with a view to broadening the shareholding base and establishing an adequate market in the shares of our Company. Pursuant to the listing requirements of Bursa Securities, at least 25% of the enlarged issued and paid-up share capital of our Company must be held by a minimum number of 1000 public shareholders holding not less than 100 shares each upon completion of the IPO and at the point of Listing. In the event that the above requirement is not met pursuant to the IPO, 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 without interest if the said permission for listing and quotation is not granted. Applicants will be selected in a manner to be determined by the Directors of our Company.

In the event of an under-subscription by the eligible Directors, employees and business associates of our Group, such shares will be made available for Application by the Malaysian public.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the Shares.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED BY ORDINARY POST OR REGISTERED POST RESPECTIVELY TO THE APPLICANT WITHIN 10 MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS AT THE ADDRESS REGISTERED WITH THE BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES HAVING BEEN PRESENTED FOR PAYMENT.

MIH RESERVES THE RIGHT TO BANK IN ALL APPLICATION MONIES FROM UNSUCCESSFUL BUMIPUTERA APPLICANTS AND FROM PARTIALLY SUCCESSFUL APPLICANTS. REFUND MONIES IN RESPECT OF UNSUCCESSFUL BUMIPUTERA APPLICANTS WHOSE MONIES HAVE BEEN BANKED-IN AND PARTIALLY SUCCESSFUL APPLICANTS WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN 10 MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION BY REGISTERED POST AT THE ADDRESS REGISTERED WITH THE BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK.

17.9 CDS ACCOUNTS

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the securities of our Company as Prescribed Securities. In consequence thereof, the Shares issued through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with aforesaid Act and Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

Only an applicant who has a CDS account can make an Application by way of an Application Form. An applicant should state his CDS account number in the space provided on the Application Form and he / she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to MIH / our Company. Where an applicant does not presently have a CDS account, he / she should open a CDS account at an ADA prior to making an Application for the Shares.

In the case of an Application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application. The applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application require him to do so.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS Account can make an Internet Share Application. In certain cases, only an applicant who has a CDS account opened with the Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, the applicant's CDS account number would automatically appear in the e-IPO online application form.

Failure to comply with these specific instructions or inaccuracy in the CDS account number, arising from use of invalid, third party or nominee accounts, may result in the Application being rejected. If a successful applicant fails to state his/her CDS account number, MIH on the authority of our Company will reject the Application. MIH on the authority of the Directors of our Company also reserves the right to reject any incomplete and inaccurate Application. Applications may also be rejected if the applicants' particulars provided in the Application Forms, or in the case of Electronic Share Application or Internet Share Application, if the records of the Participating Financial Institutions at the time of making the Electronic Share Application or Internet Share Application differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

17.10 NOTICE OF ALLOTMENT

The Shares allotted to all successful or partially successful applicants will be credited to their respective CDS accounts. A notice of allotment will be despatched to the successful or partially successful applicant at his address last maintained with Bursa Depository at the applicant's own risk prior to the Listing of our Company. For Electronic Share Application or Internet Share Application, the notice of allotment will be despatched to the successful or partially successful applicant at his address last maintained with Bursa Depository at the applicant's own risk prior to the Listing of our Company. This is the only acknowledgement of acceptance of the Application.

All applicants must inform Bursa Depository of his / her updated address promptly by adhering to certain rules and regulation of Bursa Depository, failing which, the notification letter on successful allotment shall be sent to the applicant's address last maintained with Bursa Depository.

Applicants may also check the status of their application by logging on to the MIH website at www.mih.com.my or by calling their respective ADAs at the telephone number as stated in Section 17.11 by calling MIH at (603) 7841 8000 or (603) 7841 8289, between 5 to 10 Market Days (during office hours only) after the balloting date.

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17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**17.11 LIST OF AUTHORISED DEPOSITORY AGENTS**

The list of the ADAs and their respective Broker codes are as follows:-

Name	Address and Telephone Number	Broker Code
<u>KUALA LUMPUR</u>		
A.A. ANTHONY SECURITIES SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No: 03-6201 1155	078-004
AFFIN INVESTMENT BANK BERHAD	Ground Mezzanine & 3rd Floor Chulan Tower No. 3 Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2143 8668	028-001
ALLIANCE INVESTMENT BANK BERHAD	17th Floor, Menara Multi Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-26976333	076-001
AmINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group No. 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2078 2788	086-001
BIMB SECURITIES SDN BHD	32nd Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2691 8887	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2084 9999	065-001
ECM LIBRA INVESTMENT BANK BERHAD	1st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2178 1133	052-009
ECM LIBRA INVESTMENT BANK BERHAD	8, Bangunan ECM Libra Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No.:03-2089 1888	052-001
HONG LEONG INVESTMENT BANK BERHAD	Level 8, Menara HLA No.3, Jalan Kia Peng 50450 Kuala Lumpur Tel No.: 03-2168 1168	066-001

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No.: 03-7710 6688	068-009
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 Tel No.: 03-9130 3399	068-012
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd, 23rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No.: 03-2711 6888	068-014
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square, No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No.: 03-2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No.: 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entreprenuer Park 58200 Kuala Lumpur Tel No.: 03-7981 8811	054-005
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia No. 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2034 1888	055-001
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2164 9080	073-001

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th - 14th Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel. No: 03-2168 8800	053-001
M & A SECURITIES SDN BHD	Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkar Syed Putra 59200 Kuala Lumpur Tel No.: 03-2282 1820	057-002
MAYBANK INVESTMENT BANK BERHAD	5-13 Floor, MaybanLife Tower Dalaran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No.: 03-2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No.2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel No.: 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82 Jalan Raja Chulan 50400 Kuala Lumpur Tel No.: 03-2173 8888	026-001
MIMB INVESTMENT BANK BERHAD	Level 18, Menara EON Bank 288 Jalan Raja Laut 50350 Kuala Lumpur Tel No.: 03-2691 0200	061-001
OSK INVESTMENT BANK BERHAD	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2333 8333	056-001
OSK INVESTMENT BANK BERHAD	No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No.: 03-6257 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 Tel No. 03-4280 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 Tel No. 03-9058 7222	056-058

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
PM SECURITIES SDN BHD	Ground, Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No.: 03-2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No.6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No.: 03-2031 3011	051-001
RHB INVESTMENT BANK BERHAD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-9287 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 Tel No.: 03-2072 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 Tel No.: 03-3343 9999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2 nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 8016	028-003
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7710 6613	086-003
CIMB INVESTMENT BANK BERHAD	Ground Floor Tropicana City Office Tower 3 Jalan SS 20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03 7717 3319	065-009
HONG LEONG INVESTMENT BANK BERHAD	Level 10 1 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7724 6888	066-002

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
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 Tel No.: 03-5513 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 Tel No.: 03-5635 6688	068-010
INTER-PACIFIC SECURITIES SDN BHD	No. 77 & 79, Jalan 2/3A Pusat Bandar Utara KM12, Jalan Ipoh Selayang 68100 Batu Caves Selangor Darul Ehsan Tel No.: 03-6137 1888	054-006
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 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 Tel No.: 03-7620 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 Tel No.: 03-7956 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 Tel No.: 03-8024 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 Tel No.: 03-3005 7550	073-007

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mulia Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7725 9095	073-016
OSK INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7873 6366	056-011
OSK INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 3378	056-045
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No.: 03-6092 8916	056-047
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Pemiagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9180	056-048
OSK INVESTMENT BANK BERHAD	3rd Floor, 1A-D Jalan USJ 10/1A Pusat Pemiagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8023 6518	056-063
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3341 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 Tel No.: 03-5192 0202	096-001

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
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 Tel No.: 03-8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	Damansara Utama Branch 2 nd Floor, Wisma TA 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 5713	058-007
MELAKA		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No.: 06-289 8800	065-006
ECM LIBRA INVESTMENT BANK BERHAD	71A & 73A, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-288 1720	052-008
ECM LIBRA INVESTMENT BANK BERHAD	22A & 22A - 1 and 26 & 26 - 1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No.: 06-337 2550	052-016
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No.: 06-337 1533	012-001
MERCURY SECURITIES SDN BHD	No. 81B & 83B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-292 1898	093-003
OSK INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No.: 06-282 5211	056-003
PM SECURITIES SDN BHD	No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Tel No.: 06-286 6008	064-006
RHB INVESTMENT BANK BERHAD	Lot 7-13 & 15, 1st Floor Tabung Haji Building Jalan Bandar Kaba 75000 Melaka Tel No.: 06-283 3622	087-002

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
PERAK DARUL RIDZUAN		
A.A. ANTHONY SECURITIES SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-623 2328	078-009
CIMB INVESTMENT BANK BERHAD	Ground, No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-208 2688	065-010
ECM LIBRA INVESTMENT BANK BERHAD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-242 2828	052-002
ECM LIBRA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-622 2828	052-006
HWANGDBS INVESTMENT BANK BERHAD	Ground, Level 1, 2 & 3 No. 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No.: 05-806 6688	068-003
HWANGDBS INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-255 9988	068-015
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-253 0888	066-003
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No.: 05-241 9800	057-001
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 Tel No.: 05-245 3400	098-002
OSK INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-241 5100	056-002

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-623 6498	056-014
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor, No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-692 1228	056-016
OSK INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No.: 05-808 8229	056-034
OSK INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No.: 05-4651261	056-044
OSK INVESTMENT BANK BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No.: 05-717 0888	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 Tel No.: 05-253 1313	058-001
PULAU PINANG		
A.A. ANTHONY SECURITIES SDN BHD	1 st , 2nd & 3rd Floor Bangunan Heng Guan 171, Jalan Burmah 10050 Pulau Pinang Tel No.: 04-229 9318	078-002
A.A. ANTHONY SECURITIES SDN BHD	Ground & 1st Floor No. 2, Jalan Pemiagaan 2 Pusat Pemiagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-554 1388	078-003
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1 & 2.4, Level 2 Wisma Great Eastern No. 25, Lebu Light 10200 Penang Tel No.: 04-261 1688	076-015

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-226 1818	086-004
CIMB INVESTMENT BANK BERHAD	Ground Floor, Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-2385900	065-003
ECM LIBRA INVESTMENT BANK BERHAD	No. 111, Jalan Macalister 10400 Pulau Pinang Tel No.: 04-228 1868	052-003
ECM LIBRA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-228 3355	052-010
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang No. 60, Green Hall 10200 Pulau Pinang Tel No.: 04-263 6996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No.2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-537 2882	068-006
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Tel No.: 04-269 0888	054-002
KENANGA INVESTMENT BANK BERHAD	Lot 1.02, Level 1, Menara KWSP No. 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-210 6666	073-013
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Tel No.: 04-332 2123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuhr Pantai 10300 Pulau Pinang Tel No.: 04-263 9118	093-004
OSK INVESTMENT BANK BERHAD	64, Bishop Street 20E, 20F & 20G, Penang Street 10200 Pulau Pinang Tel No.: 04-263 4222	056-004

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Tel No.: 04-390 0022	056-005
OSK INVESTMENT BANK BERHAD	Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-540 2888	056-015
OSK INVESTMENT BANK BERHAD	834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No.: 04-583 1888	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 Tel No.: 04-640 4888	056-042
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-227 3000	064-004
PERLIS INDRA KAYANGAN		
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Tel No.: 04-976 5200	076-003
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No.: 04-979 3888	056-061
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 Tel No.: 04-732 2111	078-007
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-425 6666	068-011

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No.: 04-731 7086	076-004
OSK INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-420 4888	056-017
OSK INVESTMENT BANK BERHAD	No. 35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim, Kedah Darul Aman Tel No.: 04-496 4888	056-019
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-720 9888	056-021
NEGERI SEMBILAN DARUL KHUSUS		
ECM LIBRA INVESTMENT BANK BERHAD	1C-1 & 1D-1, 1st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-765 5998	052-013
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-761 2288	068-007
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-455 3188	068-013
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-764 1641	056-024
OSK INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No.: 06-442 1000	056-037
OSK INVESTMENT BANK BERHAD	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Pemiagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-455 3011	056-040

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
OSK INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No.: 06-646 1234	056-046
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-762 3131	064-002
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 Tel No.: 07-333 2000	078-001
A. A. ANTHONY SECURITIES SDN BHD	42-8, Main Road, Kulai Besar 81000 Kulai Johor Darul Takzim Tel No.: 07-663 7398	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 Tel No.: 07-351 3218	078-006
A.A. ANTHONY SECURITIES SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No.: 07-512 1633	078-008
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No.: 07-771 7922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-434 2282	086-002
AMINVESTMENT BANK BERHAD	18th & 31st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-334 3855	086-006

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
ECM LIBRA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-953 2222	052-004
ECM LIBRA INVESTMENT BANK BERHAD	Ground Floor, No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No.: 07-467 8885	052-005
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-223 1211	054-004
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 2692	068-004
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-333 3600	073-004
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No.: 07-557 7628	056-029
KENANGA INVESTMENT BANK BERHAD	No. 31 Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No.: 06-954 2711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No.: 07-933 3515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No.: 07-777 1161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No.: 06-978 2292	073-011

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-331 6992	093-005
MIMB INVESTMENT BANK BERHAD	Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 7388	061-002
OSK INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua No. 8, Jalan Keris Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No.: 07-278 8821	056-006
OSK INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-438 0288	056-009
OSK INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-9538 8262	056-025
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No.: 07-932 1543	056-030
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 17 Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No.: 07-776 9655	056-031
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No.: 07-662 6288	056-035
OSK INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No.: 06-978 7180	056-038
OSK INVESTMENT BANK BERHAD	1st Floor, No. 2 & 4 Jalan Makmur, Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No.: 07-925 6881	056-039

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 1 & 1-01, Jalan Rosmerah 2/11 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-352 2293	056-043
PM SECURITIES SDN BHD	No. 41, Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-351 3232	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 Tel No.: 07-433 3608	064-008
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No.: 09-566 0800	076-002
CIMB INVESTMENT BANK BERHAD	Ground 1 st & 2 nd No. A-27 (Aras G, 1 & 2) Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No.: 09-505 7800	065-007
ECM LIBRA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2, Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No.: 09-517 1698	052-007
OSK INVESTMENT BANK BERHAD	B2 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No.: 09-517 3811	056-007
OSK INVESTMENT BANK BERHAD	Ground Floor, 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No.: 09-223 4943	056-022
OSK INVESTMENT BANK BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No.: 05-491 4913	056-041

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
KELANTAN DARUL NAIM		
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No.: 09-743 0077	056-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No.: 09-743 2288	058-004
TERENGGANU DARUL IMAN		
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-623 8128	021-001
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jemeh 20300 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-631 7922	076-009
OSK INVESTMENT BANK BERHAD	Ground & 1st Floor, 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No.: 09-858 3109	056-027
OSK INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-626 1816	056-055
SARAWAK		
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No.: 082-244 791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No.: 082-358 606	065-004

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
CIMB INVESTMENT BANK BERHAD	No.6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No.: 084-367 700	065-008
HWANGDBS INVESTMENT BANK BERHAD	Lot 328, Jalan Abell 93100 Kuching Sarawak Tel No.: 082-236 999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-330 008	068-016
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No.: 085-435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No.: 082-338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No.: 084-313 855	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 Tel No.: 082-422 252	056-008
OSK INVESTMENT BANK BERHAD	Lot 1268, 1st & 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98008 Miri Sarawak Tel No.: 085-422788	056-012
OSK INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No.: 084-329 100	056-013
OSK INVESTMENT BANK BERHAD	Ground Floor & 1st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No.: 084-654 100	056-050

17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
OSK INVESTMENT BANK BERHAD	Ground Floor No. 177, Taman Sri Dagang 97000 Bintulu Sarawak Tel No.: 086-311 770	056-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I, Jalan Kampung Datu 96000 Sibu Sarawak Tel No.: 084-319 998	056-002
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No.: 082-236 333	058-006
SABAH		
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No.: 088-328 878	065-005
ECM LIBRA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-236188	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 Tel No.: 088-311 688	068-008
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No.: 088-234 090	020-001
OSK INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Tel No.: 088-269 788	056-010
OSK INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No.: 089-229 286	056-057