Benalec Holdings Berhad
(Company No. 702653-V)

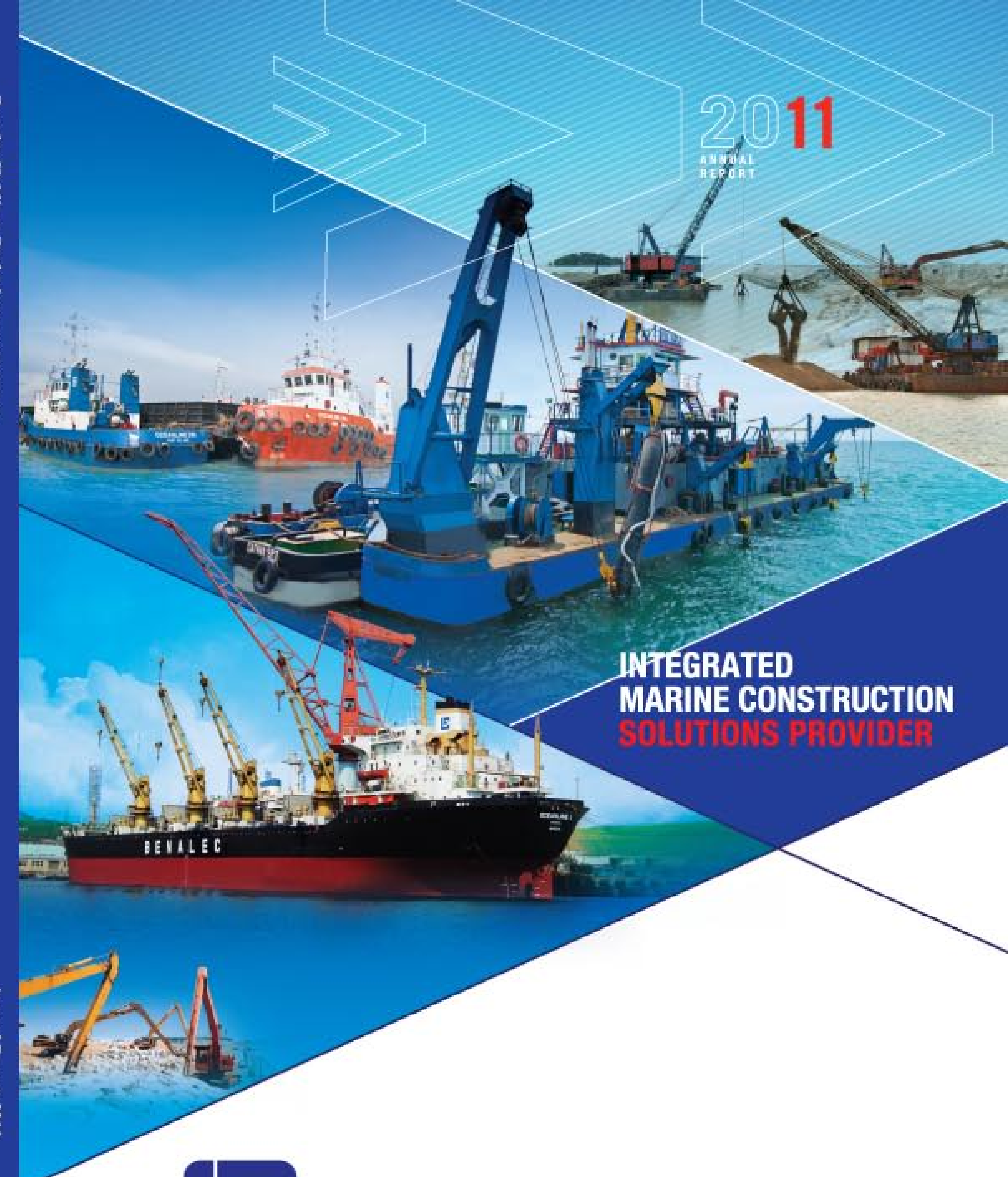
38 Jalan Pengacara U1/48, Seksyen U1,
Temasya Industrial Park, Glenmarie,
40150 Shah Alam,
Selangor, Malaysia.

Tel: +603-5569 7366 / 5569 8366 / 5569 9366
Fax: +603-5569 0366
Email: enquiry@benalec.com.my
Website: www.benalec.com.my

Benalec Holdings Berhad (Company No. 702653-V)

Annual Report 2011

2011 ANNUAL REPORT



INTEGRATED MARINE CONSTRUCTION SOLUTIONS PROVIDER

BENALEC HOLDINGS BERHAD
(Company No. 702653-V)

CORPORATE PROFILE

BENALEC HOLDINGS BERHAD was incorporated on 12 July 2005 as a private limited company under the name of Benalec Holdings Sdn Bhd. Subsequently, we were converted to a public limited company and assumed our present name on 29 September 2010.

BENALEC Sdn Bhd was incorporated in 1978 as a contracting company specialized in undertaking civil engineering projects.

BENALEC GROUP was form to realize an objective to become an integrated, one-stop centre for marine construction services.

With the combined knowledge and experience in marine and civil engineering works, coupled with its own wide range of marine equipment and marine vessels now at its disposal, Benalec Group has extended its capacity and capability to deliver top-grade quality work to its customers.

Benalec has in a short span of time emerged as one of Malaysia's own top-notch homegrown integrated marine engineering and transportation specialists. It is a class "A" Civil and Marine Engineering Contractor registered with Pusat Khidmat Kontraktor (PKK) and a Grade G7 with the Construction Industry Development Board Malaysia (CIDB).

Managed by professionally qualified and skilled engineers with more than 25 years of hands-on experience and expertise, Benalec has proven itself capable of undertaking high-end projects in the local as well as regional arena.

In the case of the restoration of the damaged bund at Sungai Belukang, Bagan Datoh, Perak, which was described as one of the most difficult coastal protection work in Malaysia - the project was completed ahead of schedule under extreme circumstances. Benalec received high commendation and wide Press publicity for the accomplishment.

Benalec has expanded to Singapore with the setting up of Benalec Sdn Bhd Singapore Branch, which also has achieved ISO 9001:2008 and OHSAS 18001:2007 accreditation.

Mission

Provision of an integrated, one-stop centre for marine construction services.
Deliver top-grade quality services to our customers.

Vision

A high degree of professional expertise, coupled with dedicated and very experienced management, will enhance our commitment to participate actively as one of the leading home grown Marine Construction Specialist in the socio-economic development of Malaysia.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Aznam bin Mansor
Chairman

Leaw Seng Hai
Group Managing Director

Leaw Ah Chye
Executive Director

Datuk Leaw Tua Choon
Executive Director

Koo Hoong Kwan
Independent Non-Executive Director

Wong Yoke Nyen
Independent Non-Executive Director

AUDIT COMMITTEE

Koo Hoong Kwan
Chairman of Committee

Aznam bin Mansor
Member of Committee

Wong Yoke Nyen
Member of Committee

REMUNERATION COMMITTEE

Koo Hoong Kwan
Chairman of Committee

Aznam bin Mansor
Member of Committee

Wong Yoke Nyen
Member of Committee

OPTION COMMITTEE

Koo Hoong Kwan
Chairman of Committee

Aznam bin Mansor
Member of Committee

Wong Yoke Nyen
Member of Committee

NOMINATION COMMITTEE

Koo Hoong Kwan
Chairman of Committee

Aznam bin Mansor
Member of Committee

Wong Yoke Nyen
Member of Committee

COMPANY SECRETARIES

Chung Phaik Khe
(MAICSA No. 7048081)

Wong Wai Foong
(MAICSA No. 7001358)

Tham Wai Ying
(MAICSA No. 7016123)

CORPORATE INFORMATION (continued)

REGISTERED OFFICE

Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel No: 03-2264 8888
Fax No: 03-2282 2733

AUDITORS

BDO (AF0206)
Chartered Accountants
12th Floor, Menara Uni. Asia
No. 1008, Jalan Sultan Ismail
50250 Kuala Lumpur

Tel No: 03-2616 2888
Fax No: 03-2616 3190

PRINCIPAL BANKERS

AmBank (M) Berhad
Malayan Banking Berhad
United Overseas Bank Limited
United Overseas Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel No: 03-2264 3883
Fax No: 03-2282 1886

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Code: 5190

COMPANY WEBSITE

www.benalec.com.my

CORPORATE STRUCTURE

BENALEC HOLDINGS BERHAD (702653-V)

- 100 % **BENALEC SHIPYARD SDN BHD** (49956-P)
- 100 % **BENALEC SDN BHD** (39054-A)
  - 100 % **OG MARINE SDN BHD** (597686-X)
  - 100 % **BENALEC LAND SDN BHD** (674683-H)
  - 100 % **BENALEC MARITIME SDN BHD** (786489-A)
  - 100 % **PACIFIC MARINE LTD** (LL07032)
  - 100 % **OCEANLINE (LABUAN) LTD** (LL06799)
  - 100 % **PACIFIC LTD** (LL07033)
  - 100 % **OCEAN MARINE LTD** (LL07031)
  - 100 % **ARUS KREATIF SDN BHD** (478285-A)
  - 100 % **CRYSTAL LAND PROPERTY SDN BHD** (853792-T)
  - 100 % **HERITAGE LAND DEVELOPMENT SDN BHD** (860345-V)
  - 100 % **HERITAGE LAND REALTY SDN BHD** (860352-M)
  - 100 % **KLEBANG PROPERTY SDN BHD** (853837-M)
  - 100 % **OCEANFRONT PROPERTY SDN BHD** (898446-U)
  - 100 % **OCEANVIEW PROJECT SDN BHD** (898848-K)
  - 100 % **OCEANVIEW REALTY SDN BHD** (898879-K)
  - 100 % **ORIENTALCOVE REALTY SDN BHD** (737382-W)
  - 100 % **STRATEGIC COVE SDN BHD** (898838-A)
  - 100 % **STRATEGIC LAND SDN BHD** (898845-T)
  - 100 % **SENTOSACOVE DEVELOPMENT SDN BHD** (825663-A)
  - 100 % **ORIENTALCOVE PROPERTY SDN BHD** (737375-M)
  - 100 % **HERITAGE LAND SDN BHD** (858409-T)
  - 100 % **HERITAGE PROPERTY SDN BHD** (853839-T)
  - 100 % **WILAJATI SDN BHD** (824893-W)
  - 100 % **PACIFIC SHIPPING LTD** (LL08038)
  - 100 % **PACIFIC LINK LTD** (LL08037)
  - 100 % **JAYAMAS CEKAP SDN BHD** (929141-T)
  - 100 % **INDERA TENGGARA SDN BHD** (901463-A)
  - 100 % **INTEGRASI MEKAR SDN BHD** (927377-U)
  - 100 % **TANJUNG PIAI MARITIME INDUSTRIES SDN BHD** (943274-D)
  - 100 % **PENGERANG MARITIME INDUSTRIES SDN BHD** (944630-X)
  - 100 % **JEWEL EAST SDN BHD** (946897-U)
    - 100 % **ICONIC ISLAND SDN BHD** (948991-V)
    - 100 % **ONE WORLD ISLAND SDN BHD** (946901-K)
    - 100 % **CHENG HO CITY SDN BHD** (946282-W)
    - 100 % **ZHENG ISLAND SDN BHD** (946281-X)
- 100 % **OCEANLINER PTE LTD** (200910031W)

PROFILES OF DIRECTORS

AZNAM BIN MANSOR

Malaysian/Chairman/Independent Non-Executive Director

En Aznam Bin Mansor, age 53, was appointed as an Independent Non-Executive Chairman of Benalec Holdings Berhad ("Benalec or Company") on 5 October 2010. He is also a member of the Audit Committee, Nomination Committee, Remuneration Committee and Option Committee of the Company. He graduated with a Bachelor of Arts (Hons) in Law from the North East London Polytechnic, London, UK in 1983 and was then admitted into the Honourable Society of Lincoln's Inn as a Barrister-at-Law.

He started his career as an officer in Malayan Banking Berhad. He then joined Skrine & Co., a legal firm in Kuala Lumpur for 8 years before becoming a Partner of his present legal practice Lee Hishammuddin Allen & Gledhill.

His directorships in other public companies include Knusford Berhad, Mikro MSC Berhad, Focus Lumber Berhad, and Sentoria Group Berhad. He attended all five board meetings held during the financial year ended 30 June 2011. He has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He does not hold any securities in the Company. He has not been convicted of any offences within the past ten years.

LEAW SENG HAI

Malaysian/Group Managing Director

Mr Leaw Seng Hai, age 49, was appointed as Director of the Company on 12 July 2005 and was re-designated as Group Managing Director on 5 October 2010. He obtained a Bachelor of Science (Engineering) with Second Class Honours (Upper Division) from University College of London, UK in 1985. Upon graduation, he joined the family's civil engineering business as a Site Engineer to oversee the overall site management. He was promoted to the position of Project Manager in 1992 and assumed the position of Managing Director in 1994. He has accumulated extensive marine construction and business management knowledge over these past twenty five (25) years. Currently, he leads the Group in conceptualizing, formalizing and implementing the strategies planning and management with a focus on corporate development, apart from being actively involved in the overall co-ordination, execution and management of all projects undertaken by the Group. He has been the driving force behind the Group's growth and expansion. He maintains a close involvement in the overall contract implementation, execution and management ensuring the reliable, cost-effective and efficient standards of the Group are applied. His in depth knowledge of the marine construction works has contributed to the Group securing major contracts for marine construction works.

He attended all four board meetings held during the financial year ended 30 June 2011. He is not a director of any other public company. He is the brother of Datuk Leaw Tua Choon and Mr Leaw Ah Chye, both Executive Directors of the Company.

Mr Leaw Seng Hai is a Director of Oceancove Sdn Bhd, a major shareholder of the Company. He holds securities in the Company and is an indirect major shareholder of the Company. He has no conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature which are necessary for the day-to-day operations of the Group. He has not been convicted of any offences within the past ten years.

DATUK LEAW TUA CHOON

Malaysian/Executive Director

Datuk Leaw Tua Choon, age 52, was appointed as the Executive Director of the Company on 5 October 2010. He obtained a degree in Bachelor of Science having followed an approved program in Civil Engineering from the North East London Polytechnic, UK in 1985. Upon graduation, he joined the family's civil engineering business and has since accumulated more than twenty five (25) years experience in civil and marine construction works. He has extensive experience in managing the Group's wide spectrum of marine construction works, which includes dredging, reclamation, rock revetment works, marine structures and jetties, breakwaters, shore protection, beach nourishment, pre-bore and marine piling works. Spearheading the project team, his hands-on approach to project management underlines the Group's commitment to the timely delivery and completion of projects within budgeted costs. He is primarily responsible for all aspects of our Group's projects from planning stage to final completion. He is presently actively overseeing our extensive reclamation works at Melaka. He oversees, manages, co-ordinates and monitors the performance of on-site staff, deployment of workforce to the project site and utilisation of our Group's vessels and equipment to ensure timely progress of the Group's projects.

He attended all four board meetings held during the financial year ended 30 June 2011. He is not a director of any other public company. He is the brother of Mr Leaw Seng Hai, Group Managing Director of the Company and Mr Leaw Ah Chye, Executive Director of the Company.

Datuk Leaw Tua Choon is a Director and major shareholder of Oceancove Sdn Bhd, a major shareholder of Benalec. He holds securities in the Company and he is an indirect major shareholder of the Company. He has no conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature which are necessary for the day-to-day operations of the Group. He has not been convicted of any offences within the past ten years.

LEAW AH CHYE

Malaysian/Executive Director

Mr Leaw Ah Chye, age 51, was appointed as Director of the Company on 12 July 2005 and was re-designated as our Executive Director on 5 October 2010. After secondary school, he joined the family's civil engineering business and has since accumulated more than thirty (30) years experience in civil and marine construction works. He is in charge of maintenance, repair servicing of the extensive range of vessels, heavy machinery, plant and equipment used in the Group's marine construction work. With more than twenty five (25) years of experience and involvement in the construction industry, he has extensive technical knowledge in shipbuilding, ship repair and maintenance, heavy machinery mechanics and heavy equipment. His expertise and efficient management ensure minimal machinery downtime problems on-site and the acquisition of the latest vessels, plant and equipment. He also manages the repair and maintenance of tugboats and steel barges including the construction of several units of vessels which are used for the dredging and land reclamation works. He is also in charge of vessel spare parts procurement and oversees the construction of new vessels in areas of hull construction, installation of main engines and propulsion system.

He attended all four board meetings held during the financial year ended 30 June 2011. He is not a director of any other public company. He is the brother of Mr Leaw Seng Hai, Group Managing Director of the Company and Datuk Leaw Tua Choon, Executive Director of the Company.

Mr Leaw Ah Chye is a Director and major shareholder of Oceancove Sdn Bhd, a major shareholder of Benalec. He holds securities in the Company and he is an indirect major shareholder of the Company. He has no conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature which are necessary for the day-to-day operations of the Group. He has not been convicted of any offences within the past ten years.

WONG YOKE NYEN

Malaysian/Independent Non-Executive Director

Mr Wong Yoke Nyen, age 52, was appointed as an Independent Non-Executive Director of the Company on 5 October 2010. He is also a member of the Audit Committee, Nomination Committee, Remuneration Committee and Option Committee of the Company. He obtained a degree in Bachelor of Arts with Second Class Honours (First Division), having completed a course in Accountancy from City of London Polytechnic, UK now known as London Metropolitan University. He is also a graduate of the Wharton Advance Management Program from The Wharton School of the University of Pennsylvania, US. In 1981, he started his career in Baker Rooke, a firm of chartered accountants in London where he gained wide experience and exposure in the areas of auditing, accountancy and management consultancy work. In 1983, he joined Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad). He is a seasoned investment banker with more than twenty (20) years of dedicated corporate finance and investment banking experience. He was the Executive Vice President cum Head of Corporate Finance Division in Aseambankers Malaysia Berhad. He was an Honorary Advisor to the Master Builders Association Malaysia from July 2008 to June 2010. In 2004, he started WYNCORP Advisory Sdn Bhd, a private company licensed to provide investment advisory services. He is currently the Managing Director of WYNCORP Advisory Sdn Bhd.

His directorships in other public companies include New Hoong Fatt Holdings Berhad, Xidelang Holdings Limited, and Focus Lumber Berhad. He attended all five board meetings held during the financial year ended 30 June 2011. Except for his shareholding interest in the Company, he has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

KOO HOONG KWAN

Malaysian/Independent Non-Executive Director

Mr Koo Hoong Kwan, age 66, was appointed as an Independent Non-Executive Director on 5 October 2010. He obtained a degree in Bachelor of Economics in Statistics (Second Class Honours) from the University of Malaya in 1969. He is a Fellow Member of The Chartered Institute of Management Accountants of United Kingdom and is also a member of the Malaysian Institute of Accountants (MIA). Additionally, he is a Certified Financial Planner and a Certified Quality Trainer. He commenced his career as a Statistician in the Department of Statistics in 1969. In 1979, he worked as an audit senior in Miller, Brener & Co, a London firm of Chartered Accountants and gained audit experience in a wide range of industries. During the period from 1983 to 1987 he extended his auditing experience with McLaren & Stewart, a firm of Chartered Accountants in Perth when he relocated to Australia. He subsequently joined Hughes Group (Australia) Ltd, a group of diversified companies as a Finance Manager. In 1989, he joined W. James & Associates, a firm of financial and business consultants as a freelance consultant advising on corporate debt restructuring strategies. Upon his return to Malaysia in 1992, he worked as a Financial Controller in Pesaka Jardine Shipping Agencies Sdn Bhd, an international shipping agency. Between 1998 and 2000, he worked for Pancaran Ikrab Berhad as the Group Financial Controller and later joined Mercury Industries Berhad in a similar capacity. He is currently a freelance consultant providing wide-ranging business and financial advisory services.

His directorships in other public companies include Mercury Industries Berhad. He attended all five board meetings held during the financial year ended 30 June 2011. Except for his shareholding interest in the Company, he has no family relationship with any of the Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past ten years.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of BENALEC HOLDINGS BERHAD ("BENALEC" or "the Company") for the financial year ended 30 June 2011 ("FY 2011").

Year Under Review

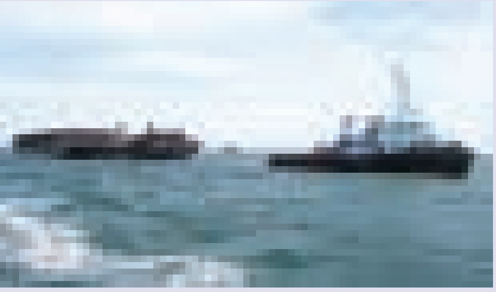
For FY 2011, BENALEC has achieved a steady growth in profit attributable to equity holders of the company of RM96 million against RM86 million the year earlier, representing an increase of about 12%.

Our marine construction business contributed significantly to our results, accounting for about 96% while our vessel chartering business generated about 4% of our group's turnover.

During the year, we have secured land reclamation projects covering an aggregate area of 307 acres, thus increasing the total area of land reclamation projects secured to-date to more than 2,500 acres.

In the financial year under review, we have reclaimed an area of 351 acres bringing to a total of area of 1,351 acres and we have successfully monetised the land reclaimed which BENALEC is entitled to receive as settlement for the marine construction contracts via outright sale and joint ventures entered. The current year's recognised land sale gain after tax is RM13.48 million.

Land Reclamation at Melaka



Towing

Sand Discharging

Shore Protection

Year Under Review (continued)

Our impressive results can be attributed to three key factors, namely: (1) our business model which incorporates vertical integration, (2) the fact that we are operating in a niche market, and (3) our strategic and effective operational cost controls.

Sand Excavation for land reclamation at Melaka

Installation of Quaywall at Puteri Harbour, Nusajaya, Johor

Dividend

The Board of Directors of BENALEC is pleased to recommend a final single tier tax exempt dividend of 2 sen for every Ordinary Share of RM0.25 each amounting to a payout of RM14.6 million in respect of FY 2011, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Prospect

The year 2011 has indeed been an eventful year for BENALEC. The successful listing of BENALEC on the Main Market of the Bursa Malaysia Securities Berhad on 17 January 2011 represents a significant milestone in the Group's growth path. This event has enabled us to gain access to the capital markets to raise funds for the Group's expansion, diversification – both geographical and operational - and the overall sustained growth of BENALEC.

Maintenance Dredging at Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, Kapar, Selangor

Beach Nourishment at Port Dickson, Negeri Sembilan

Prospect (continued)

The outlook for the segment in our industry remains promising and we are eager to embark on new growth areas identified through the 10th Malaysia Plan and Economic Transformation Programme.

We are optimistic that our business operations in land reclamation, dredging and shore protection, will continue to grow significantly, particularly in certain national key economic areas (NKEA) identified in the 10th Malaysia Plan within the sectors of (1) oil, gas & energy, whereby land reclamation is required for the expansion of seaports and establishment of maritime industries, which in turn will meet the demand for such land to build petroleum and petrochemical hub; and (2) tourism.

In addition to the programme initiated by the Government, we are also well positioned to provide an integrated one-stop marine construction services to undertake maintenance dredging and shore protection, given that Malaysia has a coastline of 4,675 km (Peninsular Malaysia 2,068km and East Malaysia 2,607km).

On the basis of the factors cited above, we have reason to take a positive view of the Group's prospects in the coming year, despite the prevailing adverse economic conditions.

Vessel Charter - Transportation of Iron Ore

Vessel Charter – Bulk Carrier

Appreciation and Acknowledgement

On behalf of the Board of Directors, I wish to express our appreciation to our valued customers, business associates and suppliers for their continued support and assistance.

To the Management and staff, the Board and I wish to extend our sincere thanks and appreciaton for their commitment and dedication to BENALEC's cause.

And, finally to all our valued Shareholders for their continued trust and confidence in us.

AZNAM BIN MANSOR
Chairman

OPERATIONS REVIEW

The year 2011 has certainly been a great year for BENALEC. We have recorded a profit attributable to equity holders of the company of RM96 million, representing an incremental of about 12% from RM 86 million a year ago. As of financial year ended 30 June 2011, our order book stood at RM888.4 million, with unbilled portion of RM590.2 million with projects targeted to be completed, up to year 2016.

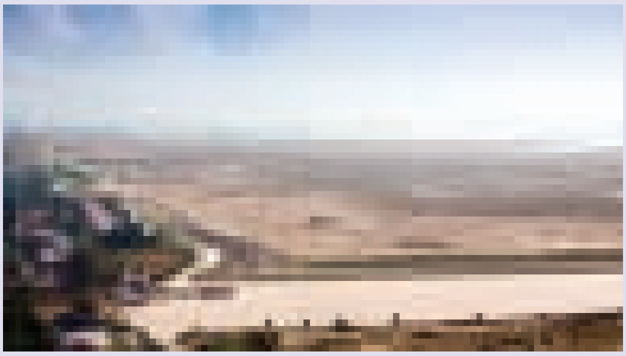
We are actively targeting key areas for land reclamation and we strongly believe we shall continue to enjoy healthy margins as we are an integrated marine construction specialist, operating in a niche market.

Our marine construction services and vessel chartering is supported by a repair & maintenance and shipbuilding arm. This enables us to effectively control our cost, thus enabling us to operate efficiently and ensuring competitive pricing and reliable services rendered to our clients.

Completed Projects

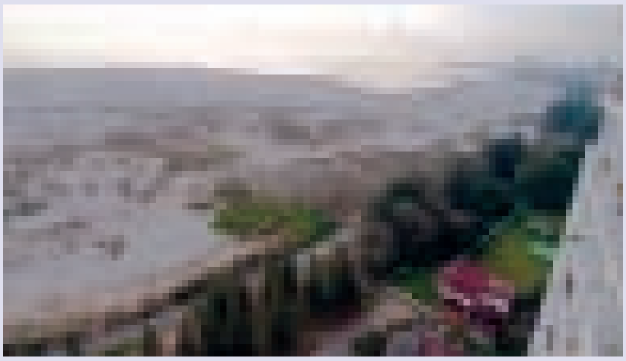
During the year under review, we have successfully completed the following projects:-

1. Proposed Nusajaya Waterfront Precinct on part of Lot PTD 141089 and part of Lot PTD 141090 (Phase 2), Mukim Pulai, Bandar Nusajaya – Earthworks, Dredging and Reclamation (Phase 2) and Temporary Silt Curtain – UEM Land Berhad



2. Proposed Coastal Reclamation Works from Kuala Sungai Melaka for 210 acres (Phase 1) - Ultra Green Sdn Bhd (sub-subsidiary of Oriental Holdings Berhad)

3. Proposed Coastal Reclamation Works from Kuala Sungai Melaka for 210 acres (Phase 2) - Ultra Green Sdn Bhd (sub-subsidiary of Oriental Holdings Berhad)



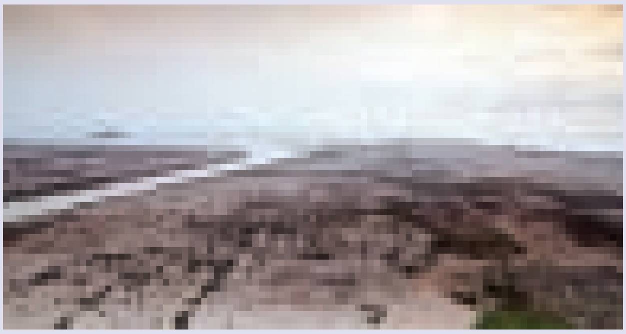
4. Cadangan Kerja-Kerja Penambakan Laut untuk Kawasan Seluas 50 ekar, Klebang Besar Seksyen II, Daerah Melaka Tengah – YENZOON Group

5. Penambakan Laut Seluas 8.6 acres di Pekan Klebang, Seksyen II, Daerah Melaka Tengah, Melaka – ABS Maju Sdn Bhd

Ongoing Projects

We have projects slated to be completed up to financial year ending 30 June 2016

MELAKA



Four (4) reclamation projects are currently being undertaken in Melaka with total land area of 1,284 acres. The percentage of completion of these projects are at various stages of which, three (3) of these projects measuring 564 acres would be completed in the financial year 2012.

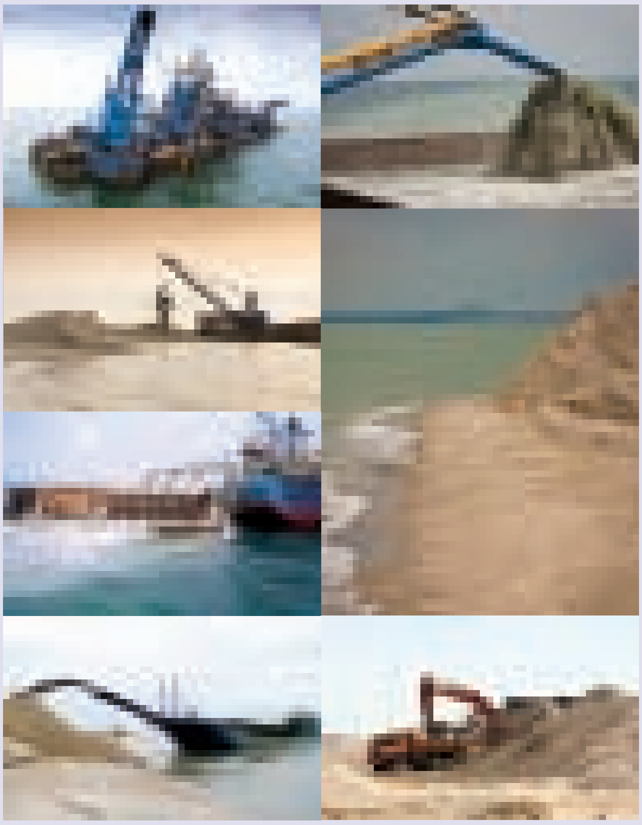
Two (2) reclamation projects to reclaim a total area of 311 acres would commence soon upon obtaining approvals from the relevant authorities.

SELANGOR

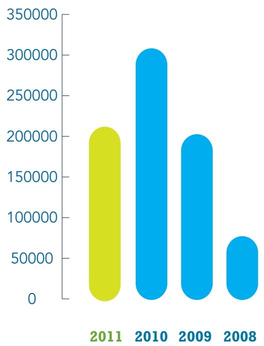
• *Kapar Energy Ventures Sdn Bhd : Maintenance dredging at Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, Kapar*

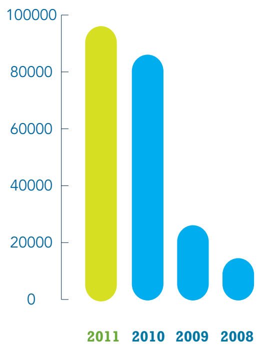
• *Comtrac Sdn Bhd : Earthworks, River Protection Works and its Associated Works at Glenmarie Cove, Port Klang*

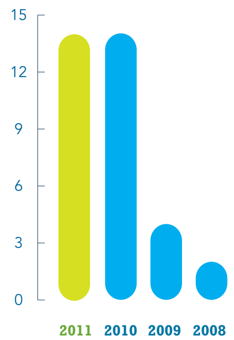
One (1) reclamation project to be undertaken at Pulau Indah Industrial Park, Port Klang measuring 144 acres. This project is expected to commence upon obtaining approvals from the relevant authorities.

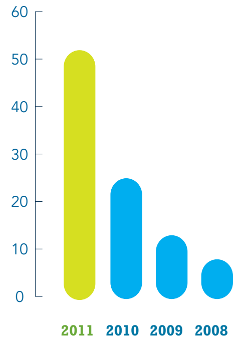


GROUP FINANCIAL HIGHLIGHTS









Year ended 30 June	Notes		2011	2010 *	2009 *	2008 *
Revenue		(RM'000)	210,963	308,637	202,242	76,754
Profit Before Taxation		(RM'000)	126,091	121,526	34,729	17,975
Profit After Taxation		(RM'000)	96,081	105,818	26,220	14,527
Profit Attributable to Equity Holders of the company		(RM'000)	96,081	86,066	26,220	14,527
Paid-up Capital		(RM'000)	182,500	2,500	2,500	2,500
No of shares (units)	1		668,949	613,478	613,478	613,478
Equity Attributable to Equity Holders of the company		(RM'000)	346,760	153,370	77,498	51,659
Basic Earnings Per Share		(Sen)	14	14	4	2
Net Assets Per Share		(Sen)	52	25	13	8

** Based on the audited consolidated Financial Information of Benalec Sdn Bhd and its subsidiaries prior to the listing of Benalec Holdings Berhad ("BHB") as disclosed in the Prospectus of BHB dated 28 December 2010.*

Note 1: It is assumed that the issuance of 613,478,236 new BHB ordinary shares for the acquisition of Benalec Sdn Bhd has been taken place since the inception of the Group.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of Benalec Holdings Berhad ("Board") is committed to ensure that high standards of corporate governance are practiced throughout Benalec Holdings Berhad ("Benalec" or "Company") and its subsidiaries ("Group"). The Board is of the view that this is fundamental towards the protection and enhancement of shareholders' value. The Board fully supports the principles set out in the Malaysian Code on Corporate Governance 2007 ("Code"). The Board is pleased to outline the manner in which the Group has applied the principles set out in the Code and hereby confirms that the Group has complied with the best practices set out in the Code.

THE BOARD

1. **Board Membership**

The Group is led and controlled by an effective Board. Presently, the Board comprises three Executive Directors and three Independent Non-Executive Directors as set out below.

Name	Directorship
Aznam bin Mansor (Chairman)	Independent and Non-Executive
Leaw Seng Hai (Group Managing Director)	Executive
Leaw Ah Chye	Executive
Datuk Leaw Tua Choon	Executive
Koo Hoong Kwan	Independent and Non-Executive
Wong Yoke Nyen	Independent and Non-Executive

The profiles of the Directors are presented in pages 5 to 7 of this Annual Report.

The present composition of the Board complies with the requirement of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") where at least two directors or one-third of the Board, whichever is the higher, should comprise independent directors. The Board is of the opinion that the composition of the current Board fairly reflects a balance of executive and non-executive to ensure that the interest of not only the Company, but also the stakeholders and the public in general are represented as each independent director brings invaluable judgment to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct. In the opinion of the Board, the minority shareholders are fairly represented by the presence of these highly capable and credible independent non-executive directors.

Together, the Directors bring wide business, regulatory, industry and financial experience to complement and to lead the Company.

2. **Directors' Duties and Responsibilities**

Benalec is led by a team of experienced directors. Each director comes from different professional background bringing depth and diversity of expertise, a wide range of experience and perspective to the business operations.

All Board members participate fully in decisions on key issues involving the Company. The Executive Directors are responsible for implementing the policies and decisions of the Board and managing the Company's day-to-day operations. Together with the Independent Non-Executive Directors, they ensure strategies are fully discussed and examined after taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the company conducts its business.

The Independent Non-Executive Directors ensure that the Board practices good governance in discharging its duties and responsibilities. The Board, as a whole, retains overall control of the Group.

As a matter of course, from time to time, the Board examines its size with a view to determine the impact of its number upon its effectiveness.

THE BOARD (continued)

3. **Board Meetings**

Subsequent to the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 17 January 2011, the Board was scheduled to meet at least five times a year with additional matters addressed by way of circular resolutions and additional meetings held as and when necessary. The Board met four times during the year ended 30 June 2011 with one additional meeting held between the Independent Non-Executive Directors, merchant bankers and lawyers to discuss matters arising thereat.

The attendance of the Directors during the said financial year is as follows:-

Name	Total Meetings Attended
Aznam bin Mansor (Chairman)	5 of 5
Leaw Seng Hai (Group Managing Director)	4 of 4
Leaw Ah Chye	4 of 4
Datuk Leaw Tua Choon	4 of 4
Koo Hoong Kwan	5 of 5
Wong Yoke Nyen	5 of 5

4. **Board Committees**

As recommended by the Code, the Board may establish Board Committees to assist the Board in discharging its duties.

The Board has formed the following Committees, each with its own functions and responsibilities. All Board Committees report to the Board.

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Option Committee

<u>Audit Committee</u>

The Audit Committee has 3 members, which comprises Independent Non-Executive Directors. The functions of the Committee include reviewing of audit findings of the external and internal auditors together with management response thereon, deliberation on financial statements and reviews of accounting policy. The Committee has full access to both internal and external auditors and is empowered to conduct investigations of any activities within its terms of reference. A more detailed discussion of the Audit Committee's functions can be found in the Audit Committee section on page 25 to 29 of the Annual Report.

<u>Nomination Committee</u>

The Nomination Committee of Benalec comprises exclusively independent non-executive directors. The members of the Nomination Committee are as follows:-

- Koo Hoong Kwan (Chairman)
- Wong Yoke Nyen (Member)
- Aznam bin Mansor (Member)

The terms of reference of the Nomination Committee is reviewed by the Board annually and updated as appropriate. Among the responsibilities of the Nomination Committee are as follows:-

- Identifying, nominating and orientating new Directors;
- Reviewing the mix of skills, knowledge, expertise and experience of the Directors and other qualities including core competencies required for the Board;
- Recommending to the Board, directors to fill the seats on the various Board committees; and
- Assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors and Group Managing Director.

THE BOARD (continued)

4. **Board Committees (continued)**

Remuneration Committee

The Remuneration Committee has 3 members, of whom all of them are Independent Non-Executive Directors. The Remuneration Committee is currently made up of the following Directors:-

- Koo Hoong Kwan (Chairman)
- Wong Yoke Nyen (Member)
- Aznam bin Mansor (Member)

The terms of reference of the Remuneration Committee is reviewed by the Board annually and updated as appropriate. Among the responsibilities of the Remuneration Committee are as follows:-

- Recommending to the Board the remuneration package for Non-Executive Directors and remuneration packages for each Executive Director and Senior Management;
- Ensuring that the compensation and other benefits encourage Executive Directors to act in ways that enhance the Company's long term profitability and value; and
- Recommending to the Board a Remuneration Framework on the fee structure and level of remuneration for the Executive Directors and Senior Management.

Option Committee

The Option Committee has 3 members, comprising the following Independent Non-Executive Directors:-

- Koo Hoong Kwan (Chairman)
- Wong Yoke Nyen (Member)
- Aznam bin Mansor (Member)

The Committee administers the implementation of the Employees' Share Option Scheme ("ESOS") in accordance with the By-Laws of the ESOS.

5. **Appointment to the Board**

It is recommended in Part 2 of the Code that the assessment of new candidates for appointment as directors is to be made by the Nomination Committee. The decision for appointment of new directors is a matter for deliberation by the Board as a whole.

The authorities, functions and responsibilities of the Nomination Committee are set out in its terms of reference. The main objectives of the Nomination Committee are to review, recommend and consider candidates for appointment to the Board and Board Committees, to assess the effectiveness and continually seek ways to upgrade the effectiveness of the Board as a whole and the Committees of the Board. It also assesses the contribution of each Director, executive or independent non-executive.

The Nomination Committee met in August 2011 to review the performance of all the Board members and Board Committees, individually and collectively.

6. **Appointment and Re-election of the Directors**

In accordance with the Articles of Association of the Company, the Board can appoint any person to be a Director as and when it is deemed necessary. Any person so appointed shall hold office until the next Annual General Meeting at which time he will be subject to election by the shareholders.

In compliance with the Listing Requirements, the Articles of Association of the Company provide that all Directors of the Company, including the Managing Director shall retire from office at least once every three years but be eligible for re-election.

THE BOARD (continued)

7. **Directors' Training and Development**

The Board as a whole, will evaluate and establish or recommend the development programmes that may be required by each Board member for discharging his duties and responsibilities. The Board members will, from time to time, review programmes suitable for their development needs for furtherance of their duties and responsibilities as directors. In addition to attending seminars and other training programmes, the Board members constantly keep up to date with articles on market development, industry news, changes in the regulations and related issues. All of the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP") as required by Bursa Securities. During the financial year, the Directors attended the following courses:-

Directors	Course	Date of attendance
Leaw Seng Hai	Mandatory Accreditation Programme	23 March 2011 & 24 March 2011
Leaw Ah Chye	Mandatory Accreditation Programme	23 March 2011 & 24 March 2011
Datuk Leaw Tua Choon	Mandatory Accreditation Programme	23 March 2011 & 24 March 2011
Aznam bin Mansor	Understanding Related Party & Conflict of Interest Transactions Reporting Compliance	12 April 2011
Wong Yoke Nyen	How to Invest Sensibly with Options	20 April 2011
	An Insight into Global Markets Development with Emphasis on China and Vietnam	28 May 2011
	Corporate Directors Training Programme	8 August 2011

All the Directors will continue to attend relevant training and education programmes in order to keep themselves abreast of the latest developments in technology, in the industry and the economy, to discharge their duties and responsibilities more effectively. During the financial year, Mr Koo Hoong Kwan did not attend any course due to the non-availability of suitable courses. He will continue to seek and review courses to meet his training requirements.

8. **Supply and Dissemination of Information**

Board meetings are structured with pre-determined agendas. Appropriate and complete Board papers are prepared prior to each Board meeting. These are distributed to the Board in sufficient time to enable the Directors to obtain further information and explanation, where necessary. Directors also have unfettered access to all information within the Group in furtherance of their duties.

There are matters reserved specifically for the Board's decision including the approval of acquisitions and disposals of assets and investments that are material to the Group.

The Directors or the Board as a whole, in furtherance of their duties, may take independent professional advice, as and when they deem necessary, and at the Group's expense.

All Directors have access to the advice and services of the Company Secretary and the Internal Auditor namely RA Consulting.

9. **Directors' Remuneration**

The Company has adopted the principle recommended in the Code whereby the level of remuneration of the Directors is sufficient to attract and retain Directors needed to manage the Group successfully. The remuneration system is structured to link rewards to corporate and individual performance in the case of executive directors. In the case of non-executive directors, the level of remuneration shall reflect the level of responsibilities undertaken by the particular non-executive director concerned.

THE BOARD (continued)

9. **Directors' Remuneration (continued)**

To assist the Board in the discharge of its responsibilities in this matter, the Board endorsed the formation of a Remuneration Committee on 30 November 2010. The composition of the Remuneration Committee is as follows:-

- Koo Hoong Kwan (Chairman)
- Wong Yoke Nyen (Member)
- Aznam bin Mansor (Member)

The authorities, functions and responsibilities of the Remuneration Committee are set out in its terms of reference. The Committee will review the remuneration packages of each individual Executive Director from time to time to ensure that the remuneration packages remain competitive in order to attract and retain competent executives who can manage the Group successfully. Executive Directors play no part in decisions on their own remuneration.

The determination of remuneration packages of non-executive directors is a matter of the Board as a whole. The non-executive directors concerned do not partake in decisions affecting their remuneration.

During the financial year ended 30 June 2011, the Remuneration Committee met once to discuss the remuneration structure and packages for review by the Board.

The aggregate remuneration of Directors for the financial year ended 30 June 2011 is as follows:-

	Executive Directors RM	Non-Executive Directors RM	Total RM
Directors' Salaries	1,374,267	-	1,374,267
EPF	376,261	-	376,261
Directors' Fees	-	119,000	119,000
Meeting Allowance	6,000	13,500	19,500
Bonus	620,000	-	620,000
Benefits in kind	115,975	7,983	123,958
TOTAL	**2,492,503**	**140,483**	**2,632,986**

The number of Directors whose total remuneration falls within the following bands is as follows:-

	Executive Directors RM	Non-Executive Directors RM	Total RM
RM50,000 and below	-	1	1
RM50,001 to RM100,000	-	2	2
RM750,001 to RM800,000	2	-	2
RM900,001 to RM950,001	1	-	1
TOTAL	**3**	**3**	**6**

DIALOGUE BETWEEN THE COMPANY AND INVESTORS

The Board values and encourages dialogues with the shareholders to establish better understanding of the Company's objectives and performance.

The Annual General Meeting and Extraordinary General Meeting provide appropriate forums for the shareholders to participate in questions and answers sessions. The Company is committed to disseminate information in strict adherence to the disclosure requirements of the Listing Requirements. The Company ensures that material information relating to the Group is disclosed by way of announcement to the Bursa Securities, annual report as well as, where appropriate, circulars and press release. The Board regularly review the dissemination of information to ensure that consistent and accurate information is provided to shareholders of the Company.

The Company has established its website, www.benalec.com.my which allows shareholders and the public, access to corporate information, financial statements, news and events relating to the Group.

The Board has not appointed a senior independent non-executive director to whom concerns can be conveyed as all Members of the Board participate actively during Board meetings.

CORPORATE SOCIAL RESPONSIBILITY

The Board recognises the importance of the Group as a socially and environmentally responsible corporate citizen. The Group's business and operation practices reflect its values and the interests of all stakeholders including customers, investors, employees, the community and environment.

The Group is committed to conduct its business in the socially and environmentally responsible approach. The Board is aware that as the Group continues to grow, so will its social responsibility efforts. It will have to make frequent adjustments in response to economic and regulatory changes. It reviews its marine construction solutions, operational practices and procedures from time to time, considers and adopts sustainable methods and processes where applicable and feasible. As a responsible and conscientious marine engineering and civil contractor, the Group strives to enhance its environmentally friendly methods particularly in its land reclamation works, dredging, beach nourishment and shore protection works. This is in line with the Environmental Quality Act 1974 (Act 127), Fisheries Act 1985 and Land Conservation Act 1960.

The Group will from time to time, continue to review and monitor all environment issues and support humanitarian causes and community activities as we believe that our success is not ours alone, and that it should be shared among the Malaysian community.

ACCOUNTABILITY AND AUDIT

1. **Financial Reporting**

   In presenting the annual financial statements and quarterly results, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

   The Audit Committee assists the Board in examining information to be disclosed to ensure the accuracy and authenticity of such information.

2. **Relationship with the External Auditors**

   The Board has established a formal and transparent relationship with the auditors of the Company. The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report of this Annual Report.

INTERNAL CONTROL & RISK MANAGEMENT

The Board has the overall responsibility of monitoring a sound internal control system that cover effective and efficient operations, compliances with law and regulations and risk management. This is to safeguard shareholders' investments and the Group's assets apart from assuring financial controls.

Detailed information on internal control is set out in the Statement on Internal Control on pages 23 to 24.

Risk management is given equal priority by establishing policies to identify, evaluate and manage the Company's corporate risk profile to mitigate any possible effects arising thereupon.

ADDITIONAL COMPLIANCE INFORMATION

1. **Utilisation of proceeds**

The gross proceeds received from the Initial Public Offering ("IPO") of RM100 million in conjunction with the Company's listing on the Main Market of Bursa Securities on 17 January 2011 have been utilised in the following manner:-

Purposes		IPO Proceeds RM'000	Actual Utilisation as at 30 June 2011 RM'000	Balance as at 30 June 2011 RM'000	Timeframe for Utilisation
1.	Finance on-going projects	90,000	59,000	31,000	Within 24 months
2.	Estimated listing expenses	6,500	6,370	130*	Immediately
3.	Working capital	3,500	3,630	(130)	Within 24 months
		100,000	69,000	31,000	

* The excess of RM130,000 as a result of lower actual listing expenses was utilised for working capital purposes.

2. **Share Buy Back**
There was no share buy-back of the Company's shares during the financial year ended 30 June 2011.

3. **Options, Warrants or Convertible Securities**
There were no options, warrants or convertible securities exercised during the financial year ended 30 June 2011 as the Company has not issued any options, warrants or convertible securities.

4. **Depository Receipt Programme ("DRP")**
The Company has not sponsored any DRP during the financial year ended 30 June 2011.

5. **Imposition of Sanctions and/or Penalties**

There was no public sanctions and/or penalties imposed on the Company, Directors or management by any regulatory bodies during the financial year ended 30 June 2011.

6. **Non-Audit Fees Paid**

During the financial year ended 30 June 2011, non audit fees incurred for services rendered to the Company and/or its subsidiaries by the Company's external auditors, Messrs BDO or a firm affiliated to BDO were RM781,850.00.

ADDITIONAL COMPLIANCE INFORMATION (continued)

7. **Profit Estimate, Forecast or Projection or Unaudited Results**

   The Company did not issue any profit estimate, forecast or projection for the financial period and did not have any variation which was differed by 10% or more from any profit estimate/ forecast/ projection/ unaudited results previously announced.

8. **Employees' Share Option Scheme ("ESOS")**

   The Company has not implemented any ESOS.

9. **Profit Guarantee**

   There was no profit guarantee given by the Company during the financial year ended 30 June 2011.

10. **Material Contracts**

    There was no material contracts entered into by the Company involving the interests of the Directors and substantial shareholders during the financial year ended 30 June 2011, save as disclosed in the Prospectus dated 28 December 2010 and Related Party Disclosure presented in the Financial Statements of this Annual Report.

11. **Revaluation Policy on Landed Properties**

    The Company does not have any revaluation policy on its landed properties.

12. **Recurrent Related Party Transactions**

    Prior to the listing of the Company on the Main Market of Bursa Securities on 17 January 2011, the shareholders of the Company had approved the entering into Recurrent Related Party Transactions for the chartering of vessels and rental of properties to/from related parties ("Recurrent Related Party Transactions") via Members' Circular Resolution dated 2 December 2010.

    In addition, the Company had on 30 November 2010 applied to Bursa Securities for an extension of time to procure shareholders' mandate for recurrent related party transactions ("Recurrent Related Party Transactions Application") from the date of the listing of the Company until:-

    i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the Annual General Meeting, the authority is renewed;

    ii) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

    iii) revoked or varied by resolution passed by the shareholders in general meeting

    whichever is the earlier.

    Bursa Securities vide its letter dated 8 December 2010 approved the Recurrent Related Party Transactions Application.

ADDITIONAL COMPLIANCE INFORMATION (continued)

12. **Recurrent Related Party Transactions (continued)**

The Recurrent Related Party Transactions conducted during the financial year ended 30 June 2011 are as follows:-

Nature of transaction	Relationship	Aggregated Amount RM
# Chartering of vessels to Oceanlec Pte Ltd	(a), (b), (c) & (d)	5,002,046
^ Rental of properties from Orientalcrest Realty Sdn Bhd (formerly known as Benalec Realty Sdn Bhd)	(a), (b), (c) & (d)*	21,850

The relationships (designated by the alphabelts from (a) to (d) above) represent the following persons who have controls or significant influence over the related parties, or persons who have or are deemed to have interest in the related parties that transacted with the Group/Company.

(a) Leaw Seng Hai - a substantial shareholder and Group Managing Director of the Company and Director of certain subsidiaries. He is also a brother of Datuk Leaw Tua Choon and Leaw Ah Chye, both are Executive Directors of the Company.

(b) Leaw Ah Chye - a substantial shareholder and Executive Director of the Company and Director of certain subsidiaries. He is also a brother of Leaw Seng Hai, Group Managing Director of the Company and Datuk Leaw Tua Choon, Executive Director of the Company.

(c) Datuk Leaw Tua Choon - a substantial shareholder and Executive Director of the Company and Director of certain subsidiaries. He is also a brother of Leaw Seng Hai, Group Managing Director of the Company and Leaw Ah Chye, Executive Director of the Company.

(d) Foo Polin - a substantial shareholder of the Company.

* via G-Plex Venture Sdn Bhd

\# The chartering of vessels by Pacific Marine Ltd and Oceanline (Labuan) Ltd, both sub-subsidiaries of the Company, to Oceanlec Pte Ltd had ceased on 31 July 2010 and 30 September 2010 respectively. In view that the said Recurrent Related Party Transaction had ceased on 31 July 2010 and 30 September 2010, the Company is not required to seek Shareholders' Ratification and Mandate in respect of the Recurrent Related Party Transactions at the forthcoming Annual General Meeting

^ The computation on the percentage ratio does not necessitate the Company to seek shareholders' approval at the forthcoming Annual General Meeting pursuant to paragraph 10.09 of the Listing Requirements.

STATEMENT ON INTERNAL CONTROL

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") requires the Board of Directors of public listed companies to include in the Annual Report a "statement about the state of internal control of the listed issuers as a group".

Consequently, the Board of Directors ("the Board") of Benalec Holdings Berhad is pleased to present the Statement on Internal Control of the Company and its subsidiaries ("the Group"), which has been prepared in compliance with the Listing Requirements.

Board Responsibility

The Board is committed to maintain a sound internal control system to safeguard the shareholders' interest and the Group's assets. The Board is responsible for Benalec Group's system of internal control including the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The system of internal control does not only cover financial controls but also organisational, operational and compliance controls and risk management procedures. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. The Board through its Audit Committee, regularly reviews the results of this process. The Board confirms that this process is in place for the year under review and that it accords with the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the 'Internal Control Guidance') published by the Task Force on Internal Control.

The Board has established an appropriate control environment as well as reviewing its adequacy and integrity.

1. **Control Environment and Risk Management Framework**

   The Board recognises that an effective risk management framework will allow the Group to identify, evaluate and manage risks that affect the achievement of the Group's business objectives within defined risk parameters in a timely and effective manner. As such, the Board is in the midst of developing the risk management framework that comprises risk register, risk management policy and procedures.

2. **Group Structure**

   This is achieved through clearly defined operating and reporting structures with clear lines of accountability and responsibilities. Changes in the Group structure are duly communicated to management team of the Group. In addition, details of directorships within the Group are constantly highlighted to ensure that related parties are duly identified, as necessary.

   The Board is responsible for setting the business direction and for overseeing the conduct of the Group's operations through various Board Committees.

3. **Internal Audit Function**

   In addition, the Group has engaged an independent professional firm which carries out the internal audit function in the Group by providing independent advice and assurance on the effectiveness of the Group's system of internal controls. The findings by the internal auditors are regularly reported to the Audit Committee. In particular, the internal auditors appraises and contributes towards improving the Group's risk management and internal control systems and reports to the Audit Committee on a quarterly basis. The Audit Committee meets with the Board to discuss significant issues found during the internal audit process and makes necessary recommendations to the Board. The internal audit also reviews the internal controls on the key activities of the Group's businesses and presents an annual internal audit plan to the Audit Committee for prior approval before carrying out the review and audit. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group.

   The Audit Committee reviews the results of the risk monitoring and compliance procedure, and ensures that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Audit Committee considers reports from internal audit and from the Management, before reporting and making recommendations to the Board in strengthening the risk management, internal control and governance systems. The Committee presents its findings to the Board on a quarterly basis or earlier as appropriate.

4. **Control Framework**

(a) Financial Information and Information System

Management constantly monitors financial performances, business plan achievement and the progress of corrective actions / implementation for highlighted issues and is committed to rectify the highlighted issues. In addition, communication channels such as email and teleconferencing are used to encourage effective and "free-flow" or open communication within the organisation.

Proposals for major capital expenditure and new investment by the Group are reviewed and approved by the Board of Directors.

(b) Performance Reporting and Monitoring

Quarterly financial statements are presented to the Audit Committee and the Board for review and discussion.

(c) Standardisation of Policies and Procedures

Standardised policies and procedures are implemented to address the financial and operational controls of the Group.

Board Conclusion

The Board is pleased to conclude that the state of Group's internal control system was generally adequate and effective. There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Management will continue to ensure proper management of risks and take adequate measures to ensure ongoing adequacy and effectiveness of internal controls.

The above Statement is made in accordance with the approval given by the Directors during the Board Meeting held on 24 October 2011.

Review of the Statement by the External Auditors

The External Auditors have reviewed the Statement on Internal Control in compliance with Paragraph 15.23 of the Listing Requirement and reported to the Board that nothing has come to their attention that causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's Internal Control System.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") of Benalec Holdings Berhad is pleased to present the report on the Audit Committee of the Board for the year ended 30 June 2011.

MEMBERSHIP AND MEETINGS

The Audit Committee comprises three independent non-executive directors as follows:-

- Koo Hoong Kwan (Chairman)
- Aznam bin Mansor (Member)
- Wong Yoke Nyen (Member)

The Audit Committee was established on 30 November 2010 and the present Audit Committee consists entirely of Independent Non-Executive Directors. The Company has complied with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), which require all the Audit Committee members to be non-executive directors, with a majority of them being independent directors. In addition, one of the members of the Audit Committee is a member of the Malaysian Institute of Accountants (MIA).

In the event of any vacancy of Audit Committee resulting in the non-compliance with Paragraph 15.09 of the Listing Requirements, the Board shall appoint a new member within three (3) months.

The Audit Committee met three times during the financial year ended 30 June 2011 and the attendance of the members of the Audit Committee is set out below.

Name	Total Meetings Attended
Koo Hoong Kwan	3 of 3
Aznam bin Mansor	3 of 3
Wong Yoke Nyen	3 of 3

TERMS OF REFERENCE

1.0 Purpose

The purpose of the establishment of Audit Committee ("AC" or "Committee") is to assist the Board of Directors in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC also provides a channel communication between the Board of Directors, Management, External Auditors and Internal Auditors.

2.0 Composition And Size

The AC should be appointed by the Board of Directors based on the recommendation of the Nomination Committee from amongst the Directors of the Company which fulfils the following requirements:

(i) the AC must be composed of no fewer than 3 members;

(ii) all Committee Members must be Non-Executive Directors, with a majority of them being Independent Directors;

(iii) all Committee Members should be financially literate; and

(iv) at least one member of the AC must fulfill the financial expertise requisite of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("LR") as follows:

(a) he must be a member of the Malaysian Institute of Accountants ("MIA"); or

(b) if he is not a member of the MIA, he must have at least 3 years' working experience and:

(aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

(bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

TERMS OF REFERENCE (continued)

2.0 Composition And Size (continued)

(c) fulfils such other requirements as prescribed or approved by the Bursa Securities.

In the absence of a Nomination Committee, the Board appoints the AC Members from amongst its number.

The Board of Directors must ensure that no Alternate Director is appointed as a Committee Member.

In the event of any vacancy in the Committee resulting in the non-compliance of the LR pertaining to composition of AC, the Board of Directors must fill the vacancy within 3 months of the occurrence of that event.

The Board of Directors should assess the effectiveness of the AC and each of its Members at least once every 3 years to determine whether such Committee and Members have carried out their duties in accordance with their Terms of Reference.

3.0 Chairman

The Board of Directors or members of the AC must elect a Chairman among Committee members who is an Independent Non-Executive Director.

In the absence of the Chairman of the AC in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.

The Chairman of the AC should assume, amongst others, the following responsibilities:

(i) Planning and conducting meetings;

(ii) Overseeing reporting to the Board of Directors;

(iii) Encouraging open discussion during Meetings; and

(iv) Developing and maintaining an active on-going dialogue with Senior Management and both the Internal and External Auditors.

4.0 Secretary

The Company Secretary shall be the Secretary of the AC or in his/her absence, the Chairman of the Committee or chairman of the Meeting shall choose another person as the secretary of the Meeting.

5.0 Meetings

(i) The AC should meet at least 4 times in each financial year, i.e. on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as the need arises.

(ii) Sufficient time must be allocated to thoroughly address all items in the Agenda and for all parties involved to ask questions or provide input.

(iii) The quorum shall consist of a majority of the Independent Non-Executive Directors.

(iv) The AC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.

TERMS OF REFERENCE (continued)

5.0 Meetings (continued)

(v) The Finance Director, the Internal Auditors and External Auditors should normally attend the Meetings. Other Board Members may attend any particular meeting only at the Committee's invitation.

(vi) The AC should meet with the External Auditors without the presence of the executive Board Members and employees at least twice a year and whenever deemed necessary.

(vii) Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the AC must convene a Meeting to consider any matter the Internal Auditors and/or External Auditors believe should be brought to the attention of the Board of Directors or the Shareholders.

(viii) The Minutes of each Meeting shall be made available to all members of the Board upon request.

(ix) The Board of Directors should be kept aware of the Committee's activities by way of the Committee Minutes being circulated together with the board meeting papers.

(x) A resolution in writing signed or approved via letter, telex or facsimile by all Committee members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

6.0 Rights

(i) The AC should have explicit authority to investigate any matter within its Terms of Reference, the resources to do so and full access to information.

(ii) Each Committee Member has full and unrestricted access to information and is entitled to ask for further information required to make informed decisions and has right to obtain independent professional or other advice for the performance of its duties.

(iii) The AC may use the services of outside expertise or advisors and invite outsiders with relevant experience to attend Meeting, if necessary, at the cost of the Company in accordance with a procedure to be determined by the Board of Directors towards performance of its duties.

(iv) The AC must have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any, which can be outsourced).

(v) The Committee must be able to convene Meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary.

7.0 Responsibilities And How The Committee Works

(i) The Terms of Reference of AC should be reviewed by the Committee annually and updated as appropriate. The Committee should recommend any change to the Terms of Reference to the Board of Directors for approval. The annual review of its Terms of Reference should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the AC's responsibilities.

(ii) The AC is responsible for:

(a) assessing the risks and control environment;

(b) overseeing financial reporting;

(c) evaluating the internal and external audit process;

(d) reviewing conflict of interest situations and related party transactions;

TERMS OF REFERENCE (continued)

7.0 Responsibilities And How The Committee Works (continued)

(e) reviewing the quarterly results and year end financial statements, before submission to the Board of Directors for approval, focusing particularly on:

(i) changes in or implementation of major accounting policies and practices;

(ii) major risk areas;

(iii) significant and unusual events;

(iv) significant adjustments resulting from the audit; and

(v) compliance with accounting standards, LR and other legal requirements.

(f) reviewing the following with the External Auditors and report the same to the Board of Directors:

(i) the audit plan;

(ii) the audit report;

(iii) evaluation of the system of internal controls;

(iv) Letter to Management and the Management's response;

(v) the assistance given by the employees to the External Auditors; and

(vi) any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's and the Group's operating results or financial position, and Management's response.

(g) reviewing the following with the Internal Auditors and report the same to the Board of Directors:

(i) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work; and

(ii) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(h) undertaking such other reviews and projects as may be requested by the Board of Directors, and report to the Board of Directors its findings from time to time on matters arising and requiring the attention of the AC.

(i) establishing procedures for receipt, retention and treatment of complaints received by the Company and the Group regarding inter alia, criminal offences involving the Company and the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Company and the Group.

(j) monitoring, reviewing and assessing the utilisation of proceeds are consistent with the intention presented to investors for any fund raising exercise.

(k) considering and recommending the appointment or re-appointment of the Internal and External Auditors and matters relating to the resignation or dismissal of the auditors.

(l) reviewing any resignation letter from the External Auditors.

(m) undertaking such other functions and duties as may be required by statute or the LR, or by such amendments as may be made thereto from time to time.

(iii) Where the AC is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the LR, the Committee must promptly report such matter to Bursa Securities.

PROCEDURE OF AUDIT COMMITTEE

The Audit Committee regulates its own procedures which include:

(i) the calling of meetings;

(ii) the notice to be given of such meetings;

(iii) the voting and proceedings of such meetings;

(iv) the keeping of minutes; and

(v) the custody, protection and inspection of such minutes.

SUMMARY OF ACTIVITIES

The Audit Committee has carried out its duty in accordance with its Terms of Reference.

During the financial year ended 30 June 2011, the activities undertaken by the Committee include the following:

- Reviewed the quarterly results and financial statements for recommendation to the Board of Directors;
- Reviewed the quarterly financial results announcements;
- Approved the audit plan of the Group and reviewed audit findings and matters brought up by the external and internal auditors;
- Met regularly with the Board of Directors to discuss issues discovered during the internal audit process and make the necessary recommendations;
- Met with the external auditors twice without the presence of Executive Board members or Management;
- Reviewed related party transactions within the Group;
- Reviewed the Company's compliance with Listing Requirements, applicable accounting standards issued by Malaysian Accounting Standards Board and other relevant legal and regulatory requirements; and
- Considered and made recommendations to the Board for approval of the audit fees payable to external and internal auditors.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTIONS

The Group engaged the internal audit services from a professional internal audit service provider to ensure that the outsourced internal auditor is independent as it has no involvement in the operations of the Group. The outsourced internal auditor is responsible for the review and appraisal on the effectiveness of risk management, internal control and governance processes in the Group and reports directly to the Audit Committee.

The Audit Committee has full and direct access to the Internal Auditors, review the reports on all audits performed and monitors its performance. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of outsourced internal audit functions.

The outsourced internal auditors carried out internal audits within the Group based on a risk-based audit plan approved by the Audit Committee.

During the financial year ended 30 June 2011, the internal auditors carried out its audit on the following functions:-

i) Project Management; and
ii) Purchasing to Receiving.

Based on these audits, the outsourced internal auditors provided the Audit Committee with reports highlighting observations, recommendations and management action plans to improve the system of internal control.

The Audit Committee had met 3 times during the year to carry out its responsibility in reviewing the function and results of the internal audit assignments and to assure itself of the soundness of the internal control system. The costs incurred for the outsourced internal audit function in respect of the financial year amounted to RM19,590.10.

A summary of the Internal Audit activities undertaken during the financial period is as follows:-

i. prepared its annual audit plan for consideration by the Audit Committee;

ii. performed operational audits on business units of the Group to ascertain the adequacy and integrity of their system of internal controls and made recommendations for improvement where weaknesses were found; and

iii. conducted follow-up reviews to determine the adequacy, effectiveness and timeliness of action taken by the Management on audit recommendations and provided updates on their status to the Audit Committee.

STATEMENT OF DIRECTORS' RESPONSIBILITY

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors are required to take reasonable steps to ensure that the financial statements of the Company and the Group are properly drawn up in accordance with the provisions of the Companies Act, 1965, applicable approved Financial Reporting Standards ("FRSs") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the results and the cash flow of the Company and the Group for the financial year.

In preparing the financial statements for the year ended 30 June 2011, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured adoption of applicable accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company and the Group maintains accounting records that disclose with reasonable accuracy at all times the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act, 1965 and FRSs.

The Directors have general responsibilities for taking such steps to ensure that appropriate systems are reasonably available to them to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities and material misstatements. Such systems, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS OF OPERATIONS

	Group RM	Company RM
Profit for the financial year	96,080,956	17,363,933
Attributable to:		
Owners of the parent	96,080,956	17,363,933

The Directors draw attention to the basis of preparation of the financial statements of the Group as disclosed in Note 3 to the financial statements which states that the acquisitions of the subsidiaries have been accounted for under the acquisition method of accounting.

In accordance with the principles as set out in FRS 3 *Business Combinations*, Benalec Sdn. Bhd. ("BSB"), a wholly-owned subsidiary of the Company was deemed to be the accounting acquirer in the business combination upon completion of the acquisition of the entire issued and paid-up share capital of BSB by the Company on 2 December 2010. The transaction has therefore been accounted for as a reverse acquisition under FRS 3. Accordingly, the results of operations of the Group for the financial year ended 30 June 2011 reflect the effects of the reverse acquisition. Financial results and position of the Group for periods prior to 2 December 2010 represent that of BSB and its subsidiaries' marine construction and civil engineering operations. The comparative information of the Group for the period 1 July 2009 to 30 June 2010 presented in the consolidated financial statements is that of BSB and its subsidiaries.

Note 3 to the financial statements sets out the implications of the application of FRS 3 on each of the financial statements and Note 8(a)(ii) to the financial statements sets out further details of the business combination.

DIVIDENDS

No dividend has been paid by the Company since the end of the previous financial year.

The Directors propose the payment of a final single tier tax exempt dividend of 2 sen per ordinary share, amounting to RM14,600,000 in respect of the financial year ended 30 June 2011, which is subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

On 2 December 2010, the Company subdivided its ordinary share capital as follows:

(i) authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each into 400,000 ordinary shares of RM0.25 each; and

(ii) issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00 each into 8 ordinary shares of RM0.25 each.

Subsequently, the Company increased its authorised share capital from RM100,000 divided into 400,000 ordinary shares of RM0.25 each to RM500,000,000 by the creation of 1,999,600,000 new ordinary shares of RM0.25 each.

On 2 December 2010, the Company increased its issued and paid-up share capital from RM2 to RM157,500,000 pursuant to its acquisition of the respective subsidiaries as follows:

(i) acquisition of 730,000 ordinary shares of RM10.00 each, representing the entire issued and paid-up share capital of BSB, for a total consideration of RM153,369,559 based on the audited consolidated net assets of BSB and its subsidiaries as at 30 June 2010 and after taking into consideration the financial effects arising from the acquisitions of Ocean Marine Ltd. ("OML") and Pacific Ltd. ("Pacific") by BSB on 30 September 2010 (see Note 8(a)(i) to the financial statements for details on the acquisitions).

The purchase consideration was satisfied entirely via the issuance of 613,478,236 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

(ii) acquisition of 1,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Benalec Shipyard Sdn. Bhd. ("BenShip"), for a total consideration of RM3,678,253 based on the audited net assets of BenShip as at 30 June 2010.

The purchase consideration was satisfied entirely via the issuance of 14,713,012 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

(iii) acquisition of 200,000 ordinary shares of Singapore Dollar ("SGD") 1.00 each, representing the entire issued and paid-up share capital of Oceanliner Pte. Ltd. ("Oceanliner"), for a total consideration of RM452,186 based on the audited net assets of Oceanliner as at 30 June 2010 and after taking into consideration the financial effects of the acquisition of vessels from a related company, Oceanlec Pte. Ltd. (see Note 8(a)(ii) to the financial statements for details on the acquisition).

The purchase consideration was satisfied entirely via the issuance of 1,808,744 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

On 17 January 2011, the Company further increased its issued and paid-up share capital from RM157,500,000 to RM182,500,000 via a public issue of 100,000,000 ordinary shares of RM0.25 each at an issue price of RM1.00 each ("Public Issue") pursuant to the listing and quotation of its ordinary shares on the Main Market of Bursa Malaysia Securities Berhad. The total proceeds raised from the Public Issue amounted to RM100,000,000.

All the above newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are:

Leaw Seng Hai
Leaw Ah Chye
Datuk Leaw Tua Choon (appointed on 5 October 2010)
Aznam bin Mansor (appointed on 5 October 2010)
Koo Hoong Kwan (appointed on 5 October 2010)
Wong Yoke Nyen (appointed on 5 October 2010)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares in the Company and of its related corporations during the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, were as follows:

	Number of ordinary shares of RM1.00 each			
	Balance as at 1.7.2010	Bought	Sold	Balance as at 2.12.2010*
Shares in the Company				
Direct interests:				
Leaw Seng Hai	1	-	-	1
Leaw Ah Chye	1	-	-	1

	Number of ordinary shares of RM0.25 each			
	Balance as at 2.12.2010*/ date of appointment	Bought	Sold	Balance as at 30.6.2011
Shares in the Company				
Direct interests:				
Leaw Seng Hai	4	69,519,120(1)	(43,035,649)	26,483,475
Leaw Ah Chye	4	56,108,189(1)	(34,733,643)	21,374,550
Datuk Leaw Tua Choon ^	-	55,350,947(1)	(34,264,872)	21,086,075
Koo Hoong Kwan ^	-	1,000,000(2)	-	1,000,000
Wong Yoke Nyen ^	-	500,000(2)	-	500,000
Indirect interests:				
Leaw Seng Hai	-	420,000,000	-	420,000,000(3)
Leaw Ah Chye	-	420,000,000	-	420,000,000(4)
Datuk Leaw Tua Choon ^	-	420,050,000	-	420,050,000(5)

DIRECTORS' INTERESTS (continued)

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares in the Company and of its related corporations during the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, were as follows: (continued)

* *Ordinary shares of RM1.00 each subdivided into 4 ordinary shares of RM0.25 each on 2 December 2010.*
^ *Represent interests held by the Directors for the period from their respective date of appointment to 30 June 2011.*

(1) *Ordinary shares in the Company issued to the Directors as purchase consideration for the acquisitions of their interests in the ordinary shares of BSB, BenShip and Oceanliner respectively.*

(2) *Subscription of the Company's ordinary shares under the preferential share allocation scheme ("Pink Form") pursuant to the Listing of the Company.*

(3) *Deemed interest by virtue of his interest in Oceancove Sdn. Bhd. ("Oceancove") via Oceanview Cove Sdn. Bhd. ("Oceanview").*

(4) *Deemed interest by virtue of his interest in Oceancove and Oceanview.*

(5) *Deemed interest by virtue of his interest in Oceancove, Oceanview, and the ordinary shares held by his immediate family member.*

	Number of ordinary shares of RM1.00 each			
	Balance as at 1.7.2010/ date of appointment	**Bought**	**Sold**	**Balance as at 30.6.2011**
Shares in the immediate holding company, Oceancove Sdn. Bhd. ("Oceancove")				
Direct interests:				
Leaw Seng Hai	1	2,899	(2,900)	-
Leaw Ah Chye	1	2,799	(1,100)	1,700
Datuk Leaw Tua Choon ^	-	2,800	(1,100)	1,700
Indirect interests:				
Leaw Seng Hai	-	5,100	-	5,100 #
Leaw Ah Chye	-	5,100	-	5,100 #
Datuk Leaw Tua Choon ^	-	5,100	-	5,100 #
Shares in the ultimate holding Company, Oceanview Cove Sdn. Bhd. ("Oceanview")				
Direct interests:				
Leaw Seng Hai	-	5,686	-	5,686
Leaw Ah Chye	1	2,156	-	2,157
Datuk Leaw Tua Choon ^	1	2,156	-	2,157

\# *Deemed interest by virtue of their interest in Oceanview.*
^ *Represent interests held by the Directors for the period from their respective date of appointment to 30 June 2011.*

By virtue of their interests in the ordinary shares of the Company, Leaw Seng Hai, Leaw Ah Chye and Datuk Leaw Tua Choon are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

The other Director holding office at the end of the financial year did not hold any beneficial interest in the ordinary shares in the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the remuneration received by certain Directors as directors of a wholly-owned subsidiary and the transactions entered into in the ordinary course of business with companies in which the Directors of the Company have substantial financial interests as disclosed in Note 33 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) 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 and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for:

(i) the recognition of gain on bargain purchase arising from the acquisitions of subsidiaries, which resulted in an increase in the Group's profit for the financial year by RM6,023,712 as disclosed in Note 28 to the financial statements; and

(ii) the recognition of listing expenses to profit or loss, which resulted in a decrease in the Group's and the Company's profit for the financial year by RM3,793,107 as disclosed in Note 28 to the financial statements.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature, which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Prior to the listing and quotation of the ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad, the Group had undertaken a series of restructuring exercises, which comprised the following:

- Acquisition of the entire issued and paid-up share capital of OML and Pacific respectively by BSB on 30 September 2010 (see Note 8(a)(i) to the financial statements for details on the acquisitions).
- Acquisition of the entire issued and paid-up share capital of BSB, BenShip and Oceanliner respectively by the Company on 2 December 2010 (see Note 8(a)(ii) to the financial statements for details on the acquisitions).

(b) On 17 January 2011, the Company further increased its issued and paid-up share capital from RM157,500,000 to RM182,500,000 via a public issue of 100,000,000 ordinary shares of RM0.25 each at an issue price of RM1.00 each ("Public Issue") pursuant to the listing and quotation of its ordinary shares on the Main Market of Bursa Malaysia Securities Berhad. The total proceeds raised from the Public Issue amounting to RM100,000,000.

(c) On 14 March 2011, a wholly-owned subsidiary of BSB, Jayamas Cekap Sdn. Bhd. ("JCSB") entered into a deed of assignment ("DOA") with Yayasan DMDI ("DMDI"), for which DMDI had agreed to assign its rights and transfer its liabilities and obligations associated with the concession to reclaim that portion off the coast of Kawasan Kota Laksamana, Bandar Melaka, Daerah Melaka Tengah, Melaka to JCSB. Upon completion of the reclamation works, the reclaimed land will measure approximately 250 acres ("Proposed Reclaimed Land").

(d) On 1 June 2011, a wholly-owned subsidiary of BSB, Orientalcove Realty Sdn. Bhd. entered into a joint venture agreement with Vista Selesa Development Sdn. Bhd. for the development of six (6) parcels of leasehold land held for sale measuring approximately 1,350,331 square feet ("JV Lands") for a minimum cash consideration of RM37,809,268 or twenty-five per cent (25%) of the gross development value of the project, whichever is higher.

(e) On 1 June 2011, the Company announced the following proposals:

(i) Proposed private placement of new ordinary shares of RM0.25 each in the Company up to ten per cent (10%) of the issued and paid-up share capital of the Company.
(ii) Proposed grant of options to certain Directors of the Company pursuant to employees' share option scheme ("ESOS"), which was established in conjunction with the listing of the Company.

The above proposals have been approved by the shareholders via resolutions passed at an Extraordinary General Meeting ("EGM") held by the Company on 9 September 2011. However, as of the date of this report, the private placement has not been completed and the employees' share options have yet to be finalised and allotted.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

(a) On 6 July 2011, the Company proposed to grant options to an employee of BSB, who is connected to a Director of the Company pursuant to the ESOS of the Company.

The above proposal has been approved by the shareholders via a resolution passed at an Extraordinary General Meeting ("EGM") held by the Company on 9 September 2011. However, as of the date of this report, the employees' share options have yet to be finalised and allotted.

(b) On 7 July 2011, the Group through BSB acquired two (2) ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital in two (2) companies, namely Pengerang Maritime Industries Sdn. Bhd. and Tanjung Piai Maritime Industries Sdn. Bhd. for a cash consideration of RM2.00 per company. Subsequently, the abovementioned two (2) companies become wholly-owned subsidiaries of the Group.

(c) On 22 September 2011, the Company repurchased 400,000 units of its issued shares of RM0.25 each from the open market at an average price RM1.04 per ordinary share. The total consideration paid amounted to RM415,566. The repurchased shares were financed by internally generated fund. The shares repurchased are being held as treasury shares in accordance with the requirements of the Companies Act, 1965 in Malaysia.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard Oceancove and Oceanview as the immediate and ultimate holding company respectively. Both companies are incorporated and domiciled in Malaysia.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Leaw Seng Hai
Director

Leaw Ah Chye
Director

Kuala Lumpur
24 October 2011

INDEPENDENT AUDITORS' REPORT

To the Members of Benalac Holdings Berhad

Report on the Financial Statements

We have audited the financial statements of Benalec Holdings Berhad, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 135.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 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 applicable approved Financial Reporting Standards and the provisions of 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 2011 and of the financial performance and 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 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 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 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 financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 41 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

BDO	**Ooi Thiam Poh**
AF: 0206	2495/01/12 (J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur
24 October 2011

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2011

	Note	Group 2011 RM	Group 2010 RM (restated*)	Company 2011 RM	Company 2010 RM
Revenue*	25	210,962,751	308,637,407	29,200,000	-
Cost of sales	26	(88,879,155)	(203,069,261)	-	-
Gross profit		122,083,596	105,568,146	29,200,000	-
Other income*		28,594,005	28,259,543	87,633	-
Administrative and other expenses		(20,700,508)	(8,070,444)	(4,623,700)	(5,355)
Finance costs	27	(3,886,554)	(4,231,230)	-	-
Profit before tax	28	126,090,539	121,526,015	24,663,933	(5,355)
Tax expense	29	(30,009,583)	(15,707,599)	(7,300,000)	-
Profit/(Loss) for the financial year		96,080,956	105,818,416	17,363,933	(5,355)
Other comprehensive income:					
Fair value loss on available-for-sale financial assets		(4,387)	-	-	-
Foreign currency translations		(4,340,667)	(2,205,403)	-	-
Other comprehensive income, net of tax		(4,345,054)	(2,205,403)	-	-
Total comprehensive income/(loss)		91,735,902	103,613,013	17,363,933	(5,355)
Profit/(Loss) attributable to:					
Owners of the legal parent		96,080,956	86,065,910	17,363,933	(5,355)
Non-controlling interests		-	19,752,506	-	-
		96,080,956	105,818,416	17,363,933	(5,355)
Total comprehensive income/(loss) attributable to:					
Owners of the legal parent		91,735,902	83,860,507	17,363,933	(5,355)
Non-controlling interests		-	19,752,506	-	-
		91,735,902	103,613,013	17,363,933	(5,355)
Earnings per ordinary share attributable to equity holders of the Company:					
		sen	**sen**		
Basic					
Profit for the financial year	30	14.36	14.03		

* *Please refer to Note 39 to the financial statements for details of the restatements.*

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2011

	Note	Group 2011 RM	Group 2010 RM (restated*)	Company 2011 RM	Company 2010 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	241,730,709	89,052,664	-	-
Investments in subsidiaries	8	-	-	157,499,998	-
Other investments*	9	37,404	62,279	-	-
Goodwill on consolidation	10	-	-	-	-
		241,768,113	89,114,943	157,499,998	-
Current assets					
Land held for sale	11	107,482,881	27,268,611	-	-
Inventories	12	11,039,525	-	-	-
Land reclamation work in progress	13	1,170,000	-	-	-
Trade and other receivables	14	206,760,220	175,882,257	114,960,274	-
Current tax assets		196,905	-	-	-
Cash and cash equivalents*	16	69,786,571	29,940,187	165,862	2
		396,436,102	233,091,055	115,126,136	2
TOTAL ASSETS		638,204,215	322,205,998	272,626,134	2
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	17	182,500,000	2,500,000	182,500,000	2
Reserves/(Accumulated losses)	18	164,260,414	150,869,559	89,894,460	(14,473)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		346,760,414	153,369,559	272,394,460	(14,471)

* *Please refer to Note 39 to the financial statements for details on the restatements.*

STATEMENTS OF FINANCIAL POSITION (continued)

As at 30 June 2011

	Note	Group 2011 RM	Group 2010 RM (restated*)	Company 2011 RM	Company 2010 RM
LIABILITIES					
Non-current liabilities					
Borrowings	19	43,701,244	33,589,431	-	-
Deferred tax liabilities	21	10,202,128	10,571,800	-	-
Trade and other payables*	22	28,757,219	-	-	-
		82,660,591	44,161,231	-	-
Current liabilities					
Trade and other payables	22	169,961,060	109,542,349	231,674	14,473
Borrowings 19	19,210,602	6,448,463	-	-	
Current tax liabilities		19,611,548	8,684,396	-	-
		208,783,210	124,675,208	231,674	14,473
TOTAL LIABILITIES		291,443,801	168,836,439	231,674	14,473
TOTAL EQUITY AND LIABILITIES		638,204,215	322,205,998	272,626,134	2

* *Please refer to Note 39 to the financial statements for details of the restatements.*

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2011

Group	Note	Share capital RM	Exchange translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
		← *Attributable to owners of the legal parent*			→		
Balance at 30 June 2009		2,500,000	25,830	74,971,884	77,497,714	-	77,497,714
Profit for the financial year		-	-	86,065,910	86,065,910	19,752,506	105,818,416
Foreign currency translation		-	(2,205,403)	-	(2,205,403)	-	(2,205,403)
Total comprehensive income		-	(2,205,403)	86,065,910	83,860,507	19,752,506	103,613,013
Transactions with owners							
Dividend paid	31	-	-	(2,288,137)	(2,288,137)	-	(2,288,137)
Effects on the dilution of interest in a subsidiary		-	316,090	(6,316,090)	(6,000,000)	6,000,000	-
Additional contribution by non-controlling interests		-	-	-	-	2,482,180	2,482,180
Effects on disposal of a subsidiary	8(b)	-	299,475	-	299,475	(28,234,686)	(27,935,211)
Total transactions with owners		-	615,565	(8,604,227)	(7,988,662)	(19,752,506)	(27,741,168)
Balance at 30 June 2010		2,500,000	(1,564,008)	152,433,567	153,369,559	-	153,369,559

STATEMENTS OF CHANGES IN EQUITY (continued)

For the Financial Year Ended 30 June 2011

Group	Note	Share capital RM	Share premium RM	Exchange translation reserve RM	Reverse acquisition debit RM	Available-for-sale reserve RM	Retained earnings RM	Total equity RM
		Attributable to owners of the legal parent						
Balance at 30 June 2010		2,500,000	-	(1,564,008)	-	-	152,433,567	153,369,559
Effects on the adoption of FRS 139	40	-	-	-	-	(20,488)	-	(20,488)
Balance at 1 July 2010		2,500,000	-	(1,564,008)	-	(20,488)	152,433,567	153,349,071
Profit for the financial year		-	-	-	-	-	96,080,956	96,080,956
Fair value of available-for-sale financial assets		-	-	-	-	(4,387)	-	(4,387)
Foreign currency translation		-	-	(4,340,667)	-	-	-	(4,340,667)
Total comprehensive income		-	-	(4,340,667)	-	(4,387)	96,080,956	91,735,902
Transactions with owners								
Issuance of shares by Benalec Sdn. Bhd. ("BSB") pursuant to bonus issue	17	4,800,000	-	-	-	-	(4,800,000)	-
Acquisitions of subsidiaries, which have been accounted for as reverse acquisition	8(a)(ii), 17	150,200,000	-	-	(146,069,559)	-	-	4,130,441
Ordinary shares issued pursuant to public issue	17	25,000,000	75,000,000	-	-	-	-	100,000,000
Share issue expenses		-	(2,455,000)	-	-	-	-	(2,455,000)
Total transactions with owners		180,000,000	72,545,000	-	(146,069,559)	-	(4,800,000)	101,675,441
Balance at 30 June 2011		182,500,000	72,545,000	(5,904,675)	(146,069,559)	(24,875)	243,714,523	346,760,414

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (continued)

For the Financial Year Ended 30 June 2011

Company	Note	Share capital RM	Share premium RM	(Accumulated losses)/ Retained earnings RM	Total equity RM
Balance at 30 June 2009		2	-	(9,118)	(9,116)
Loss for the financial year		-	-	(5,355)	(5,355)
Total comprehensive loss		-	-	(5,355)	(5,355)
Balance at 30 June 2010		2	-	(14,473)	(14,471)
Profit for the financial year		-	-	17,363,933	17,363,933
Total comprehensive income		-	-	17,363,933	17,363,933
Transactions with owners					
Ordinary shares issued pursuant to:					
- acquisitions of subsidiaries	8(a)(ii)	157,499,998	-	-	157,499,998
- public issue	17(d)	25,000,000	75,000,000	-	100,000,000
Share issue expenses		-	(2,455,000)	-	(2,455,000)
Total transactions with owners		182,499,998	72,545,000	-	255,044,998
Balance at 30 June 2011		182,500,000	72,545,000	17,349,460	272,349,460

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2011

	Note	Group		Company	
		2011 RM	2010 RM (restated)	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		126,090,539	121,526,015	24,663,933	(5,355)
Adjustments for:					
Bad debts written off		430,503	-	-	-
Depreciation of property, plant and equipment	7	20,884,584	15,905,697	-	-
Dividend income	28	(6,126)	(2,591)	(29,200,000)	-
Gain on bargain purchase arising from acquisitions of subsidiaries	28	(6,023,712)	-	-	-
Gain on disposal of land held for sale	28	(17,975,491)	(11,173,383)	-	-
Gain on disposal of property, plant and equipment	28	(1,771,010)	(6,045,375)	-	-
Goodwill on consolidation written off	10	82,338	102,115	-	-
Impairment loss on trade and other receivables	28	-	850,000	-	-
Interest expense	27	3,886,554	4,231,230	-	-
Interest income		(956,658)	(314,970)	(87,633)	-
Inventories written down	28	3,325,467	-	-	-
Listing expenses	28	3,793,107	-	3,793,107	-
Loss/(Gain) on disposal of a subsidiary	28	2,067	(1,531,266)	-	-
Loss on disposal of other investments		-	7,550	-	-
Property, plant and equipment written off	7	320,776	-	-	-
Unrealised (gain)/loss on foreign exchange		(733,586)	678,981	-	-
Operating profit/(loss) before working capital changes		131,349,352	124,234,003	(830,593)	(5,355)
Changes in working capital:					
Inventories		(2,535,097)	13,592,993	-	-
Land reclamation work in progress		(1,170,000)	-	-	-
Land held for sale		(632,847)	-	-	-
Trade and other receivables		(141,984,732)	(3,294,479)	(15,088)	-
Trade and other payables		41,697,862	(58,196,414)	217,201	3,590
Cash generated from/(used in) operations		26,724,538	76,336,103	(628,480)	(1,765)
Tax paid		(20,404,793)	(1,251,316)	-	-
Interest paid		(3,886,554)	(4,231,230)	-	-
Net cash from/(used in) operating activities		2,433,191	70,853,557	(628,480)	(1,765)

STATEMENTS OF CASH FLOWS (continued)

For the Financial Year Ended 30 June 2011

	Note	Group 2011 RM	Group 2010 RM (restated*)	Company 2011 RM	Company 2010 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of subsidiaries	8(a)(ii)	2,228,302	(731,548)	-	-
Additional capital contribution from minority interest		-	2,482,180	-	-
Dividend received	28	6,126	2,591	-	-
Interest received	28	956,658	314,970	87,633	-
Net cash outflow arising from disposal of a subsidiary	8(b)	-	(19,664,254)	-	-
Placement of fixed deposits pledged to licensed financial institutions		(840,296)	(3,784,185)	-	-
Proceeds from disposal of property, plant and equipment		3,577,625	30,027,336	-	-
Purchase of property, plant and equipment	7(a)	(29,324,676)	(35,843,215)	-	-
(Repayments to)/Advances from related companies*		(37,907,330)	(14,376,199)	-	1,765
Advances to a subsidiary		-	-	(93,045,186)	-
Net cash (used in)/from investing activities		(61,303,591)	(41,572,324)	(92,957,553)	1,765
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid by Benalec Sdn. Bhd. to its former shareholders	31	-	(2,288,137)	-	-
Drawdown of term loans		16,508,434	-	-	-
Proceeds from public issue		100,000,000	-	100,000,000	-
Share issue and listing expenses		(6,248,107)	-	(6,248,107)	-
Repayments of hire purchase liabilities		(990,903)	(528,288)	-	-
Repayments of term loans		(10,379,383)	(6,507,332)	-	-
Repayments of trust receipts		(1,282,963)	(5,660,683)	-	-
Repayments to directors		-	(7,534,694)	-	-
Net cash from/(used in) financing activities		97,607,078	(22,519,134)	93,751,893	-
Net increase in cash and cash equivalents		38,736,678	6,762,099	165,860	-
Cash and cash equivalents at beginning of financial year		15,309,072	8,935,570	2	2
Effects of exchange rate changes		269,410	(388,597)	-	-
Cash and cash equivalents at end of financial year*	16	54,315,160	15,309,072	165,862	2

Material non-cash transactions taken into consideration in the preparation of the statements of cash flows are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Dividend receivable from a subsidiary	-	-	29,200,000	-
Proceeds from disposal of land held for sale offset with deposits received from purchasers as recorded in “trade and other payables”	38,005,232	108,545,418	-	-
Settlement of amount owing to a related party via assumption of borrowings of the related party	16,036,358	-	-	-
Transfer of completed vessel from “vessels work in progress” to “property, plant and equipment”	1,697,010	-	-	-
Transfer of “amounts due from contract customers” to “land held for sale”	99,611,164	71,551,721	-	-

* *Please refer to Note 39 to the financial statements for details of the restatements.*

1. CORPORATE INFORMATION

The Company was incorporated in Malaysia on 12 July 2005 as a private limited liability company under the name of Benalec Holdings Sdn. Bhd. and domiciled in Malaysia. On 29 September 2010, the Company was converted to a public limited liability company and assumed the present name of Benalec Holdings Berhad ("Benalec"). The Company is domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 38, Jalan Pengacara U1/48, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan.

The immediate and ultimate holding company of the Company is Oceancove Sdn. Bhd. and Oceanview Cove Sdn. Bhd. respectively, both of which are incorporated in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information of the Company is presented in RM unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 24 October 2011.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ('FRSs') and the provisions of the Companies Act, 1965 in Malaysia. However, Note 41 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

In conjunction with and prior to the listing of the Company's ordinary shares on the Main Market of Bursa Malaysia Securities Berhad, the Company has undertaken the following acquisitions:

(i) acquisition of 730,000 ordinary shares of RM10.00 each, representing the entire issued and paid-up share capital of Benalec Sdn. Bhd. ("BSB"), for a total consideration of RM153,369,559 based on the audited consolidated net assets of BSB and its subsidiaries ("BSB Group") as at 30 June 2010 and after taking into consideration the financial effects arising from the acquisitions of Ocean Marine Ltd. and Pacific Ltd. by BSB on 30 September 2010 (see Note 8(a)(i) to the financial statements for details on the acquisitions).

    The purchase consideration was satisfied entirely via the issuance of 613,478,236 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

(ii) acquisition of 1,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Benalec Shipyard Sdn. Bhd. ("BenShip"), for a total consideration of RM3,678,253 based on the audited net assets of BenShip as at 30 June 2010.

    The purchase consideration was satisfied entirely via the issuance of 14,713,012 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

3. BASIS OF PREPARATION (continued)

In conjunction with and prior to the listing of the Company's ordinary shares on the Main Market of Bursa Malaysia Securities Berhad, the Company has undertaken the following acquisitions: (continued)

(iii) acquisition of 200,000 ordinary shares of Singapore Dollar ("SGD") 1.00 each, representing the entire issued and paid-up share capital of Oceanliner Pte. Ltd. ("Oceanliner"), for a total consideration of RM452,186 based on the audited net assets of Oceanliner as at 30 June 2010 and after taking into consideration the financial effects of the acquisition of vessels from a related company, Oceanlec Pte. Ltd. (see Note 8(a)(ii) to the financial statements for details on the acquisition).

The purchase consideration was satisfied entirely via the issuance of 1,808,744 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

The above acquisitions are accounted for using the purchase method of accounting in accordance with FRS 3 as follows:

(i) BSB has been identified as the accounting acquirer as the substance of the business combination is that BSB acquired the Company and the other two subsidiaries (i.e. BenShip and Oceanliner) in a reverse acquisition;

(ii) The business combination cost deemed to have been incurred by BSB for the acquisition of BenShip and Oceanliner amounted to RM3,678,253 and RM452,186 respectively (see Note 8(a)(ii) to the financial statements for details on the acquisitions); and

(iii) The difference between the issued equity of the Company and the issued equity of BSB together with the deemed purchase consideration of the other two subsidiaries, amounting to RM146,069,559 is recorded as a reverse acquisition debit.

The following accounting treatment has been applied in the consolidated financial statements in respect of the reverse acquisition:

(i) the assets and liabilities of the accounting acquirer, BSB, are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;

(ii) the retained earnings and other equity balances of the Group immediately before the business combination, and the results for the period 1 July 2010 to the date of business combination are those of BSB Group;

(iii) the equity structure, however, reflects the equity structure of the Company, including the equity instruments issued to effect the business combination; and

(iv) comparative financial information presented are those of BSB Group, for the financial year ended 30 June 2010.

The detailed implications of the above accounting treatment are as follows:

<u>Consolidated Statements of Comprehensive Income</u>

- The Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2011 comprises BSB Group's results for the five (5) months from 1 July 2010 to 2 December 2010 (the date of business combination) and the Group's results for the seven (7) months from 2 December 2010 to 30 June 2011.

- The Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2010 comprises BSB Group's results for the financial year then ended.

<u>Consolidated Statements of Financial Position</u>

- The Consolidated Statement of Financial Position as at 30 June 2011 represents the financial position of the Group after reflecting the effects of the acquisitions during the financial year.

- The Consolidated Statement of Financial Position as at 30 June 2010 represents the financial position of BSB Group.

3. BASIS OF PREPARATION (continued)

The detailed implications of the above accounting treatment are as follows: (continued)

Consolidated Statements of Changes in Equity

- The Consolidated Statement of Changes in Equity for the financial year ended 30 June 2011 comprises:
  - the equity balance of BSB Group at the beginning of the financial year.
  - the transactions for the financial year, being BSB Group's transactions for the five (5) months from 1 July 2010 to 2 December 2010 (the date of business combination) and the Group's transactions for seven (7) months from 2 December 2010 to 30 June 2011.
  - the equity balance of the Group at the end of the financial year.

- The Consolidated Statement of Changes in Equity for the financial year ended 30 June 2010 comprises BSB Group's transactions for the financial year then ended.

Consolidated Statements of Cash Flows

- The Consolidated Statement of Cash Flows for the financial year ended 30 June 2011 comprises:
  - the cash and cash equivalent balance of BSB Group at the beginning of the financial year.
  - the transactions for the financial year, being BSB Group's transactions for the five (5) months from 1 July 2010 to 2 December 2010 (the date of business combination) and the Group's transactions for seven (7) months from 2 December 2010 to 30 June 2011.
  - the cash and cash equivalent balance of the Group at the end of the financial year.

- The Consolidated Statement of Cash Flows for the financial year ended 30 June 2010 comprises BSB Group's transactions for the financial year then ended.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as 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 Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities (including special purpose entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, and to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Accounting policies of the subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group, where necessary.

Non-controlling interests represents the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

The Group has applied the revised FRS 3 *Business Combinations* in accounting for business combinations from 1 July 2010 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the Standard.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or jointly controlled entity.

4.3 Business combinations

Business combinations from 1 July 2010 onwards

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;

(b) liabilities or equity instruments related to the replacements by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 *Share-based Payment*; and

(c) assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations (continued)

Business combinations from 1 July 2010 onwards (continued)

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profits or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. The accounting policy for goodwill is set out in Note 4.9 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 July 2010

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 (see Note 4.9 to the financial statements on the accounting policy for 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:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

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.

4.4 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

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 land 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 the lease term of 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:

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

At the end of each reporting period, 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 Note 4.12 to the financial statements for accounting policy on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period 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.

4.5 Leases and hire purchase

4.5.1 Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to 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 lease, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases and hire purchase (continued)

4.5.2 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.

4.5.3 Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

The Group has adopted Amendment to FRS 117 *Leases* as permitted by Paragraph 69A in the Amendment to FRS 117 in 2010 and accordingly, the Group has assessed the classification of land elements of unexpired leases on the basis of information existing at the inception of those leases and has classified the leasehold land held as finance lease and treated it in accordance with the accounting policy as set out in Note 4.5.1 to the financial statements.

4.6 Land held for sale

Land held for sale is classified as current asset and is stated at the lower of cost 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.

4.7 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.

4.8 Investments

Subsidiaries

A subsidiary is an entity in which the Group and the Company have 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. Investments accounted for at cost shall be accounted for in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with FRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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.

4.10 Inventories

Inventories comprises vessels work in progress and consumables.

Vessels work in progress is stated at the lower of cost (determined based on specific identification) and net realisable value.

Cost includes direct materials, direct labour and other costs directly attributable to building the vessels. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

4.11 Land reclamation work in progress

Land reclamation work in progress comprises costs associated with the securing of concession to reclaim and the costs incurred that are directly attributable to the corresponding reclamation project or that can be allocated on a reasonable basis to such project.

Land reclamation work in progress is recognised as an asset and is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price of the reclaimed land in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Any expected loss is recognised immediately to profit or loss.

Upon completion of the reclamation project and issuance of land title, the land reclamation work in progress is reclassified to land held for sale.

4.12 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries) and assets arising from construction contracts, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with FRS 8.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Impairment of non-financial assets (continued)

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 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, 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.

4.13 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.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Financial instruments (continued)

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

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

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group has the positive intention and ability to hold to maturity.

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

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Financial instruments (continued)

(a) Financial assets (continued)

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.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Financial instruments (continued)

(b) Financial liabilities (continued)

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in FRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities 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.

At the end of every reporting period, the Group shall assess whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as 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.

Interim dividends to shareholders are recognised in equity in the period in which they are declared whilst final dividends to shareholders are recognised in equity in the period in which they are approved by the shareholders.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Financial instruments (continued)

(c) Equity (continued)

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

If the Company reacquires its own equity instruments, the consideration paid, including any attributable transaction costs is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

Following the adoption of FRS 139 during the financial year, the Group reassessed the classification and measurement of financial assets and financial liabilities as at 1 July 2010. Consequently, the Group reclassified and remeasured financial assets and financial liabilities as disclosed in the opening statement of financial position in Note 40 to the financial statements.

4.14 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Held-to-maturity investments and loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable or investee, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on held-to-maturity investments and loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

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

The carrying amount of held-to-maturity investments is directly reduced by the impairment loss whilst the carrying amount of loans and receivables are reduced through the use of an allowance account.

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

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidences that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit to loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Impairment of financial assets (continued)

(b) Available-for-sale financial assets (continued)

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying 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.

4.16 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statement of comprehensive income comprise current tax and deferred tax.

(a) 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 is 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 by the end of the reporting period.

(b) 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 statement of financial position 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.

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 a deferred tax asset is reviewed at the end of each reporting period. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Income taxes (continued)

(b) 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 on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different 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 in 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 by the reporting period.

4.17 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 the end of each reporting period 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.

4.18 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 disclose 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 non-controlling interest.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Employee benefits

4.19.1 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.

4.19.2 Defined contribution plans

The Company and its 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.

4.20 Foreign currencies

4.20.1 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 ("RM"), which is the Company's functional and presentation currency.

4.20.2 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 end of the reporting period 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.

4.20.3 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 statement of comprehensive income. All resulting translation differences are recognised as a separate component of equity.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

4.21 Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Revenue recognition (continued)

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:

(a) Construction contracts

- *Cash-settlement contract*

  Profits from contract works, of which the settlement of the contract sum is via progress payment in cash, are recognised on the percentage of completion method measured by reference to the certified surveys of work performed.

- *Settlement-in-kind contract*

  Profits from contract works, of which the settlement of the contract sum is in kind (via allocation of land portion reclaimed), are recognised on the percentage of completion method determined based 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.

(b) Sale of marine construction materials

Revenue from sale of marine construction materials is recognised when the 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 the delivery of goods and acceptance by customers.

(c) Vessels chartering and marine transportation income

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

(d) Dividend income

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

(e) Interest income

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

(f) Rental income

Rental income is recognised as it accrues, unless collectability is in doubt.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Operating segments

Operating segments are defined as components of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and

(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.23 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs

5.1 New FRS adopted during the current financial year

(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 202$_{2004}$ *General Insurance Business* and FRS 203$_{2004}$ *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 end of the reporting period, 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 statement of financial position until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

Following the adoption of this Standard, the Group designates corporate guarantees given to banks for credit facilities granted to the Group as insurance contracts. The Group recognises these insurance contracts as recognised insurance liabilities 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.

(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 the Group's financial position and performance.

(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.

There is no impact upon adoption of this Standard during the financial year.

(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.

The impact upon adoption of this Standard is disclosed in Note 40 to the financial statements.

(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.

There is no impact upon adoption of these amendments during the financial year.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

(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.

There is no impact upon adoption of these amendments during the financial year.

(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.

There is no impact upon adoption of this Interpretation during the financial year.

(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.

There is no impact upon adoption of this Interpretation during the financial year.

(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 Company 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.

If the Company grants rights to its equity instruments to the employees of its subsidiaries, this Interpretation requires the Company to recognise the equity reserve for the obligation to deliver the equity instruments when needed whilst the subsidiaries shall recognise the remuneration expense for the services received from employees.

If the subsidiaries grant rights to equity instruments of the Company to its employees, this Interpretation requires the Company to account for the transaction as cash-settled, regardless of the manner the subsidiaries obtain the equity instruments to satisfy its obligations.

There is no impact upon adoption of this Interpretation during the financial year.

The Group would like to draw attention to the withdrawal of this Interpretation for annual periods beginning on or after 1 January 2011 as disclosed in Note 5.2(d) to the financial statements.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

(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.

If the Group supplies the awards itself, the consideration allocated to the award credits shall only be recognised as revenue when the award credits are redeemed. If a third party supplies the awards, the Group shall assess whether it is acting as a principal or agent in the transaction.

If the Group is acting as the principal in the transaction, it shall measure its revenue as the gross consideration allocated to the award credits. If the Group is acting as an agent, it shall measure its revenue as the net amount retained on its own account, and recognise the net amount as revenue when the third party becomes obliged to supply the awards and entitled to receive the consideration for doing so.

There is no impact upon adoption of this Interpretation during the financial year.

(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 end of the reporting period 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.

There is no impact upon adoption of this Interpretation during the financial year.

(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).

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

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

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.

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.

Following the adoption of this Standard, the Group has reflected the new format of presentation and additional disclosures warranted in the primary financial statements and relevant notes to the financial statements.

(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 clarify the designation of one-sided risk in eligible hedged items and streamline the terms used throughout the Standards in accordance with the changes resulting from FRS 101.

There is no impact upon adoption of these amendments during the financial year.

(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.

(o) *Improvements to FRSs (2009)* are mandatory for annual periods beginning on or after 1 January 2010.

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. There is no impact upon adoption of this amendment during the financial year.

Amendment to FRS 8 clarifies the consistency of disclosure requirement for information about profit or loss, assets and liabilities. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

(o) *Improvements to FRSs (2009)* are mandatory for annual periods beginning on or after 1 January 2010. (continued)

Amendment to FRS 108 clarifies that only Implementation Guidance issued by the MASB that are integral parts of FRSs is mandatory. There is no impact upon adoption of this amendment during the financial year.

Amendment to FRS 110 *Events after the Reporting Period* clarifies the rationale for not recognising dividends declared after the reporting period but before the financial statements are authorised for issue. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

Amendment to FRS 118 clarifies reference made on the term 'transaction costs' to the definition in FRS 139. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

(o) *Improvements to FRSs (2009)* are mandatory for annual periods beginning on or after 1 January 2010. (continued)

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. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

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. There is no impact upon adoption of this amendment during the financial year.

(p) 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 132$_{2004}$ *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.

There is no impact upon adoption of these amendments during the financial year.

(q) Amendments to FRS 139 is mandatory for annual periods beginning on or after 1 January 2010.

These amendments 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.

There is no impact upon adoption of these amendments during the financial year.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

(r) 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.

There is no impact upon adoption of this Interpretation during the financial year.

(s) 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 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.

There is no impact upon adoption of this Standard during the financial year.

(t) 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. Any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss.

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

The revised FRS 3 has been applied prospectively in accordance with its transitional provisions. Assets and liabilities that arose from business combinations whose acquisition dates were before 1 July 2010 are not adjusted.

During the financial year, the newly acquired subsidiaries were accounted for in accordance with this new Standard as disclosed in Note 8(a) to the financial statements.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

(u) 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 the 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 remeasured at its fair value at the date when control is lost.

According to its transitional provisions, the revised FRS 127 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interest, attribution of losses to non-controlling interest, and disposal of subsidiaries before 1 July 2010. These changes would only affect future transactions with non-controlling interest.

There is no impact upon adoption of this Standard during the financial year.

(v) Amendments to FRSs are mandatory for annual periods beginning on or after 1 July 2010.

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. There is no impact upon adoption of these amendments during the financial year.

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. There is no impact upon adoption of these amendments during the financial year.

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. There is no impact upon adoption of these amendments during the financial year.

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. There is no impact upon adoption of these amendments during the financial year.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.1 New FRS adopted during the current financial year (continued)

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

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. There is no impact upon adoption of this Interpretation during the financial year.

(x) 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. The new accounting policy (see Note 4.13(c)) to the financial statements) has been applied prospectively. There is no impact upon adoption of this Interpretation during the financial year.

5.2 New FRSs that have been issued, but not yet effective and not yet adopted

(a) 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 Note 9(a)) to the financial statements).

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

(b) 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.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.2 New FRSs that have been issued, but not yet effective and not yet adopted (continued)

(c) Amendments to FRS 7 *Improving Disclosures about Financial Instruments* are 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.

(d) 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. The effects of adopting IC Interpretation 11 have been disclosed in Note 5.1(i) to the financial statements.

(e) 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 Interpretation because there are no arrangements dependent on the use of specific assets in the Group.

(f) 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 Interpretation because there are no such arrangements in the Group.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.2 New FRSs that have been issued, but not yet effective and not yet adopted (continued)

(g) 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.).

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

(h) *Improvements to FRSs (2010)* are mandatory for annual periods beginning on or after 1 January 2011.

Amendments to FRS 1 clarify that FRS 108 does not apply to changes in accounting policies made upon adoption of FRSs until after the first FRS financial statements have been presented. If changes in accounting policies or exemptions in this FRS are used, an explanation of such changes together with updated reconciliations shall be made in each interim financial report. Entities whose operations are subject to rate regulation are permitted the use of previously revalued amounts as deemed cost. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 3 clarify that for each business combination, the acquirer shall measure at the acquisition date non-controlling interests that consist of the present ownership interests and entitle holders to a proportionate share of the entity's net assets in the event of liquidation. Un-replaced and voluntarily replaced share-based payment transactions shall be measured using the market-based measurement method in accordance with FRS 2 at the acquisition date. The Group does not expect any impact on the consolidated financial statements arising from the adoption of these amendments.

Amendments to FRS 7 clarify that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Group expects to improve the disclosures on maximum exposure to credit risk upon adoption of these amendments.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.2 New FRSs that have been issued, but not yet effective and not yet adopted (continued)

(h) Improvements to FRSs (2010) are mandatory for annual periods beginning on or after 1 January 2011. (continued)

Amendments to FRS 101 clarify that a statement of changes in equity shall be presented as part of a complete set of financial statements. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 121 *The Effects of Changes in Foreign Exchange Rates* clarify that the accounting treatment for cumulative foreign exchange differences in other comprehensive income for the disposal or partial disposal of a foreign operation shall be applied prospectively. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 128 clarify that the accounting treatment for the cessation of significant influence over an associate shall be applied prospectively. The Group does not expect any impact on the consolidated financial statements arising from the adoption of these amendments.

Amendments to FRS 131 clarify that the accounting treatment for the cessation of joint control over an entity shall be applied prospectively. The Group does not expect any impact on the consolidated financial statements arising from the adoption of these amendments.

Amendments to FRS 132 clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to FRS 134 clarify that updated information on significant events and transactions since the end of the last annual reporting period shall be included in the Group's interim financial report. Although the Group does not expect any impact on the financial statements rising from the adoption of these amendments, it is expected that additional disclosures would be made in the quarterly interim financial statements of the Group.

Amendments to FRS 139 clarify that contingent consideration from a business combination that occurred before the effective date of the revised FRS 3 of 1 July 2010 shall be accounted for prospectively. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

Amendments to IC Interpretation 13 clarify that the fair value of award credits takes into account, amongst others, the amount of the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. The Group does not expect any impact on the financial statements arising from the adoption of these amendments.

(i) Amendments to IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* are mandatory for annual periods beginning on or after 1 July 2011.

These amendments clarify that if there is a minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions shall include any amount that reduces future minimum funding requirement contributions for future service because of the prepayment made.

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

(j) IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* is mandatory for annual periods beginning on or after 1 July 2011.

This Interpretation applies to situations whereby equity instruments are issued to a creditor to extinguish all or part of a recognised financial liability. Such equity instruments shall be measured at fair value, and the difference between the carrying amount of the financial liability extinguished and the consideration paid shall be recognised in profit or loss.

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

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

5.2 New FRSs that have been issued, but not yet effective and not yet adopted (continued)

(k) FRS 124 *Related Party Disclosures* and the consequential amendments to FRS 124 are mandatory for annual periods beginning on or after 1 January 2012.

This revised Standard simplifies the definition of a related party and eliminates certain inconsistencies within the superseded version. In addition to this, transactions and balances with government-related entities are broadly exempted from the disclosure requirements of the Standard.

The Group expects to reduce related party disclosures in respect of transactions and balances with government-related entities upon adoption of this Standard.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no changes in estimates during the financial year and at the end of the financial year.

6.2 Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the Directors are of the opinion that there are no critical judgments involved that have a significant effect on the amounts recognised in the financial statements.

6.3 Key sources of estimation uncertainty

(a) Impairment of property, plant and equipment

The Group determines whether property, plant and equipment is impaired at the end of the reporting period. 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 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.

(b) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to changes in factors mentioned above. Changes in these factors could impact the useful lives and the residual values of the assets, therefore future depreciation charges could be revised.

5. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (continued)

6.3 Key sources of estimation uncertainty (continued)

(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 on the following basis:

Cash-settlement contract	: by reference to certified surveys of work performed.
Settlement-in-kind contract	: by reference to 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 construction 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.

(d) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses customer credit worthiness and the past collection history of the receivables when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(e) Fair values 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.

(f) Fair values of the identifiable net assets of newly acquired subsidiaries

The fair values of the identifiable net assets of newly acquired subsidiaries were estimated based on management's best estimates and judgement. In evaluating the fair values, management rely on valuations carried out by external specialists and specifically analyse the historical information and net worth of the subsidiaries acquired. Where expectations differ from the original estimates, the differences will impact the carrying amount of assets and liabilities of these subsidiaries on consolidation.

7. PROPERTY, PLANT AND EQUIPMENT

Group 2011	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Barges and dredgers RM	Tools and office equipment RM	Furniture and fittings RM	Motor vehicles RM	Total RM
Cost									
At 1 July 2010	2,324,860	-	1,725,687	6,436,273	100,595,328	2,690,947	433,780	5,972,108	120,178,983
Additions	-	-	1,157,566	2,770,442	24,710,161	556,480	14,031	740,253	29,948,933
Transfer from vessels work in progress	-	-	-	-	1,697,010	-	-	-	1,697,010
Disposals	-	-	-	-	(2,232,029)	(2,000)	-	(342,834)	(2,576,863)
Write-offs	-	-	-	(226,432)	-	(174,219)	-	-	(400,651)
Acquisitions of subsidiaries	-	11,919,537	1,080,463	815,421	132,295,200	286,742	84,199	14,618	146,496,180
Translation adjustments	-	-	17,401	(54,290)	(2,722,167)	(5,772)	(38)	-	(2,764,866)
At 30 June 2011	2,324,860	11,919,537	3,981,117	9,741,414	254,343,503	3,352,178	531,972	6,384,145	292,578,726
Accumulated depreciation									
At 1 July 2010	-	-	500,510	3,567,222	21,285,406	2,034,697	331,717	3,406,767	31,126,319
Charge for the financial year	-	119,800	107,261	606,732	19,093,983	170,670	29,879	756,259	20,884,584
Disposals	-	-	-	-	(427,398)	(17)	-	(342,833)	(770,248)
Write-offs	-	-	-	(48,120)	-	(31,755)	-	-	(79,875)
Translation adjustments	-	-	203	(452)	(312,367)	(145)	(2)	-	(312,763)
At 30 June 2011	-	119,800	607,974	4,125,382	39,639,624	2,173,450	361,594	3,820,193	50,848,017

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2010	Freehold land RM	Buildings RM	Plant and machinery RM	Barges and dredgers RM	Tools and office equipment RM	Furniture and fittings RM	Motor vehicles RM	Total RM
Cost								
At 1 July 2009	2,324,860	2,214,777	4,600,618	153,904,489	2,614,413	432,695	4,458,544	170,550,396
Additions	-	1,083,874	1,277,006	33,102,845	120,108	93,218	1,513,564	37,190,615
Disposals	-	(504,000)	-	(25,550,631)	(1,190)	-	-	(26,055,821)
Acquisitions of subsidiaries	-	-	-	3,540,500	-	-	-	3,540,500
Disposal of a subsidiary	-	(1,071,684)	(30,222)	(60,825,044)	(47,942)	(86,110)	-	(62,061,002)
Reclassification	-	-	588,795	(588,795)	-	-	-	-
Translation adjustments	-	2,720	76	(2,988,036)	5,558	(6,023)	-	(2,985,705)
At 30 June 2010	2,324,860	1,725,687	6,436,273	100,595,328	2,690,947	433,780	5,972,108	120,178,983
Accumulated depreciation								
At 1 July 2009	-	441,339	2,844,927	15,977,205	1,831,872	309,920	2,928,129	24,333,392
Charge for the financial year	-	101,615	478,974	14,611,904	206,721	27,845	478,638	15,905,697
Disposals	-	(29,400)	-	(2,043,825)	(635)	-	-	(2,073,860)
Disposal of a subsidiary	-	(13,077)	(2,015)	(6,934,961)	(3,725)	(5,537)	-	(6,959,315)
Reclassification	-	-	245,331	(245,331)	-	-	-	-
Translation adjustments	-	33	5	(79,586)	464	(511)	-	(79,595)
At 30 June 2010	-	500,510	3,567,222	21,285,406	2,034,697	331,717	3,406,767	31,126,319

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Carrying amount	
	2011	2010
	RM	RM
Group		
Barges and dredgers	214,703,879	79,309,922
Buildings	3,373,143	1,225,177
Freehold land	2,324,860	2,324,860
Leasehold land	11,799,737	-
Furniture and fittings	170,378	102,063
Motor vehicles	2,563,952	2,565,341
Plant and machinery	5,616,032	2,869,051
Tools and office equipment	1,178,728	656,250
	241,730,709	89,052,664

(a) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2011	2010
	RM	RM
Purchase of property, plant and equipment	29,948,933	37,190,615
Financed by hire purchase arrangement	(624,257)	(1,347,400)
Cash payments for the purchase of property, plant and equipment	29,324,676	35,843,215

(b) As of 30 June 2011, the carrying amount of property, plant and equipment of the Group under hire purchase arrangements are as follows:

	Group	
	2011	2010
	RM	RM
Motor vehicles	1,851,653	1,988,769
Plant and machinery	413,523	681,783
	2,265,176	2,670,552

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 20 to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) As at 30 June 2011, the carrying amount of property, plant and equipment of the Group pledged to licensed banks for credit facilities granted to the Group as disclosed in Note 19 to the financial statements are as follows:

	Group	
	2011 RM	2010 RM
Barges and dredgers	82,661,401	15,099,830
Buildings	397,265	447,261
Freehold land	1,749,860	1,749,860
Leasehold land	11,799,737	-
	96,608,263	17,296,951

(d) Included in the buildings of the Group as at 30 June 2011 is a factory building with a carrying amount of RM1,070,880, which was acquired in conjunction with the acquisition of a subsidiary, Benalec Shipyard Sdn. Bhd. ("BenShip"), for which the Group is currently in the process of applying for Certificate of Completion and Compliance from the competent local authority. The vendors of BenShip have undertaken to indemnify the Group against any costs or losses incurred in the event the Certificate of Completion and Compliance could not be obtained.

Subsequent to the end of the financial year, the Group has obtained the Certificate of Completion and Compliance.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Unquoted shares, at cost	157,499,998	-

8. INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Interest in equity held by Company 2011 %	Company 2010 %	Subsidiary 2011 %	Subsidiary 2010 %	Principal activities
Benalec Sdn. Bhd. ("BSB")	Malaysia	100	-	-	-	Marine construction and civil engineering
Benalec Shipyard Sdn. Bhd.	Malaysia	100	-	-	-	Ship repair, ship maintenance, shipbuilding,fabrication, refurbishment and ship trading
Oceanliner Pte. Ltd. *	Singapore	100	-	-	-	Charter of vessels
Subsidiaries of BSB						
OG Marine Sdn. Bhd.	Malaysia	-	-	100	100	Charter of vessels
Benalec Land Sdn. Bhd.	Malaysia	-	-	100	100	Property investment holding
Benalec Maritime Sdn. Bhd.	Malaysia	-	-	100	100	Marine construction and civil engineering
Pacific Marine Limited	Labuan	-	-	100	100	Charter/leasing of vessels
Oceanline (Labuan) Ltd.	Labuan	-	-	100	100	Charter/leasing of vessels and the business of trading of vessels
Arus Kreatif Sdn. Bhd.^	Malaysia	-	-	100	100	Marine construction and civil engineering
Crystal Land Property Sdn. Bhd.^	Malaysia	-	-	100	100	Property investment holding
Heritage Land Development Sdn. Bhd.^	Malaysia	-	-	100	100	Dormant
Heritage Land Realty Sdn. Bhd.^	Malaysia	-	-	100	100	Dormant
Heritage Land Sdn. Bhd.^	Malaysia	-	-	100	100	Property investment holding
Heritage Property Sdn. Bhd.^	Malaysia	-	-	100	100	Property investment holding
Klebang Property Sdn. Bhd.^	Malaysia	-	-	100	100	Dormant
Oceanfront Property Sdn. Bhd.^	Malaysia	-	-	100	100	Dormant
Oceanview Project Sdn. Bhd. ^	Malaysia	-	-	100	100	Dormant
Oceanview Realty Sdn. Bhd. ^	Malaysia	-	-	100	100	Dormant

8. INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Interest in equity held by Company 2011 %	Company 2010 %	Subsidiary 2011 %	Subsidiary 2010 %	Principal activities
Subsidiaries of BSB (continued)						
Orientalcove Realty Sdn. Bhd. ^	Malaysia	-	-	100	100	Dormant
Orientalcove Property Sdn. Bhd. ^	Malaysia	-	-	100	100	Dormant
Sentosacove Development Sdn. Bhd. ^	Malaysia	-	-	100	100	Property investment holding
Strategic Cove Sdn. Bhd. ^	Malaysia	-	-	100	100	Dormant
Strategic Land Sdn. Bhd. ^	Malaysia	-	-	100	100	Dormant
Wilajati Sdn. Bhd. ^	Malaysia	-	-	100	100	Dormant
Pacific Ltd.	Labuan	-	-	100	-	Charter/leasing of vessels
Ocean Marine Ltd.	Labuan	-	-	100	-	Charter/leasing of vessels
Pacific Link Ltd.	Labuan	-	-	100	-	Trading and investment holding
Pacific Shipping Ltd.	Labuan	-	-	100	-	Trading and investment holding
Jayamas Cekap Sdn. Bhd.	Malaysia	-	-	100	-	Reclamation works
Integrasi Mekar Sdn. Bhd.	Malaysia	-	-	100	-	Dormant
Indera Tenggara Sdn. Bhd. #	Malaysia	-	-	100	-	Dormant
Jewel East Sdn. Bhd. (“JESB”) #	Malaysia	-	-	100	-	Property investment holding
Crystal Land Development Sdn. Bhd.^	Malaysia	-	-	-	100	Property investment holding
Subsidiaries of JESB						
Iconic Island Sdn. Bhd. #	Malaysia	-	-	100	-	Property investment holding
One World Island Sdn. Bhd. #	Malaysia	-	-	100	-	Property investment holding
Cheng Ho City Sdn. Bhd. #	Malaysia	-	-	100	-	Property investment holding
Zheng Island Sdn. Bhd. #	Malaysia	-	-	100	-	Property investment holding

* *Subsidiary audited by BDO Member Firms.*
^ *Subsidiaries audited by firm of auditors other than BDO.*
# *Subsidiaries incorporated during the financial year, which have yet to commence operations.*

8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisitions of subsidiaries

During the financial year ended 30 June 2011

(i) Ocean Marine Ltd. ("OML") and Pacific Ltd. ("Pacific")

On 30 September 2010, Benalec Sdn. Bhd. ("BSB") entered into a share sale agreement with Oriental Grandeur Sdn. Bhd. ("OGSB"), a company owned by the Directors (which comprised Leaw Seng Hai, Leaw Ah Chye and Datuk Leaw Tua Choon) to acquire the entire issued and paid-up share capital of OGSB's wholly-owned subsidiaries, namely OML and Pacific comprising 2,432,067 and 18,645,829 ordinary shares of USD1.00 each respectively for a total purchase consideration of USD21,077,890 or RM65,000,000 (based on the exchange rate of USD1:RM3.084). The purchase consideration was settled by the creation of indebtedness of RM65,000,000 by BSB to OGSB. This indebtedness is intended to be settled by cash proceeds received from the sale of reclaimed lands or unit/buildings developed on reclaimed lands, beneficially owned by BSB, from time to time in the proportion of 30:70 whereby 30% from each cash proceed will be paid to OGSB until full repayment of the purchase consideration.

On the same day, OML entered into a Memorandum of Agreement with OG Marine Sdn. Bhd. (a wholly-owned subsidiary of BSB) for the acquisition of three (3) units of vessels for a total purchase consideration of USD2,542,694, which was to be satisfied via the issuance of 2,542,694 ordinary shares of USD1.00 each to BSB pursuant to a Subscription and Shareholders' Agreement entered into between OML, OG Marine Sdn. Bhd. and BSB. This has been treated as additional capital contribution by BSB to OML, which is eliminated on consolidation.

The Group acquired OML and Pacific in conjunction with the internal restructuring exercises prior to the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad in order to complement the principal operation of the Group in marine construction and civil engineering. Control was obtained by virtue of owning all of the voting rights of OML and Pacific.

The fair value of the identifiable assets and liabilities of OML and Pacific as at the acquisition date respectively are as follows:

	2011		
	OML RM	Pacific RM	Total RM
Property, plant and equipment	7,500,000	57,500,000	65,000,000
Receivables	10	10	20
Total identifiable assets	7,500,010	57,500,010	65,000,020
Payables	39,102	43,236	82,338
Total identifiable liabilities	39,102	43,236	82,338
Total identifiable net assets	7,460,908	57,456,774	64,917,682
Goodwill arising from acquisition (Note 10)	39,102	43,236	82,338
Total consideration transferred	7,500,010	57,500,010	65,000,020

8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisitions of subsidiaries (continued)

During the financial year ended 30 June 2011 (continued)

(ii) Acquisition of Benalec Sdn. Bhd. ("BSB"), Benalec Shipyard ("BenShip") and Oceanliner Pte. Ltd. ("Oceanliner")

On 2 December 2010, the Company completed the following acquisitions:

- acquisition of 730,000 ordinary shares of RM10.00 each, representing the entire issued and paid-up share capital of BSB, for a total consideration of RM153,369,559 based on the audited consolidated net assets of BSB group of companies as at 30 June 2010 and after taking into consideration the financial effects arising from acquisitions of Ocean Marine Ltd. and Pacific Ltd. by BSB on 30 September 2010 (see Note 8(a)(i) to the financial statements for details on the acquisitions).

  The purchase consideration was satisfied entirely via the issuance of 613,478,236 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

- acquisition of 1,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Benalec Shipyard Sdn. Bhd. ("BenShip"), for a total consideration of RM3,678,253 based on the audited net assets of BenShip as at 30 June 2010.

  The purchase consideration was satisfied entirely via the issuance of 14,713,012 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

- acquisition of 200,000 ordinary shares of Singapore Dollar ("SGD") 1.00 each, representing the entire issued and paid-up share capital of Oceanliner Pte. Ltd. ("Oceanliner"), for a total consideration of RM452,186 based on the audited net assets of Oceanliner as at 30 June 2010 and after taking into consideration the financial effects of the acquisition of vessels from a related company, Oceanlec Pte. Ltd.

  The purchase consideration was satisfied entirely via the issuance of 1,808,744 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

The Group acquired BenShip and Oceanliner in conjunction with the internal restructuring exercises prior to the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad in order to complement the principal operation of the Group in marine construction and civil engineering. Control was obtained by virtue of owning all of the voting rights of BenShip and Oceanliner.

Upon completion of the acquisition of the three (3) subsidiaries, the Company became the legal parent of the subsidiaries. BSB has been identified as the accounting acquirer under the principles of FRS 3 since the substance of the business combination is that BSB acquired the Company and the other two (2) subsidiaries in a reverse acquisition.

8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisitions of subsidiaries (continued)

During the financial year ended 30 June 2011 (continued)

(ii) Acquisition of Benalec Sdn. Bhd. ("BSB"), Benalec Shipyard ("BenShip") and Oceanliner Pte. Ltd. ("Oceanliner") (continued)

On consolidation, the reverse acquisition debit comprises:

	2011 Group RM
Issued equity of the Company for the acquisitions (comprising 629,999,992 ordinary shares of RM0.25 each)	157,499,998
Less:	
- Issued equity of BSB	(7,300,000)
- Deemed purchase consideration of the two (2) subsidiaries, BenShip and Oceanliner	(4,130,439)
Reverse acquisition debit	146,069,559

The fair value of the identifiable assets and liabilities of BenShip and Oceanliner as at the acquisition date respectively are as follows:

	2011		
	BenShip RM	**Oceanliner RM**	**Total RM**
Property, plant and equipment	14,200,980	67,295,200	81,496,180
Inventories	13,526,905	-	13,526,905
Receivables	643,255	-	643,255
Cash and bank balances	1,749,245	479,057	2,228,302
Total identifiable assets	30,120,385	67,774,257	97,894,642
Trade and other payables	2,164,347	-	2,164,347
Amounts owing to related parties	15,444,488	67,308,574	82,753,062
Borrowings – trust receipts	2,069,269	-	2,069,269
Current tax liabilities	264,141	-	264,141
Deferred tax liabilities (Note 21)	489,672	-	489,672
Total identifiable liabilities	20,431,917	67,308,574	87,740,491
Total identifiable net assets	9,688,468	465,683	10,154,151
Gain on bargain purchase	(6,010,215)	(13,497)	(6,023,712)
Deemed purchase consideration transferred	3,678,253	452,186	4,130,439

8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisitions of subsidiaries (continued)

During the financial year ended 30 June 2011 (continued)

(ii) Acquisition of Benalec Sdn. Bhd. ("BSB"), Benalec Shipyard ("BenShip") and Oceanliner Pte. Ltd. ("Oceanliner") (continued)

The gain on bargain purchase arising on acquisition is due to the acquisition of BenShip and Oceanliner and the exercise was carried out as part of the internal restructuring in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, where the purchase consideration was derived on the following basis:

BenShip : based on the audited net assets as at 30 June 2010.

Oceanliner : based on the audited net assets as at 30 June 2010, and after taking into account the fair value of the property, plant and equipment acquired by Oceanliner during the financial year ended 30 June 2011 but prior to the completion of the acquisition.

and not at the fair value of the identifiable net assets of the two companies as at the acquisition date.

The effects of the acquisition of BenShip and Oceanliner on cash flows are as follows:

	2011 RM
Deemed purchase consideration transferred	4,130,439
Less: Non-cash consideration	(4,130,439)
Consideration settled in cash	-
Cash and cash equivalents of subsidiaries acquired	2,228,302
Net cash inflow of the Group on acquisition	2,228,302

(iii) Acquisition of other subsidiaries

During the financial year, the Group acquired the entire issued and paid-up ordinary share capital of the following newly incorporated subsidiaries:

	2011 Ordinary shares acquired Unit	 Par value	 RM
Acquired on:			
24 January 2011			
Pacific Link Ltd.	2	USD1.00	6
Pacific Shipping Ltd.	2	USD1.00	6

8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisitions of subsidiaries (continued)

During the financial year ended 30 June 2011 (continued)

(iii) Acquisition of other subsidiaries (continued)

During the financial year, the Group acquired the entire issued and paid-up ordinary share capital of the following newly incorporated subsidiaries: (continued)

	2011		
	Ordinary shares acquired		
	Unit	Par value RM	RM
Acquired on: (continued)			
9 February 2011			
Jayamas Cekap Sdn. Bhd.	2	1.00	2
Indera Tenggara Sdn. Bhd.	2	1.00	2
15 April 2011			
Integrasi Mekar Sdn. Bhd.	2	1.00	2
7 June 2011			
Jewel East Sdn. Bhd.	2	1.00	2
23 June 2011			
Iconic Island Sdn. Bhd.	2	1.00	2
One World Island Sdn. Bhd.	2	1.00	2
Cheng Ho City Sdn. Bhd.	2	1.00	2
Zheng Island Sdn. Bhd.	2	1.00	2
Total purchase consideration			28

The effects of acquisition of the above subsidiaries on cash flows are as follows:

	2011 RM
Purchase consideration settled in cash	(28)
Cash and cash equivalents of subsidiaries acquired	28
Net cash inflow of the Group on acquisition	-

The above acquired subsidiaries (excluding BSB which has been identified as the accounting acquirer and accounted for as a reverse acquisition) have contributed the following results to the Group during the financial year:

	2011 RM
Revenue	2,580,807
Loss for the financial year	23,287,894

8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisitions of subsidiaries (continued)

During the financial year ended 30 June 2011 (continued)

If the acquisitions had occurred on 1 July 2010, the Group's results would have been as follows:

	Group 2011 RM
Revenue	210,962,751
Profit for the financial year	93,222,394

During the financial year ended 30 June 2010

(i) On 2 July 2009, BSB acquired three (3) ordinary shares of USD1.00 each (equivalents to RM11) in Oceanline (Labuan) Ltd. ("Oceanline") and on the same day, subscribed for 999,997 paid-up share capital of USD1.00 each for USD999,997 (equivalents to RM3,499,990) by way of capitalising the amount owing from Oceanline. Subsequently, during the financial year ended 30 June 2010, BSB further subscribed for additional paid-up share capital in Oceanline of 3,000,000 ordinary shares of USD1.00 each for USD3,000,000 (equivalents to RM10,221,000) by way of capitalising the amount owing from Oceanline.

(ii) On 28 June 2010, BSB acquired the entire issued and paid-up ordinary share capital of the following subsidiaries:

Name of subsidiaries	**Group 2010 RM**
Arus Kreatif Sdn. Bhd.	481,540
Crystal Land Development Sdn. Bhd.	2
Crystal Land Property Sdn. Bhd.	2
Heritage Land Development Sdn. Bhd.	2
Heritage Land Realty Sdn. Bhd.	2
Heritage Land Sdn. Bhd.	2
Heritage Property Sdn. Bhd.	2
Klebang Property Sdn. Bhd.	2
Oceanfront Property Sdn. Bhd.	2
Oceanview Project Sdn. Bhd.	2
Oceanview Realty Sdn. Bhd.	2
Orientalcove Realty Sdn. Bhd.	3
Orientalcove Property Sdn. Bhd.	3
Sentosacove Development Sdn. Bhd.	250,000
Strategic Cove Sdn. Bhd.	2
Strategic Land Sdn. Bhd.	2
Wilajati Sdn. Bhd.	2
Total consideration transferred	731,572

8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisitions of subsidiaries (continued)

During the financial year ended 30 June 2010 (continued)

(ii) On 28 June 2010, BSB acquired the entire issued and paid-up ordinary share capital of the following subsidiaries: (continued)

The acquired subsidiaries have contributed the following results to the Group during the financial year ended 30 June 2010:

	Group 2010 RM
Revenue	1,349,880
Profit for the financial year	9,186

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

	Group 2010 RM
Revenue	314,255,632
Profit for the financial year	103,968,838

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

	Group 2010 RM
Property, plant and equipment (Note 7)	3,540,500
Receivables	803,081
Cash and cash equivalents	35
Payables	(3,710,404)
Group's share of net assets	633,212
Goodwill on acquisition (Note 10)	98,371
Total cost of acquisition	731,583
Cash and cash equivalents of the subsidiaries acquired	(35)
Net cash outflow of the Group	731,548

8. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Disposal of a subsidiary

During the financial year ended 30 June 2011

On 6 January 2011, the Group completed the disposal of its entire equity interest in a subsidiary, Crystal Land Development Sdn. Bhd. ("CLDSB"), a company incorporated in Malaysia and engaged in property investment holding activities.

The disposal of CLDSB is, in substance, integral to the disposal of land held for sale by BSB (the holding company of CLDSB), of which the legal title has been alienated to CLDSB but the beneficial ownership (on the basis of risk and reward) is deemed to remain with BSB. In order to facilitate the disposal of land held for sale, BSB had entered into a sale and purchase agreement with the purchaser, Puncak Pasir Sdn. Bhd. on 29 November 2010 for the disposal of the entire equity interest in CLDSB (together with the land held for sale) for a cash consideration of RM493,866.

The sale proceed has been allocated primarily to the disposal of land held for sale, with the gain on disposal of land held for sale recognised to profit or loss as follows:

	Group 2011 RM
Allocated sale proceeds	493,866
Less:	
- Carrying amount of the land sold	(214,357)
- Costs incurred incidental to the sale	(4,102)
- Settlement of intra-group debts	(2,632)
	272,775

The loss on disposal of the subsidiary during the financial year is as follows:

	Group 2011 RM
Liabilities assumed on disposal of the subsidiary	2,067

8. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Disposal of a subsidiary (continued)

During the financial year ended 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 Pte. Ltd. ("Oceanlec") for SGD780,000 (equivalents to RM1,897,740). On the same day, Oceanlec increased its paid-up share capital by way of issuing 1,020,000 ordinary shares of SGD1.00 each to the Directors of the BSB, which resulted in a dilution of the BSB's interest in Oceanlec from 100% to 49%. By virtue of the BSB's board of directors and shareholders who were also directors and shareholders in Oceanlec, control over Oceanlec was deemed to be retained by BSB even after the dilution of BSB's interest in Oceanlec from 100% to 49%. BSB continued 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% was recognised in the statement of changes in equity.

On 13 May 2010, BSB disposed of the remaining equity interest of 49% in Oceanlec for a total consideration of RM28,931,984 to the Directors of BSB. The effects of disposal were as follows:

	Group 2010 RM
Property, plant and equipment	55,101,687
Receivables	23,112,354
Current tax assets	10,149,840
Fixed deposits	1,859,840
Cash and bank balances	48,596,238
Payables	(27,058,967)
Current tax liabilities	(20,780,118)
Borrowings	(35,644,945)
Net assets of the subsidiary disposed	55,335,929
Less: Non-controlling interest	(28,234,686)
Add: Exchange translation reserve	299,475
	27,400,718
Gain on disposal	1,531,266
Net proceeds from disposal	28,931,984
Cash and cash equivalents of the subsidiary disposed	(48,596,238)
Net cash outflow of the Group	(19,664,254)

9. OTHER INVESTMENTS

	Carrying amount		Market value of quoted investments	
	2011 RM	2010 RM (restated)	2011 RM	2010 RM
Available-for-sale financial assets				
Quoted shares in Malaysia	37,404	39,576	37,404	41,791
Unquoted shares in Malaysia	-	22,703	-	-
	37,404	62,279	37,404	41,791

(a) The comparative figures have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

(b) On the adoption of FRS 139, the Group determined the fair value of the unquoted shares in Malaysia to be nil in view of the uncertainties on future cash flows from the unquoted shares held.

(c) Information on the fair value hierarchy is disclosed in Note 35 to the financial statements.

10. GOODWILL ON CONSOLIDATION

	Group	
	2011 RM	2010 RM
At 1 July	102,115	3,744
Additions through acquisitions of subsidiaries	82,338	98,371
	184,453	102,115
Less: Goodwill on consolidation written off	(184,453)	(102,115)
At 30 June	-	-

Goodwill arising on acquisitions of OML and Pacific of RM39,102 and RM43,236 (see Note 8(a)(i) to the financial statements for details on the acquisitions) respectively has been written off during the financial year.

The goodwill arising on the acquisition is due to the acquisitions of OML and Pacific and the acquisitions were carried out as part of the internal restructuring exercise in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, where the purchase consideration was derived based on the respective companies' audited net assets as at 30 June 2010, and after taking into consideration the fair values of the property, plant and equipment acquired by the two companies during the financial year but prior to the completion of the acquisition; rather than based on the fair value of the identifiable net assets of the two companies as at the acquisition date.

11. LAND HELD FOR SALE

	Group 2011 RM	Group 2010 RM
At 1 July 2010/2009	27,268,611	53,088,925
Transferred from amounts due from contract customers (Note 15)	99,611,164	71,551,721
Costs incurred during the financial year	632,847	-
Less: Disposals during the financial year	(20,029,741)	(97,372,035)
At 30 June 2011/2010	107,482,881	27,268,611

Land held for sale represents reclaimed leasehold land with remaining lease terms ranging from 94 to 98 years (2010: 93 to 95 years).

12. INVENTORIES

	Group 2011 RM	Group 2010 RM
Vessels work in progress (Note (a))	3,582,683	-
Consumables (Note (b))	7,456,842	-
	11,039,525	-

(a) Vessels work in progress represents costs incurred by one of the Group's wholly-owned subsidiary, Benalec Shipyard Sdn. Bhd. for the construction of vessels. During the financial year, a completed vessel with a carrying value of RM1,697,010 (2010: nil) was transferred to property, plant and equipment.

(b) Consumables represents parts purchased for future consumption in the construction of vessels.

13. LAND RECLAMATION WORK IN PROGRESS

Pursuant to a Deed of Assignment entered into by one of the Group's wholly-owned subsidiary, Jayamas Cekap Sdn. Bhd. on 14 March 2011, the Group acquired the concession to reclaim a portion off the coast of the State of Melaka embracing the foreshore and the sea measuring an area of approximately two hundred and fifty (250) acres.

As of 30 June 2011, the costs incurred represents initial payments for securing the concession rights to reclaim.

14. TRADE AND OTHER RECEIVABLES

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Trade					
Third parties		13,919,691	13,259,921	-	-
Related companies		379,767	-	-	-
	(a)	14,299,458	13,259,921	-	-
Less: Impairment losses					
- third parties		(71,438)	(71,438)	-	-
	(b)	14,228,020	13,188,483	-	-
Amounts due from contract customers	15	183,104,812	147,836,628	-	-
Non-trade					
Other receivables					
- third parties		2,912,137	2,263,629	-	-
- related companies	(c)	-	12,198,732	-	-
- subsidiary	(d)	-	-	93,045,186	-
Deposits		6,517,543	973,147	5,000	-
Prepayments		847,708	271,638	10,088	-
		10,277,388	15,707,146	93,060,274	-
Less: Impairment losses					
- third parties		(850,000)	(850,000)	-	-
		9,427,388	14,857,146	93,060,274	-
Dividend receivable from a subsidiary		-	-	21,900,000	-
	(e)	206,760,220	175,882,257	114,960,274	-

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 60 days to 90 days (2010: 60 days to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Included in trade receivables of the Group are retention sums for contract works amounting to RM10,521,023 (2010: RM10,319,783).

The retention sums are unsecured, interest free and are expected to be collected as follows:

	Group 2011 RM	Group 2010 RM
Within one (1) year	10,420,748	401,486
Within two (2) years	-	9,918,297
Within three (3) years	100,275	-
	10,521,023	10,319,783

14. TRADE AND OTHER RECEIVABLES (continued)

(c) In 2010, amounts owing by related companies were unsecured, interest free and payable upon demand.

(d) Amount owing by a subsidiary is unsecured, interest free and payable upon demand in cash and cash equivalents.

(e) The currency exposure profile of receivables are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	204,751,746	173,495,314	114,960,274	-
Singapore Dollar	142,834	112,762	-	-
United States Dollar	1,865,640	2,274,181	-	-
	206,760,220	175,882,257	114,960,274	-

(f) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2011 RM	2010 RM
Neither past due nor impaired	12,539,939	11,596,552
Past due, not impaired		
- 91 to 120 days	142,989	-
- More than 180 days	1,545,092	1,591,931
	1,688,081	1,591,931
Past due and impaired	71,438	71,438
	14,299,458	13,259,921

Receivables that are neither past due nor impaired

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

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

At the end of the reporting period, trade receivables that are past due but not impaired possess high creditworthiness and good payment records.

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

	Group Individually impaired	
	2011 RM	2010 RM
Trade receivables, gross	71,438	71,438
Less: Impairment loss	(71,438)	(71,438)
	-	-

14. TRADE AND OTHER RECEIVABLES (continued)

(f) The ageing analysis of trade receivables of the Group is as follows: (continued)

There is no movement in the allowance account for impairment loss during the current and previous financial year.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(g) Information of financial risks of trade and other receivables is disclosed in Note 36 to the financial statements.

15. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2011	**2010**
	RM	**RM**
Aggregate costs incurred to date	384,350,016	310,076,663
Add: Attributable profits	228,328,284	136,498,695
	612,678,300	446,575,358
Less: Progress billings	(333,248,959)	(287,360,558)
Less: Transferred to land held for sale (Note 11)	(99,611,164)	(71,551,721)
	179,818,177	87,663,079
Analysed as:		
Amounts due from contract customers (Note 14)	183,104,812	147,836,628
Amounts due to contract customers (Note 22)	(3,286,635)	(60,173,549)
	179,818,177	87,663,079

(a) Included in amounts due from contract customers of the Group are contract sums amounting to RM170,162,490 (2010: RM147,378,339) 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 reporting period.

(b) Additions to aggregate costs incurred with related parties during the financial year include:

	Group	
	2011	**2010**
	RM	**RM**
Rental of equipment from Taman Pendang Sdn. Bhd.	-	150,000
Rental of vessels from Oriental Grandeur Sdn. Bhd.	7,600,000	11,782,400
Subcontracting services provided by Oriental Grandeur Marine Sdn. Bhd.	3,384,429	7,791,182
Supply of construction materials by Oriental Grandeur Marine Sdn. Bhd.	1,283,163	3,260,400

The above companies represent companies in which certain Directors have financial interests.

16. CASH AND CASH EQUIVALENTS

	Group 2011 RM	Group 2010 RM (restated)	Company 2011 RM	Company 2010 RM
Cash and bank balances	8,256,423	15,200,131	165,862	2
Unit trust quoted in Malaysia (Note (a))	13,258,737	108,941	-	-
Deposits with licensed banks (Note (b))	48,271,411	14,631,115	-	-
As per statements of financial position	69,786,571	29,940,187	165,862	2
Less:				
Fixed deposit pledged with licensed banks (Note (c))	(15,471,411)	(14,631,115)	-	-
As per statements of cash flows	54,315,160	15,309,072	165,862	2

(a) Unit trusts quoted in Malaysia, which are held by the Group are highly liquid, readily convertible to cash and are subject to insignificant risk of changes in value and hence, meet the definition to be classified as cash and cash equivalents. The Group has restated the comparative figures in prior year from "other investments" to "cash and cash equivalents" to conform with the presentation in the current financial year.

(b) Included in deposits with licensed banks of the Group are deposits amounting to RM8,913,811 (2010: RM13,718,354), which are held by the Directors on behalf of the Group. Subsequent to the end of the financial year, these deposits were withdrawn by the Directors and deposited in the Group's bank accounts as cash and bank balances or deposits with licensed banks.

(c) Fixed deposits with licensed banks of the Group amounting to RM15,471,411 (2010: RM14,631,115) are pledged as security for banking facilities granted to the Group (Note 19 to the financial statements).

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

	Group 2011 RM	Group 2010 RM (restated)	Company 2011 RM	Company 2010 RM
Ringgit Malaysia	64,828,603	18,178,661	165,862	2
Singapore Dollar	1,556,752	7,962,477	-	-
United States Dollar	3,401,216	3,799,049	-	-
	69,786,571	29,940,187	165,862	2

(e) Information on financial risks of cash and cash equivalents are disclosed in Note 36 to the financial statements.

17. SHARE CAPITAL

	Par value	Number of ordinary shares	RM
2011			
Group			
Authorised:			
At 1 July 2010	RM10.00 each	500,000	5,000,000
Created during the financial year	RM10.00 each	500,000	5,000,000
Prior to reverse acquisition	RM10.00 each	1,000,000	10,000,000
Adjustment on reverse acquisition:			
- elimination of BSB's authorised ordinary share capital	RM10.00 each	(1,000,000)	(10,000,000)
- restated to the Company's authorised ordinary share capital	RM0.25 each	2,000,000,000	500,000,000
	RM0.25 each	1,999,000,000	490,000,000
After reverse acquisition / At 30 June 2011	RM0.25 each	2,000,000,000	500,000,000
Issued and fully paid-up:			
At 1 July 2010	RM10.00 each	250,000	2,500,000
Issuance of ordinary shares pursuant to bonus issue	RM10.00 each	480,000	4,800,000
Prior to reverse acquisition	RM10.00 each	730,000	7,300,000
Adjustment on reverse acquisition:			
- elimination of BSB's issued and fully paid-up ordinary share capital	RM10.00 each	(730,000)	(7,300,000)
- restated to the Company's issued and fully-paid up ordinary share capital	RM0.25 each	630,000,000	157,500,000
		629,270,000	150,200,000
After reverse acquisition	RM0.25 each	630,000,000	157,500,000
Issued for cash pursuant to public issue	RM0.25 each	100,000,000	25,000,000
At 30 June 2011	RM0.25 each	730,000,000	182,500,000

17. SHARE CAPITAL (continued)

	Par value	Number of ordinary shares	RM
2010			
Group			
Authorised:			
At 1 July 2009 / 30 June 2010	RM10.00 each	500,000	5,000,000
Issued and fully paid-up:			
At 1 July 2009 / 30 June 2010	RM10.00 each	250,000	2,500,000

	Par value	Number of ordinary shares	RM
2011			
Company			
Authorised:			
At 1 July 2010	RM1.00 each	100,000	100,000
Subdivision of ordinary shares during the financial year	RM0.25 each	300,000	-
After subdivision	RM0.25 each	400,000	100,000
Created during the financial year	RM0.25 each	1,999,600,000	499,900,000
At 30 June 2011	RM0.25 each	2,000,000,000	500,000,000
Issued and fully paid-up:			
At 1 July 2010	RM1.00 each	2	2
Subdivision of ordinary shares during the financial year	RM0.25 each	6	-
After subdivision	RM0.25 each	8	2
Issuance of ordinary shares pursuant to acquisitions of subsidiaries	RM0.25 each	629,999,992	157,499,998
Issued for cash pursuant to public issue	RM0.25 each	100,000,000	25,000,000
At 30 June 2011	RM0.25 each	730,000,000	182,500,000
2010			
Company			
Authorised:			
At 1 July 2009 / 30 June 2010	RM1.00 each	100,000	100,000
Issued and fully paid-up:			
At 1 July 2009 / 30 June 2010	RM1.00 each	2	2

17. SHARE CAPITAL (continued)

(a) During the financial year and prior to the reverse acquisition, the authorised share capital of BSB (the accounting acquirer) was increased from RM5,000,000 divided into 500,000 ordinary shares of RM10.00 each to RM10,000,000 by the creation of 500,000 new ordinary shares of RM10.00 each.

Subsequently, the issued and fully paid-up share capital of BSB was increased from RM2,500,000 to RM7,300,000 by way of a bonus issue of 480,000 new ordinary shares of RM10.00 each at par on the basis of 1.92 new ordinary share for every one (1) existing ordinary share via the capitalisation of retained earnings.

(b) On 2 December 2010, the Company subdivided its ordinary share capital as follows:

(i) authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each into 400,000 ordinary shares of RM0.25 each; and

(ii) issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00 each into 8 ordinary shares of RM0.25 each.

Subsequently, the Company increased its authorised share capital from RM100,000 divided into 400,000 ordinary shares of RM0.25 each to RM500,000,000 by the creation of 1,999,600,000 new ordinary shares of RM0.25 each.

(c) On 2 December 2010, the Company increased its issued and paid-up share capital from RM2 to RM157,500,000 pursuant to its acquisition of the respective subsidiaries as follows:

(i) acquisition of 730,000 ordinary shares of RM10.00 each, representing the entire issued and paid-up share capital of BSB, for a total consideration of RM153,369,559 based on the audited consolidated net assets of BSB and its subsidiaries as at 30 June 2010 and after taking into consideration the financial effects arising from acquisitions of OML and Pacific by BSB on 30 September 2010 (see Note 8(a)(i) to the financial statements for details on the acquisitions).

The purchase consideration was satisfied entirely via the issuance of 613,478,236 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

The acquisition of BSB has been accounted for as a reverse acquisition, where BSB has been identified as the accounting acquirer and the Group has been regarded as a continuation of the BSB Group.

The equity structure of the Group for the previous financial year represents that of the BSB Group. On completion of the acquisition of BSB, the equity structure of the Group has been restated to reflect the equity structure of the Company.

(ii) acquisition of 1,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of BenShip, for a total consideration of RM3,678,253 based on the audited net assets of BenShip as at 30 June 2010.

The purchase consideration was satisfied entirely via the issuance of 14,713,012 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

(iii) acquisition of 200,000 ordinary shares of Singapore Dollar ("SGD") 1.00 each, representing the entire issued and paid-up share capital of Oceanliner, for a total consideration of RM452,186 based on the audited net assets of Oceanliner as at 30 June 2010 and after taking into consideration the financial effects of the acquisition of vessels from a related company, Oceanlec Pte. Ltd. (see Note 8(a)(ii) to the financial statements for details on the acquisition).

The purchase consideration was satisfied entirely via the issuance of 1,808,744 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.25 per ordinary share.

(d) On 17 January 2011, the Company further increased its issued and paid-up share capital from RM157,500,000 to RM182,500,000 via a public issue of 100,000,000 ordinary shares of RM0.25 each at an issue price of RM1.00 each ("Public Issue") pursuant to the listing and quotation of its ordinary shares on the Main Market of Bursa Malaysia Securities Berhad. The total proceeds raised from the Public Issue amounted to RM100,000,000.

All the above newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

18. RESERVES / (ACCUMULATED LOSSES)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Non-distributable:					
Share premium		72,545,000	-	72,545,000	-
Exchange translation reserve	(a)	(5,904,675)	(1,564,008)	-	-
Reverse acquisition debit	(b)	(146,069,559)	-	-	-
Available-for-sale reserve	(c)	(24,875)	-	-	-
Distributable:					
Retained earnings / (Accumulated losses)		243,714,523	152,433,567	17,349,460	(14,473)
		164,260,414	150,869,559	89,894,460	(14,473)

(a) Exchange translation reserve

The 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 Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the 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.

(b) Reverse acquisition debit

The difference between the issued equity of the Company and issued equity of BSB, the accounting acquirer, together with the deemed purchase consideration of other subsidiaries acquired by the Company (namely BenShip and Oceanliner), is recorded as reverse acquisition debit of RM146,069,559 as disclosed in Note 8(a)(ii) to the financial statements.

(c) Available-for-sale reserve

The available-for-sale reserve is used to record gains or losses arising from financial assets classified as available-for-sale.

The movements of reserves are disclosed in the statement of changes in equity of the Group and of the Company respectively.

19. BORROWINGS

	Group 2011 RM	Group 2010 RM
Non-current		
Secured:		
Hire purchase (Note 20)	729,644	840,778
Term loans	42,971,600	32,748,653
	43,701,244	33,589,431

19. BORROWINGS (continued)

	Group 2011 RM	Group 2010 RM
Current liabilities		
Secured:		
Trust receipts	1,838,378	1,052,072
Hire purchase (Note 20)	691,911	947,423
Term loans	16,680,313	4,448,968
	19,210,602	6,448,463
Total borrowings		
Trust receipts	1,838,378	1,052,072
Hire purchase (Note 20)	1,421,555	1,788,201
Term loans	59,651,913	37,197,621
	62,911,846	40,037,894

(a) Term loans of the Group are repayable by 36, 60 and 180 equal monthly instalments.

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

	Group 2011 RM	Group 2010 RM
Ringgit Malaysia	52,579,154	40,037,894
Singapore Dollar	10,332,692	-
	62,911,846	40,037,894

(c) Borrowings of the Group are secured by:

(i) Legal charge over certain property, plant and equipment of the Group (see Note 7(c) to the financial statements);

(ii) Fixed deposits of the Group (see Note 16 to the financial statements);

(iii) Joint and several guarantees by certain Directors of the Company;

(iv) Assignment over the sales contract of the vessels;

(v) Corporate guarantees by companies in which certain Directors of the Company have substantial financial interests;

(vi) Assignment of receivables or any other assignment of earnings over the vessels acceptable to bank;

(vii) Assignment of insurances in favour of the banks as mortgagee and loss payee covering but not limited to the hull and machinery coverage and war risks;

(viii) Irrecoverable instructions from the Group to the principal of project owner to remit the proceeds directly to its non-checking project account up to the outstanding balance of the related borrowings, which amounted to RM1,168,200 (2010:1,052,072); and

(ix) Land pledged as payments via distribution of completed reclaimed land for a project up to the outstanding balance of the related borrowings, which amounted to RM22,008,434 (2010: RM22,000,000).

(d) Information on financial risks and remaining maturity of borrowings are disclosed in Note 36 to the financial statements.

20. HIRE PURCHASE

	Group 2011 RM	Group 2010 RM
Minimum hire purchase payments		
• not later than one (1) year	746,528	1,016,657
• later than one (1) year but not later than five (5) years	754,410	883,574
Total minimum hire purchase payments	1,500,938	1,900,231
Less: Future interest charges	(79,383)	(112,030)
Present value of hire purchase payments	1,421,555	1,788,201
Repayable as follows:		
Current liabilities		
• not later than one (1) year	691,911	947,423
Non-current liabilities		
• later than one (1) year but not later than five (5) years	729,644	840,778
	1,421,555	1,788,201

21. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:

	Group 2011 RM	Group 2010 RM
At 1 July 2010/2009	10,571,800	14,370,938
Recognised in profit or loss (Note 29)	(859,344)	(3,799,138)
Arising from acquisitions of subsidiaries (Note 8(a)(ii))	489,672	-
At 30 June 2011/2010	10,202,128	10,571,800
Presented after appropriate offsetting:		
Deferred tax assets, net	(191,206)	-
Deferred tax liabilities, net	10,393,334	10,571,800
	10,202,128	10,571,800

21. DEFERRED TAX LIABILITIES (continued)

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

Deferred tax liabilities

	Group		
	Property, plant and equipment RM	Others RM	Total RM
At 1 July 2009	14,370,938	-	14,370,938
Recognised in profit or loss (Note 29)	(3,799,138)	-	(3,799,138)
At 30 June 2010	10,571,800	-	10,571,800
Recognised in profit or loss (Note 29)	(684,270)	16,132	(668,138)
Arising from acquisitions of subsidiaries (Note 8(a)(ii))	489,672	-	489,672
At 30 June 2011	10,377,202	16,132	10,393,334

Deferred tax assets

	Group	
	Unused tax losses and unabsorbed capital allowances RM	Total RM
At 1 July 2009	-	-
Recognised in profit or loss (Note 29)	-	-
At 30 June 2010	-	-
Recognised in profit or loss (Note 29)	191,206	191,206
At 30 June 2011	191,206	191,206

(c) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	Group	
	2011 RM	2010 RM
Unused tax losses	301,608	-

Deferred tax asset of a subsidiary has not been recognised as it is not probable that future taxable profits of the subsidiary will be available against which the deductible temporary differences can be utilised.

The deductible temporary differences do not expire under the current tax legislation.

22. TRADE AND OTHER PAYABLES

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Non-current					
Amount owing to a related party	(a)	28,757,219	-	-	-
Current					
Trade payables					
- third parties	(b)	14,267,351	5,413,666	-	-
- a related party	(c)	36,921,555	-	-	-
Other payables and accruals	(d)	42,982,696	25,777,829	227,014	9,813
Amounts owing to related parties	(a), (e)	72,502,823	18,177,305	4,660	4,660
		166,674,425	49,368,800	231,674	14,473
Amounts due to contract customers	15	3,286,635	60,173,549	-	-
		198,718,279	109,542,349	231,674	14,473

(a) Non-current amount owing to a related party represents term loan granted to the Group, which is unsecured, repayable in 36 instalments and subject to interest at the rate of three per cent (3%) per annum.

Included in current portion of amounts owing to related parties is instalments payable within the next twelve (12) months, which amounted to RM23,566,510.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2010: 30 days to 90 days).

(c) Trade amount owing to a related party represents proceeds from the disposal of land held for sale carried out on behalf of the related party.

(d) Included in other payables and accruals of the Group are deposits received from third party purchasers for the purchase of leasehold land held for sale and advances received from contract customers in relation to reclamation projects, amounting to RM4,162,598 (2010: RM20,772,177) and RM21,509,952 (2010: RM985,000) respectively.

(e) Amounts owing to related parties are unsecured, interest free and repayable on demand in cash and cash equivalents.

(f) The currency exposure profile of trade and other payables are as follows:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Ringgit Malaysia	131,068,950	99,922,895	231,674	14,473
Singapore Dollar	63,170,124	6,593,903	-	-
US Dollar	4,129,942	3,025,551	-	-
Hong Kong Dollar	349,263	-	-	-
	198,718,279	109,542,349	231,674	14,473

(g) Information on financial risks of trade and other payables are disclosed in Note 36 to the financial statements.

23. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group had entered into non-cancellable lease arrangements for office premises, staff housing and office equipment, resulting in future rental commitments. The Group has aggregate future minimum lease commitment as at the end of the reporting period as follows:

	Group	
	2011 RM	2010 RM
Not later than one (1) year	18,570	-
Later than one (1) year but not later than five (5) years	11,975	-
	30,545	-

(b) Capital commitment

	Group	
	2011 RM	2010 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	3,960,000	-

24. CONTINGENT LIABILITIES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Secured				
Corporate guarantees granted to licensed banks for credit facilities granted to:				
- related party	-	24,571,998	-	-
- subsidiaries	-	-	17,170,178	-

The Directors are of the view that the chances of the financial institutions calling upon the corporate guarantees are remote.

25. REVENUE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Contract revenue and sales of marine construction materials	203,379,978	296,432,216	-	-
Chartering services	7,582,773	12,205,191	-	-
Dividend income	-	-	29,200,000	-
	210,962,751	308,637,407	29,200,000	-

26. COST OF SALES

	Group 2011 RM	Group 2010 RM
Contract works and sales of marine construction materials	61,816,421	198,373,760
Shipbuilding, repair and maintenance	9,543,237	-
Chartering services rendered	17,519,497	4,695,501
	88,879,155	203,069,261

27. FINANCE COSTS

	Group 2011 RM	Group 2010 RM
Interest expense on:		
- bank overdraft	568	1,080
- hire purchase	81,200	51,419
- letter of credit and trust receipt	98,118	2,188
- term loans	3,621,467	4,047,201
- others	85,201	129,342
	3,886,554	4,231,230

28. PROFIT / (LOSS) BEFORE TAX

Profit / (Loss) before tax is arriving at after charging:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Auditors' remuneration				
- statutory audits	282,001	107,122	55,000	1,000
- other services	750,000	-	750,000	-
Bad debts written off	430,503	-	-	-
Depreciation of property, plant and equipment (Note 7)	20,884,584	15,905,697	-	-
Directors' remuneration:				
- fees	119,000	6,000	119,000	-
- salaries and other emoluments	2,390,029	380,238	19,500	-
Goodwill on consolidation written off (Note 10)	82,338	102,115	-	-
Impairment losses on trade and other receivables	-	850,000	-	-
Inventories written down	3,325,467	-	-	-
Listing expenses	3,793,107	-	3,793,107	-
Loss on disposal of:				
- a subsidiary (Note 8(b))	2,067	-	-	-
- other investments	-	7,550	-	-
Property, plant and equipment written off (Note 7)	320,776	-	-	-
Rental paid/payable for:				
- land and premises	36,200	10,551	-	-
- plant and machinery, marine and office equipment	21,902	3,402,818	-	-

And crediting:

Dividend income from a subsidiary	-	-	29,200,000	-
Gain on bargain purchase arising from acquisitions of subsidiaries	6,023,712	-	-	-
Gain on disposal of:				
- a subsidiary	-	1,531,266	-	-
- land held for sale	17,975,491	11,173,383	-	-
- property, plant and equipment	1,771,010	6,045,375	-	-
Gross dividend received from shares quoted in Malaysia	6,126	2,591	-	-
Interest income from:				
- fixed deposits	670,785	312,514	46,178	-
- others	285,873	2,456	41,455	-
Net foreign exchange gain	580,170	872,730	-	-

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM123,958 (2010: RM43,342).

29. TAX EXPENSE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current tax expense based on profit for the financial year:				
- Malaysian income tax	27,755,061	11,547,125	7,300,000	-
- Foreign income tax	-	7,932,734	-	-
	27,755,061	19,479,859	-	-
Under-provision in prior years	3,113,866	26,878	-	-
	30,868,927	19,506,737	7,300,000	-
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences	(823,749)	(2,156,784)	-	-
Over-provision in prior years	(35,595)	(1,642,354)	-	-
	(859,344)	(3,799,138)	-	-
Total tax expense from continuing operations	30,009,583	15,707,599	7,300,000	-

The Malaysian income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profits for the fiscal year.

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

There is no current tax expense for the current and previous financial year as the Company is in a tax loss position.

29. TAX EXPENSE (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Tax at Malaysian statutory tax rate of 25% (2010: 25%)	31,522,635	30,381,504	6,165,983	(1,339)
Tax effects in respect of:				
Non-allowable expenses	3,323,486	312,124	1,134,017	1,339
Non-taxable income	(1,812,513)	(5,634,538)	-	-
Effects arising from controlled transfer of property, plant and equipment	(1,254,456)	(979,001)	-	-
Deferred tax assets not recognised	75,402	-	-	-
Reduction in statutory tax rate on first RM500,000 chargeable income	-	(50,000)	-	-
Lower tax rates in foreign jurisdiction	-	(3,733,051)	-	-
Tax exempt income	(4,923,242)	(2,973,963)	-	-
	26,931,312	17,323,075	-	-
Under/(Over) provision in prior years				
- current tax expense	3,113,866	26,878	-	-
- deferred tax expense	(35,595)	(1,642,354)	-	-
Tax expense	30,009,583	15,707,599	7,300,000	-

Tax savings of the Group is as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Arising from utilisation of current year tax losses	3,908	-	-	-

30. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the legal parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2011 RM	**2010 RM**
Profit attributable to equity holders of the legal parent	96,080,956	86,065,910

	Group	
	2011 [1]	**2010** [2]
Weighted average number of ordinary shares in issue	668,949,265	613,478,236

(1) Based on the weighted average of 613,478,236 ordinary shares issued by the Company to the owners of the legal subsidiary (i.e. BSB) for the reverse acquisition for five (5) months up to 2 December 2010, 630,000,000 ordinary shares in issue of the Company after the acquisitions of subsidiaries on 2 December 2010 for one and a half (1.5) months and 730,000,000 ordinary shares in issue of the Company after the Public Issue on 17 January 2011 for five and a half (5.5) months.

(2) Based on the number of ordinary shares issued by the Company to the owners of the legal subsidiary (i.e. BSB) for the reverse acquisition.

	Group	
	2011 Sen	**2010 Sen**
Basic earnings per ordinary share for:		
- Profit for the financial year	14.36	14.03

(b) Diluted

As there are no dilutive potential ordinary shares during the financial year, no diluted earnings per share is presented.

31. DIVIDENDS

	Group			
	2011		2010	
	Gross dividend per share RM	Amount of dividend net of tax RM	Gross dividend per share RM	Amount of dividend net of tax RM
Dividends paid by BSB				
In respect of financial year ended 30 June 2010:				
- first interim dividend of RM2.00 per ordinary share, less tax of 25%, paid on 21 December 2009	-	-	2.00	375,000
- second interim dividend of RM10.20 per ordinary share, less tax of 25%, paid on 21 June 2010	-	-	10.20	1,913,137
	-	-	12.20	2,288,137

A final single-tier tax exempt dividend in respect of the financial year ended 30 June 2011 of 2 sen per ordinary share, amounting to RM14,600,000 has been proposed by the Directors subsequent to the financial year end for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, will be accounted for as an appropriation of retained earnings in the next financial year ending 30 June 2012.

32. EMPLOYEE BENEFITS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Administrative and other expenses				
Wages, salaries and bonuses	3,038,528	1,155,467	-	-
Contribution to defined contribution plan	249,372	125,705	-	-
Other benefits	436,089	113,005	33,391	-
	3,723,989	1,394,177	33,391	-
Capitalised in contract customers				
Salaries, wages, bonuses and allowances	3,994,814	825,800	-	-
Contribution to defined contribution plan	114,762	64,243	-	-
	4,109,576	890,043	-	-
	7,833,565	2,284,220	33,391	-

33. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group 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 the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries and its immediate and ultimate holding company.

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
With the Directors of the Company:				
Acquisitions of subsidiaries	-	-	(157,499,998)	-
Disposal of Oceanlec Pte. Ltd.	-	28,931,984	-	-
With related companies in which the Directors have substantial financial interests:				
Contract revenue earned from:				
- Haruman Utama Sdn. Bhd.	17,282,192	15,836,592	-	-
- Strategic Oscar Sdn. Bhd.	44,089,466	21,969,390	-	-
- Benalec Marine Sdn. Bhd.	2,854,342	3,444,300	-	-
- Sentosacove Sdn. Bhd.	48,105,983	-	-	-
Rental of marine equipment received / receivable from:				
- Benalec Shipyard Sdn. Bhd.	-	1,155,400	-	-
- Oceanlec Pte. Ltd.	-	1,003,904	-	-
- Oriental Grandeur Marine Sdn. Bhd.	129,516	88,000	-	-
Rental of land and premises paid / payable to:				
- Orientalcrest Realty Sdn. Bhd.	(21,850)	-	-	-
Vessels chartering income received / receivable from:				
- Oceanlec Pte. Ltd.	5,002,046	9,252,793	-	-
Vessels chartering expenses paid / payable to:				
- Oriental Grandeur Sdn. Bhd.	(7,600,000)	(11,782,400)	-	-
Purchases of construction materials from:				
- Oriental Grandeur Marine Sdn. Bhd.	(1,283,163)	(3,260,400)	-	-
Sub-contracting charges paid / payable to:				
- Oriental Grandeur Marine Sdn. Bhd.	(3,384,429)	(7,791,182)	-	-
Transfer of consumables and parts for vessels to:				
- Oriental Grandeur Sdn. Bhd.	672,496	-	-	-
- Oceanlec Pte. Ltd.	320	-	-	-
Rental of equipment paid/payable to Taman Pendang Sdn. Bhd.	-	(150,000)	-	-
With a subsidiary				
Dividend income receivable from Benalec Sdn. Bhd.	-	-	29,200,000	-

33. RELATED PARTY DISCLOSURES (continued)

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: (continued)

The related party transactions described above were carried out on negotiated terms and conditions mutually agreed by both parties.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short term employee benefits	3,012,783	923,901	138,500	-
Contributions to defined contribution plan	471,006	117,207	-	-
	3,483,789	1,041,108	138,500	-

34. OPERATING SEGMENTS

Benalec Holdings Berhad and its subsidiaries are principally engaged in marine construction and civil engineering, shipbuilding (including ship repair, maintenance, fabrication and refurbishment) and ship trading, vessel chartering and investment holding. The Group's marine construction and civil engineering activities are mainly undertaken by Benalec Sdn. Bhd., a wholly-owned legal subsidiary of the Company.

The Group has arrived at three (3) reportable segments that are organised and managed separately according to the nature of the operations, which requires different business strategies. The reportable segments are summarised as follows:

(i) Marine construction

Providing marine construction services, which include the following:

- land reclamation, dredging and beach nourishment;
- rock revetment works, shore protection works and breakwater construction;
- pre-bore and marine piling; and
- construction of marine structures, bridges, jetties, ports and other offshore and ancillary services.

This segment also includes sales of marine construction materials.

(ii) Vessel chartering

Chartering of vessels on time and voyage charters.

34. OPERATING SEGMENTS (continued)

The Group has arrived at three (3) reportable segments that are organised and managed separately according to the nature of the operations, which requires different business strategies. The reportable segments are summarised as follows: (continued)

(iii) Shipbuilding

Shipbuilding and providing ship repair, maintenance, fabrication and refurbishment services.

Other operating segment that does not constitute a reportable segment comprises investment holding.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as restructuring costs and goodwill impairment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets.

Segment liabilities exclude tax liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.

2011	Marine construction RM	Vessel chartering RM	Shipbuilding RM	Others RM	Total RM
Revenue					
Total revenue	215,572,238	39,908,709	11,704,171	29,200,000	296,385,118
Inter-segment revenue	(12,192,260)	(32,325,936)	(11,704,171)	(29,200,000)	(85,422,367)
Revenue from external customers	**203,379,978**	**7,582,773**	**-**	**-**	**210,962,751**
Interest income	855,360	3,099	10,222	87,977	956,658
Finance costs	(2,306,720)	(1,495,089)	(84,745)	-	(3,886,554)
Net finance expense	(1,451,360)	(1,491,990)	(74,523)	87,977	(2,929,896)
Segment profit/(loss) before tax	**149,619,326**	**(8,112,473)**	**(3,734,498)**	**(4,578,298)**	**133,194,057**
Income tax (expense)/income	(30,269,037)	114,885	144,608	(39)	(30,009,583)
Other material non-cash items:					
- Depreciation	6,462,725	14,200,191	221,668	-	20,884,584
- Bad debts written off	430,503	-	-	-	430,503
- Gain on bargain purchase	-	(13,498)	(6,010,214)	-	(6,023,712)
- Gain on disposal of land held for sale	(17,975,491)	-	-	-	(17,975,491)
Additions to non-current assets	3,152,099	26,475,496	321,338	-	29,948,933
Segment assets	**417,746,285**	**189,168,975**	**27,088,852**	**3,965,794**	**637,969,906**
Segment liabilities	**166,093,762**	**89,909,014**	**5,225,230**	**402,119**	**261,630,125**

34. OPERATING SEGMENTS (continued)

2010	Marine construction RM	Vessel chartering RM	Others RM	Total RM
Revenue				
Total revenue	296,432,216	18,157,191	-	314,589,407
Inter-segment revenue	-	(5,952,000)	-	(5,952,000)
Revenue from external customers	**296,432,216**	**12,205,191**	**-**	**308,637,407**
Interest income	314,767	-	203	314,970
Finance costs	(4,008,734)	(222,496)	-	(4,231,230)
Net finance expense	(3,693,967)	(222,496)	203	(3,916,260)
Segment profit/(loss) before tax	**129,267,023**	**17,957,000**	**(1,905)**	**147,222,118**
Income tax (expense)/income	(15,258,524)	(449,075)	-	(15,707,599)
Other material non-cash items:				
- Depreciation	11,974,396	3,931,301	-	15,905,697
- Bad debts written off	850,000	-	-	850,000
Additions to non-current assets	25,949,439	11,241,176	-	37,190,615
Segment assets	**255,872,621**	**65,947,374**	**323,724**	**322,143,719**
Segment liabilities	**126,894,571**	**22,511,461**	**174,211**	**149,580,243**

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	2011 RM	2010 RM
Revenue		
Total revenue for reportable segments	296,385,118	314,589,407
Elimination of inter-segmental revenues	(85,422,367)	(5,952,000)
Group's revenue per consolidated statement of comprehensive income	210,962,751	308,637,407
Profit for the financial year		
Total profit for reportable segments	133,194,057	147,222,118
Elimination of inter-segment profits	(7,021,180)	(3,020,641)
Realisation of inter-segment profits upon disposal of a subsidiary, Oceanlec Pte. Ltd.	-	2,472,951
Loss on disposal of a subsidiary, Oceanlec Pte. Ltd.	-	(25,046,298)
Goodwill written off	(82,338)	(102,115)
	126,090,539	121,526,015
Assets		
Total assets for reportable segments	637,969,906	322,143,719
Unallocated assets - other investments	37,404	62,279
Tax assets	196,905	-
Group's assets	638,204,215	322,205,998

34. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the Group's corresponding amounts are as follows: (continued)

	2011 RM	2010 RM
Liabilities		
Total liabilities for reportable segments	261,630,125	149,580,243
Current tax liabilities	19,611,548	8,684,396
Deferred tax liabilities	10,202,128	10,571,800
Group's liabilities	291,443,801	168,836,439

Geographical information

The Group's operations are carried out primarily in Malaysia (which includes the Federal Territory of Labuan). In presenting information on the basis of geographical areas, segment revenue is based on the geographical location in which the customer resides.

Segment assets are based on the geographical location in which the individual entity within the Group, to which the assets belong, resides. The non-current assets do not include financial instruments.

	Group	
	2011 RM	2010 RM
Revenue from external customers		
Malaysia	203,379,978	102,404,775
Singapore	5,001,966	206,232,632
China	2,580,807	-
	210,962,751	308,637,407
Non-current assets		
Malaysia	175,899,799	89,052,664
Singapore	65,830,910	-
	241,730,709	89,052,664

Major customers

The following are major customers with revenue equal to or more than ten per cent (10%) of Group revenue:

	Group	
	2011 RM	2010 RM
Customer A	64,302,530	34,641,240
Customer B	48,105,983	-
Customer C	44,089,466	21,969,390
Customer D	23,914,141	20,155,422
	180,412,120	76,766,052

All the above customers are related to the marine construction segment.

35. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in financial year ended 30 June 2010.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2011 and 30 June 2010. Pursuant to the banking facilities granted to one of the Group's wholly-owned subsidiary, Oceanliner, the Group is subject to financial covenants imposed by the related licensed financial institution whereby both Oceanliner and BSB are required to maintain a positive tangible net worth at all times whereby BSB's tangible net worth shall not fall below SGD20,000,000 at all times. Tangible net worth is defined in the related banking facility agreement as the sum of the paid-up share capital, revenue reserves, accumulated profits, retained earnings and shareholders' funds.

The Group monitors capital by reference to its indebtedness position. The Group's strategy is to maintain the balance between debt and equity and to ensure sufficient operating cash flows to repay its liabilities as and when they fall due. As at the end of the reporting period, the gearing ratio of the Group (which is net debts divided by total equity plus net debts) is calculated as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Borrowings	62,911,846	40,037,894	-	-
Trade and other payables	198,718,279	109,542,349	231,674	14,473
Financial debts	261,630,125	149,580,243	231,674	14,473
Less				
Cash and cash equivalents	(69,786,571)	(29,940,187)	(165,862)	(2)
Net debts	191,843,554	119,640,056	65,812	14,471
Total equity	346,760,414	153,369,559	279,694,460	(14,471)
Net debts	191,843,554	119,640,056	65,812	14,471
Total equity plus net debts	538,603,968	273,009,615	279,760,272	-
Gearing ratio (%)	35.62	43.82	0.02	*

* *In the previous financial year, the Company had reported a capital deficiency as it was dormant.*

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

Comparative figures have not been presented for 30 June 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

Categories of financial instruments

	Loans and receivables RM	Available-for-sale RM	Total RM
Group			
2011			
Financial assets			
Other investments	-	37,404	37,404
Trade and other receivables	206,760,220	-	206,760,220
Cash and cash equivalents	69,786,571	-	69,786,571
	276,546,791	37,404	276,584,195

	Other financial liabilities RM	Total RM
Financial liabilities		
Borrowings	62,911,846	62,911,846
Trade and other payables	198,718,279	198,718,279
	261,630,125	261,630,125

	Loans and receivables RM	Total RM
Company		
2011		
Financial assets		
Trade and other receivables	93,060,274	93,060,274
Dividend receivable from a subsidiary	29,200,000	29,200,000
Cash and cash equivalents	165,862	165,862
	122,426,136	122,426,136

	Other financial liabilities RM	Total RM
Financial liabilities		
Trade and other payables	231,674	231,674

35. FINANCIAL INSTRUMENTS (continued)

(c) Fair values of financial instruments

The fair values of financial instruments that are not carried at fair value and whose carrying amounts do not approximate their fair values are as follows:

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2011				
Recognised				
Financial liabilities				
Hire purchase and lease creditors	1,421,555	1,419,119	-	-
Amount owing to a related party - term loan	52,323,729	45,552,716	-	-
Unrecognised				
Contingent liabilities	-	-	-	142,381

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2010				
Recognised				
Financial liabilities				
Hire purchase and lease creditors	1,788,201	1,646,925	-	-
Unrecognised				
Contingent liabilities	-	56,837	-	-

35. FINANCIAL INSTRUMENTS (continued)

(d) Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term or repayable on demand nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Amount owing to a related party – term loan and hire purchase and lease creditors

The fair values of these financial instruments are estimated based on the future contractual cash flows discounted at current market interest rates available for similar instruments and of the same remaining maturities.

(iii) Other investments – quoted shares in Malaysia

The fair value of quoted investments in Malaysia is determined by reference to the exchange quoted market prices at the close of the business on the end of the reporting period.

(e) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the end of the reporting period, other investments represents the only financial instrument carried at fair value held by the Group, which is measured under Level 1 of the fair value hierarchy with a recognised amount of RM37,404 (2010: RM39,576).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'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.

The exposure to these risks arises in the normal course of the Group's business. The Group's overall business strategies outlines its tolerance to risk and its general risk management philosophy and is determined by the management in accordance with prevailing economic and operating conditions.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity and cash flow risk, credit risk and market price risk. Information on the management of the related exposures is detailed below.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Subsidiaries operating in the Federal Territory of Labuan, Malaysia and Republic of Singapore have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

The Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

It is not the Group's nor the Company's policy to enter into foreign exchange forward contracts in managing its foreign exchange risk resulting from cash flows on transactions denominated in foreign currency as the Group primarily operates in the domestic sector with transactions to be denominated in the functional currency where possible.

The Group is exposed to foreign currency translation risk in respect of its overseas investments. There is no formal hedging policy with respect to this exposure.

Sensitivity analysis for foreign currency risk as at 30 June 2011

			Group 2011 RM Profit net of tax
USD/RM	•	strengthen by 2%	+ 22,738
	•	weaken by 2%	- 22,738
SGD/RM	•	strengthen by 2%	- 1,436,065
	•	weaken by 2%	+ 1,436,065
HKD/RM	•	strengthen by 3%	- 10,478
	•	weaken by 3%	+ 10,478

Comparative figures have not been presented for 30 June 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from the deposits with licensed financial institutions, loans and borrowings. The Group borrows at both, floating and fixed rates of interest to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

Sensitivity analysis for interest rate risk

As at 30 June 2011, if interest rates at the date had been 30 basis points lower with all other variables held constant, post-tax profit for the year would have been RM101,217 (2010: RM210,432) higher, arising mainly as a result of lower interest expense on variable borrowings. If interest rates had been 30 basis points higher, with all other variables held constant, post-tax profit would have been RM101,217 (2010: RM210,432) lower, arising mainly as a result of higher interest expense on variable borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

	Note	Weighted average effective interest rate %	Within 1 year RM	2 to 5 years RM	More than 5 years RM	Total RM
Group						
At 30 June 2011						
Fixed rates						
Deposits with licensed financial institutions	16	2.31	48,271,411	-	-	48,271,411
Hire purchase	20	5.22	(691,911)	(729,644)	-	(1,421,555)
Amount owing to a related party - term loan	22	5.68	(23,566,510)	(28,757,219)	-	(52,323,729)
Trust receipts	19	7.45	(1,838,378)	-	-	(1,838,378)
Floating rates						
Term loans	19	6.24	(16,680,313)	(42,631,302)	(340,298)	(59,651,913)
Group						
At 30 June 2010						
Fixed rates						
Deposits with licensed financial institutions	16	2.27	14,631,115	-	-	14,631,115
Hire purchase	20	5.58	(947,423)	(840,778)	-	(1,788,201)
Trust receipts	19	7.08	(1,052,072)	-	-	(1,052,072)
Floating rates						
Term loans	19	4.88	(4,448,968)	(32,224,398)	(524,255)	(37,197,621)

(iii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management, the Group measures its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities. There has been no change to the Group's exposure to liquidity and cash flow risk or the manner in which the risk is managed and measured.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity and cash flow risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 30 June 2011				
Group				
Financial liabilities				
Trade and other payables	173,326,746	30,100,690	-	203,427,436
Loans and borrowings	22,441,582	46,989,041	363,541	69,794,164
Total undiscounted financial liabilities	195,768,328	77,089,731	363,541	273,221,600
Company				
Financial liabilities				
Trade and other payables	231,674	-	-	231,674
At 30 June 2010				
Group				
Financial liabilities				
Trade and other payables	109,542,349	-	-	109,542,349
Loans and borrowings	8,772,757	35,923,518	796,212	45,492,487
Total undiscounted financial liabilities	118,315,106	35,923,518	796,212	155,034,836
At 30 June 2010				
Company				
Financial liabilities				
Trade and other payables	14,473	-	-	14,473

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Credit risk

Cash deposits and receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are the Group's customers and licensed financial institutions. It is the Group's policy to monitor continuously the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's exposure to credit risks is influenced by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group has significant concentration of credit risk in relation to the outstanding balances with the major customers as mentioned in Note 34 to the financial statements.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the total carrying amount of these financial assets recognised in the statements of financial positions. There has been no change to the Group's exposure to credit risk or the manner in which the risk is managed and measured.

Information regarding the credit quality of trade and other receivables is disclosed in Note 14 to the financial statements.

In respect of the cash and cash equivalents maintained with licensed financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

(v) Market price risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to price risks arising from quoted investments held by the Group, which are held for strategic rather than trading purposes. The Group does not actively trade these investments. These instruments are classified as available-for-sale financial assets.

At the end of the reporting period, the Group's maximum exposure to price risk is represented by the total carrying amount of these financial assets recognised in the statements of financial positions, which amounted to RM37,404 (2010:RM62,279). There has been no change to the Group's exposure to credit risk or the manner in which the risk is managed and measured.

As the Group neither has the intention, nor historical trend of active trading in these financial instruments, the Directors are of the opinion that the Group is not subject to significant exposure to price risk and accordingly, no sensitivity analysis is being presented at the end of the reporting period.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Prior to the listing and quotation of the ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad, the Group had undertaken a series of restructuring exercises, which comprised the following:

- Acquisition of the entire issued and paid-up share capital of OML and Pacific respectively by BSB on 30 September 2010 (see Note 8(a)(i) to the financial statements for details on the acquisitions).
- Acquisition of the entire issued and paid-up share capital of BSB, BenShip and Oceanliner respectively by the Company on 2 December 2010 (see Note 8(a)(ii) to the financial statements for details on the acquisitions).

(b) On 17 January 2011, the Company further increased its issued and paid-up share capital from RM157,500,000 to RM182,500,000 via a public issue of 100,000,000 ordinary shares of RM0.25 each at an issue price of RM1.00 each ("Public Issue") pursuant to the listing and quotation of its ordinary shares on the Main Market of Bursa Malaysia Securities Berhad. The total proceeds raised from the Public Issue amounted to RM100,000,000.

(c) On 14 March 2011, a wholly-owned subsidiary of BSB, JCSB entered into a deed of assignment ("DOA") with Yayasan DMDI ("DMDI"), for which DMDI had agreed to assign its rights and transfer its liabilities and obligations associated with the concession to reclaim that portion off the coast of Kawasan Kota Laksamana, Bandar Melaka, Daerah Melaka Tengah, Melaka to JCSB. Upon completion of the reclamation works, the reclaimed land will measure approximately 250 acres ("Proposed Reclaimed Land").

(d) On 1 June 2011, a wholly-owned subsidiary of BSB, Orientalcove Realty Sdn. Bhd. entered into a joint venture agreement with Vista Selesa Development Sdn. Bhd. for the development of six (6) parcels of leasehold land held for sale measuring approximately 1,350,331 square feet ("JV Lands") for a minimum cash consideration of RM37,809,268 or twenty-five per cent (25%) of the gross development value of the project, whichever is higher.

(e) On 1 June 2011, the Company announced the following proposals:

(i) Proposed private placement of new ordinary shares of RM0.25 each in the Company up to ten per cent (10%) of the issued and paid-up share capital of the Company.

(ii) Proposed grant of options to certain Directors of the Company pursuant to the employees' share option scheme ("ESOS"), which was established in conjunction with the listing of the Company.

The above proposals have been approved by the shareholders via resolutions passed at an Extraordinary General Meeting ("EGM") held by the Company on 9 September 2011. However, as of the date of this report, the private placement has not been completed and the employees' share options have yet to be finalised and allotted.

38. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

(a) On 6 July 2011, the Company proposed to grant options to an employee of BSB, who is connected to a Director of the Company pursuant to the ESOS of the Company.

The above proposal has been approved by the shareholders via a resolution passed at an Extraordinary General Meeting ("EGM") held by the Company on 9 September 2011. However, as of the date of this report, the employees' share options have yet to be finalised and allotted.

(b) On 7 July 2011, the Group through BSB acquired two (2) ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital in two (2) companies, namely Pengerang Maritime Industries Sdn. Bhd. and Tanjung Piai Maritime Industries Sdn. Bhd. for a cash consideration of RM2.00 per company. Subsequently, the abovementioned two (2) companies become wholly-owned subsidiaries of the Group.

(c) On 22 September 2011, the Company repurchased 400,000 units of its issued shares of RM0.25 each from the open market at an average price RM1.04 per ordinary share. The total consideration paid amounted to RM415,566. The repurchased shares were financed by internally generated fund. The shares repurchased are being held as treasury shares in accordance with the requirements of the Companies Act, 1965 in Malaysia.

39. COMPARATIVES

Certain figures as at 1 July 2010 have been restated to conform with the presentation in the current financial year, as detailed below:

Reclassification of other investments to cash and cash equivalents

Group	As previously reported RM	Reclassification RM	As restated RM
As at 1 July 2010			
Statement of Financial Position			
Other investments	171,220	(108,941)	62,279
Cash and cash equivalents	29,831,246	108,941	29,940,187

Unit trusts quoted in Malaysia, which are held by the Group are highly liquid, readily convertible to cash and are subject to insignificant risk of changes in value and hence, meet the definition to be classified as cash and cash equivalents. The Group has restated the comparative figures in prior year to conform with the presentation in the current financial year.

Reclassification of amounts owing to related parties from non-current liabilities to current liabilities

Group	As previously reported RM	Reclassification RM	As restated RM
As at 1 July 2010			
Statement of Financial Position			
Non-current liabilities - amounts owing to related parties	4,221,663	(4,221,663)	-
Current liabilities - amounts owing to related parties	13,955,642	4,221,663	18,177,305

During the financial year, the Group has reassessed the nature of the non-current portion of amounts owing to related parties and has restated the outstanding balances as at 1 July 2010 to current as the outstanding balances are repayable on demand and there is a lack of an unconditional right to defer settlement to later than twelve (12) months from the end of the reporting period.

39. COMPARATIVES (continued)

Certain figures as at 1 July 2010 have been restated to conform with the presentation in the current financial year, as detailed below:

Reclassification of cash flows from financing activities to investing activities

Group	As previously reported RM	Reclassification RM	As restated RM
For the financial year ended 30 June 2010			
Statement of Cash Flows			
Cash flows used in financing activities	36,895,333	(14,376,199)	22,519,134
Cash flows used in investing activities	27,198,976	14,373,868	41,572,844
Cash and cash equivalents at end of financial year	15,306,741*	2,331	15,309,072

* *This amount is stated after taking into consideration the effect arising from reclassification of other investments to cash and cash equivalents.*

Reclassification of rental revenue to other income

Group	As previously reported RM	Reclassification RM	As restated RM
For the financial year ended 30 June 2010			
Statement of Comprehensive Income			
Revenue	314,255,632	(5,618,225)	308,637,407
Other income	22,641,318	5,618,225	28,259,543

During the financial year, rental of equipment received/receivable is reclassified from revenue to other income. Accordingly, comparative figures for the financial year ended 30 June 2010 have been restated to conform with the presentation in the current financial year.

40. OPENING STATEMENT OF FINANCIAL POSITION

The opening statement of financial position of the Group as at 1 July 2010 primarily reflects the effects arising from the adoption of FRS 139 as follows:

Group	As previously reported RM	Effects adoption of FRS 139 RM	As restated RM
Statement of Financial Position			
Assets			
Non-current assets			
Property, plant and equipment	89,052,664	-	89,052,664
Other investments	62,279	(20,488)	41,791
	89,114,943	(20,488)	89,094,455
Current assets			
Land held for sale	27,268,611	-	27,268,611
Trade and other receivables	175,882,257	-	175,882,257
Cash and cash equivalents	29,940,187	-	29,940,187
	233,091,055	-	233,091,055
Total assets	**322,205,998**	**(20,488)**	**322,185,510**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	2,500,000	-	2,500,000
Reserves	150,869,559	(20,488)	150,849,071
Total equity	153,369,559	(20,488)	153,349,071
Liabilities			
Non-current liabilities			
Borrowings	33,589,431	-	33,589,431
Deferred tax liabilities	10,571,800	-	10,571,800
	44,161,231	-	44,161,231
Current liabilities			
Trade and other payables	109,542,349	-	109,542,349
Borrowings	6,448,463	-	6,448,463
Current tax liabilities	8,684,396	-	8,684,396
	124,675,208	-	124,675,208
Total liabilities	168,836,439	-	168,836,439
Total equity and liabilities	**322,205,998**	**(20,488)**	**322,185,510**

41. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting period may be analysed as follows:

	2011	
	Group RM	**Company RM**
Total retained profits of Benalec Holdings Berhad and its subsidiaries		
- Realised	258,323,996	17,349,460
- Unrealised	(9,118,772)	-
	249,205,224	17,349,460
Less: Consolidation adjustments	(5,490,701)	-
Total Group/Company retained profits as per consolidated accounts	243,714,523	17,349,460

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 41 to 135 have been drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of 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 at 30 June 2011 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Leaw Seng Hai
Director

Leaw Ah Chye
Director

Kuala Lumpur
24 October 2011

STATUTORY DECLARATION

STATUTORY DECLARATION

I, Kenneth Chin Kah Kiong, being the Officer primarily responsible for the financial management of Benalec Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 41 to 135 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
24 October 2011)

Before me:

W-451
S.IDERAJU

TKT.18, WISMA SIME DARBY
JALAN RAJA LAUT
50350 KUALA LUMPUR

GROUP PROPERTIES

As at 30 June 2011

A. Summary of Land held for sale

PT No	Lot No.		Land area (acres)	Existing usage	Tenure	NBV as at 30/06/11 (RM)	Date of Acquisition (based on title date)
PT 1490 - 1492	HS (D) 61492 - 61494	Kawasan Bandar VI, Melaka Tengah, Melaka	14.38	Vacant land / Residential	Leasehold & expiring on 18/05/2105	10,039,727	19/05/06
PT 98 - 108	HS (D) 69020 - 69030	Pekan Klebang Sek. III, Melaka Tengah, Melaka	53.85	Vacant land / Residential	Leasehold & expiring on 28/11/2109	38,130,753	29/11/10
PT 115	HS (D) 69056	Pekan Klebang Sek. III, Melaka Tengah, Melaka	5.00	Vacant land / Residential	Leasehold & expiring on 9/12/2109	3,257,488	10/12/10
PT 116 - 121	HS (D) 69049 - 69054	Pekan Klebang Sek. III, Melaka Tengah, Melaka	31.00	Vacant land / Residential	Leasehold & expiring on 9/12/2109	20,577,506	10/12/10
PT 427 - 432	HS (D) 69012 - 69017	Pekan Klebang Sek. II, Melaka Tengah, Melaka	37.36	Vacant land / Commercial	Leasehold & expiring on 24/11/2109	15,179,292	25/11/10
PT 434 - 438	HS (D) 69031 - 69035	Pekan Klebang Sek. II, Melaka Tengah, Melaka	27.87	Vacant land / Commercial	Leasehold & expiring on 28/11/2109	12,565,372	29/11/10
PT 439	HS (D) 69057	Pekan Klebang Sek. II, Melaka Tengah, Melaka	7.80	Vacant land / Commercial	Leasehold & expiring on 9/12/2109	3,540,740	10/12/10
PT 440	HS (D) 69055	Pekan Klebang Sek. II, Melaka Tengah, Melaka	7.90	Vacant land / Commercial	Leasehold & expiring on 9/12/2109	3,584,230	10/12/10
PT 1801 - 1808	HS (D) 70336 - 70343	Kawasan Bandar VI, Melaka Tengah, Melaka	47.46	Vacant land / Commercial	Leasehold & expiring on 21/07/2110	484,704	22/07/11
PT 1797 - 1800	HS (D) 70332 - 70335	Kawasan Bandar VI, Melaka Tengah, Melaka	20.24	Vacant land / Residential	Leasehold & expiring on 21/07/2110	123,069	22/07/11
	Total		**252.86**			**107,482,881**	

GROUP PROPERTIES (continued)

As at 30 June 2011

B. Land & building

PT No	Lot No.	Location	Built-up area (sq.ft)	Description Existing usage	Tenure/ Date of expiry of lease	NBV as at 30/06/11 (RM)	Date of Acquisition/ SPA
PT 371	HS (D) 228346	Unit 12, Jalan J27/J, Seksyen 27, Shah Alam, Selangor.	4,790.00	3 storey terrace shop (Vacant)	Freehold	548,715	20/11/98
PT 16049	HS (D) 102235	No. 38, Jalan Pengacara U1/48, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor.	9,428.74	3 storey semi-detached factory (headquarter of the Group)	Freehold	2,147,125	10/02/04
PT 103237	HS (D) 117853	No. 5, Jalan Damar Laut 1, Teluk Glenmarie, 42000 Pelabuhan Klang.	2,436.00	Double storey semi detached house (Vacant)	Freehold	468,417	12/08/05
Volume 657 Folio 159	MK5-U64905K	No. 18, Boon Lay Way, # 07-97, Tradehub 21, Singapore 609966.	1,431.60	1 business unit (BSB's Singapore branch office)	Leasehold & expiring on 09/12/2063	1,158,096	26/11/10
PT 9723	HS (D) 27282	Kampung Sijangkang, Batu 7, Kawasan Banting Laut, 42500 Telok Panglima Garang, Kuala Langat, Selangor.	870,903.64 / 31,092.97	Industrial land erected with the cum 2-storey office building. (Shipping fabrication yard and office)	Leasehold & expiring on 03/04/2068	12,870,617	Land : 06/09/07 Bldg : 22/10/10
					Total (RM)	**17,192,970**	

STATEMENT OF SHAREHOLDERS

As at 31 October 2011

Authorised Share Capital	: RM500,000,000 divided into 2,000,000,000 Ordinary Shares of RM0.25 each
Issued and Fully Paid-Up Share Capital:	RM182,500,000 divided into 730,000,000 Ordinary Shares of RM0.25 each
Class of Shares	: Ordinary Shares of RM0.25 each
Voting Rights	: One Vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 31 OCTOBER 2011

Size of Shareholdings	No of Holders	Total Holdings	%
Less than 100	13	190	#
100 to 1,000	360	327,310	0.04
1,001 to 10,000	3,311	18,631,200	2.55
10,001 to 100,000	1,173	38,872,565	5.33
100,001 to 36,479,999*	176	205,360,735	28.15
36,480,000** and above	2	466,408,000	63.93
	5,035	729,600,000+	100.00

+ Total number of shares issued of 730,000,000 less 400,000 treasury shares as per the Record of Depositors as at 31 October 2011.
# Negligible
* Less than 5% of the Issued and Paid-Up Share Capital (excluding treasury shares)
** 5% of the Issued and Paid-Up Share Capital (excluding treasury shares)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2011

	Direct		Indirect	
Substantial Shareholders	No. of Shares	%	No. of Shares	%
Oceancove Sdn Bhd	420,000,000	57.57	-	-
Leaw Seng Hai	26,483,475	3.63	(2) 420,000,000	57.57
Leaw Ah Chye	21,374,550	2.93	(1)(2) 420,000,000	57.57
Datuk Leaw Tua Choon	21,086,075	2.89	(1)(2) 420,000,000	57.57
Foo Polin	11,055,900	1.52	(1) 420,000,000	57.57
Oceanview Cove Sdn Bhd	-	-	(1) 420,000,000	57.57
Kumpulan Wang Persaraan (Diperbadankan)	46,408,000	6.36	-	-

Notes:-

(1) Deemed interested by virtue of their interests in Oceancove Sdn Bhd pursuant to Section 6A of the Companies Act 1965 ("the Act").

(2) Deemed interested by virtue of their interests in Oceancove Sdn Bhd via Oceanview Cove Sdn Bhd pursuant to Section 6A of the Act.

STATEMENT OF SHAREHOLDERS (continued)

As at 31 October 2011

DIRECT AND INDIRECT INTEREST OF DIRECTORS IN THE ORDINARY SHARES OF BENALEC HOLDINGS BERHAD AS AT 31 OCTOBER 2011

Directors	Direct Interest No of Shares	%	Deemed Interest No of Shares	%
Leaw Seng Hai	26,483,475	3.63	(2) 420,000,000	57.57
Leaw Ah Chye	21,374,550	2.93	(1)(2) 420,000,000	57.57
Datuk Leaw Tua Choon	21,086,075	2.89	(1)(2) 420,000,000	57.57
	-	-	(3) 50,000	0.006
Aznam bin Mansor	-	-	-	-
Koo Hoong Kwan	1,000,000	0.14	-	-
Wong Yoke Nyen	500,000	0.07	-	-

Notes:-

(1) Deemed interested by virtue of their interest in Oceancove Sdn Bhd pursuant to Section 6A of the Act.
(2) Deemed interested by virtue of their interest in Oceancove Sdn Bhd via Oceanview Cove Sdn Bhd pursuant to Section 6A of the Act.
(3) The disclosure is made by Datuk Leaw Tua Choon pursuant to Section 134(12)(c) of the Act by virtue of an interest of his son in the shares of the Company.

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 OCTOBER 2011

Names		Shareholdings	%
1.	Oceancove Sdn Bhd	420,000,000	57.57
2.	Kumpulan Wang Persaraan (Diperbadankan)	46,408,000	6.36
3.	Citigroup Nominees (Tempatan) Sdn Bhd *(Exempt An for American International Assurance Berhad)*	28,773,200	3.94
4.	Leaw Seng Hai	26,483,475	3.63
5.	Leaw Ah Chye	21,374,550	2.93
6.	Datuk Leaw Tua Choon	21,086,075	2.89
7.	HSBC Nominees (Asing) Sdn Bhd *(Exempt An for JPMorgan Chase Bank, National Association)*	13,134,600	1.80
8.	Foo Polin	11,055,900	1.52
9.	Citigroup Nominees (Tempatan) Sdn Bhd *(Employees Provident Fund Board-PHEIM)*	4,272,900	0.59
10.	HSBC Nominees (Asing) Sdn Bhd *(HSBC-FS for Legg Mason Western Asset Southeast Asia Special Situations Trust)*	3,600,600	0.49
11.	BHLB Trustee Berhad *(Exempt An for Employees Provident Fund-PCM)*	3,192,400	0.44
12.	BHLB Trustee Berhad *(Exempt An for Phillip Capital Management Sdn Bhd)*	2,540,000	0.35
13.	HSBC Nominees (Asing) Sdn Bhd *(Exempt An for Credit Suisse)*	2,425,000	0.33
14.	Hong Leong Assurance Berhad *(As Beneficial Owner-Unitlinked GF)*	2,300,000	0.32
15.	Citigroup Nominees (Tempatan) Sdn Bhd *(Employees Provident Fund Board)*	2,178,900	0.30

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 OCTOBER 2011 (continued)

Names	Shareholdings	%
16. BHLB Trustee Berhad *(Exempt An for EPF Investment for Member Savings Scheme)*	1,837,900	0.25
17. Malaysian Assurance Alliance Berhad	1,800,000	0.25
18. Citigroup Nominees (Tempatan) Sdn Bhd *(Employees Provident Fund Board-RHB INV)*	1,698,200	0.23
19. DB (Malaysia) Nominee (Tempatan) Sdn Bhd *(Deutsche Trustees Malaysia Berhad for Prusmall-Cap Fund)*	1,607,000	0.22
20. Malaysia Nominees (Tempatan) Sdn Bhd *(Great Eastern Life Assurance (Malaysia) Berhad)*	1,600,000	0.22
21. Malaysia Nominees (Tempatan) Sdn Bhd *(Great Eastern Life Assurance (Malaysia) Berhad)*	1,600,000	0.22
22. Mayban Nominees (Tempatan) Sdn Bhd *(Mayban Trustees Berhad for Libra Tacticalextra Fund)*	1,500,000	0.21
23. HSBC Nominees (Tempatan) Sdn Bhd *(HSBC (M) Trustee Bhd for OSK-UOB Smart Treasure Fund)*	1,335,000	0.18
24. Amsec Nominees (Asing) Sdn Bhd *(Pledged Securities Account for Arepo Commercial Pte Ltd)*	1,330,000	0.18
25. Feng Xiaoping	1,200,000	0.16
26. OCBC Bank (Malaysia) Berhad *(As Beneficial Owner-ELCI-TRE)*	1,100,100	0.15
27. Malaysian Assurance Alliance Berhad *(As Beneficial Owner-Growth Fund)*	1,100,000	0.15
28. Amsec Nominees (Tempatan) Sdn Bhd *(Pledged Securities Account for Koo Hoong Kwan)*	1,000,000	0.14
29. Universal Trustee (Malaysia) Berhad *(CIMB-Principal Equity Fund 2)*	952,700	0.13
30. Hai Huat (Kedah) Sdn Bhd	910,000	0.12

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of BENALEC HOLDINGS BERHAD ("Benalec" or "Company") will be held at Glenmarie Ballroom, Lobby Level, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Friday, 23 December 2011 at 10.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 30 June 2011 and the Reports of the Directors and Auditors thereon. **Please refer to explanatory note below**

2. To approve the payment of a Final Single Tier Tax Exempt Dividend of 2 Sen for each Ordinary Share of RM0.25 each in respect of the financial year ended 30 June 2011. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM119,000 for the financial year ended 30 June 2011. **Ordinary Resolution 2**

4. To re-elect Mr Leaw Seng Hai who retires by rotation pursuant to Article 108 of the Company's Articles of Association and being eligible, offered himself for re-election. **Ordinary Resolution 3**

5. To re-elect Mr Leaw Ah Chye who retires by rotation pursuant to Article 108 of the Company's Articles of Association and being eligible, offered himself for re-election. **Ordinary Resolution 4**

6. To re-appoint Messrs BDO as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions (with or without modifications) as Ordinary and Special Resolutions of the Company:-

7. Authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 **Ordinary Resolution 6**

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate nominal value of shares to be issued during the preceding 12 months does not exceed 10% of the nominal value of the issued and paid-up capital (excluding treasury shares) of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

8. Proposed Renewal of Authority for Share Buy Back **Ordinary Resolution 7**

   "THAT, subject to compliance with the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM0.25 each in the Company's issued and paid-up share capital through Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject further to the following:

   i) the maximum number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the issued and paid-up share capital for the time being of the Company ("Shares"); and
   ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and the share premium account of the Company. As of 30 June 2011, the audited retained profits and share premium of the Company were RM17.349 million and RM72.545 million, respectively;

   THAT upon completion of the purchase by the Company of its own Shares, the Directors of the Company are authorised to deal with the said Shares in the following manner:-

   i) cancel the Shares so purchased; or
   ii) retain the Shares so purchased as Treasury Shares; or
   iii) retain part of Shares so purchased as Treasury Shares and cancel the remainder; or
   iv) resell the Treasury Shares on Bursa Securities and/or distribute the Treasury Shares as dividends to the Company's shareholders and/or subsequently cancel the Treasury Shares or combination of the three;

8. Proposed Renewal of Authority for Share Buy Back (continued)

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force.

AND THAT the Directors of the Company be and are hereby empowered to carry out the above immediately upon the passing of this resolution and the authority conferred by this resolution will continue to be in force from the date of the passing of this resolution until:

i) the conclusion of the next annual general meeting of the Company following the general meeting at which this resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

ii) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or

iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting;

whichever is the earliest, and the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things as they deem fit and expedient in the interest of the Company to give full effect to the Proposed Renewal of Authority for Share Buy Back contemplated and/or authorised by this Ordinary Resolution."

9. Proposed Amendments to the Articles of Association of the Company **Special Resolution**

"THAT the Proposed Amendments to the Articles of Associations of the Company as set out in Appendix II be and are hereby approved.

THAT the Directors and/or the Secretary of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the Proposed Amendments to the Articles of Association as set out in Appendix II."

By Order of the Board of
BENALEC HOLDINGS BERHAD

CHUNG PHAIK KHE (MAICSA No. 7048081)
WONG WAI FOONG (MAICSA No. 7001358)
THAM WAI YING (MAICSA No. 7016123)
Company Secretaries
Kuala Lumpur
Dated: 1 December 2011

Notes:

1. *A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a representative to attend and vote in his place. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.*

2. *A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two proxies the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*

4. *In the event a member duly executes the Proxy Form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his proxy.*

5. *Any alterations in the Proxy Form must be initialled.*

6. *To be valid, the Proxy Form duly completed must be deposited with the Share Registrar of the Company at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.*

7. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each Securities Account he holds with ordinary shares of the Company standing to the credit of the said Securities Account.*

8. *For the purpose of determining a member who shall be entitled to attend the Annual General Meeting of the Company, the Company shall request Bursa Malaysia Depository Sdn Bhd, in accordance with Article 75(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 19 December 2011. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his stead.*

NOTICE OF DIVIDEND BOOK CLOSURE AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a Final Single Tier Tax Exempt Dividend of 2 Sen for each Ordinary Share of RM0.25 each in respect of the financial year ended 30 June 2011 if approved by the shareholders of the Company at the Sixth Annual General Meeting to be held on Friday, 23 December 2011, will be paid to the shareholders of the Company on Monday, 19 March 2012. The entitlement date for the dividend payment is on Wednesday, 22 February 2012.

A depositor shall qualify for entitlement to the dividend only in respect of:-

(a) Shares transferred into the depositor's securities account before 4.00 p.m. on 22 February 2012 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board of
BENALEC HOLDINGS BERHAD

CHUNG PHAIK KHE (MAICSA No. 7048081)
WONG WAI FOONG (MAICSA No. 7001358)
THAM WAI YING (MAICSA No. 7016123)
Company Secretaries

Kuala Lumpur
Dated: 1 December 2011

EXPLANATORY NOTE ON ITEM 1

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward to the shareholders for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

ORDINARY RESOLUTION 6

Ordinary Resolution 6 is proposed pursuant to Section 132D of the Companies Act, 1965, and if passed, will provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. This authority will expire at the conclusion of the next Annual General Meeting of the Company.

ORDINARY RESOLUTION 7

Ordinary Resolution 7, if passed, will empower the Directors to purchase the Company's shares through Bursa Malaysia Securities Berhad up to ten per cent of the issued and paid-up share capital (excluding treasury shares) of the Company.

For further information, please refer to the Circular to shareholders dated 1 December 2011.

SPECIAL RESOLUTION

The Special Resolution, if passed, will render the Articles of Association of the Company to be updated in accordance with the recent enhancements issued by Bursa Malaysia Securities Berhad amending certain provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The details on the Proposed Amendments to the Articles of Association of the Company are set out in Appendix II of the Circular to Shareholders dated 1 December 2011.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27 (2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

There were no Directors standing for election at the forthcoming Sixth Annual General Meeting.

This page has been intentionally left blank

PROXY FORM

BENALEC HOLDINGS BERHAD
(Company No. 702653-V)
(Incorporated in Malaysia under the Companies Act, 1965)

CDS Account No.

No. of shares held

I/We, ______________________________ Tel: ______________

(Full name in block, NRIC No./Company No. and telephone number)

of ______________________________

____

being a member/members of **Benalec Holdings Berhad**, hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Glenmarie Ballroom, Lobby Level, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Friday, 23 December 2011 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:-

ITEM	AGENDA	RESOLUTION	FOR	AGAINST
1.	Payment of a Final Dividend	Ordinary Resolution 1		
2.	Payment of Directors' fees	Ordinary Resolution 2		
3.	Re-election of Mr Leaw Seng Hai as Director	Ordinary Resolution 3		
4.	Re-election of Mr Leaw Ah Chye as Director	Ordinary Resolution 4		
5.	Re-appointment of Messrs BDO as Auditors	Ordinary Resolution 5		
6.	Authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965	Ordinary Resolution 6		
7.	Proposed Renewal of Authority for Share Buy Back	Ordinary Resolution 7		
8.	Proposed Amendments to Articles of Association	Special Resolution		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signature this day of ,2011

____
Signature of Shareholder/Common Seal

Notes:

1. *A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a representative to attend and vote in his place. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.*
2. *A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two proxies the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
4. *In the event a member duly executes the Proxy Form but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his proxy.*
5. *Any alterations in the Proxy Form must be initialled.*
6. *To be valid, the Proxy Form duly completed must be deposited with the Share Registrar of the Company at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.*
7. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each Securities Account he holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
8. *For the purpose of determining a member who shall be entitled to attend the Annual General Meeting of the Company, the Company shall request Bursa Malaysia Depository Sdn Bhd, in accordance with Article 75(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 19 December 2011. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his stead.*

please fold here

Stamp/Setem

The Share Registrar

BENALEC HOLDINGS BERHAD

Level 17, The Gardens North Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur

please fold here