Benalec Holdings Berhad **Annual Report 2013**

# PROGRESSIVE GROWTH
## SUSTAINING OUR STRENGTH


BENALEC HOLDINGS BERHAD
(702653-V)

# TABLE OF CONTENTS




# PROGRESSIVE GROWTH
SUSTAINING OUR STRENGTH

# 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. On 17 January 2011, Benalec Holdings Berhad ("Benalec") was listed on the Main Market of Bursa Malaysia Securities Berhad.

BENALEC SDN BHD was incorporated in 1978 as a contracting company specialised in undertaking civil engineering projects.

BENALEC GROUP was formed to realise an objective of becoming 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 enhanced considerably with its capacity and capability to deliver top-grade quality work to its customers.

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 projects in the local as well as regional arena.

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) and is an ISO 9001: 2008 certified company.

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, and is registered with the Building and Construction Authority (BCA) Singapore under CW02-B1 and under SY01-L6.


# MISSION

Our mission is to be an integrated, one-stop centre for marine construction services with the competency and capability of delivering top-grade quality services to our customers at all times.

# VISION

Our vision is to achieve and maintain a high degree of professional expertise, coupled with dedicated and very experienced management, with the objective of enhancing our commitment to participate actively as one of the foremost home-grown Marine Construction Specialists in the socio-economic development of Malaysia.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Aznam Bin Mansor**
(Chairman /
Independent Non-Executive Director)

**Dato' Leaw Seng Hai**
(Group Managing Director)

**Datuk Leaw Tua Choon**
(Non-Independent Non-Executive Director)

**Datuk Leaw Ah Chye**
(Non-Independent Non-Executive Director)

**Koo Hoong Kwan**
(Senior 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)

## NOMINATION 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)

## EVALUATION COMMITTEE

Aznam Bin Mansor
(Chairman of Committee)

Dato' Leaw Seng Hai
(Member of Committee)

Datuk Leaw Tua Choon
(Member of Committee)

Datuk Leaw Ah Chye
(Member of Committee)

Koo Hoong Kwan
(Member of Committee)

Wong Yoke Nyen
(Member of Committee)

## COMPANY SECRETARY

Wong Wai Foong
(MAICSA No. 7001358)

## 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

## 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

## 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

## 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 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 %** BENALEC DIVERSITY 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 %** BENALEC CONSTRUCTION SDN BHD (967755-P)
  - **100 %** JAYAMAS CEKAP SDN BHD (929141-T)
  - **100 %** INDERA TENGGARA SDN BHD (901463-A)
  - **100 %** INTEGRASI MEKAR SDN BHD (927377-U)
  - **100 %** JEWEL EAST SDN BHD (946897-U)
    - **100 %** ZHENG ISLAND SDN BHD (946281-X)
      - **100 %** CHENG HO CITY SDN BHD (946282-W)
        - **100 %** ONE WORLD ISLAND SDN BHD (946901-K)
          - **100 %** ICONIC ISLAND SDN BHD (948991-V)
  - **100 %** PENGERANG MARITIME INDUSTRIES SDN BHD (944630-X)
    - **70 %** SPEKTRUM BUDI SDN BHD (940725-W)
  - **100 %** TANJUNG PIAI MARITIME INDUSTRIES SDN BHD (943274-D)
    - **70 %** SPEKTRUM KUKUH SDN BHD (941961-V)
  - **100 %** BENALEC VENTURE SDN BHD (969382-X)
  - **100 %** GOLDNET SYNERGY SDN BHD (947383-W)
    - **100 %** NEPTUNE PARADISE SDN BHD (945160-M)
  - **100 %** PACIFIC LINK LTD (LL08037)
- **100 %** OCEANLINER PTE LTD (200910031W)
- **100 %** BENALEC SHIPYARD SDN BHD (49956-P)


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# PROFILE OF DIRECTORS

## AZNAM BIN MANSOR

Chairman and Independent Non-Executive Director

**En Aznam Bin Mansor**, a Malaysian aged 54, was appointed to the Board as an Independent Non-Executive Chairman of the Company on 5 October 2010. He is also the Chairman of Evaluation Committee and a member of the Audit Committee, Nomination Committee, Remuneration Committee and Option Committee of the Company. He graduated with a Bachelor of Arts (Hons) degree in Law from the North East London Polytechnic, London, UK in 1983 and was then admitted and enrolled by 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 eight (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 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 (10) years. He attended eight (8) out of ten (10) board meetings held during the financial year ended 30 June 2013.

# Profile of Directors (continued)

## DATO' LEAW SENG HAI

Group Managing Director

**Dato' Leaw Seng Hai**, a Malaysian aged 51, was appointed to the Board as a Director of the Company on 12 July 2005 and was redesignated as a Group Managing Director on 5 October 2010. He is a member of Evaluation Committee. 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 conceptualising, formalising 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 remarkable 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 constantly applied. His in-depth knowledge of marine construction works has contributed significantly to the Group in terms of securing major contracts for marine construction works.

He is not a director of any other public company. He is the brother of Datuk Leaw Tua Choon and Datuk Leaw Ah Chye, both of whom are Non-Independent Non-Executive Directors of the Company. He is also 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. Save as disclosed above, he has no family relationship with any other director and/or major shareholder of the Company.

He has no conflict of interest with the Company except for certain recurrent related party transactions of a 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 (10) years. He attended eight (8) out of ten (10) board meetings held during the financial year ended 30 June 2013.

## DATUK LEAW TUA CHOON

Non-Independent Non-Executive Director

**Datuk Leaw Tua Choon**, a Malaysian aged 54, was appointed to the Board as an Executive Director of the Company on 5 October 2010. He was subsequently redesignated as a Non-Independent Non-Executive Director on 28 October 2013. He is a member of Evaluation Committee. He obtained a degree of 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 of experience in civil and marine construction works. He has extensive experience in managing the Group's wide spectrum of marine construction works, 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 the Group's projects from planning stage to final completion. He is presently actively overseeing the Group's 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 the Group's vessels and equipment to ensure timely progress of the Group's projects.

He is not a director of any other public company. He is the brother of Dato' Leaw Seng Hai, Group Managing Director of the Company and Datuk Leaw Ah Chye, Non-Independent Non-Executive Director of the Company. He is a Director and major shareholder of Oceancove Sdn Bhd, which in turn is a major shareholder of Benalec. He is an indirect major shareholder of the Company. Save as disclosed above, he has no family relationship with any other director or major shareholder of the Company.

He has no conflict of interest with the Company except for certain recurrent related party transactions of a 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 (10) years. He attended all ten (10) board meetings held during the financial year ended 30 June 2013.

# Profile of Directors (continued)

## DATUK LEAW AH CHYE

Non-Independent Non-Executive Director

**Datuk Leaw Ah Chye**, a Malaysian aged 52, was appointed to the Board as a Director of the Company on 12 July 2005 and was redesignated as an Executive Director on 5 October 2010. He was subsequently redesignated as a Non-Independent Non-Executive Director on 28 October 2013. He is a member of Evaluation Committee. After completing 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 that there is minimal machinery downtime on-site and serve to facilitate 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 is not a director of any other public company. He is the brother of Dato' Leaw Seng Hai, Group Managing Director of the Company and Datuk Leaw Tua Choon, Non-Independent Non-Executive Director of the Company. He is a Director and major shareholder of Oceancove Sdn Bhd, a major shareholder of Benalec. He is an indirect major shareholder of the Company. Save as disclosed above, he has no family relationship with any other director or 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 (10) years. He attended all ten (10) board meetings held during the financial year ended 30 June 2013.

## KOO HOONG KWAN

Senior Independent Non-Executive Director

**Mr. Koo Hoong Kwan**, a Malaysian aged 68, was appointed as an Independent Non-Executive Director on 5 October 2010. Subsequently, he was appointed as Senior Independent Non-Executive Director on 26 February 2013. He is also the Chairman of the Audit Committee, Nomination Committee, Remuneration Committee and Option Committee of the Company. He is a member of Evaluation Committee.

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. 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 (10) years. He attended all ten (10) board meetings held during the financial year ended 30 June 2013.

# Profile of Directors (continued)

## WONG YOKE NYEN

Independent Non-Executive Director

**Mr. Wong Yoke Nyen**, a Malaysian aged 54, 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, Option Committee and Evaluation Committee of the Company.

He obtained his 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, Focus Lumber Berhad and Sentoria Group Berhad. He does not hold any securities 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 (10) years. He attended all ten (10) board meetings held during the financial year ended 30 June 2013.

# CHAIRMAN'S STATEMENT

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 2013.

It has been a year of widespread volatility, which manifested itself in significant economic events on both the domestic and global fronts. Despite the distractions of the country's 13th General Elections and the prolonged cautious market sentiments, Malaysia's GDP grew by a healthy 4.3%. Against this backdrop, the Group has remained steadfast in striving to achieve its business objectives, although certain changes in the short to medium term have been necessary in response to the dynamics prevailing in the market place.

Malaysia's economy gathered momentum in 2012 on the back of resilient domestic demand in tandem with moderate inflation. There were growth spurts particularly in the service and construction sectors; the latter being fuelled by various infrastructural projects initiated by the Government as part of its Economic Transformation Programme (ETP). The improved general economic outlook transcended the New Year, with positive signs being reflected in the Malaysian Institute of Economic Research's (MIER) Consumer Sentiments Survey for Malaysia Economy Outlook 2013. The usual indicators of consumer confidence remain encouraging and are showing no signs of abating. Continuation of this scenario can only augur well for the viability and growth of the Group's business.

## FINANCIAL PERFORMANCE

For the financial year ended 30 June 2013, Benalec recorded a profit after tax (PAT) of RM56.6m. The decline in PAT is due to fewer land sales, as compared with previous years. However, negotiations for the sale of a number of land parcels which commenced in the financial year under review are expected to result in sale transactions being concluded and recognised in the second half of the financial year ending 30 June 2014. As the average market value of the Group's reclaimed land-bank in Melaka has been on the uptrend - in certain locations realising increases of as much as 30% - the Group is confident that sales revenue will be much higher in the current financial year. Apart from that, the Group's project at Glenmarie Cove in Klang is also expected to contribute positively to the Group's financial performance in the current financial year. Overall, with impending land sales coming to fruition, Benalec's financial position should remain strong going forward, characterised by stable cash flow, a sizeable order book and an ample land bank for sale to ensure the Group's capability of consolidating its position in the market place and financing its projects in 2014 and beyond.

## SHAREHOLDER RETURNS

The Board of Directors is pleased to recommend a tax exempt dividend of 2 sen per ordinary share, amounting to a pay-out of approximately RM16.2m in respect of financial year 2013, subject to the approval of shareholders at the forthcoming Annual General Meeting.

## PROSPECTS AND OUTLOOK

Resonating with a positive outlook for the country's flourishing Oil & Gas and Tourism sectors, the Group is aligning itself to capitalise on the opportunities that are expected to emanate from these sectors. Whilst the Group's impending projects in the State of Johor are expected to benefit directly from the growth in the Oil & Gas sector, the market value of the Group's land bank in Melaka should be boosted by the expected upsurge in the country's tourism industry since Melaka is one of Malaysia's most popular tourist destinations.

Proof of the well-being of the Oil & Gas industry in Malaysia is exemplified by the NKEA initiatives taking shape by way of multiple Entry Point Projects in the Iskandar Region. One objective of the Government is for Malaysia to establish itself as a storage and trading hub in the Asia Pacific region, with a target capacity of 10 million cubic metres by 2015. We are confident that our forthcoming reclamation projects at Tanjung Piai and Pengerang will, in all probability, blend seamlessly with Malaysia's vision and objectives.

Meanwhile, Melaka City, a UNESCO-listed World Heritage Site, has attracted more than 12 million tourists, generating a revenue of RM7.06 billion, thereby adding further prominence to the State, wherein the Group has its substantial land-bank. The State Government believes that Melaka will be able to attract even more visitors in the coming year - an encouraging prospect for Benalec to look forward to in terms of land sales, resulting from the need for developments of new townships, commercial centres and infrastructures to cater for the thriving tourism trade.

# Chairman's Statement (continued)

As the Group gears itself up to face and overcome the challenges ahead, its resolve to achieve consistent, competitive, profitable and responsible growth remains as strong as ever. Indeed, this resolve has been fortified by the accolades received recently by the Group from Forbes Asia (recognising Benalec as one of the region's top 200 mid-size companies received on 29 November 2012) and from Top 10 Magazine (recognising Benalec as the top Malaysian marine construction services company received on 15 November 2013); being positioned in the limelight in this manner will undoubtedly motivate the Group to achieve even greater success in the years to come.



## CORPORATE SOCIAL RESPONSIBILITY ("CSR")

At Benalec, we are acutely aware of our obligations towards our people, investors, customers, suppliers, and the community at large. By way of giving back something to society, we are the proud sponsor of a number of associations and non-profit organisations, namely, the Johor Football Association, the Selangor Sports Council, The National Sports Council, Tabung Kesejahteraan Kanak-Kanak Sedunia and Home for Angels to name a few. On an ongoing basis, we shall continue devoting some of our resources to identifying and sponsoring worthwhile causes as a way of embracing CSR within our Group.

*Momentus occasion for the Sultan of Selangor Cup; In the order from left to right: Vincent Teoh from Benalec, William Chew from Tanjung Balai Group, Ronnie Lim from Taliworks Corporation, Dato' Voon Tin Yow from SP Setia Berhad, Dato' Hj Ahmad bin Omar from PNSB, YAB Tan Sri Abdul Khalid bin Ibrahim, Menteri Besar of Selangor, DYMM Sultan Selangor Sultan Sharafuddin Idris Shah, Lee Hwa Cheng from MCT Consortium Berhad, Tan Sri Rozali Ismail from SYABAS, Datuk Hj Abdul Karim bin Munisar from Kumpulan Perangsang Selangor Berhad, Dato' Hj Azmi bin Mat Nor from SPLASH, Dato' Lim Boo Kian from BHL Group*


*We are proud sponsors of the Johor FA.*

## APPRECIATION & ACKNOWLEDGMENT

On behalf of the Board, I would like to thank each and every one of our employees whose commitment and efforts have made our Group of Companies what it is today.

Last but not least, the Board wishes to express its appreciation and gratitude to our valued shareholders, business partners and clients for their support of, and confidence in, our Group.

**AZNAM BIN MANSOR**
Chairman

# OPERATIONS REVIEW

Strategic management, coupled with hard work and sheer dedication in executing our core activities has culminated in our ability to continue to achieve efficiency and cost-effectiveness in our business operations.

Demand for land in Melaka remains strong with rapid development taking place in the area of Kota Laksamana, characterised by a significant number of mixed development projects. The Group's success in carrying out its core business of land reclamation, predominantly in Melaka thus far, is expected to be replicated to an equal, if not greater, extent in Johor, via the soon-to-be-activated projects at Tanjung Piai and Pengerang, both of which will cater for Oil & Gas, petrochemical and energy-based ventures. Once commenced, the Johor projects are scheduled to span a period of approximately 12 to 15 years, thereby providing the Group with a sound and stable platform to build its future businesses on.

Despite the challenging times ahead, both in terms of the state of health of the economy and competition in the market place, the Benalec Group is confident that, for the reasons cited above, it will be able to achieve its business objectives and register better results in the next financial year.

## UPDATE OF PROJECTS

### Completed Projects

During the year under review, we achieved completion of 3 reclamation works in Melaka and Selangor, comprising:

*Reclamation for the Development of Waterfront City at Melaka Tengah, Melaka measuring 15 acres*

*Coastal Reclamation works from Sungai Melaka measuring 61 acres*

# Operations Review (continued)

## UPDATE OF PROJECTS (continued)

### Completed Projects (continued)

*Earthworks, River Protection works and Associated works at Precinct 4, Mukim Klang, Daerah Klang*

### On-going Projects

Benalec is currently undertaking 3 reclamation works in Selangor and Melaka constituting the following:

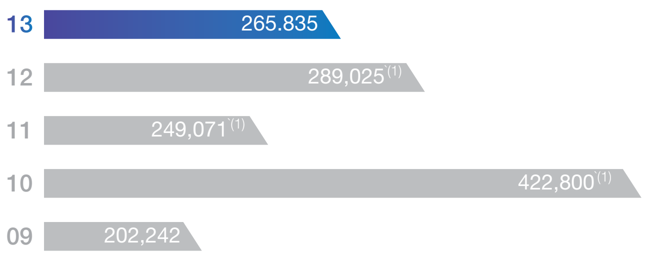
*Construction, Completion and Maintenance of Reclamation and Shore protection works at Pulau Indah Industrial Park, Port Klang measuring 144 acres*

*Reclamation works above 4 acres land adjacent to Lot 100 at Pulau Melaka, Daerah Melaka Tengah*

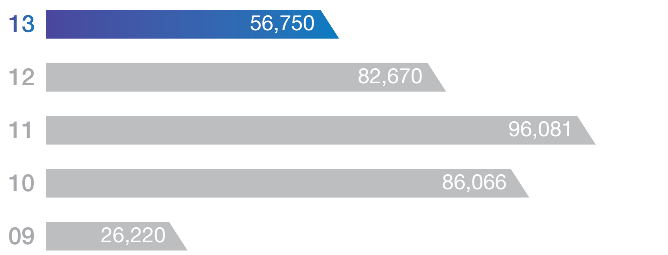
*Construction, Completion and Maintenance of Reclamation and Shore protection works at Mukim Klebang, Melaka Tengah measuring 720 acres*

Benalec is also engaged in a contract of 'Affreightment' commissioned by TNB Fuel Services Sdn Bhd ("TNBF") for carriage of bulk coal for TNBF up until 2015. The contract has contributed to our 2013 revenue in accordance with the number of deliveries made throughout the year.

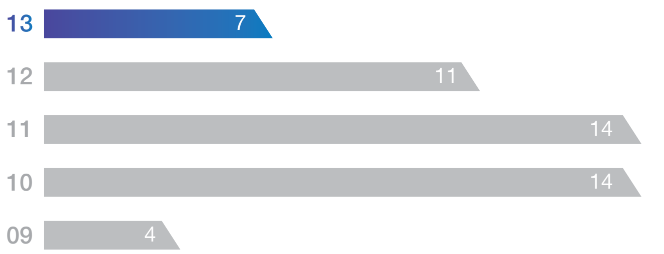
# GROUP FINANCIAL HIGHLIGHTS



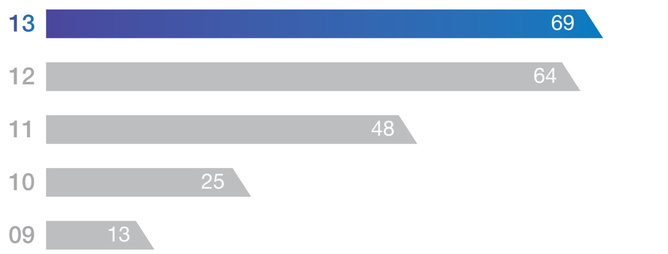

Revenue (RM'000)




Profit Attributable to Owners of the Parent (RM'000)




Basic Earnings per Share (Sen)




Net Assets Per Share (Sen)

| Year ended 30 June | | 2013 | 2012 | 2011 | 2010* | 2009* |
|---|---|---|---|---|---|---|
| Revenue | (RM'000) | 265,835 | 289,025(1) | 249,071(1) | 422,800(1) | 202,242(1) |
| Profit Before Taxation | (RM'000) | 65,560 | 100,241 | 126,091 | 121,526 | 34,729 |
| Profit After Taxation | (RM'000) | 56,662 | 82,667 | 96,081 | 105,818 | 26,220 |
| Profit Attributable to Owners of the Parent | (RM'000) | 56,750 | 82,670 | 96,081 | 86,066 | 26,220 |
| Paid-up Capital | (RM'000) | 201,912 | 200,740 | 182,500 | 2,500 | 2,500 |
| No. of Shares (units) | ('000) | 807,649(2) | 802,960(3) | 730,000 | 613,478(4) | 613,478(4) |
| Equity Attributable to Owners of the Parent | (RM'000) | 554,036 | 516,389 | 346,760 | 153,370 | 77,498 |
| Basic Earnings Per Share | (Sen) | 7 | 11 | 14 | 14 | 4 |
| Diluted Earnings Per Share | (Sen) | 7 | 11 | N/A | N/A | N/A |
| Net Assets Per Share | (Sen) | 69 | 64 | 48 | 25 | 13 |

* *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.*

*Notes:*

(1) *Figure restated arising from the adoption of Malaysia Financial Reporting Standards (MFRSs)*

(2) *Include 1,344,900 treasury shares of RM0.25 each, repurchased from the open market for a total consideration of RM1,477,078 at average price of RM1.0983 per ordinary share.*

(3) *Include 1,148,200 treasury shares of RM0.25 each, repurchased from the open market for a total consideration of RM1,246,550 at average price of RM1.0857 per ordinary share.*

(4) *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.*

N/A *Not applicable*

# STATEMENT ON CORPORATE GOVERNANCE

## INTRODUCTION

The Board of Directors of Benalec Holdings Berhad ("Board") is committed to ensuring 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 for the protection and enhancement of shareholders' value. The Board fully supports the recommendations set out in the Malaysian Code on Corporate Governance 2012 ("Code"). The Company and the Group have complied with all relevant recommendations set out in the Code, except for Recommendation 2.2 of the Code on gender diversity policies and targets and the measures taken to meet the targets. The Board, having duly considered the rationale for the said exception, is fully convinced of the justification as set out on page 19 of this Annual Report.

## THE BOARD

### 1. Board Composition

The Board has overall responsibility for the corporate governance, strategic direction and for overseeing the investments and operations of the Company and the Group.

Presently, the Board comprises one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors as set out below:

| Name of Director | Directorship |
|---|---|
| **Aznam Bin Mansor** | Chairman, Independent Non-Executive Director |
| **Dato' Leaw Seng Hai** | Group Managing Director |
| **Datuk Leaw Ah Chye** | Non-Independent Non-Executive Director |
| **Datuk Leaw Tua Choon** | Non-Independent Non-Executive Director |
| **Koo Hoong Kwan** | Senior Independent Non-Executive Director |
| **Wong Yoke Nyen** | Independent Non-Executive Director |

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 (2) directors or one-third (1/3) of the Board, whichever is the higher, should comprise Independent Directors.

The Board consists of qualified individuals with diverse skill-sets, experience and knowledge necessary to govern the Company to good effect. The composition and size of the Board are such that the decision-making processes of the Company are facilitated thereby.

The Board is of the opinion that the composition of the current Board fairly reflects a balance of Executive and Non-Executive Directors to ensure that the interest of not only the Company, but also that of the stakeholders and of 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 standard of conduct. In the opinion of the Board, the interests of the minority shareholders are fairly represented by the presence of these highly competent and credible Independent Non-Executive Directors.

The composition and size of the Board are reviewed from time to time to ensure their appropriateness and effectiveness. The profiles of the Directors are set out on pages 7 to 10 of this Annual Report.

### 2. Directors' Duties and Responsibilities

The Board is led by a team of experienced members from different professional backgrounds, all of whom provide the Group with a wealth of professional expertise and experience which are conducive for efficient deliberations at Board meetings, giving rise to effective decision making and providing multi-faceted perspectives to the business operations of the Group.

# Statement on Corporate Governance (continued)

**THE BOARD** (continued)

**2. Directors' Duties and Responsibilities (continued)**

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 that 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 respective communities in which the company conducts its business.

There is a clear division of roles and responsibility between the Independent Non-Executive Chairman and the Group Managing Director to ensure a balance of power and authority in the Board. Formal position descriptions for the Independent Non-Executive Chairman and the Group Managing Director outlining their respective roles and responsibilities are set out in the Board Charter.

The Independent Non-Executive Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations to the exclusion of other relevant factors. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board. They also ensure that the Board practices good governance in discharging its duties and responsibilities. The Board, as a whole, exercises overall control of the Group.

**3. Board Charter**

The Board has adopted a Board Charter which sets out the roles, functions, compositions, operation and processes of the Board and which is intended to ensure that all the Board members acting on behalf of the Company are fully aware of their obligation of discharging their duties and responsibilities to the Company. The Board Charter serves as a source of reference and primary induction literature to provide insights to prospective Board members and senior management. In addition, it also assists the Board in the assessment of its own performance and that of its individual Directors.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available for reference at the Company's website at www.benalec.com.my.

**4. Board Meetings**

The Board conducts at least five (5) scheduled meetings annually, with additional matters being addressed by way of circular resolutions and additional meetings to be convened as and when necessary.

The Board met ten (10) times during the financial year ended 30 June 2013. A summary of attendance for each of the Board of Directors is as follows:

| Name of Directors | No. of meetings attended |
|---|---|
| **Aznam Bin Mansor** | 8 out of 10 |
| **Dato' Leaw Seng Hai** | 8 out of 10 |
| **Datuk Leaw Tua Choon** | 10 out of 10 |
| **Datuk Leaw Ah Chye** | 10 out of 10 |
| **Koo Hoong Kwan** | 10 out of 10 |
| **Wong Yoke Nyen** | 10 out of 10 |

**THE BOARD** (continued)

5. **Board Committees**

The Board may from time to time establish Board Committees as it considers appropriate to assist the Board in discharging its duties and responsibilities.

The Board has formed the following Committees, each with its own functions and responsibilities. The Committees operate within their respective defined terms of reference approved by the Board and, where necessary, by way of specific authority delegated by the Board. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

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

**Audit Committee**

The Audit Committee, which was established on 30 November 2010, comprises three (3) Independent Non-Executive Directors. The functions of the Audit Committee include reviewing of audit findings of the external and internal auditors together with management response thereon, deliberating on financial statements and reviewing accounting policies. The Audit Committee has full access to both internal and external auditors and is empowered to conduct investigations of any activities within its terms of reference.

The terms of reference and summary of activities of the Audit Committee are set out in the Audit Committee Report on pages 31 to 38 of this Annual Report.

**Nomination Committee**

The Nomination Committee was established on 30 November 2010 and comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Nomination Committee are as follows:

- **Koo Hoong Kwan**
  *(Senior Independent Non-Executive Director)* - Chairman
- **Aznam Bin Mansor**
  *(Independent Non-Executive Director)* - Member
- **Wong Yoke Nyen**
  *(Independent Non-Executive Director)* - Member

The Nomination Committee met once during the year under review with the attendance of all the Nomination Committee members.

The terms of reference of the Nomination Committee are reviewed by the Board annually and updated as appropriate. Among others, the responsibilities of the Nomination Committee include:

- 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 the directors to fill the seats on the various Board committees;
- Developing and maintaining the criteria to be used in the recruitment process and the annual assessment of Directors;
- Assisting the Board in an annual review of the independence of the Independent Non-Executive Directors; and
- Assessing the effectiveness of the Board as a whole, as well as that of the Board Committees and the contribution of each individual Director.

# Statement on Corporate Governance (continued)

**THE BOARD (continued)**

5. **Board Committees (continued)**

**Nomination Committee (continued)**

The Board takes note of the recommendation of the Code pertaining to the need to establish a policy formalising the approach to boardroom diversity and to set targets and measures for the adoption of the said recommendation. The Board takes the view that, for the time being, the status quo of the Board, in terms of composition and structure, should be maintained. The Board is, however, open to board changes as and when appropriate.

**Remuneration Committee**

The Remuneration Committee was established on 30 November 2010 comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Remuneration Committee are as follows:

- **Koo Hoong Kwan**
  *(Senior Independent Non-Executive Director)* - Chairman
- **Aznam Bin Mansor**
  *(Independent Non-Executive Director)* - Member
- **Wong Yoke Nyen**
  *(Independent Non-Executive Director)* - Member

The terms of reference of the Remuneration Committee are reviewed by the Board annually and are updated as appropriate. Among others, the responsibilities of the Remuneration Committee include the following:

- 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.

The Remuneration Committee met once during the year under review with the attendance of all the Remuneration Committee members.

**Option Committee**

The Option Committee was established on 1 December 2010 comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Option Committee are as follows:

- **Koo Hoong Kwan**
  *(Senior Independent Non-Executive Director)* - Chairman
- **Aznam Bin Mansor**
  *(Independent Non-Executive Director)* - Member
- **Wong Yoke Nyen**
  *(Independent Non-Executive Director)* - Member

The Option Committee met once during the year under review, with the attendance of all Option Committee members.

The primary responsibility of the Option Committee is to administer the implementation of the Share Issuance Scheme ("Scheme") in accordance with the objectives and regulations as set out in the By-Laws of the Scheme and in such manner as it shall in its absolute discretion deem fit and within such powers and duties as are conferred upon it by the Board.

# Statement on Corporate Governance (continued)

**THE BOARD** (continued)

## 5. Board Committees (continued)

**Evaluation Committee**

The Evaluation Committee was established on 23 April 2013. The members of the Evaluation Committee are as follows:

- **Aznam Bin Mansor**
  *(Chairman, Independent Non-Executive Director)* - Chairman
- **Dato' Leaw Seng Hai**
  *(Group Managing Director)* - Member
- **Datuk Leaw Tua Choon**
  *(Non-Independent Non-Executive Director)* - Member
- **Datuk Leaw Ah Chye**
  *(Non-Independent Non-Executive Director)* - Member
- **Koo Hoong Kwan**
  *(Senior Independent Non-Executive Director)* - Member
- **Wong Yoke Nyen**
  *(Independent Non-Executive Director)* - Member

The Evaluation Committee is a sub-committee of the Board, formed to consider and review all tenders and/or offers received in conjunction with land sale and to also deliberate on contracts with a value exceeding RM5 million to be awarded to sub-contractor(s) ("the offers") by the Benalec Group. After due consideration, the Evaluation Committee shall provide objective advice and recommendations on the selected offers to the Board, thus ensuring that all the offers selected are made in the best interest of the Group.

## 6. Appointment to the Board

The Code recommends that the assessment of new candidates for appointment as directors is to be made by the Nomination Committee. The decision in respect of the 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 thereof and to continually seek ways to upgrade the effectiveness of the Board as a whole, and of the respective Committees of the Board. It also assesses the contribution of each individual Director, both Executive and Independent Non-Executive.

The Nomination Committee met in August 2013 to review the performance of all the Board members and of the Board Committees, both individually and collectively.

## 7. Appointment and Re-election of the Directors

In accordance with the Company's Articles of Association ("AA"), all Directors appointed by the Board either to fill a casual vacancy or as an additional Director to the existing Board are subject to re-election by the shareholders at the Annual General Meeting ("AGM") following their appointment. The Article 108 of AA also provide that at least one-third (1/3) of the remaining directors be subject to re-election by rotation at each AGM provided always that all Directors including the Managing Director shall retire from office at least once every three (3) years but be eligible for re-election.

Directors who are over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM, pursuant to Section 129 of the Companies Act, 1965.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Subject to the assessment of the Nomination Committee and the shareholders' approval, the Board may retain an Independent Director who has served nine (9) years or more. Presently, there is no Independent Director of the Company whose tenure has exceeded a cumulative term of nine (9) years as the Company was listed on 17 January 2011.

The composition and size of the Board are reviewed from time to time to ensure its effectiveness.

# Statement on Corporate Governance (continued)

**THE BOARD** (continued)

8. **Directors' Training and Development**

The Board as a whole will evaluate and establish or recommend the development programmes, the attendance of which may be required of each Board member so as to better equip him for discharging his duties and responsibilities. The Board members will also, 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 are expected to constantly keep up to date with articles on market development, industry news, changes in regulations and related issues.

All of the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP") as required by Bursa Securities Berhad ("Bursa Securities'). During the financial year, the Directors have attended various training programmes, forum and seminars as follows:

| Name of Director | Title of Seminar/Forum/Courses | Date of Attendance |
|---|---|---|
| **Aznam Bin Mansor** | Limited Liability Partnership | 13 March 2013 |
| | Risk Management Forum Embracing Risks For Long-Term Corporate Success - Boosting Your Risk Governance | 4 June 2013 |
| | Risk Management Best Practice | 10 June 2013 |
| **Dato' Leaw Seng Hai** | Board Oversight Responsibilities For Merger And Acquisition - Passion Beyond Numbers | 18 April 2013 |
| | Related Party Transaction - Doing It Right For Results | 9 May 2013 |
| **Datuk Leaw Tua Choon** | Related Party Transaction - Doing It Right For Results | 12 March 2013 |
| | Board Oversight Responsibilities For Merger And Acquisition - Passion Beyond Numbers | 18 April 2013 |
| **Datuk Leaw Ah Chye** | Related Party Transaction - Doing It Right For Results | 12 March 2013 |
| | Board Oversight Responsibilities For Merger And Acquisition - Passion Beyond Numbers | 18 April 2013 |
| **Koo Hoong Kwan** | Board Oversight Responsibilities For Merger And Acquisition - Passion Beyond Numbers | 18 April 2013 |
| | Related Party Transaction - Doing It Right For Results | 9 May 2013 |
| | Special Dialogue & Presentation on Asean CG Scorecard 2013 | 19 June 2013 |
| **Wong Yoke Nyen** | Investment and Trading Strategies for ETFs and REITs | 6 April 2013 |
| | Board Oversight Responsibilities For Merger And Acquisition - Passion Beyond Numbers | 18 April 2013 |
| | Related Party Transaction - Doing It Right For Results | 9 May 2013 |
| | Understanding & Interpreting Financial Statements | 18 May 2013 |
| | Audit Committee Seminar 2013 | 4 June 2013 |
| | Risk and Return and Modern Portfolio Theory | 5 June 2013 |

All the Directors will continue to attend relevant training and education programmes in order to keep themselves abreast with the latest developments in the market place covering laws, rules and regulations, capital market developments, business environment, corporate governance, risk management, general economic, industry and technical developments. The Board is also regularly updated on new and relevant statutory as well as regulatory guidelines from time to time during the Board meetings. This will enable the Board to discharge their duties effectively and ensure the sustenance of active participation in Board deliberations.

**THE BOARD** (continued)

### 9. 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. The Board also has 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 of the Internal Auditor namely, RA Consulting PLT for their professional advice and assistance in furtherance of their duties.

### 10. Directors' Remuneration

The Company has adopted the recommendation of the Code in relation to Directors' remuneration, whereby the level of remuneration of the Directors is such as to be sufficient to attract and retain Directors needed to manage the Group effectively. 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 authority, functions and responsibilities of the Remuneration Committee are set out in its terms of reference. The Remuneration 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 pertaining to 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.

The Remuneration Committee met once to discuss the remuneration structure and packages for the financial year ended 30 June 2013 for review by the Board.

The aggregate remuneration of Directors for the financial year ended 30 June 2013 is as follows:

| Category | Executive Directors RM | Non-Executive Directors RM | Total RM |
|---|---|---|---|
| Directors' Fees | - | 240,000 | 240,000 |
| Directors' Salaries | 5,265,522 | - | 5,265,522 |
| Other Emoluments | 1,296,443 | 31,000 | 1,327,443 |
| Share Options granted under the Scheme | - | - | - |
| Benefits in kind | 120,933 | 21,250 | 142,183 |
| **Total** | 6,682,898 | 292,250 | 6,975,148 |

# Statement on Corporate Governance (continued)

**THE BOARD** (continued)

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

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

| | No. of Directors | | |
|---|---|---|---|
| **Range of Remuneration** | **Executive Directors** | **Non-Executive Directors** | **Total** |
| RM50,000 to RM100,000 | - | 1 | 1 |
| RM100,001 to RM150,000 | - | 2 | 2 |
| RM1,500,000 to RM2,000,000 | 2 | - | 2 |
| RM3,500,000 to RM4,000,000 | 1 | - | 1 |
| **Total** | 3 | 3 | 6 |

The Board is of the view that the transparency and accountability aspects of the Code as applicable to Directors' remuneration are appropriately served by the "band disclosure" in accordance with the Listing Requirements.

**DIALOGUE BETWEEN THE COMPANY AND INVESTORS**

The Board values and encourages dialogue with the shareholders in order to promote better understanding of the Company's objectives and performance parameters.

The AGM and Extraordinary General Meetings 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 standards 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 releases. The Board will regularly review the information disseminated to ensure that consistent and accurate information is provided to shareholders of the Company. The Board will put substantive resolutions to vote by poll when necessary. The Board will also evaluate the feasibility of carrying out electronic polling at its general meetings in future.

The Company's website at www.benalec.com.my contains vital information concerning the Group. All investors are encouraged at all times to log on and visit the Company's website to be informed to the latest happenings and detailed information on the corporate and business aspects of the Group and all the announcements made to Bursa Securities.

# Statement on Corporate Governance (continued)

## CORPORATE RESPONSIBILITY

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

The Group is committed to conduct its business with a 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 methodologies and processes where applicable and feasible. As a responsible and conscientious civil and marine engineering 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 environmental 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 comprehensible assessment of the Group's position and prospects.

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

2. **Relationship with the External Auditors**

   The Board has established a formal and transparent relationship with the external 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.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility of monitoring a sound internal control system that covers effective and efficient operations, compliance with the Law, relevant 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 Risk Management and Internal Control which provide an overview of the state of risk management and internal controls within the Group is set out on pages 28 to 30 of this Annual Report.

Risk management is given priority by the establishment of policies to identify, evaluate and manage the Company's corporate risk profile to mitigate any possible adverse effects arising therefrom.

# Statement on Corporate Governance (continued)

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Utilisation of proceeds

On 7 December 2011, the Company announced the completion of the Private Placement upon the listing and quotation of the first and final tranche, comprising 72,960,000 new Benalec shares on the Main Market of the Bursa Securities.

The utilisation of gross proceeds of RM96,307,200 raised from the Private Placement by the Company as at 30 June 2013 is as follows:

| Description | Proposed utilisation RM'000 | Reallocate of utilisation RM'000 | Actual utilisation RM'000 | Balance RM'000 | % | Estimated timeframe for utilisation upon listing(3) | Note |
|---|---|---|---|---|---|---|---|
| Working capital | 95,607 | 124 | (95,731) | - | - | Within 24 months | 1 |
| Estimated expenses | 700 | (124) | (576) | - | - | Within 6 months | 2 |
| **Total** | **96,307** | **-** | **(96,307)** | **-** | **-** | | |

**Notes:**

(1) Working capital mainly utilised for the following:

(i) Land reclamation projects, purchase of vessels, purchase of materials such as diesel, spare parts for the repairs of vessels as well as plant and machinery, sand, rocks, materials such as brick, cement, culverts, hardware, piles and other materials utilised in the Group's operations, transport and consumables;

(ii) The payment for sub-contracted services for loading, unloading and levelling sea sand, rock revetment/replacement works, electrical infrastructure, earthwork, dredging and land reclamation and lorry hire;

(2) The estimated expenses consist of professional fees, fees payable to authorities and other miscellaneous expenses. Any variation in the actual amount of the estimated expenses will be adjusted in the portion of the proceeds to be utilised for working capital and vice versa. The total Private Placement expenses were RM0.576 million, approximately RM0.513 million and RM0.063 million was written off against share premium account and expensed off respectively in the current period. The excess of approximately RM0.124 million will be re-allocated for working capital purposes; and

(3) Estimated timeframe for utilisation:

a. From the date of full receipt of the gross proceeds on 8 December 2011 pursuant to the completion of the Private Placement.

b. On 28 November 2012, the Company announced the extension of time for utilisation of the balance of proceeds arising from the Private Placement for another twelve (12) months until 7 December 2013.

### 2. Share Buy-back

During the financial year ended 30 June 2013, the Company repurchased 196,700 of its own ordinary shares of RM0.25 each at the total consideration of RM231,448 (including transaction costs). The repurchased shares were held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. None of the treasury shared held were re-sold or cancelled during the financial year under review.

# Statement on Corporate Governance (continued)

**2. Share Buy-back (continued)**

Details of the movement of treasury shares during the financial year were as follows:

| Monthly Breakdown | No. of Shares Purchased | Par value per share RM | Lowest price paid for each share RM | Highest price paid for each share RM | Average price per share RM | Total consideration paid (including transaction costs) RM |
|---|---|---|---|---|---|---|
| September 2012 | 186,700 | 0.25 | 1.170 | 1.170 | 1.175 | 219,360 |
| February 2013 | 10,000 | 0.25 | 1.200 | 1.200 | 1.209 | 12,088 |
| **Total** | **196,700** | | | | | **231,448** |

As at 30 June 2013, the total treasury shares held by the Company was 1,344,900 shares.

**3. Options, Warrants or Convertible Securities**

There were no warrants or convertible securities issue during the financial year ended 30 June 2013.

During the financial year ended 30 June 2013, a total of 4,688,500 options were exercised and there were no share options granted pursuant to the Share Issuance Scheme. Details of the share options exercised during the financial year under review are disclosed in the Directors' Report and Note 19 to the Financial Statements for the financial year ended 30 June 2013.

**4. Depository Receipt Programme ("DRP")**

The Company did not sponsor any DRP during the financial year ended 30 June 2013.

**5. Sanctions and/or Penalties**

There were no public sanctions and/or penalties imposed on the Company or its subsidiary companies, Directors or management by relevant regulatory bodies during the financial year ended 30 June 2013.

**6. Non-Audit Fees**

During the financial year ended 30 June 2013, 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 RM35,002.

**7. Variation in Results**

There was no variance of 10% or more between the audited results for the financial year ended 30 June 2013 and the unaudited results previously announced.

**8. Profit Estimate, Forecast or Projection**

The Company did not issue any profit estimate, forecast or projection for the financial year ended 30 June 2013.

**9. Profit Guarantee**

There was no profit guarantee given by the Company during the financial year ended 30 June 2013.

# Statement on Corporate Governance (continued)

## 10. Material Contract Involving Directors' and Major Shareholders' Interests

There was no material contract Involving Directors' and Major Shareholders' Interests entered into by the Company involving the interests of the Directors and Major Shareholders during the financial year ended 30 June 2013, save as disclosed in the Prospectus dated 28 December 2010 and Related Party Disclosure presented in the Financial Statements of this Annual Report.

## 11. Recurrent Related Party Transactions

The Recurrent Related Party Transactions conducted during financial year ended 30 June 2013 are as follows:

| Nature of Transaction | Relationship | Aggregated Amount RM |
|---|---|---|
| # Rental of properties from Orientalcrest Realty Sdn Bhd | (a),(b),(c)&(d)* | 12,650 |

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

(a) Dato' 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 Datuk Leaw Ah Chye, both of whom are Non-Independent Non-Executive Director of the Company.

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

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

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

* via G-Plex Venture Sdn Bhd

# 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 RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control is made pursuant to the Malaysian Code on Corporate Governance 2012 ("the Code") and Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") with regards to the Group's state of internal control.

The Board of Directors ("the Board") of Benalec Holdings Berhad is pleased to present its Statement on Risk Management and Internal Control as guided by the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers ("the Guidelines") and taking into consideration the recommendations underlying Principle 6 of the Code.

**BOARD RESPONSIBILITY**

The Board is committed to maintaining a sound risk management and 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 risk management and 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 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 Guidelines.

The following activities have been undertaken as part of establishing the risk management and internal control during the year under review:

1. The Board of Directors has reviewed the adequacy and effectiveness of the risk management and internal control system;

2. The Board of Directors has commented on the adequacy and effectiveness of the risk management and internal control system; and

3. Assurance was obtained from Chief Operating Officer and Chief Financial Officer that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company.

**GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

The Board has established an appropriate control environment and risk management framework, ensuring through a review process the adequacy and integrity thereof.

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.

   Accordingly, the Board has put in place a formal enterprise risk management framework that allows a more structured and focused approach to identify, evaluate, monitor and report the principal risks that affect the achievement of the Group's business objectives and enables the adoption of a risk-based internal control system. The following activities have taken place as part of establishing this formal framework:

   - Risk profile has been developed for the Company.
   - Risk Management Policy has been developed which incorporates amongst others a structured process for identifying, evaluating and prioritising risks as well as clearly defining the risk responsibilities and escalation process.
   - Risk Manager has been appointed with key roles and responsibilities to champion risk awareness and training efforts of the Group which include the identification of risk, reviewing action plans and ensuring that the action plans are acted upon and addressed.
   - A Risk Management Report is tabled to the Board on an annual basis summarising identified risks and controls taken to mitigate or manage the identified risks.

# Statement on Risk Management and Internal Control (continued)

**GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (continued)**

1. **Control Environment and Risk Management Framework (continued)**

   In order to inculcate a standard of ethical behaviour for directors and employees of the Group, a Code of Ethics and Conduct has been established and communicated to all directors and employees of the Group.

   The whistle-blowing reporting process forming part of the Group's Code of Ethics and Conduct allows employees to raise concerns without fear of reprisals on suspected breach or violation of the Code. The employee should immediately report any malpractice that exists in the work place to his/her immediate superior or Head of Department or Chief Operating Officer. However, if the employee feels reluctant to do so, the employee has an option to report it to the Board of Directors.

   The Group's Code of Ethics and Conduct is published in the Company website at www.benalec.com.my

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 the management team of the Group. In addition, details of directorships within the Group are regularly updated and highlighted to ensure that related parties are duly identified on a timely basis, 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 of the internal auditors are regularly reported to the Audit Committee. In particular, the internal auditors appraise and contribute towards improving the Group's internal control system 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 auditors also review the internal controls on the key activities and processes of the Group's businesses and present an annual internal audit plan to the Audit Committee for prior approval before carrying out the review. The internal audit function adopts a risk-based approach and prepares its internal audit plan based on the risk profiles of the Company.

   The Audit Committee reviews the results of the risk monitoring and compliance procedure, and ensures that an appropriate mix of effective 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 more frequently, as appropriate.

# Statement on Risk Management and Internal Control (continued)

**GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (continued)**

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. As computers are used for transmitting information and storing data, the Management shall maintain a proper IT security controls, which include user and password access rights and backup of data.

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 controls. The Management will continue to ensure proper management of risks and take adequate measures to ensure ongoing adequacy and effectiveness of internal controls.

The Board has received the assurance from the Chief Operating Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The above Statement is made in accordance with the approval given by the Directors during the Board Meeting held on 28 October 2013.

**REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS**

As required by the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants. Their review has been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

RPG 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

# 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 2013.

**MEMBERSHIP AND MEETINGS**

The Audit Committee comprises three (3) Independent Non-Executive Directors as follows:

- **Koo Hoong Kwan**
  *(Senior Independent Non-Executive Director)* - Chairman
- **Wong Yoke Nyen**
  *(Independent Non-Executive Director)* - Member
- **Aznam Bin Mansor**
  *(Independent Non-Executive Director)* - 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 the Audit Committee resulting in 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 nine (9) times during the financial year ended 30 June 2013 and the attendance of the members of the Audit Committee is set out below.

| Name | No. of meetings attended |
|---|---|
| **Koo Hoong Kwan** | 9 out of 9 |
| **Aznam Bin Mansor** | 7 out of 9 |
| **Wong Yoke Nyen** | 9 out of 9 |

**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 of communication between the Board of Directors, Management, External Auditors and Internal Auditors.

**2.0 Composition and Size**

The members of 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 who fulfil the following requirements:

(i) the AC must be composed of no fewer than three (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

# Audit Committee Report (continued)

**TERMS OF REFERENCE (continued)**

**2.0 Composition and Size (continued)**

(iv) at least one member of the AC must fulfil the 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 three (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

(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 three (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 three (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.

# Audit Committee Report (continued)

**TERMS OF REFERENCE (continued)**

**5.0 Meetings**

(i) The AC should meet at least four (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 comprise 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.

(v) The Finance Director, Chief Financial Officer, 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 his 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).

# Audit Committee Report (continued)

**TERMS OF REFERENCE (continued)**

**6.0 Rights (continued)**

(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;

(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.

# Audit Committee Report (continued)

**TERMS OF REFERENCE (continued)**

**7.0 Responsibilities and how the Committee Works (continued)**

(ii) The AC is responsible for (continued):

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

(i) the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its functions according to the standards set by recognized professional bodies and work effectively; and

(ii) the internal audit programme, processes, the results of the internal audit programme, processes, appraisals of the effectiveness of the governance, risk management and internal audit processes within the Company 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 reporting 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 that the utilisation of proceeds is 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.

# Audit Committee Report (continued)

**TERMS OF REFERENCE (continued)**

**8.0 Risk Management Responsibilities**

**Objectives**

- To ensure that a risk management framework is embedded throughout the Company;
- To ensure that the risk management framework is consistently adopted throughout the organisation and is within the parameters established by the Board; and
- To ensure compliance with external requirements such as Bursa Securities' Statement of Internal Control - Guidance for Directors of Public Listed Companies.

**Authority and Scope**

Whilst the Board still retains the ultimate responsibility for risk management and for determining the appropriate level of risk appetite, the Audit Committee is established to provide assurance concerning the Company's risk profile to the Board.

The Board has delegated authority to the Audit Committee with a remit that encompasses risk management activities within the Company including compliance with the risk management framework. The Audit Committee reports to the Board.

**Roles and Responsibilities**

The Audit Committee advises the Board and makes recommendations with respect to the adequacy of the Company's approach in identifying and managing risks. Specific responsibilities include:

(i) Establishing risk management structure:

- Formalising Risk Management Policy & Procedures; and
- Ensuring that the Company's risk management framework has been implemented and is consistently applied.

(ii) Establishing risk management processes:

- Ensure that there is a structured and systematic process for identifying, evaluating and managing risks facing the Company; and
- Receiving reports on the outcome of the risk assessment exercises and reviewing the results to ensure alignment with the Company's risk management policy.

(iii) Embedding risk management process & culture throughout the Company:

- Ensure Risk Management Policy & Procedures is clearly communicated to relevant personnel of the Company; and
- Ensuring that appropriate training in risk management is conducted at key levels to create and reinforce awareness.

(iv) Establishing reporting and monitoring mechanism:

- Ensure that appropriate reporting and feedback is received from the Management on a half-yearly basis with regard to risk management activities carried out;
- Being responsible for reporting the Company's Risk Profile to the Board on half-yearly basis; and
- Being responsible for reporting immediately to the Board on any major changes to the risk profile that requires immediate attention.

# Audit Committee Report (continued)

**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.

**STATEMENT ON SHARE ISSUANCE SCHEME BY THE AUDIT COMMITTEE**

The Audit Committee hereby confirms that during the financial year under review, there were no options granted pursuant to the Share Issuance Scheme of the Company.

**SUMMARY OF ACTIVITIES**

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

During the financial year ended 30 June 2013, 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 made 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.

# Audit Committee Report (continued)

## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

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 of 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, reviews 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 in accordance with a risk-based audit plan approved by the Audit Committee.

During the financial year ended 30 June 2013, the internal auditors carried out its audit on the following functions:

(i) Purchasing to Store;

(ii) Project Management; and

(iii) Shipyard.

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 controls.

The Audit Committee had met nine (9) 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 RM57,000.00.

A summary of the Internal Audit activities undertaken during the financial year 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;

(iii) conducting 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; and

(iv) Attended Audit Committee meetings to table and discuss the audit reports.

# 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 Malaysian Financial Reporting Standards ("MFRS") 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 of the Group as at the end of financial year and of the results and the cash flow of the Company and of the Group for the financial year.

In preparing the financial statements for the year ended 30 June 2013, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- exercise judgment and made 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 of the Group to enable them to ensure that the financial statements comply with the Companies Act, 1965 and MFRS.

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, but 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 2013.

**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 activities during the financial year.

**RESULTS**

| | Group RM | Company RM |
|---|---|---|
| Profit for the financial year | 56,661,581 | 11,908,079 |
| Attributable to: | | |
| Owners of the parent | 56,750,044 | 11,908,079 |
| Non-controlling interests | (88,463) | - |
| | 56,661,581 | 11,908,079 |

**DIVIDENDS**

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

| | Company RM |
|---|---|
| In respect of the financial year ended 30 June 2012: | |
| Final single tier dividend of 3 sen per ordinary share, paid on 15 March 2013 | 24,124,968 |

The Directors proposed a final dividend of 2 sen per ordinary share, amounting to RM16,126,072 in respect of the financial year ended 30 June 2013, 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 other than those disclosed in the financial statements.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the issued and paid-up share capital of the Company was increased from RM200,740,000 to RM201,912,125 by way of issuance of 4,688,500 new ordinary shares of RM0.25 each at an issue price of RM1.06 per share for cash pursuant to the exercise of Employee Share Options.

The newly issued ordinary shares rank pari passu in all respects with the existing 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.

# Directors' Report (continued)

## 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 apart from the issue of options pursuant to the Employees' Share Options Scheme ('ESOS') as disclosed below.

The ESOS of the Company came into effect on 17 January 2011. The ESOS shall be in force for a period of five (5) years until 16 January 2016 ('the option period'). The main features of the ESOS are as follows:

(a) Eligible Directors and executives ('Eligible Executives') are those who are confirmed employees of the Group and have served full time for at least a period of six (6) months of continuous services before the date of offer;

(b) The total number of ordinary shares offered under the ESOS shall not, in aggregate, exceed 15% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS;

(c) The option price under the ESOS shall be the five-day weighted average market price of the ordinary shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at the par value of the ordinary shares, whichever is higher;

(d) The aggregate number of ordinary shares that may be offered and allotted to any of the Eligible Executives of the Group shall not exceed the allowable allotment set out in the By-Laws and not more than 10% of the ordinary shares available under the ESOS shall be allocated to any individual Director or eligible employees who, either singly or collectively through persons connected with that Director or eligible employee, holds 20% or more of the issued and paid-up share capital of the Company;

(e) The options granted to Eligible Executives will lapse when they are no longer in employment with the Group;

(f) Upon exercise of the options, the ordinary shares issued will rank pari passu in all respects with the then existing ordinary shares of the Company (except that they will not be entitled to any dividends, rights, allotments and/or any other distributions, which may be declared, made or paid to the shareholders, of which the entitlement date is prior to the date of the listing ordinary shares on the Main Market of Bursa Malaysia Securities Berhad through exercising the options); and

(g) The Eligible Executives to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

The details of the options over the ordinary shares of the Company are as follows:

| | | Number of options over ordinary shares of RM0.25 each | | | | |
|---|---|---|---|---|---|---|
| **Date of offer** | **Exercise price** | **Outstanding as at 1 July 2012** | **Granted** | **Exercised** | **Forfeited** | **Outstanding as at 30 June 2013** |
| 16 April 2012 | RM1.06 | 14,968,000 | - | 4,688,500 | - | 10,279,500 |

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 30 August 2013 from having to disclose the list of option holders (other than Directors) to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965 in Malaysia except for information of employees who were individually granted in aggregate of 380,000 options and above.

Other than the Directors' option disclosed under the Directors' interests below, there were no employees of the Company and of the subsidiaries who were granted 380,000 options and above under the ESOS during the financial year.

# Directors' Report (continued)

## REPURCHASE OF OWN SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 19 December 2012, approved the Company's plan to repurchase and/or held as treasury shares up to 10% of the existing issued and paid-up share capital of the Company ('Share Buy Back').

The Directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders. The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended.

During the financial year, the Company repurchased 196,700 of its own ordinary shares of RM0.25 each from the open market for a total consideration of RM230,528 at an average price of RM1.172 per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia. None of the treasury shares held were re-sold or cancelled during the financial year.

Of the total 807,648,500 issued and fully paid ordinary shares of RM0.25 each as at 30 June 2013, 1,344,900 ordinary shares of RM0.25 each amounting to RM1,477,078 are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.25 each in issue after deducting the treasury shares is 806,303,600.

## DIRECTORS

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

Dato' Leaw Seng Hai
Datuk Leaw Tua Choon
Datuk Leaw Ah Chye
Aznam bin Mansor
Koo Hoong Kwan
Wong Yoke Nyen

# Directors' Report (continued)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 30 June 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

| | Number of ordinary shares of RM0.25 each | | | |
|---|---|---|---|---|
| | **Balance as at 1.7.2012** | **Bought** | **Sold** | **Balance as at 30.6.2013** |
| **Shares in the Company** | | | | |
| **Direct interests** | | | | |
| Dato' Leaw Seng Hai | 10,944,100 | - | (10,500,000) | 444,100 |
| Koo Hoong Kwan | 855,000 | 50,000 | (655,000) | 250,000 |
| Wong Yoke Nyen | 500,000 | - | (500,000) | - |
| **Indirect interests** | | | | |
| Dato' Leaw Seng Hai | 420,216,900 | 6,563,500 | - | 426,780,400[(1)] |
| Datuk Leaw Tua Choon | 420,266,900 | 6,563,500 | - | 426,830,400[(2)] |
| Datuk Leaw Ah Chye | 420,216,900 | 6,563,500 | - | 426,780,400[(3)] |

(1) *Deemed interest by virtue of his interest in Oceancove Sdn. Bhd. ('Oceancove') via Oceanview Cove Sdn. Bhd. ('Oceanview') pursuant to Section 6A of the Companies Act, 1965 in Malaysia ('the Act').*

(2) *Deemed interest by virtue of his interest in Oceancove and Oceanview, pursuant to Section 6A of the Act and 50,000 Ordinary Shares are held by Datuk Leaw Tua Choon's son. The disclosure is made under Section 134(12) of the Act.*

(3) *Deemed interest by virtue of his interest in Oceancove and Oceanview pursuant to Section 6A of the Act.*

| | Number of options over ordinary shares of RM0.25 each | | | |
|---|---|---|---|---|
| | **Balance as at 1.7.2012** | **Granted** | **Exercised** | **Balance as at 30.6.2013** |
| **Options in the Company** | | | | |
| **Direct interests** | | | | |
| Dato' Leaw Seng Hai | 1,500,000 | - | - | 1,500,000 |
| Datuk Leaw Tua Choon | 1,350,000 | - | - | 1,350,000 |
| Datuk Leaw Ah Chye | 1,350,000 | - | - | 1,350,000 |
| **Indirect interests** | | | | |
| Datuk Leaw Tua Choon | 336,000 | - | - | 336,000[(4)] |

(4) *Deemed interest by virtue of options held by his immediate family member.*

# Directors' Report (continued)

**DIRECTORS' INTERESTS (continued)**

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | Balance as at 1.7.2012 | Bought | Sold | Balance as at 30.6.2013 |
| **Shares in the immediate holding company, Oceancove** | | | | |
| **Direct interests** | | | | |
| Datuk Leaw Tua Choon | 1,700 | - | - | 1,700 |
| Datuk Leaw Ah Chye | 1,700 | - | - | 1,700 |
| **Indirect interests** | | | | |
| Dato' Leaw Seng Hai | 5,100 | - | - | 5,100[(5)] |
| Datuk Leaw Tua Choon | 5,100 | - | - | 5,100[(5)] |
| Datuk Leaw Ah Chye | 5,100 | - | - | 5,100[(5)] |

[(5)] *Deemed interest by virtue of their interest in Oceanview.*

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | Balance as at 1.7.2012 | Bought | Sold | Balance as at 30.6.2013 |
| **Shares in the ultimate holding company, Oceanview** | | | | |
| **Direct interests** | | | | |
| Dato' Leaw Seng Hai | 5,686 | - | - | 5,686 |
| Datuk Leaw Tua Choon | 2,157 | - | - | 2,157 |
| Datuk Leaw Ah Chye | 2,157 | - | - | 2,157 |

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

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and options over ordinary shares in the Company or ordinary shares, options over ordinary shares and debentures 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 a 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.

# Directors' Report (continued)

**DIRECTORS' BENEFITS (continued)**

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 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS mentioned in Note 19 to the financial statements.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**

**(I) AS AT THE END OF THE FINANCIAL YEAR**

(a) Before the statements of profit or loss and other 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 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 the 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 effects arising from impairment loss on investment in a subsidiary resulting in a decrease in the Company's profit for the financial year by RM3,678,253 as disclosed in Note 8 to the financial statements; and

(ii) the effects arising from impairment losses on property, plant and equipment resulting in a decrease in the Group's profit for the financial year by RM4,701,394 as disclosed in Note 7 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 material extent;

(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 likely to affect substantially the results of the 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.

# Directors' Report (continued)

**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**

The significant events during the financial year are disclosed in Note 37 to the financial statements.

**SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

The significant events subsequent to the end of the reporting period are disclosed in Note 38 to the financial statements.

**IMMEDIATE AND ULTIMATE HOLDING COMPANIES**

The Directors regard Oceancove as the immediate holding company and Oceanview as the ultimate holding company, both of which are companies incorporated 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.

**Dato' Leaw Seng Hai**
Director

**Koo Hoong Kwan**
Independent Director

Selangor
28 October 2013

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 51 to 145 have been drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2013 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 40 to the financial statements on page 146 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

**Dato' Leaw Seng Hai**
Director

**Koo Hoong Kwan**
Independent Director

Selangor
28 October 2013

# 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 51 to 146 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 above named at )
Kuala Lumpur on )
28 October 2013 )

Before me:

W-451
S.IDERAJU

# INDEPENDENT AUDITORS' REPORT

to the Members of Benalec Holdings Berhad

**Report on the Financial Statements**

We have audited the financial statements of Benalec Holdings Berhad, which comprise statements of financial position as at 30 June 2013 of the Group and of the Company, and the statements of profit or loss and other 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 51 to 145.

**Directors' Responsibility for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.

# Independent Auditors' Report
to the Members of Benalec Holdings Berhad (continued)

**Report on Other Legal and Regulatory Requirements (continued)**

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out in Note 40 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**

As stated in Note 3 to the financial statements, Benalec Holdings Berhad adopted Malaysian Financial Reporting Standards on 1 July 2012 with a transition date of 1 July 2011. These Standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended 30 June 2012 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the financial year then ended.

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**
AF: 0206
Chartered Accountants

**Tang Seng Choon**
2011/12/13 (J)
Chartered Accountant

Kuala Lumpur
28 October 2013

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

| | Note | Group 30.6.2013 RM | 30.6.2012 RM | 1.7.2011 RM |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 7 | 214,078,331 | 240,058,711 | 245,313,392 |
| Other investments | 9 | 38,464 | 33,745 | 37,404 |
| | | 214,116,795 | 240,092,456 | 245,350,796 |
| **Current assets** | | | | |
| Inventories | 10 | 190,053,662 | 185,925,830 | 114,939,723 |
| Land reclamation work in progress | 11 | 29,581,333 | 18,981,201 | 1,170,000 |
| Trade and other receivables | 12 | 483,241,084 | 235,565,558 | 329,162,096 |
| Current tax assets | | 8,145,838 | 396,809 | 196,905 |
| Cash and cash equivalents | 14 | 40,163,226 | 130,517,735 | 69,786,571 |
| | | 751,185,143 | 571,387,133 | 515,255,295 |
| **TOTAL ASSETS** | | 965,301,938 | 811,479,589 | 760,606,091 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | 15 | 201,912,125 | 200,740,000 | 182,500,000 |
| Reserves | 16 | 352,124,080 | 315,649,084 | 164,260,414 |
| **Total equity attributable to owners of the parent** | | 554,036,205 | 516,389,084 | 346,760,414 |
| Non-controlling interests | | 2,908,404 | 2,867 | - |
| **TOTAL EQUITY** | | 556,944,609 | 516,391,951 | 346,760,414 |

# Consolidated Statement of Financial Position
as at 30 June 2013 (continued)

| | Note | Group<br>30.6.2013<br>RM | 30.6.2012<br>RM | 1.7.2011<br>RM |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 17 | 11,725,100 | 29,311,114 | 43,701,244 |
| Deferred tax liabilities | 21 | 7,197,088 | 8,967,165 | 10,202,128 |
| Trade and other payables | 22 | 54,623,835 | 56,645,551 | 28,757,219 |
| | | 73,546,023 | 94,923,830 | 82,660,591 |
| **Current liabilities** | | | | |
| Trade and other payables | 22 | 162,575,063 | 141,828,021 | 167,236,984 |
| Borrowings | 17 | 19,536,481 | 18,864,838 | 19,210,602 |
| Deferred revenue | 20 | 152,521,110 | 37,809,268 | 125,125,952 |
| Current tax liabilities | | 178,652 | 1,661,681 | 19,611,548 |
| | | 334,811,306 | 200,163,808 | 331,185,086 |
| **TOTAL LIABILITIES** | | 408,357,329 | 295,087,638 | 413,845,677 |
| **TOTAL EQUITY AND LIABILITIES** | | 965,301,938 | 811,479,589 | 760,606,091 |

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

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

| | Note | 30.6.2013 RM | Company 30.6.2012 RM | 1.7.2011 RM |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Investments in subsidiaries | 8 | 153,821,745 | 157,499,998 | 157,499,998 |
| **Current assets** | | | | |
| Other receivables and deposits | 12 | 220,505,133 | 218,236,563 | 114,960,274 |
| Current tax assets | | 268,841 | 11,000 | - |
| Cash and cash equivalents | 14 | 218,304 | 5,980,495 | 165,862 |
| | | 220,992,278 | 224,228,058 | 115,126,136 |
| **TOTAL ASSETS** | | 374,814,023 | 381,728,056 | 272,626,134 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | 15 | 201,912,125 | 200,740,000 | 182,500,000 |
| Reserves | 16 | 171,985,887 | 180,635,619 | 89,894,460 |
| **TOTAL EQUITY** | | 373,898,012 | 381,375,619 | 272,394,460 |
| **Current liabilities** | | | | |
| Other payables | 22 | 916,011 | 352,437 | 231,674 |
| **TOTAL LIABILITIES** | | 916,011 | 352,437 | 231,674 |
| **TOTAL EQUITY AND LIABILITIES** | | 374,814,023 | 381,728,056 | 272,626,134 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2013

| | Note | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|---|
| Revenue | 25 | 265,834,884 | 289,025,006 | 17,000,000 | 30,787,136 |
| Cost of sales | 26 | (168,965,711) | (158,754,419) | - | - |
| Gross profit | | 96,869,173 | 130,270,587 | 17,000,000 | 30,787,136 |
| Other income | | 4,411,354 | 4,580,080 | 205,742 | 176,603 |
| Administrative and other expenses | | (31,856,719) | (28,818,593) | (5,547,504) | (1,505,830) |
| Finance costs | 27 | (3,863,841) | (5,790,799) | - | - |
| Profit before tax | 28 | 65,559,967 | 100,241,275 | 11,658,238 | 29,457,909 |
| Tax (expense)/income | 29 | (8,898,386) | (17,574,151) | 249,841 | (787,136) |
| Profit for the financial year | | 56,661,581 | 82,667,124 | 11,908,079 | 28,670,773 |
| **Other comprehensive income, net of tax** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Fair value gain/(loss) on available-for-sale financial assets | | 4,719 | (3,659) | - | - |
| Foreign currency translations | | 278,044 | 6,651,686 | - | - |
| Total other comprehensive income | | 282,763 | 6,648,027 | - | - |
| Total comprehensive income | | 56,944,344 | 89,315,151 | 11,908,079 | 28,670,773 |
| **Profit/(Loss) attributable to:** | | | | | |
| Owners of the parent | | 56,750,044 | 82,670,257 | 11,908,079 | 28,670,773 |
| Non-controlling interests | | (88,463) | (3,133) | - | - |
| | | 56,661,581 | 82,667,124 | 11,908,079 | 28,670,773 |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the parent | | 57,032,807 | 89,318,284 | 11,908,079 | 28,670,773 |
| Non-controlling interests | | (88,463) | (3,133) | - | - |
| | | 56,944,344 | 89,315,151 | 11,908,079 | 28,670,773 |

**Earnings per ordinary share attributable to equity holders of the Company (sen)**

| | | Group 2013 sen | Group 2012 sen |
|---|---|---|---|
| Basic | 30 | 7.07 | 10.72 |
| Diluted | 30 | 7.05 | 10.71 |

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

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2013

| Group | Note | Share capital RM | Treasury shares RM | Share premium RM | Exchange translation reserve RM | Reverse acquisition debit RM | Share options reserve RM | Available-for-sale reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Non-distributable | | | | | | → | Distributable | | | |
| **Balance as at 1 July 2011** | | 182,500,000 | - | 72,545,000 | (5,904,675) | (146,069,559) | - | (24,875) | 243,714,523 | 346,760,414 | - | 346,760,414 |
| Effect of adoption of MFRS 1 | 39 | - | - | - | 5,904,675 | - | - | - | (5,904,675) | - | - | - |
| Restated balance as at 1 July 2011 | | 182,500,000 | - | 72,545,000 | - | (146,069,559) | - | (24,875) | 237,809,848 | 346,760,414 | - | 346,760,414 |
| Profit for the financial year | | - | - | - | - | - | - | - | 82,670,257 | 82,670,257 | (3,133) | 82,667,124 |
| Fair value of available-for-sale financial assets | | - | - | - | - | - | - | (3,659) | - | (3,659) | - | (3,659) |
| Foreign currency translations | | - | - | - | 6,651,686 | - | - | - | - | 6,651,686 | - | 6,651,686 |
| Total comprehensive income | | - | - | - | 6,651,686 | - | - | (3,659) | 82,670,257 | 89,318,284 | (3,133) | 89,315,151 |
| ***Transactions with owners*** | | | | | | | | | | | | |
| Ordinary shares issued pursuant to Private Placement | 15 | 18,240,000 | - | 78,067,200 | - | - | - | - | - | 96,307,200 | - | 96,307,200 |
| Share options granted under ESOS | 19 | - | - | - | - | - | 1,813,760 | - | - | 1,813,760 | - | 1,813,760 |
| Share issue expenses | | - | - | (512,824) | - | - | - | - | - | (512,824) | - | (512,824) |
| Share repurchased | 16 | - | (1,246,550) | - | - | - | - | - | - | (1,246,550) | - | (1,246,550) |
| Ordinary shares contributed by non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | - | - | 6,000 | 6,000 |
| Dividend paid | 31 | - | - | - | - | - | - | - | (16,051,200) | (16,051,200) | - | (16,051,200) |
| Total transactions with owners | | 18,240,000 | (1,246,550) | 77,554,376 | - | - | 1,813,760 | - | (16,051,200) | 80,310,386 | 6,000 | 80,316,386 |
| **Balance as at 30 June 2012** | | 200,740,000 | (1,246,550) | 150,099,376 | 6,651,686 | (146,069,559) | 1,813,760 | (28,534) | 304,428,905 | 516,389,084 | 2,867 | 516,391,951 |

## Statements of Changes in Equity
for the financial year ended 30 June 2013 (continued)

| | | ← Non-distributable | | | | | | → Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | Note | Share capital RM | Treasury shares RM | Share premium RM | Exchange translation reserve RM | Reverse acquisition debit RM | Share options reserve RM | Available-for-sale reserve RM | Retained earnings RM | Total RM | Non-controlling interests RM | Total equity RM |
| **Balance as at 1 July 2012** | | 200,740,000 | (1,246,550) | 150,099,376 | 6,651,686 | (146,069,559) | 1,813,760 | (28,534) | 304,428,905 | 516,389,084 | 2,867 | 516,391,951 |
| Profit for the financial year | | - | - | - | - | - | - | - | 56,750,044 | 56,750,044 | (88,463) | 56,661,581 |
| Fair value of available-for-sale financial assets | | - | - | - | - | - | - | 4,719 | - | 4,719 | - | 4,719 |
| Foreign currency translations | | - | - | - | 278,044 | - | - | - | - | 278,044 | - | 278,044 |
| Total comprehensive income | | - | - | - | 278,044 | - | - | 4,719 | 56,750,044 | 57,032,807 | (88,463) | 56,944,344 |
| ***Transactions with owners*** | | | | | | | | | | | | |
| Ordinary shares issued pursuant to ESOS | 15 | 1,172,125 | - | 4,363,587 | - | - | (565,902) | - | - | 4,969,810 | - | 4,969,810 |
| Share repurchased | 16 | - | (230,528) | - | - | - | - | - | - | (230,528) | - | (230,528) |
| Ordinary shares contributed by non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | - | - | 2,994,000 | 2,994,000 |
| Dividend paid | 31 | - | - | - | - | - | - | - | (24,124,968) | (24,124,968) | - | (24,124,968) |
| Total transactions with owners | | 1,172,125 | (230,528) | 4,363,587 | - | - | (565,902) | - | (24,124,968) | (19,385,686) | 2,994,000 | (16,391,686) |
| **Balance as at 30 June 2013** | | 201,912,125 | (1,477,078) | 154,462,963 | 6,929,730 | (146,069,559) | 1,247,858 | (23,815) | 337,053,981 | 554,036,205 | 2,908,404 | 556,944,609 |

# Statements of Changes in Equity
for the financial year ended 30 June 2013 (continued)

| Company | Note | ← Share capital RM | Non-distributable Treasury shares RM | Share Premium RM | Share options reserve RM → | Distributable Retained earnings RM | Total equity RM |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2011** | | 182,500,000 | - | 72,545,000 | - | 17,349,460 | 272,394,460 |
| Effect of adoption of MFRS 1 | 39 | - | - | - | - | - | - |
| Restated balance as at 1 July 2011 | | 182,500,000 | - | 72,545,000 | - | 17,349,460 | 272,394,460 |
| Profit for the financial year | | - | - | - | - | 28,670,773 | 28,670,773 |
| Other comprehensive income, net of tax | | - | - | - | - | - | - |
| Total comprehensive income | | - | - | - | - | 28,670,773 | 28,670,773 |
| ***Transactions with owners*** | | | | | | | |
| Ordinary shares issued pursuant to Private Placement | 15 | 18,240,000 | - | 78,067,200 | - | - | 96,307,200 |
| Share options granted under ESOS | 19 | - | - | - | 1,813,760 | - | 1,813,760 |
| Share issue expenses | | - | - | (512,824) | - | - | (512,824) |
| Share repurchased | 16 | - | (1,246,550) | - | - | - | (1,246,550) |
| Dividend paid | 31 | - | - | - | - | (16,051,200) | (16,051,200) |
| Total transactions with owners | | 18,240,000 | (1,246,550) | 77,554,376 | 1,813,760 | (16,051,200) | 80,310,386 |
| **Balance at 30 June 2012** | | 200,740,000 | (1,246,550) | 150,099,376 | 1,813,760 | 29,969,033 | 381,375,619 |
| Profit for the financial year | | - | - | - | - | 11,908,079 | 11,908,079 |
| Other comprehensive income, net of tax | | - | - | - | - | - | - |
| Total comprehensive income | | - | - | - | - | 11,908,079 | 11,908,079 |
| ***Transactions with owners*** | | | | | | | |
| Ordinary shares issued pursuant to ESOS | 15 | 1,172,125 | - | 4,363,587 | (565,902) | - | 4,969,810 |
| Share repurchased | 16 | - | (230,528) | - | - | - | (230,528) |
| Dividend paid | 31 | - | - | - | - | (24,124,968) | (24,124,968) |
| Total transactions with owners | | 1,172,125 | (230,528) | 4,363,587 | (565,902) | (24,124,968) | (19,385,686) |
| **Balance at 30 June 2013** | | 201,912,125 | (1,477,078) | 154,462,963 | 1,247,858 | 17,752,144 | 373,898,012 |

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

# STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013

| | Note | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 65,559,967 | 100,241,275 | 11,658,238 | 29,457,909 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | 7 | 10,907,110 | 10,831,348 | - | - |
| Dividend income | 28 | (252,925) | (299,012) | (17,000,000) | (30,787,136) |
| Impairment losses on: | | | | | |
| - amount due from a contract customer | 12 | 740,200 | - | - | - |
| - investment in a subsidiary | 8 | - | - | 3,678,253 | - |
| - property, plant and equipment | 7 | 4,701,394 | - | - | - |
| - trade and other receivables | 12 | 1,071,970 | - | 114,544 | - |
| Interest expense | 27 | 3,863,841 | 5,790,799 | - | - |
| Interest income | 28 | (1,507,184) | (1,562,592) | (100,410) | (176,603) |
| Loss on disposal of property, plant and equipment | 28 | 2,442,665 | 988,043 | - | - |
| Property, plant and equipment written off | 7 | 1,025 | 12,240 | - | - |
| Unrealised loss on foreign exchange | 28 | 357,042 | 2,351,388 | - | - |
| Share options granted under ESOS | 19 | - | 1,813,760 | - | - |
| Operating profit/(loss) before changes in working capital | | 87,885,105 | 120,167,249 | (1,649,375) | (1,505,830) |
| Changes in working capital: | | | | | |
| Inventories | | 9,174,691 | (113,347) | - | - |
| Land reclamation work in progress | | (10,600,132) | (17,811,201) | - | - |
| Trade and other receivables | | (261,934,579) | 21,678,083 | 223,842 | (417,200) |
| Trade and other payables | | 15,446,927 | (7,749,871) | 563,574 | 120,763 |
| Deferred revenue | | 114,711,842 | (87,316,684) | - | - |
| Cash (used in)/generated from operations | | (45,316,146) | 28,854,229 | (861,959) | (1,802,267) |
| Tax refunded | | 155,580 | 1,556 | - | - |
| Tax paid | | (20,056,617) | (36,960,441) | (8,000) | (11,000) |
| Net cash used in operating activities | | (65,217,183) | (8,104,656) | (869,959) | (1,813,267) |

# Statements of Cash Flows

for the financial year ended 30 June 2013 (continued)

| | Note | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Dividend received | | 252,925 | 299,012 | 30,000,000 | - |
| Interest received | | 1,491,786 | 1,510,088 | 100,410 | 176,603 |
| Withdrawals/(Placements) of fixed deposits pledged with licensed financial institutions | | 2,332,174 | (4,254,287) | - | - |
| Proceeds from disposal of property, plant and equipment | | 10,166,401 | 11,045,261 | - | - |
| Purchase of property, plant and equipment | 7(a) | (1,476,905) | (10,204,095) | - | - |
| Advances to a subsidiary | | - | - | (15,606,956) | (71,045,329) |
| Advances from related parties | | 2,657,998 | 8,901,386 | - | - |
| Net cash from/(used in) investing activities | | 15,424,379 | 7,297,365 | 14,493,454 | (70,868,726) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Shares repurchased | 16(a) | (230,528) | (1,246,550) | (230,528) | (1,246,550) |
| Dividend paid | 31 | (24,124,968) | (16,051,200) | (24,124,968) | (16,051,200) |
| Proceeds from issuance of shares | | 4,969,810 | 96,307,200 | 4,969,810 | 96,307,200 |
| Share issue and listing expenses | | - | (512,824) | - | (512,824) |
| Repayments of hire purchase liabilities | | (916,733) | (901,934) | - | - |
| Issuance of shares by subsidiaries to non-controlling interests | | 2,994,000 | 6,000 | - | - |
| Drawdown of term loans | | - | 4,014,727 | - | - |
| Drawdown of trust receipts | | - | 1,333,526 | - | - |
| Interest paid | | (3,863,841) | (5,790,799) | - | - |
| Repayments of term loans | | (17,990,937) | (16,927,386) | - | - |
| Repayments of trust receipts | | - | (3,171,904) | - | - |
| Net cash (used in)/from financing activities | | (39,163,197) | 57,058,856 | (19,385,686) | 78,496,626 |
| Net (decrease)/increase in cash and cash equivalents | | (89,956,001) | 56,251,565 | (5,762,191) | 5,814,633 |
| Effects of exchange rate changes on cash and cash equivalents | | 75,367 | 225,312 | - | - |
| Cash and cash equivalents at beginning of financial year | | 110,792,037 | 54,315,160 | 5,980,495 | 165,862 |
| Cash and cash equivalents at end of financial year | 14 | 21,911,403 | 110,792,037 | 218,304 | 5,980,495 |

# Statements of Cash Flows

for the financial year ended 30 June 2013 (continued)

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM | RM | RM | RM |
| Dividend receivable from a subsidiary | 25 | - | - | 17,000,000 | 30,000,000 |
| Settlement of trade receivables via contra of properties held for sale | 10 | 13,302,523 | - | - | - |
| Transfer of 'amounts due from contract customers' to 'land held for sale' | 13 | - | 136,971,968 | - | - |

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

# NOTES TO THE FINANCIAL STATEMENTS
30 June 2013

## 1. CORPORATE INFORMATION

Benalec Holdings Berhad (the 'Company') is a public limited liability company, incorporated and 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 holding company and ultimate holding company of the Company are Oceancove Sdn. Bhd. and Oceanview Cove Sdn. Bhd. respectively, both of which are incorporated in Malaysia.

The consolidated financial statements for the financial year ended 30 June 2013 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 28 October 2013.

## 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 activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 51 to 145 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act, 1965 in Malaysia.

These are the Group and the Company's first financial statements prepared in accordance with MFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ('FRSs') in Malaysia.

The Group and Company have consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 July 2011 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for the financial year ended 2012 in these financial statements have been restated to give effect to these changes, and Note 39 to the financial statements discloses the impact of the transition to MFRS on the Group and Company's reported financial position, financial performance and cash flows for the financial year then ended.

However, Note 40 to the financial statements set out on page 146 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.

# Notes to the Financial Statements (continued)
30 June 2013

## 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 in conformity with MFRSs 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, as 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.

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

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

# Notes to the Financial Statements (continued)
30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.2 Basis of consolidation (continued)

Components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interest shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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:

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

(b) 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 MFRS 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

<u>Business combinations from 1 July 2011 onwards</u>

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 MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 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 2011 onwards (continued)

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

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

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 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. 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 2011

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 July 2011. Goodwill represents the amount recognised under the previous FRS Framework in respect of acquisitions prior to 1 July 2011.

# Notes to the Financial Statements (continued)
30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost less any accumulated depreciation and any accumulated impairment losses. 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 would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

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

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The annual depreciation period and rates are as follows:

| | |
|---|---|
| Leasehold land | 60 years |
| Barges and dredgers | 4% to 10% |
| Buildings | 2% |
| Furniture and fittings | 10% |
| Motor vehicles | 20% |
| Plant and machinery | 10% |
| Tools and office equipment | 10% |

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents vessels under construction and building-in-progress and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

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 4.10 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.5 Leases and hire purchase

(a) 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.

(b) 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.

(c) 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.

# Notes to the Financial Statements (continued)

30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.6 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 customers 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 for contract work. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to contract customers for contract work.

### 4.7 Investments in 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. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the Company's separate financial statements. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 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 MFRS 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.

### 4.8 Inventories

(a) Consumables

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

Cost is determined using the first-in, first-out formula. Cost of consumables comprised all costs of purchases, cost of conversion plus other costs incurred in bringing the consumables to their present location and condition.

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.

# Notes to the Financial Statements (continued)
30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.8 Inventories (continued)

(b) Land held for sale

Land held for sale are classified as current assets and are stated at the lower of cost and net realisable value.

Cost of land held for sale comprised all reclamation costs, infrastructure costs, professional fees, stamp duties, commissions, and other costs incurred in bringing the land held for sale to their present condition.

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.

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.

(c) Properties held for sale

Properties held for sale are classified as current assets and are stated at the lower of cost and net realisable value.

Properties held for sale comprised cost of purchases and other costs incurred in bringing the properties held for sale to their present condition.

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.

Such properties are available for immediate sale in their present condition and will be recovered principally through a sale transaction rather than through continuing use.

### 4.9 Land reclamation work in progress

Land reclamation work in progress represents all costs that are directly attributable to the land reclamation concession or that can be allocated on a reasonable basis to the concession. The costs incurred comprise cost to secure the land reclamation concession, construction costs and other development costs common to the entire reclamation concession including professional fees and other relevant levies.

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 in profit or loss.

Upon completion of the land reclamation concession and issuance of land titles, the land reclamation work in progress is reclassified to inventories of reclaimed land. Revenue arising from the disposal of the reclaimed land will be recognised when significant risk and rewards have been transferred to the identified end purchaser.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.10 Impairment of non-financial assets**

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

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.

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 values 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 exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the 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 for 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.

**4.11 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.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.11 Financial instruments (continued)**

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.

(a) Financial assets

A financial asset is classified into the following four (4) 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 that 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.

# Notes to the Financial Statements (continued)

30 June 2013

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.11 Financial instruments (continued)**

(a) Financial assets (continued)

(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.

Cash and cash equivalents include cash and bank balances, bank overdrafts, fixed deposits pledged to financial institutions, 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.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.11 Financial instruments (continued)**

(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 (2) 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.

(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.

Any 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.

# Notes to the Financial Statements (continued)

30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.11 Financial instruments (continued)

(b) Financial liabilities (continued)

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 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 each reporting period, the Group assesses 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. Final dividends are recognised upon the approval of shareholders in a general meeting.

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 amounts of the assets distributed and the carrying amount of the liability in profit or loss.

Where the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

# Notes to the Financial Statements (continued)
30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.11 Financial instruments (continued)

(c) Equity (continued)

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

### 4.12 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) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivables, to determine whether there is objective evidence that an impairment loss on 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 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.

# Notes to the Financial Statements (continued)
30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.12 Impairment of financial assets (continued)

(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 evidence 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.

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.

### 4.13 Borrowing costs

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

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

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

### 4.14 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries on distributions to the Group and Company, and real property gains taxes payable on disposal of properties.

Taxes in the income statement comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties, if any.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.14 Income taxes (continued)

(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.

A deferred tax asset is recognised only to the extent that it is probable that future 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 profit will be available to allow the benefit of part or that entire 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.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

### 4.15 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 would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

# Notes to the Financial Statements (continued)
30 June 2013

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.15 Provisions (continued)**

If the effect of the time value of money is material, the amount of a provision would 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 would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

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.

**4.16 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence would 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 would 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.

**4.17 Employee benefits**

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees 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 and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

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.

# Notes to the Financial Statements (continued)
30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.17 Employee benefits (continued)

(b) 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.

(c) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions but excluding the impact of any non-market performance and service vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees could provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

If the options are exercised, the Company issues new shares to the employees. The proceeds received, net of any directly attributable transaction costs are recognised in ordinary share capital at nominal value, and any excess would be recognised in share premium.

# Notes to the Financial Statements (continued)

30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.18 Foreign currencies

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

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency 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.

(c) Foreign operations

Financial statements of foreign operations are translated at end of each reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

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 each reporting period.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.19 Revenue recognition**

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

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

(a) Construction contracts

(i) 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.

(ii) 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) Disposal of land held for sale

Revenue from disposal of land held for sale are categorised into two (2) identifiable components, which are reclaimed land component and infrastructure cost component, using a fair and equitable basis of allocation.

Revenue in relation to the reclaimed land component will initially be deferred and only be recognised in profit or loss upon transfer of significant risk and rewards of ownership of the land to the customers and the Group retains neither continuing managerial involvement over the land, which coincides with the delivery of land and acceptance by customers.

Revenue in relation to the infrastructure cost component will initially be deferred and only be recognised in profit or loss upon rendering of services.

# Notes to the Financial Statements (continued)
30 June 2013

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.19 Revenue recognition (continued)**

(b) Disposal of land held for sale (continued)

Revenue in relation to the infrastructure cost component 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 would be required to incur the infrastructure cost, the deferred revenue in relation to the infrastructure cost component would be reversed and recognised in profit or loss.

(c) 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 customers and where the Group retains neither continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(d) Vessels chartering and marine transportation income

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

(e) Dividend income

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

(f) Interest income

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

(g) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

**4.20 Operating segments**

Operating segments are defined as components of the Group that:

(a) Engages in business activities from which it could 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 chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

# Notes to the Financial Statements (continued)
30 June 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.20 Operating segments (continued)

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.

### 4.21 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.

# Notes to the Financial Statements (continued)
30 June 2013

## 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

### 5.1 New MFRSs adopted during the current financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

| Title | Effective Date |
|---|---|
| MFRS 1 *First-time Adoption of Financial Reporting Standards* | 1 January 2012 |
| MFRS 2 *Share-based Payment* | 1 January 2012 |
| MFRS 3 *Business* Combinations | 1 January 2012 |
| MFRS 4 *Insurance* Contracts | 1 January 2012 |
| MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* | 1 January 2012 |
| MFRS 6 *Exploration for and Evaluation of Mineral Resources* | 1 January 2012 |
| MFRS 7 *Financial Instruments: Disclosure*s | 1 January 2012 |
| MFRS 8 *Operating Segments* | 1 January 2012 |
| MFRS 101 *Presentation of Financial Statements* | 1 January 2012 |
| MFRS 102 *Inventories* | 1 January 2012 |
| MFRS 107 *Statement of Cash Flows* | 1 January 2012 |
| MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* | 1 January 2012 |
| MFRS 110 *Events After the Reporting Period* | 1 January 2012 |
| MFRS 111 *Construction Contracts* | 1 January 2012 |
| MFRS 112 *Income Taxes* | 1 January 2012 |
| MFRS 116 *Property, Plant and Equipment* | 1 January 2012 |
| MFRS 117 *Leases* | 1 January 2012 |
| MFRS 118 *Revenue* | 1 January 2012 |
| MFRS 119 *Employee Benefits* | 1 January 2012 |
| MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance* | 1 January 2012 |
| MFRS 121 *The Effects of Changes in Foreign Exchange Rates* | 1 January 2012 |
| MFRS 123 *Borrowing* Costs | 1 January 2012 |
| MFRS 124 *Related Party Disclosures* | 1 January 2012 |
| MFRS 126 *Accounting and Reporting by Retirement Benefit Plans* | 1 January 2012 |
| MFRS 127 *Consolidated and Separate Financial Statements* | 1 January 2012 |
| MFRS 128 *Investments in Associates* | 1 January 2012 |
| MFRS 129 *Financial Reporting in Hyperinflationary Economies* | 1 January 2012 |
| MFRS 131 *Interests in Joint Ventures* | 1 January 2012 |
| MFRS 132 *Financial Instruments: Presentation* | 1 January 2012 |
| MFRS 133 *Earnings Per Share* | 1 January 2012 |
| MFRS 134 *Interim Financial Reporting* | 1 January 2012 |
| MFRS 136 *Impairment of Assets* | 1 January 2012 |
| MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* | 1 January 2012 |
| MFRS 138 *Intangible Assets* | 1 January 2012 |
| MFRS 139 *Financial Instruments: Recognition and Measurement* | 1 January 2012 |
| MFRS 140 *Investment Property* | 1 January 2012 |
| MFRS 141 *Agriculture* | 1 January 2012 |
| Improvements to MFRSs (2008) | 1 January 2012 |
| Improvements to MFRSs (2009) | 1 January 2012 |
| Improvements to MFRSs (2010) | 1 January 2012 |
| IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* | 1 January 2012 |
| IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments* | 1 January 2012 |

## 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

### 5.1 New MFRSs adopted during the current financial year (continued)

| Title | Effective Date |
|---|---|
| IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease* | 1 January 2012 |
| IC Interpretation 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* | 1 January 2012 |
| IC Interpretation 6 *Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment* | 1 January 2012 |
| IC Interpretation 7 *Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyper inflationary Economies* | 1 January 2012 |
| IC Interpretation 9 *Reassessment of Embedded Derivatives* | 1 January 2012 |
| IC Interpretation 10 *Interim Financial Reporting and Impairment* | 1 January 2012 |
| IC Interpretation 12 *Service Concession Arrangements* | 1 January 2012 |
| IC Interpretation 13 *Customer Loyalty Programmes* | 1 January 2012 |
| IC Interpretation 14 MFRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* | 1 January 2012 |
| IC Interpretation 15 *Agreements for the Construction of Real Estate* | 1 January 2012 |
| IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* | 1 January 2012 |
| IC Interpretation 17 *Distributions of Non-cash Assets to Owners* | 1 January 2012 |
| IC Interpretation 18 *Transfers of Assets from Customers* | 1 January 2012 |
| IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* | 1 January 2012 |
| IC Interpretation 107 *Introduction of the Euro* | 1 January 2012 |
| IC Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities* | 1 January 2012 |
| IC Interpretation 112 *Consolidation – Special Purpose Entities* | 1 January 2012 |
| IC Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* | 1 January 2012 |
| IC Interpretation 115 *Operating Leases – Incentives* | 1 January 2012 |
| IC Interpretation 125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders* | 1 January 2012 |
| IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* | 1 January 2012 |
| IC Interpretation 129 *Service Concession Arrangements: Disclosures* | 1 January 2012 |
| IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services* | 1 January 2012 |
| IC Interpretation 132 *Intangible Assets – Web Site Costs* | 1 January 2012 |
| Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* | 1 July 2012 |

(a) Amendments to MFRS 1 *Government Loans* are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 1 *Government Loans* in conjunction with the application of MFRS 1. Following the adoption of these Amendments, where applicable, the Group has applied the requirements in MFRS 120 prospectively to Government loans, existing as at the date of transition to MFRSs.

# Notes to the Financial Statements (continued)
30 June 2013

**5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)**

**5.1 New MFRSs adopted during the current financial year (continued)**

(b) Amendments to MFRS 101 *Clarification of the Requirements for Comparative Information* are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 101 *Clarification of the Requirements for Comparative Information* in conjunction with the application of MFRS 101. These Amendments clarify that the third statement of financial position is required only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. If the third statement of financial position is presented, these Amendments clarify that the related notes to the opening statement of financial position need not be disclosed. Accordingly, there are no related notes disclosed in relation to the opening statement of financial position as at 1 July 2011.

(c) Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in conjunction with the application of MFRS 1. These Amendments clarify that the first MFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

**5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013**

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company.

| Title | Effective Date |
|---|---|
| MFRS 10 *Consolidated Financial Statements* | 1 January 2013 |
| MFRS 11 *Joint Arrangements* | 1 January 2013 |
| MFRS 12 *Disclosure of Interests in Other Entities* | 1 January 2013 |
| MFRS 13 *Fair Value Measurement* | 1 January 2013 |
| MFRS 119 *Employee Benefits (revised)* | 1 January 2013 |
| MFRS 127 *Separate Financial Statements* | 1 January 2013 |
| MFRS 128 *Investments in Associates and Joint Ventures* | 1 January 2013 |
| Amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* | 1 January 2013 |
| Amendments to MFRSs *Annual Improvements 2009 – 2011 Cycle* | 1 January 2013 |
| Amendments to MFRS 10, MFRS 11 and MFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* | 1 January 2013 |
| IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* | 1 January 2013 |

# Notes to the Financial Statements (continued)
30 June 2013

## 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

### 5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013 (continued)

| Title | Effective Date |
|---|---|
| Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities* | 1 January 2014 |
| Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets* | 1 January 2014 |
| Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting* | 1 January 2014 |
| IC Interpretation 21 *Levies* | 1 January 2014 |
| *Mandatory Effective Date of MFRS 9 and Transition Disclosures* | 1 January 2015 |
| MFRS 9 *Financial Instruments* | 1 January 2015 |

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

## 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 at the end of the reporting period.

### 6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Classification of leasehold land

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117.

(b) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters arising in the ordinary course of the business.

# Notes to the Financial Statements (continued)
30 June 2013

**6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**6.2 Critical judgements made in applying accounting policies (continued)**

(c) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(d) Impairment of equity investments categorised as available-for-sale financial assets

The Group believes that a significant or prolonged decline in fair value of an investment in equity instrument is a decline in fair value of more than twenty (20) percent of the cost, or the decline in fair value below its original cost has persisted for more than nine (9) to twelve (12) months.

(e) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

**6.3 Key sources of estimation uncertainty**

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of property, plant and equipment

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

(b) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment as disclosed in Note 4.4 to the financial statements. The useful lives are based on the Group's historical experience with similar assets and taking into accounting anticipate technological changes. The depreciation charge for future period is adjusted if there are significant changes from previous estimates.

# Notes to the Financial Statements (continued)
30 June 2013

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (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 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. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(e) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic conditions when making a judgement in evaluating the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(f) Income taxes

Significant judgement is required in determining the capital allowances, deductibility of certain expenses and taxability of certain income during the estimation of the provision for income taxes. There are transactions during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### 6.3 Key sources of estimation uncertainty (continued)

(g) 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. Sensitivity analysis of the interest rate risk has been disclosed in Note 36(ii) to the financial statements.

(h) Impairment of investments in subsidiaries

The management reviews the material investments in subsidiaries for impairment when there is an indication of impairment.

The recoverable amounts of the investments in subsidiaries are assessed by reference to the higher of its fair value less cost to sell and its value in use of the respective subsidiaries.

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

(i) Revenue recognition on disposal of land held for sale

The Group recognises revenue and cost of the disposal of land held for sale in profit or loss using a fair and equitable basis of allocation between the reclaimed land component and infrastructure cost component. The basis of allocation is based on construction budgets approved by the management, which are reviewed on a regular basis.

Significant judgements are required in determining the basis of allocation, the extent of the cost incurred, as well as the timing of revenue recognition from the disposal of land held for sale. In making these judgements, the Group evaluates its estimates based on past experience and management's expectations of market conditions.

## Notes to the Financial Statements (continued)
30 June 2013

### 7. PROPERTY, PLANT AND EQUIPMENT

| Group 2013 | 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 | Construction-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| At 1 July 2012 | 5,501,915 | 11,919,537 | 7,528,185 | 9,924,669 | 250,033,754 | 3,779,577 | 634,926 | 7,056,516 | 5,344,514 | 301,723,593 |
| Additions | - | - | 388,937 | - | 1,780 | 219,078 | 178,056 | 1,442,169 | 381,885 | 2,611,905 |
| Disposals | - | - | - | - | (13,850,519) | (4,905) | - | (273,016) | - | (14,128,440) |
| Write-offs | - | - | - | - | - | (2,277) | - | - | - | (2,277) |
| Reclassification | - | - | - | - | 2,453,969 | - | - | - | (2,453,969) | - |
| Translation adjustments | - | - | - | (2,015) | (299,583) | (397) | (2) | - | - | (301,997) |
| At 30 June 2013 | 5,501,915 | 11,919,537 | 7,917,122 | 9,922,654 | 238,339,401 | 3,991,076 | 812,980 | 8,225,669 | 3,272,430 | 289,902,784 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 July 2012 | - | 325,171 | 831,417 | 4,866,662 | 48,115,820 | 2,355,775 | 411,819 | 4,758,218 | - | 61,664,882 |
| Charge for the financial year | - | 205,371 | 127,565 | 805,803 | 8,550,634 | 216,178 | 56,938 | 944,621 | - | 10,907,110 |
| Disposals | - | - | - | - | (1,246,374) | (612) | - | (272,388) | - | (1,519,374) |
| Write-offs | - | - | - | - | - | (1,252) | - | - | - | (1,252) |
| Translation adjustments | - | - | - | 2,397 | 40,408 | 355 | 2 | - | - | 43,162 |
| At 30 June 2013 | - | 530,542 | 958,982 | 5,674,862 | 55,460,488 | 2,570,444 | 468,759 | 5,430,451 | - | 71,094,528 |
| **Impairment losses** | | | | | | | | | | |
| At 1 July 2012 | - | - | - | - | - | - | - | - | - | - |
| Charge for the financial year | - | - | - | - | 4,701,394 | - | - | - | - | 4,701,394 |
| Translation adjustments | - | - | - | - | 28,531 | - | - | - | - | 28,531 |
| At 30 June 2013 | - | - | - | - | 4,729,925 | - | - | - | - | 4,729,925 |

7. **PROPERTY, PLANT AND EQUIPMENT (continued)**

| Group 2012 | 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 | Construction-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| At 1 July 2011 | 2,324,860 | 11,919,537 | 3,981,117 | 9,741,414 | 254,343,503 | 3,352,178 | 531,972 | 6,384,145 | 3,582,683 | 296,161,409 |
| Additions | 3,177,055 | - | 3,525,567 | 437,712 | 969,330 | 469,562 | 102,867 | 672,371 | 1,761,831 | 11,116,295 |
| Disposals | - | - | - | (326,290) | (12,387,757) | (31,682) | - | - | - | (12,745,729) |
| Write-offs | - | - | - | (640) | - | (17,730) | - | - | - | (18,370) |
| Translation adjustments | - | - | 21,501 | 72,473 | 7,108,678 | 7,249 | 87 | - | - | 7,209,988 |
| At 30 June 2012 | 5,501,915 | 11,919,537 | 7,528,185 | 9,924,669 | 250,033,754 | 3,779,577 | 634,926 | 7,056,516 | 5,344,514 | 301,723,593 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 July 2011 | - | 119,800 | 607,974 | 4,125,382 | 39,639,624 | 2,173,450 | 361,594 | 3,820,193 | - | 50,848,017 |
| Charge for the financial year | - | 205,371 | 222,985 | 819,375 | 8,400,685 | 194,692 | 50,215 | 938,025 | - | 10,831,348 |
| Disposals | - | - | - | (80,300) | (624,482) | (7,643) | - | - | - | (712,425) |
| Write-offs | - | - | - | (240) | - | (5,890) | - | - | - | (6,130) |
| Translation adjustments | - | - | 458 | 2,445 | 699,993 | 1,166 | 10 | - | - | 704,072 |
| At 30 June 2012 | - | 325,171 | 831,417 | 4,866,662 | 48,115,820 | 2,355,775 | 411,819 | 4,758,218 | - | 61,664,882 |

# Notes to the Financial Statements (continued)
30 June 2013

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

| Group | Carrying amount 2013 RM | 2012 RM |
|---|---|---|
| Freehold land | 5,501,915 | 5,501,915 |
| Leasehold land | 11,388,995 | 11,594,366 |
| Buildings | 6,958,140 | 6,696,768 |
| Plant and machinery | 4,247,792 | 5,058,007 |
| Barges and dredgers | 178,148,988 | 201,917,934 |
| Tools and office equipment | 1,420,632 | 1,423,802 |
| Furniture and fittings | 344,221 | 223,107 |
| Motor vehicles | 2,795,218 | 2,298,298 |
| Construction-in-progress | 3,272,430 | 5,344,514 |
| | 214,078,331 | 240,058,711 |

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

| | Group 2013 RM | 2012 RM |
|---|---|---|
| Purchase of property, plant and equipment | 2,611,905 | 11,116,295 |
| Financed by hire purchase arrangement | (1,135,000) | (912,200) |
| Cash payments on purchase of property, plant and equipment | 1,476,905 | 10,204,095 |

(b) During the financial year, the Group recognised impairment losses of RM4,701,394 on property, plant and equipment due to decline in their recoverable amounts.

(c) The carrying amount of the property, plant and equipment of the Group under hire purchase arrangements as at the end of each reporting period are as follows:

| | Group 2013 RM | 2012 RM |
|---|---|---|
| Motor vehicles | 2,147,459 | 1,901,537 |
| Plant and machinery | 286,150 | 321,550 |
| | 2,433,609 | 2,223,087 |

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 18 to the financial statements.

# Notes to the Financial Statements (continued)

30 June 2013

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) The carrying amount of property, plant and equipment of the Group pledged to licensed financial institutions for credit facilities granted to the Group as disclosed in Note 17(c) to the financial statements are as follows:

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| Barges and dredgers | 16,220,601 | 79,983,584 |
| Buildings | 2,735,883 | 2,744,046 |
| Freehold land | 4,926,915 | 4,926,915 |
| Leasehold land | 11,388,995 | 11,594,366 |
| | 35,272,394 | 99,248,911 |

## 8. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2013 RM | 2012 RM |
| Unquoted shares, at cost | 157,499,998 | 157,499,998 |
| Less: Impairment loss | (3,678,253) | - |
| | 153,821,745 | 157,499,998 |

The details of the subsidiaries are as follows:

| Name of company | Place of incorporation | Effective interest in equity 2013 % | Effective interest in equity 2012 % | Principal activities |
|---|---|---|---|---|
| Benalec Sdn. Bhd. ('BSB') | Malaysia | 100 | 100 | Marine construction and civil engineering |
| Benalec Shipyard Sdn. Bhd. ('BSSB') | Malaysia | 100 | 100 | Ship repair, ship maintenance, shipbuilding, fabrication, refurbishment and ship trading |
| Oceanliner Pte Ltd. ('Oceanliner') * | Singapore | 100 | 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 |

# Notes to the Financial Statements (continued)
30 June 2013

## 8. INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows (continued):

| Name of company | Place of incorporation | Effective interest in equity 2013 % | 2012 % | Principal activities |
|---|---|---|---|---|
| ***Subsidiaries of BSB (continued)*** | | | | |
| Benalec Maritime Sdn. Bhd. | Malaysia | 100 | 100 | Marine construction and civil engineering |
| Pacific Marine Ltd | Labuan | 100 | 100 | Charter/leasing of vessels |
| Oceanline (Labuan) Ltd | Labuan | 100 | 100 | Charter/leasing of vessels and the business of trading of vessels |
| Benalec Diversity Sdn. Bhd. (formerly known as 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. ('HLRSB')^ | Malaysia | 100 | 100 | Dormant |
| Heritage Land Sdn. Bhd. ('HLSB') ^ | Malaysia | 100 | 100 | Property investment holding |
| Heritage Property Sdn. Bhd. ('HPSB') ^ | 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. ('OPSB') ^ | Malaysia | 100 | 100 | Dormant |
| Oceanview Realty Sdn. Bhd. ('ORSB') ^ | Malaysia | 100 | 100 | Dormant |
| Orientalcove Realty Sdn. Bhd. ^ | Malaysia | 100 | 100 | Dormant |
| Orientalcove Property Sdn. Bhd. ('OCSB') ^ | Malaysia | 100 | 100 | Dormant |
| Goldnet Synergy Sdn. Bhd. ('GSSB') ^ | Malaysia | 100 | 100 | Investment holding company |
| Benalec Venture Sdn. Bhd. ^ | Malaysia | 100 | 100 | Marine construction and civil engineering |

# Notes to the Financial Statements (continued)
30 June 2013

## 8. INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows (continued):

| Name of company | Place of incorporation | Effective interest in equity 2013 % | 2012 % | Principal activities |
|---|---|---|---|---|
| ***Subsidiaries of BSB (continued)*** | | | | |
| Benalec Construction Sdn. Bhd. ^ | Malaysia | 100 | 100 | Marine construction and civil engineering |
| Pengerang Maritime Industries Sdn. Bhd. ('PMISB') | Malaysia | 100 | 100 | Marine engineering services |
| Tanjung Piai Maritime Industries Sdn. Bhd. ('TPMISB') | Malaysia | 100 | 100 | Marine engineering services |
| 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 | 100 | Charter/leasing of vessels |
| Ocean Marine Ltd | Labuan | 100 | 100 | Charter/leasing of vessels |
| Pacific Link Ltd | Labuan | 100 | 100 | Trading and investment holding |
| Pacific Shipping Ltd | Labuan | 100 | 100 | Trading and investment holding |
| Jayamas Cekap Sdn. Bhd. | Malaysia | 100 | 100 | Reclamation works |
| Integrasi Mekar Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Indera Tenggara Sdn. Bhd. ^ | Malaysia | 100 | 100 | Dormant |
| Jewel East Sdn. Bhd. ('JESB') ^ | Malaysia | 100 | 100 | Property investment holding |
| ***Subsidiaries of JESB*** | | | | |
| Iconic Island Sdn. Bhd. ^ | Malaysia | 100 | 100 | Property investment holding |
| One World Island Sdn. Bhd. ^ | Malaysia | 100 | 100 | Property investment holding |
| Cheng Ho City Sdn. Bhd. ^ | Malaysia | 100 | 100 | Property investment holding |
| Zheng Island Sdn. Bhd. ^ | Malaysia | 100 | 100 | Property investment holding |

# Notes to the Financial Statements (continued)
30 June 2013

## 8. INVESTMENTS IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows (continued):

| Name of company | Place of incorporation | Effective interest in equity 2013 % | Effective interest in equity 2012 % | Principal activities |
|---|---|---|---|---|
| ***Subsidiary of PMISB*** | | | | |
| Spektrum Budi Sdn. Bhd. (‘SBSB’) | Malaysia | 70 | 70 | Property investment holding |
| ***Subsidiary of TPMISB*** | | | | |
| Spektrum Kukuh Sdn. Bhd. (‘SKSB’) | Malaysia | 70 | 70 | Property investment holding |
| ***Subsidiary of GSSB*** | | | | |
| Neptune Paradise Sdn. Bhd. ^ | Malaysia | 100 | 100 | General trading |

* *Subsidiary audited by BDO Member Firms.*
^ *Subsidiaries audited by firm of auditors other than BDO.*

During the financial year, the Company recognised an impairment loss of RM3,678,253 (2012: RM Nil) in respect of investment in a subsidiary due to declining economic benefits expected from the subsidiary. The recoverable amount was determined based on fair value less cost to sell derived from management’s estimates based on non-active market sources.

(a) Acquisitions of subsidiaries

*During the financial year ended 30 June 2012*

During the financial year ended 30 June 2012, the Group acquired the entire issued and paid-up ordinary share capital of the following newly incorporated subsidiaries:

| Date of Acquisition | Name of subsidiaries | 2012 No. of shares | Par Value RM | Purchase consideration RM |
|---|---|---|---|---|
| 7 July 2011 | Pengerang Maritime Industries Sdn. Bhd. | 2 | 1 | 2 |
| | Tanjung Piai Maritime Industries Sdn. Bhd. | 2 | 1 | 2 |
| 3 November 2011 | Spektrum Budi Sdn. Bhd. | 7,000 | 1 | 7,000 |
| | Spektrum Kukuh Sdn. Bhd. | 7,000 | 1 | 7,000 |
| 10 January 2012 | Benalec Construction Sdn. Bhd. | 2 | 1 | 2 |
| | Benalec Venture Sdn. Bhd. | 2 | 1 | 2 |
| 6 June 2012 | Goldnet Synergy Sdn. Bhd. | 2 | 1 | 2 |
| | Neptune Paradise Sdn. Bhd. | 2 | 1 | 2 |
| | Total purchase consideration | | | 14,012 |

# Notes to the Financial Statements (continued)
30 June 2013

## 8. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisitions of subsidiaries (continued)

*During the financial year ended 30 June 2012 (continued)*

The effects on the Group's cash flows in respect of the above incorporation of subsidiaries were as follows:

| | Group 2012 RM |
|---|---|
| Purchase consideration settled in cash | (14,012) |
| Cash and cash equivalents of subsidiaries acquired | 14,012 |
| Net cash inflow of the Group on acquisition | - |

The above incorporation of subsidiaries did not have any material financial effect to the Group.

## 9. OTHER INVESTMENTS

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| **Available-for-sale financial assets** | | |
| Quoted shares in Malaysia | 38,464 | 33,745 |

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

(b) Information on financial risk is disclosed in Note 36 to the financial statements.

# Notes to the Financial Statements (continued)
30 June 2013

## 10. INVENTORIES

| | Note | Group 2013 RM | 2012 RM |
|---|---|---|---|
| Consumables | a | 2,920,402 | 2,460,622 |
| Land held for sale | b | 173,830,737 | 183,465,208 |
| Properties held for sale | c | 13,302,523 | - |
| | | 190,053,662 | 185,925,830 |

(a) Consumables represent parts purchased for future consumption in the construction of vessels.

(b) Movements of the land held for sale are as follows:

| | Group 2013 RM | 2012 RM |
|---|---|---|
| At 1 July 2012/2011 | 183,465,208 | 107,482,881 |
| Transferred from amounts due from contract customers (Note 13) | - | 136,971,968 |
| Costs incurred during the financial year | 743,744 | 5,109,568 |
| Less: Recognised in profit or loss during the financial year | (10,378,215) | (66,099,209) |
| At 30 June 2013/2012 | 173,830,737 | 183,465,208 |

Land held for sale represent reclaimed leasehold land with remaining lease terms ranging from 92 to 98 years (2012: 93 to 99 years).

Included in the cost incurred during the financial year are infrastructure cost amounting to RM283,254 (2012: RM Nil), which are unallocated to the existing reclaimed leasehold land.

(c) Properties held for sale are in respect of contra of eight (8) units of properties from one of the trade receivables from the disposal of land held for sale as a settlement of the outstanding debt.

## 11. LAND RECLAMATION WORK IN PROGRESS

| | Group 2013 RM | 2012 RM |
|---|---|---|
| Land reclamation work in progress | 29,581,333 | 18,981,201 |

(a) Movements of the land reclamation work in progress are as follows:

| | Group 2013 RM | 2012 RM |
|---|---|---|
| At 1 July 2012/2011 | 18,981,201 | 1,170,000 |
| Costs incurred during the financial year | 10,600,132 | 17,811,201 |
| At 30 June 2013/2012 | 29,581,333 | 18,981,201 |

# Notes to the Financial Statements (continued)
30 June 2013

## 11. LAND RECLAMATION WORK IN PROGRESS (continued)

(b) Pursuant to a Deed of Assignment entered into between Yayasan DMDI ('DMDI') and a wholly-owned subsidiary of BSB on 14 March 2011, the Group was granted the concession to reclaim a portion of the coast of the State of Melaka embracing the foreshore and sea measuring an area of approximately 250 acres ('Project DMDI').

Development costs incurred in relation to Project DMDI amounting to RM16,999,633 (2012: RM16,933,390) are capitalised as land reclamation work in progress.

(c) Included in land reclamation work in progress of the Group are preliminary development costs incurred for hydraulic study and environmental impact assessment (EIA) approval for the reclamation works in Pengerang and Tanjung Piai in the State of Johor, amounting to RM12,581,700 (2012: RM2,047,811). These are the conditions precedent to the Development Agreements entered into with the State Government of Johor Darul Ta'zim and the State Secretary, Johor (Incorporated).

## 12. TRADE AND OTHER RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM | RM | RM | RM |
| **Trade** | | | | | |
| Third parties | | 59,888,533 | 79,803,922 | - | - |
| Related parties | | 67,866,654 | - | - | - |
| | (a) | 127,755,187 | 79,803,922 | - | - |
| Less: Impairment losses | | | | | |
| - third parties | | (992,401) | (71,438) | - | - |
| | (b) | 126,762,786 | 79,732,484 | - | - |
| **Amounts due from contract customers** | | | | | |
| - Third parties | | 15,001,583 | 15,570,112 | - | - |
| - Related parties | | 330,222,044 | 130,735,716 | | |
| Less: Impairment loss | | | | | |
| - third party | | (740,200) | - | - | - |
| | 13 | 344,483,427 | 146,305,828 | - | - |
| **Non-trade** | | | | | |
| Other receivables | | | | | |
| - third parties | | 4,098,632 | 2,454,148 | 203,446 | 427,288 |
| - subsidiaries | (c) | - | - | 220,411,231 | 217,804,275 |
| Deposits | | 7,122,689 | 7,155,109 | 5,000 | 5,000 |
| Prepayments | | 1,703,119 | 767,989 | - | - |
| | | 12,924,440 | 10,377,246 | 220,619,677 | 218,236,563 |
| Less: Impairment losses | | | | | |
| - third parties | | (929,569) | (850,000) | - | - |
| - subsidiary | | - | - | (114,544) | - |
| | | 11,994,871 | 9,527,246 | 220,505,133 | 218,236,563 |
| | (d) | 483,241,084 | 235,565,558 | 220,505,133 | 218,236,563 |

# Notes to the Financial Statements (continued)
30 June 2013

## 12. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 60 days to 90 days (2012: 60 days to 90 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

Included in trade receivables of the Group are amounts owing from third parties and related parties amounting to RM47,523,835 and RM67,866,654 respectively (2012: RM54,026,991 and RM nil), which represent proceeds receivable from disposal of land held for sale.

(b) Included in trade receivables of the Group are retention sums for contract works amounting to RM4,081,837 (2012: RM14,115,941).

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

| | Group | |
|---|---|---|
| | 2013<br>RM | 2012<br>RM |
| Within one (1) year | 3,156,652 | 12,265,570 |
| Within two (2) years | 925,185 | 1,850,371 |
| | 4,081,837 | 14,115,941 |

(c) Amounts owing by subsidiaries represent mainly advances, which are unsecured, interest free and payable upon demand in cash and cash equivalents. Included in amounts owing by subsidiaries is dividend receivable from a subsidiary amounting to RM17,000,000 (2012: RM30,000,000).

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>RM | 2012<br>RM | 2013<br>RM | 2012<br>RM |
| Ringgit Malaysia | 482,775,035 | 235,127,008 | 220,505,133 | 218,236,563 |
| Singapore Dollar | 192,620 | 276,705 | - | - |
| United States Dollar | 273,429 | 161,845 | - | - |
| | 483,241,084 | 235,565,558 | 220,505,133 | 218,236,563 |

(e) The ageing analysis of trade receivables of the Group are as follows:

| | Group | |
|---|---|---|
| | 2013<br>RM | 2012<br>RM |
| Neither past due nor impaired | 116,745,330 | 58,499,086 |
| Past due but not impaired | | |
| - 31 to 90 days | 5,793,711 | 5,091,830 |
| - 91 to 120 days | 1,927,130 | 7,826,709 |
| - 121 to 180 days | 117,722 | 2,574,418 |
| - More than 180 days | 2,178,893 | 5,740,441 |
| | 10,017,456 | 21,233,398 |
| Past due and impaired | 992,401 | 71,438 |
| | 127,755,187 | 79,803,922 |

# Notes to the Financial Statements (continued)
30 June 2013

## 12. TRADE AND OTHER RECEIVABLES (continued)

(e) The ageing analysis of trade receivables of the Group are as follows (continued):

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.

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 2013 RM | Group Individually impaired 2012 RM |
|---|---|---|
| Trade receivables, gross | 992,401 | 71,438 |
| Less: Impairment losses | (992,401) | (71,438) |
| | - | - |

The reconciliation of movements in the impairment loss is as follows:

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| At 1 July 2012/2011 | 71,438 | 71,438 | - | - |
| Charge for the financial year (Note 28) | 992,401 | - | - | - |
| Written off | (71,438) | - | - | - |
| At 30 June 2013/2012 | 992,401 | 71,438 | - | - |
| **Amounts due from contract customers** | | | | |
| At 1 July 2012/2011 | - | - | - | - |
| Charge for the financial year (Note 13 and Note 28) | 740,200 | - | - | - |
| At 30 June 2013/2012 | 740,200 | - | - | - |
| **Other receivables** | | | | |
| At 1 July 2012/2011 | 850,000 | 850,000 | - | - |
| Charge for the financial year (Note 28) | 79,569 | - | 114,544 | - |
| At 30 June 2013/2012 | 929,569 | 850,000 | 114,544 | - |
| | 2,662,170 | 921,438 | 114,544 | - |

## 12. TRADE AND OTHER RECEIVABLES (continued)

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

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

## 13. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| Aggregate costs incurred to date | 438,123,064 | 517,862,927 |
| Add: Attributable profits | 110,330,235 | 251,743,986 |
| | 548,453,299 | 769,606,913 |
| Less: Progress billings | (205,451,012) | (493,131,520) |
| Less: Transferred to land held for sale (Note 10) | - | (136,971,968) |
| | 343,002,287 | 139,503,425 |
| Less: Impairment loss (Note 12) | (740,200) | - |
| | 342,262,087 | 139,503,425 |
| Analysed as: | | |
| Amounts due from contract customers (Note 12) | 344,483,427 | 146,305,828 |
| Amounts due to contract customers (Note 22) | (2,221,340) | (6,802,403) |
| | 342,262,087 | 139,503,425 |

Included in amounts due from contract customers of the Group are contract sums amounting to RM332,442,643 (2012: RM133,696,687) 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.

Aggregate costs incurred to date included transactions with a related party as follows:

| | 2013 RM | 2012 RM |
|---|---|---|
| Supply of construction materials by Oriental Grandeur Marine Sdn. Bhd. | 9,135 | - |

The above represents a company in which certain Directors have financial interests.

# Notes to the Financial Statements (continued)
30 June 2013

## 14. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Cash and bank balances | 13,552,864 | 23,770,599 | 218,304 | 36,169 |
| Unit trust quoted in Malaysia (Note (a)) | 636,838 | 80,401,439 | - | 5,944,326 |
| Deposits with licensed financial institutions | 25,973,524 | 26,345,697 | - | - |
| As per statements of financial position | 40,163,226 | 130,517,735 | 218,304 | 5,980,495 |
| Less: | | | | |
| Fixed deposits pledged with licensed financial institutions (Note (b)) | (17,393,524) | (19,725,698) | - | - |
| Bank overdraft | (858,299) | - | - | - |
| As per statements of cash flows | 21,911,403 | 110,792,037 | 218,304 | 5,980,495 |

(a) Unit trusts quoted in Malaysia, which are held by the Group and the Company 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.

(b) Fixed deposits with licensed financial institutions of the Group amounting to RM17,393,524 (2012: RM19,725,698) were pledged as security for banking facilities granted to the Group (Note 17 to the financial statements).

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Ringgit Malaysia | 27,834,896 | 123,170,045 | 218,304 | 5,980,495 |
| Singapore Dollar | 1,253,339 | 1,534,388 | - | - |
| United States Dollar | 11,074,991 | 5,813,302 | - | - |
| | 40,163,226 | 130,517,735 | 218,304 | 5,980,495 |

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

# Notes to the Financial Statements (continued)

30 June 2013

## 15. SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| **2013** | **Number of ordinary shares** | **RM** |
| **Ordinary shares of RM0.25 each** | | |
| **Authorised** | | |
| At 1 July 2012/30 June 2013 | 2,000,000,000 | 500,000,000 |
| **Issued and fully paid-up** | | |
| At 1 July 2012 | 802,960,000 | 200,740,000 |
| Issue for cash pursuant to: | | |
| - Employee share options scheme (Note 19) | 4,688,500 | 1,172,125 |
| At 30 June 2013 | 807,648,500 | 201,912,125 |
| **2012** | | |
| **Authorised** | | |
| At 1 July 2011/30 June 2012 | 2,000,000,000 | 500,000,000 |
| **Issued and fully paid-up** | | |
| At 1 July 2011 | 730,000,000 | 182,500,000 |
| Issue for cash pursuant to: | | |
| - Private Placement | 72,960,000 | 18,240,000 |
| At 30 June 2012 | 802,960,000 | 200,740,000 |

(a) Ordinary shares

The owners of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary shares at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

(b) Private Placement

In the previous financial year, the issued and paid up ordinary share capital of the Company was increased from RM182,500,000 to RM200,740,000 by way of issuance of 72,960,000 new ordinary shares of RM0.25 each at an issue price of RM1.32 per share for cash pursuant to a Private Placement exercise undertaken by the Company, which was approved by the shareholders on 9 September 2011 and completed on 7 December 2011.

(c) Employee share options scheme

During the financial year, the issued and paid up ordinary share capital of the Company was increased from RM200,740,000 to RM201,912,125 by way of issuance of 4,688,500 new ordinary shares of RM0.25 each for cash pursuant to the exercise of employee share options (Note 19).

# Notes to the Financial Statements (continued)

30 June 2013

## 16. RESERVES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM | RM | RM | RM |
| **Non-distributable** | | | | | |
| Treasury shares | (a) | (1,477,078) | (1,246,550) | (1,477,078) | (1,246,550) |
| Share premium | | 154,462,963 | 150,099,376 | 154,462,963 | 150,099,376 |
| Exchange translation reserve | (b) | 6,929,730 | 6,651,686 | - | - |
| Reverse acquisition debit | (c) | (146,069,559) | (146,069,559) | - | - |
| Share options reserve | (d) | 1,247,858 | 1,813,760 | 1,247,858 | 1,813,760 |
| Available-for-sale reserve | (e) | (23,815) | (28,534) | - | - |
| **Distributable** | | | | | |
| Retained earnings | | 337,053,981 | 304,428,905 | 17,752,144 | 29,969,033 |
| | | 352,124,080 | 315,649,084 | 171,985,887 | 180,635,619 |

(a) Treasury shares

The shareholders of the Company, by special resolution passed in a general meeting held on 9 September 2011, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 196,700 (2012: 1,148,200) of its owned ordinary shares of RM0.25 each from the open market for a total consideration of RM230,528 (2012: RM1,246,550) at an average price of RM1.172 (2012: RM1.086) per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia and none of the treasury shares held were re-sold or cancelled during the financial year.

Of the total 807,648,500 (2012: 802,960,000) issued and fully paid ordinary shares of RM0.25 each as at 30 June 2013, 1,344,900 (2012: 1,148,200) ordinary shares of RM0.25 each amounting to RM1,477,078 (2012: RM1,246,550) are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.25 each in issue after deducting the treasury shares is 806,303,600 (2012: 801,811,800).

(b) 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.

## 16. RESERVES (continued)

(c) Reverse acquisition debit

Reverse acquisition reserve arose from the reverse acquisition of the Company, BSSB and Oceanliner by BSB during the previous financial years, as follows:

| | 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 2 subsidiaries, BSSB and Oceanliner | (4,130,439) |
| Reverse acquisition debit | 146,069,559 |

(d) Share options reserve

The share options reserve represents the effect of equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees for the issue of share options. When the share options are exercised, an amount from the share options reserve is transferred to share premium. When the share options expire, the carrying amount from the share options reserve is transferred to retained earnings.

(e) Available-for-sale reserve

The reserve arose from gains or losses from fair value changes of financial assets classified as available-for-sale.

## 17. BORROWINGS

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| **Non-current liabilities** | | |
| **Secured** | | |
| Hire purchase (Note 18) | 972,933 | 567,047 |
| Term loans | 10,752,167 | 28,744,067 |
| | 11,725,100 | 29,311,114 |
| **Current liabilities** | | |
| **Secured** | | |
| Hire purchase (Note 18) | 677,155 | 864,774 |
| Overdraft | 858,299 | - |
| Term loans | 18,001,027 | 18,000,064 |
| | 19,536,481 | 18,864,838 |

# Notes to the Financial Statements (continued)
30 June 2013

## 17. BORROWINGS (continued)

| | Group 2013 RM | Group 2012 RM |
|---|---|---|
| **Total borrowings** | | |
| Hire purchase (Note 18) | 1,650,088 | 1,431,821 |
| Overdraft | 858,299 | - |
| Term loans | 28,753,194 | 46,744,131 |
| | 31,261,581 | 48,175,952 |

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

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

| | Group 2013 RM | Group 2012 RM |
|---|---|---|
| Ringgit Malaysia | 30,911,205 | 47,234,216 |
| Singapore Dollar | 350,376 | 941,736 |
| | 31,261,581 | 48,175,952 |

(c) Borrowings of the Group are secured by:

(i) Legal charge over certain property, plant and equipment of the Group (as disclosed in Note 7(d) to the financial statements);

(ii) Fixed deposits of the Group (as disclosed in Note 14 to the financial statements);

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

(iv) Assignment of receivables or any other assignment of earnings over the vessels acceptable to the financial institutions;

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

(vi) 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 RM12,000,000 (2012: RM22,000,000).

(d) In the previous financial year, pursuant to the banking facilities granted to a 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. The loan was subsequently settled in full in August 2012.

(e) Information on financial risks and remaining maturity of borrowings is disclosed in Note 36 to the financial statements.

# Notes to the Financial Statements (continued)
30 June 2013

## 18. HIRE PURCHASE

| | Group 2013 RM | 2012 RM |
|---|---|---|
| Minimum hire purchase payments: | | |
| - not later than one (1) year | 730,570 | 919,988 |
| - later than one (1) year but not later than five (5) years | 1,036,206 | 588,732 |
| Total minimum hire purchase payments | 1,766,776 | 1,508,720 |
| Less: Future interest charges | (116,688) | (76,899) |
| Present value of hire purchase payments | 1,650,088 | 1,431,821 |
| Repayable as follows: | | |
| **Current liabilities** | | |
| - not later than one (1) year | 677,155 | 864,774 |
| **Non-current liabilities** | | |
| - later than one (1) year but not later than five (5) years | 972,933 | 567,047 |
| | 1,650,088 | 1,431,821 |

Information on financial risks of hire purchase is disclosed in Note 36 to the financial statements.

## 19. EMPLOYEES SHARE OPTIONS SCHEME ('ESOS')

The ESOS of the Company came into effect on 17 January 2011. The ESOS shall be in force for a period of five (5) years until 16 January 2016 ('the option period'). The main features of the ESOS are as follows:

(a) Eligible Directors and executives ('Eligible Executives') are those who are confirmed employees of the Group and have served full time for at least a period of six (6) months of continuous services before the date of offer;

(b) The total number of ordinary shares offered under the ESOS shall not, in aggregate, exceed 15% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS;

(c) The option price under the ESOS shall be the five-day weighted average market price of the ordinary shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at the par value of the ordinary shares, whichever is higher;

(d) The aggregate number of ordinary shares that may be offered and allotted to any of the Eligible Executives of the Group shall not exceed the allowable allotment set out in the By-Laws and not more than 10% of the ordinary shares available under the ESOS shall be allocated to any individual Director or eligible employees who, either singly or collectively through persons connected with that Director or eligible employee, holds 20% or more of the issued and paid-up share capital of the Company;

(e) The options granted to Eligible Executives will lapse when they are no longer in employment with the Group;

# Notes to the Financial Statements (continued)
30 June 2013

## 19. EMPLOYEES SHARE OPTIONS SCHEME ('ESOS') (continued)

The ESOS of the Company came into effect on 17 January 2011. The ESOS shall be in force for a period of five (5) years until 16 January 2016 ('the option period'). The main features of the ESOS are as follows (continued):

(f) Upon exercise of the options, the ordinary shares issued will rank pari passu in all respects with the then existing ordinary shares of the Company (except that they will not be entitled to any dividends, rights, allotments and/or any other distributions, which may be declared, made or paid to the shareholders, of which the entitlement date is prior to the date of the listing ordinary shares on the Main Market of Bursa Malaysia Securities Berhad through exercising the options); and

(g) The Eligible Executives to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company.

The details of the options over ordinary shares of the Company are as follows:

| | Number of options over ordinary shares of RM0.25 each | | | | | |
|---|---|---|---|---|---|---|
| | Outstanding | Movements during the financial year | | | Outstanding | Exercisable |
| **2013** | **as at 1.7.2012** | **Granted** | **Exercised** | **Forfeited** | **as at 30.6.2013** | **as at 30.6.2013** |
| 2012 options | 14,968,000 | - | (4,688,500) | - | 10,279,500 | 10,279,500 |
| Weighted average exercise prices (RM) | 1.06 | - | 1.06 | - | 1.06 | 1.06 |
| Weighted average remaining contractual life (months) | 42 | | | | | 30 |

| | Number of options over ordinary shares of RM0.25 each | | | | | |
|---|---|---|---|---|---|---|
| | Outstanding | Movements during the financial year | | | Outstanding | Exercisable |
| **2012** | **as at 1.7.2011** | **Granted** | **Exercised** | **Forfeited** | **as at 30.6.2012** | **as at 30.6.2012** |
| 2012 options | - | 15,132,000 | - | 164,000 | 14,968,000 | 14,968,000 |
| Weighted average exercise prices (RM) | - | 1.06 | - | 1.06 | 1.06 | 1.06 |
| Weighted average remaining contractual life (months) | - | | | | | 42 |

# Notes to the Financial Statements (continued)
30 June 2013

## 19. EMPLOYEES' SHARE OPTIONS SCHEME ('ESOS') (continued)

The details of share options outstanding at the end of the financial year are as follows:

| 2013 | Weighted average exercise price RM | Exercise period |
|---|---|---|
| 2012 options [(1)] | 1.06 | 1.7.2012 – 16.1.2016[(2)] |
| | 1.06 | 30.4.2013 – 16.1.2016[(2)] |
| **2012** | | |
| 2012 options [(1)] | 1.06 | 1.7.2012 – 16.1.2016[(2)] |
| | 1.06 | 30.4.2013 – 16.1.2016[(2)] |

(1) *50% exercisable in financial year ended 2012 and the remaining 50% commencing 30 April 2013 and thereafter.*

(2) *Commencing from 17 January 2011, subject to the Directors' absolute discretion without having to obtain approval of the Company's shareholders to extend the ESOS period but in aggregate shall not exceed the duration of ten years (subject to other terms and conditions of the ESOS By-Laws).*

The fair value of services received in return for share options granted was based on the fair value of share options granted, measured using the Black Scholes model, with the following inputs:

| Fair value of share options and assumptions | 2012 |
|---|---|
| Fair value at grant date | RM0.121 |
| Weighted average share price | RM1.16 |
| Weighted average exercise price | RM1.06 |
| Expected volatility | 10.0% |
| Expected life | 5 years |
| Risk free interest rate | 3.577% |

**Value of employee services received for issue of share options**

| | Group 2012 RM |
|---|---|
| Share options granted under share options scheme | 1,813,760 |

In the previous financial year, the share options expense was not recognised in the statement of profit or loss and other comprehensive income of the Company as it had been recharged to the subsidiaries benefiting from the services of the employees.

Share options exercised during the financial year resulted in the issuance of 4,688,500 (2012: Nil) ordinary shares at RM1.06 (2012: RM Nil) each. The related weighted average ordinary share price at the date of exercise was RM1.43 (2012: RM Nil).

During the financial year, there were no share options granted.

# Notes to the Financial Statements (continued)
30 June 2013

## 20. DEFERRED REVENUE

| | Group 2013 RM | 2012 RM |
|---|---|---|
| Deferred revenue | 152,521,110 | 37,809,268 |

Movements of the deferred revenue from the disposal of land held for sale are as follows:

| Group | Reclaimed land component RM | Infrastructure cost component RM | Total RM |
|---|---|---|---|
| At 1 July 2011 | 116,709,646 | 8,416,306 | 125,125,952 |
| Additions during the financial year | 45,850,069 | - | 45,850,069 |
| Recognised in profit or loss (Note 25) | (133,166,753) | - | (133,166,753) |
| At 30 June 2012 | 29,392,962 | 8,416,306 | 37,809,268 |
| Additions during the financial year | 103,329,309 | 26,520,059 | 129,849,368 |
| Recognised in profit or loss (Note 25) | (15,137,526) | - | (15,137,526) |
| At 30 June 2013 | 117,584,745 | 34,936,365 | 152,521,110 |

## 21. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:

| | Group 2013 RM | 2012 RM |
|---|---|---|
| At 1 July 2012/2011 | 8,967,165 | 10,202,128 |
| Recognised in profit or loss (Note 29) | (1,770,077) | (1,234,963) |
| At 30 June 2013/2012 | 7,197,088 | 8,967,165 |
| Presented after appropriate offsetting: | | |
| Deferred tax assets, net | (4,390,506) | (2,230,390) |
| Deferred tax liabilities, net | 11,587,594 | 11,197,555 |
| | 7,197,088 | 8,967,165 |

# Notes to the Financial Statements (continued)
30 June 2013

## 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 of the Group**

| | Property, plant and equipment RM | Others RM | Total RM |
|---|---|---|---|
| At 1 July 2011 | 10,377,202 | 16,132 | 10,393,334 |
| Recognised in profit or loss (Note 29) | 820,353 | (16,132) | 804,221 |
| At 30 June 2012 | 11,197,555 | - | 11,197,555 |
| Recognised in profit or loss (Note 29) | 390,039 | - | 390,039 |
| At 30 June 2013 | 11,587,594 | - | 11,587,594 |

**Deferred tax assets of the Group**

| | Inventories RM | Property, plant and equipment RM | Unused tax losses and unabsorbed capital allowances RM | Others RM | Total RM |
|---|---|---|---|---|---|
| At 1 July 2011 | - | - | 191,206 | - | 191,206 |
| Recognised in profit or loss (Note 29) | 1,818,204 | 30,132 | 190,848 | - | 2,039,184 |
| At 30 June 2012 | 1,818,204 | 30,132 | 382,054 | - | 2,230,390 |
| Recognised in profit or loss (Note 29) | - | 30,132 | 388,605 | 1,741,379 | 2,160,116 |
| At 30 June 2013 | 1,818,204 | 60,264 | 770,659 | 1,741,379 | 4,390,506 |

(c) The amount of temporary differences for which no deferred tax assets have been recognised in the statement of financial position is as follows:

| | Group 2013 RM | Group 2012 RM |
|---|---|---|
| Other deductible temporary differences, gross | 151,968 | 162,418 |
| Unused tax losses, gross | 9,972,067 | 9,931,074 |
| | 10,124,035 | 10,093,492 |

Deferred tax assets of subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under the current tax legislation.

# Notes to the Financial Statements (continued)

30 June 2013

## 22. TRADE AND OTHER PAYABLES

| | Note | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Amount owing to a related party | (a) | 54,623,835 | 56,645,551 | - | - |
| **Current** | | | | | |
| Trade payables | | | | | |
| - third parties | (b) | 48,263,701 | 18,857,840 | - | - |
| - a related party | (b) | 18,923 | 72,735 | - | - |
| - amount due to contract customers | 13 | 2,221,340 | 6,802,403 | - | - |
| Other payables and accruals | (c) | 21,964,278 | 24,707,879 | 911,351 | 347,777 |
| Amounts owing to related parties | (d) | 90,106,821 | 91,387,164 | 4,660 | 4,660 |
| | | 162,575,063 | 141,828,021 | 916,011 | 352,437 |
| | | 217,198,898 | 198,473,572 | 916,011 | 352,437 |

(a) Non-current amount owing to a related party represents term loan granted to the Group, which is unsecured and subject to interest at the rate of 3% per annum.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2012: 30 days to 90 days).

(c) 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 amounting to RM4,043,768 (2012: RM1,095,429).

(d) Amounts owing to related parties represent advances and payments made on behalf, which are unsecured, interest free and repayable on demand in cash and cash equivalents.

(e) The currency exposure profile of trade and other payables are as follows:

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Ringgit Malaysia | 153,163,117 | 130,539,201 | 916,011 | 352,437 |
| Singapore Dollar | 61,557,428 | 65,341,331 | - | - |
| US Dollar | 2,478,353 | 2,593,040 | - | - |
| | 217,198,898 | 198,473,572 | 916,011 | 352,437 |

(f) Information on financial risks of trade and other payables is disclosed in Note 36 to the financial statements.

# Notes to the Financial Statements (continued)
30 June 2013

## 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 which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. The Group has aggregated future minimum lease commitments as at the end of each reporting period as follows:

| | Group | |
|---|---|---|
| | **2013 RM** | **2012 RM** |
| Not later than one (1) year | 71,912 | 35,505 |
| Later than one (1) year but not later than five (5) years | 59,334 | 11,670 |
| | 131,246 | 47,175 |

(b) Capital commitment

| | Group | |
|---|---|---|
| | **2013 RM** | **2012 RM** |
| Capital expenditure in respect of purchase of property, plant and equipment: | | |
| Contracted but not provided for | 6,014,417 | 6,014,417 |

## 24. CONTINGENT LIABILITIES

| | Company | |
|---|---|---|
| | **2013 RM** | **2012 RM** |
| **Secured** | | |
| Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiaries | 17,627,998 | 16,816,146 |

The Directors are of the view that the chances of the financial institutions calling upon the corporate guarantees are remote.

# Notes to the Financial Statements (continued)
30 June 2013

## 25. REVENUE

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Marine construction | | | | |
| - Contract revenue and sales of marine construction materials | 230,494,391 | 151,110,460 | - | - |
| - Disposal of land held for sale (Note 20) | 15,137,526 | 133,166,753 | - | - |
| Vessels chartering and transportation income | 20,202,967 | 4,747,793 | - | - |
| Dividend income | - | - | 17,000,000 | 30,787,136 |
| | 265,834,884 | 289,025,006 | 17,000,000 | 30,787,136 |

## 26. COST OF SALES

| | Group 2013 RM | Group 2012 RM |
|---|---|---|
| Marine construction | | |
| - Contract works and sales of marine construction materials | 123,276,763 | 59,397,468 |
| - Disposal of land held for sale and other miscellaneous cost | 10,793,686 | 68,987,284 |
| Shipbuilding, repair and maintenance | 6,068,859 | 10,861,653 |
| Vessels chartering and transportation services | 28,826,403 | 19,508,014 |
| | 168,965,711 | 158,754,419 |

## 27. FINANCE COSTS

| | Group 2013 RM | Group 2012 RM |
|---|---|---|
| Interest expense on: | | |
| - bank overdraft | - | 1,217 |
| - hire purchase | 61,692 | 91,927 |
| - letter of credit and trust receipt | 59,304 | 98,221 |
| - term loans | 3,682,687 | 5,535,022 |
| - others | 60,158 | 64,412 |
| | 3,863,841 | 5,790,799 |

# Notes to the Financial Statements (continued)

30 June 2013

## 28. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

| | Note | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|---|
| Auditors' remuneration | | | | | |
| - statutory audits | | | | | |
| - current year | | 306,773 | 286,133 | 56,000 | 55,000 |
| - over provision in prior years | | - | (6,050) | - | - |
| Bad debts written off | | 500 | - | - | - |
| Depreciation of property, plant and equipment | 7 | 10,907,110 | 10,831,348 | - | - |
| Directors' remuneration: | | | | | |
| - fees | | 240,000 | 168,000 | 240,000 | 168,000 |
| - salaries and other emoluments | | 6,592,965 | 5,911,675 | 388,712 | 232,012 |
| Impairment losses on: | | | | | |
| - amount due from a contract customer | 12 | 740,200 | - | - | - |
| - investment in a subsidiary | 8 | - | - | 3,678,253 | - |
| - property, plant and equipment | 7 | 4,701,394 | - | - | - |
| - trade and other receivables | 12 | 1,071,970 | - | 114,544 | - |
| Loss on disposal of property, plant and equipment | | 2,442,665 | 988,043 | - | - |
| Loss on foreign exchange: | | | | | |
| - Realised | | 115,390 | 76,101 | - | - |
| - Unrealised | | 357,042 | 2,351,388 | - | - |
| Property, plant and equipment written off | 7 | 1,025 | 12,240 | - | - |
| Rental paid/payable for: | | | | | |
| - land and premises | | 28,550 | 47,100 | - | - |
| - plant and machinery, marine and office equipment | | 4,377 | 6,524 | - | - |
| And crediting: | | | | | |
| Dividend income from a subsidiary | 25 | - | - | 17,000,000 | 30,787,136 |
| Gain on disposal of unit trust | | 247,354 | - | 105,332 | - |
| Gross dividend received from shares quoted in Malaysia | | 252,925 | 299,012 | - | - |
| Interest income from: | | | | | |
| - fixed deposits | | 721,897 | 726,930 | 12,077 | 80,233 |
| - others | | 785,287 | 835,662 | 88,333 | 96,370 |

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM142,183 (2012: RM639,345).

# Notes to the Financial Statements (continued)
30 June 2013

## 29. TAX EXPENSE

| | Group 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Current tax expense based on profit for the financial year: | | | | |
| - Malaysian income tax | 11,138,037 | 17,882,156 | 20,247 | 787,136 |
| - Foreign income tax | 79,992 | 68,731 | - | - |
| | 11,218,029 | 17,950,887 | 20,247 | 787,136 |
| (Over)/Under-provision in prior years | (549,566) | 858,227 | (270,088) | - |
| | 10,668,463 | 18,809,114 | (249,841) | 787,136 |
| Deferred tax (Note 21): | | | | |
| Relating to origination and reversal of temporary differences | (1,611,934) | (1,205,391) | - | - |
| Over-provision in prior years | (158,143) | (29,572) | - | - |
| | (1,770,077) | (1,234,963) | - | - |
| Total tax expense/(income) | 8,898,386 | 17,574,151 | (249,841) | 787,136 |

The Malaysian income tax is calculated at the statutory tax rate of 25% (2012: 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.

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 2013 RM | Group 2012 RM | Company 2013 RM | Company 2012 RM |
|---|---|---|---|---|
| Tax at Malaysian statutory tax rate of 25% (2012: 25%) | 16,389,992 | 25,060,319 | 2,914,560 | 7,364,477 |
| Tax effects in respect of: | | | | |
| Non-allowable expenses | 3,512,627 | 2,159,928 | 1,382,020 | 376,457 |
| Non-taxable income | (325,767) | (2,575,927) | (4,276,333) | (6,953,798) |
| Recognition of previously unrecognised tax losses | (53,633) | (21,769) | - | - |
| Deferred tax assets not recognised | 61,269 | 1,858,149 | - | - |
| Difference in foreign tax rates and exemptions | (9,978,393) | (9,735,204) | - | - |
| | 9,606,095 | 16,745,496 | 20,247 | 787,136 |
| (Over)/Under provision in prior years | | | | |
| - current tax expense | (549,566) | 858,227 | (270,088) | - |
| - deferred tax expense | (158,143) | (29,572) | - | - |
| Tax expense/(income) | 8,898,386 | 17,574,151 | (249,841) | 787,136 |

# Notes to the Financial Statements (continued)
30 June 2013

## 29. TAX EXPENSE (continued)

Tax savings of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Arising from utilisation of previously unrecognised tax losses | 53,633 | 21,769 | - | - |

## 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 parent by the weighted average number of ordinary shares outstanding during the financial year.

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| Profit attributable to owners of the parent | 56,750,044 | 82,670,257 |

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| Weighted average number of ordinary shares in issue | 803,182,530[1] | 770,825,224[2] |

*(1) Based on the treasury shares held as at 30 June 2013 of 1,334,900, which translates to the effect of weighted average number of ordinary shares of 1,305,533 shares and exercise of ESOS, which translates to the effect of weighted average number of ordinary shares of 1,528,063.*

*(2) Based on the treasury shares held as at 30 June 2012 of 1,148,200, which translates to the effect of weighted average number of ordinary shares of 439,038 shares and Private Placement, which translates to the effect of weighted average number of ordinary shares of 41,264,262.*

| | Group | |
|---|---|---|
| | 2013 sen | 2012 sen |
| Basic earnings per ordinary share | 7.07 | 10.72 |

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners 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.

| | Group | |
|---|---|---|
| | 2013 RM | 2012 RM |
| Profit attributable to owners of the parent | 56,750,044 | 82,670,257 |

# Notes to the Financial Statements (continued)

30 June 2013

## 30. EARNINGS PER SHARE (continued)

(b) Diluted (continued)

| | Group 2013 | Group 2012 |
|---|---|---|
| Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share | 803,182,530 | 770,825,224 |
| Effect of dilution on employee share options | 2,147,955[3] | 1,290,345[4] |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share | 805,330,485 | 772,115,569 |

[3] *The diluted earnings per share has been calculated by dividing the Group's profit attributable to owners of the parent by the weighted average number of shares that would have been issued upon full exercise of the 10,279,500 options under the ESOS granted, adjusted for the number of such shares that would have been issued at fair value.*

[4] *The diluted earnings per share has been calculated by dividing the Group's profit attributable to owners of the parent by the weighted average number of shares that would have been issued upon full exercise of the 14,968,000 options under the ESOS granted, adjusted for the number of such shares that would have been issued at fair value.*

| | Group 2013 sen | Group 2012 sen |
|---|---|---|
| Diluted earnings per ordinary share | 7.05 | 10.71 |

## 31. DIVIDENDS

| | Group 2013 Gross dividend per share sen | Group 2013 Amount of single tier dividend RM | Group 2012 Gross dividend per share sen | Group 2012 Amount of single tier dividend RM |
|---|---|---|---|---|
| Final dividend paid in respect of financial year ended 30 June 2012/2011 | 3 | 24,124,968 | 2 | 16,051,200 |

A final single tier dividend in respect of the financial year ended 30 June 2013 of 2 sen per ordinary share of RM0.25 each, amounting to RM16,126,072 has been proposed by the Directors after the end of the reporting period for shareholders' approval at the forthcoming Annual General Meeting of the Company. The financial statements for the current financial year do not reflect this proposed final single tier dividend. The dividend, if approved by shareholders, shall be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2014.

# Notes to the Financial Statements (continued)

30 June 2013

## 32. EMPLOYEE BENEFITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>RM | 2012<br>RM | 2013<br>RM | 2012<br>RM |
| **Administrative and other expenses** | | | | |
| Wages, salaries and bonuses | 9,301,959 | 8,696,943 | 240,000 | 168,000 |
| Contribution to defined contribution plans | 1,344,073 | 1,284,419 | - | - |
| Other benefits | 722,434 | 677,918 | 448,848 | 284,282 |
| Share options granted under share options scheme | - | 1,813,760 | - | - |
| | 11,368,466 | 12,473,040 | 688,848 | 452,282 |
| **Capitalised in contract customers** | | | | |
| Salaries, wages, bonuses and allowances | 5,054,765 | 5,911,348 | - | - |
| Contribution to defined contribution plan | 164,858 | 143,082 | - | - |
| | 5,219,623 | 6,054,430 | - | - |
| | 16,588,089 | 18,527,470 | 688,848 | 452,282 |

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM6,561,965 (2012: RM5,890,675) and RM357,712 (2012: RM211,012) respectively.

## 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 companies.

# Notes to the Financial Statements (continued)

30 June 2013

## 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:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>RM | 2012<br>RM | 2013<br>RM | 2012<br>RM |
| ***With related companies in which the Directors have substantial financial interests:*** | | | | |
| Contract revenue earned from: | | | | |
| - Haruman Utama Sdn. Bhd. | 6,675,005 | 593,136 | - | - |
| - Strategic Oscar Sdn. Bhd. | 7,620,973 | 3,526,253 | - | - |
| - Benalec Marine Sdn. Bhd. | - | 203,676 | - | - |
| - Sentosacove Sdn. Bhd. | 173,084,331 | 79,752,828 | - | - |
| - Oceanfront Land Sdn. Bhd.<br>- Oceanic Sdn. Bhd.<br>- Oceanview Property Sdn. Bhd.<br>- Atlantic Property Sdn. Bhd. | 26,401,997 | 2,876,905 | - | - |
| Rental of land and premises paid/payable to: | | | | |
| - Orientalcrest Realty Sdn. Bhd. | 12,650 | 27,600 | - | - |
| Supply of construction materials from: | | | | |
| - Oriental Grandeur Marine Sdn. Bhd. | 9,135 | - | - | - |
| ***With a subsidiary*** | | | | |
| Dividend income receivable from BSB | - | - | 17,000,000 | 30,787,136 |

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

***Other related party transactions***

Included in the Statement of Profit or Loss and Other Comprehensive Income of the previous financial year was revenue of RM28,067,191 attributable to two (2) land sale transactions, which were concluded in January and March 2012 respectively. The said transactions have recently been uncovered as related party transactions linked to Datuk Leaw Tua Choon and Datuk Leaw Ah Chye, both of whom were Executive Directors of the Company at the material time. These transactions should have been disclosed, by way of announcements to Bursa Malaysia Securities Berhad and by way of notes in the financial statements and annual report of the previous financial year, as related party transactions. The reason for the non-disclosure is cited in Note 38 to the financial statements.

## 33. RELATED PARTY DISCLOSURES (continued)

(b) Based on the then review of the comparative pricing of the land within the vicinity for the said related party transaction, the Board was satisfied that there were no indications that the consideration of RM28 per square foot at which both transactions were concluded was below the fair market rate prevailing at that time. However, in the event that any new evidence should come to the knowledge of the Group, which indicates otherwise, the Group shall reserve all of its legal rights to recover the price differential, if any, and to take any other actions as appropriate.

(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 and of the Company.

The remuneration of Directors and other key management personnel during the financial year were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Short term employee benefits | 6,618,188 | 6,061,130 | 284,000 | 196,500 |
| Contributions to defined contribution plans | 1,064,680 | 1,020,302 | - | - |
| Share options granted under share options scheme | - | 895,898 | - | - |
| | 7,682,868 | 7,977,330 | 284,000 | 196,500 |

Executive Directors of the Group and the Company and other key management personnel have been granted the following number of options under the Employee Share Options Scheme ('ESOS'):

| | Group and Company | |
|---|---|---|
| | 2013 | 2012 |
| As at 1 July 2012/2011 | 7,398,000 | - |
| Granted | - | 7,398,000 |
| Exercised | (1,170,000) | - |
| As at 30 June 2013/2012 | 6,228,000 | 7,398,000 |

## 34. OPERATING SEGMENTS

Benalec Holdings Berhad and its subsidiaries are principally engaged in marine construction and civil engineering, disposal of land held for sale, vessel chartering, shipbuilding (including ship repair, maintenance, fabrication and refurbishment) and ship trading and investment holding. The Group's marine construction and civil engineering activities and disposal of land held for sale are mainly undertaken by BSB, a wholly-owned subsidiary of the Company.

# Notes to the Financial Statements (continued)
30 June 2013

**34. OPERATING SEGMENTS (continued)**

The Group has arrived at four (4) reportable segments that are organised and managed separately according to the nature of the operations, which require different business strategies. The reportable segments are summarised as follows:

(i) Marine construction

(a) Land reclamation services

Providing marine construction services, which include the following:
i. land reclamation, dredging and beach nourishment;
ii. rock revetment works, shore protection works and breakwater construction;
iii. pre-bore and marine piling;
iv. construction of marine structures, bridges, jetties, ports and other offshore and ancillary services; and
v. sales of marine construction materials.

(b) Disposal of land held for sale

Disposal of reclaimed land received as a compensation of in-kind settlement contract, which are available for immediate sale in its present condition.

(ii) Vessel chartering and marine transportation

Chartering of vessels on time and voyage charters.

(iii) Shipbuilding

Shipbuilding and providing ship repair, maintenance, fabrication and refurbishment services.

Other operating 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, and also excluding the effects of share-based payments and retirement benefit obligations.

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 and assets used primarily for corporate purposes. 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.

## Notes to the Financial Statements (continued)

30 June 2013

### 34. OPERATING SEGMENTS (continued)

| 2013 | ← Marine construction → Land reclamation services RM | Disposal of land held for sale RM | Vessel chartering RM | Shipbuilding RM | Others RM | Total RM |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Total revenue | 317,143,772 | 15,137,526 | 75,066,215 | 9,603,120 | 17,000,000 | 433,950,633 |
| Inter-segment revenue | (86,649,381) | - | (54,863,248) | (9,603,120) | (17,000,000) | (168,115,749) |
| **Revenue from external customers** | **230,494,391** | **15,137,526** | **20,202,967** | **-** | **-** | **265,834,884** |
| Interest income | 1,363,846 | - | 13,823 | 23,346 | 106,169 | 1,507,184 |
| Finance costs | (2,556,864) | - | (1,244,259) | (62,718) | - | (3,863,841) |
| Net finance expense/(income) | (1,193,018) | - | (1,230,436) | (39,372) | 106,169 | (2,356,657) |
| **Segment profit/(loss) before tax** | **58,273,583** | **4,343,840** | **35,901,341** | **(378,627)** | **11,585,608** | **109,725,745** |
| Income tax (expense)/income | (7,564,505) | (1,085,960) | (496,708) | - | 248,787 | (8,898,386) |
| Other material non-cash items: | | | | | | |
| - Depreciation | (3,316,373) | - | (7,212,620) | (378,117) | - | (10,907,110) |
| - Impairment losses on: | | | | | | |
| - Amount due from a contract customer | (740,200) | - | - | - | - | (740,200) |
| - Property, plant and equipment | - | - | (4,701,394) | - | - | (4,701,394) |
| - Trade and other receivables | (1,071,970) | - | - | - | - | (1,071,970) |
| Additions to non-current assets | 2,192,897 | - | - | 419,008 | - | 2,611,905 |
| **Segment assets** | **481,496,805** | **289,221,226** | **159,716,473** | **21,751,523** | **4,931,609** | **957,117,636** |
| **Segment liabilities** | **174,821,283** | **152,521,110** | **70,501,562** | **1,986,333** | **1,151,301** | **400,981,589** |

## 34. OPERATING SEGMENTS (continued)

| 2012 | ← Marine construction → Land reclamation services RM | Disposal of land held for sale RM | Vessel chartering RM | Shipbuilding RM | Others RM | Total RM |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Total revenue | 194,645,675 | 133,166,753 | 74,640,266 | 6,000,000 | 30,787,136 | 439,239,830 |
| Inter-segment revenue | (43,535,215) | - | (69,892,473) | (6,000,000) | (30,787,136) | (150,214,824) |
| **Revenue from external customers** | **151,110,460** | **133,166,753** | **4,747,793** | **-** | **-** | **289,025,006** |
| Interest income | 1,331,118 | - | 137 | 23,084 | 208,253 | 1,562,592 |
| Finance costs | (3,242,917) | - | (2,461,865) | (86,017) | - | (5,790,799) |
| Net finance expense | (1,911,799) | - | (2,461,728) | (62,933) | 208,253 | (4,228,207) |
| **Segment profit/(loss) before tax** | **3,914,681** | **64,179,469** | **49,195,901** | **(7,549,789)** | **29,395,528** | **139,135,790** |
| Income tax (expense)/income | (1,279,546) | (16,044,867) | (269,821) | 27,307 | (7,224) | (17,574,151) |
| Other material non-cash items: | | | | | | |
| - Depreciation | (3,350,241) | - | (7,116,003) | (365,104) | - | (10,831,348) |
| Additions to non-current assets | 8,050,233 | - | 998,046 | 2,068,016 | - | 11,116,295 |
| **Segment assets** | **360,839,384** | **237,492,199** | **179,544,604** | **22,584,495** | **10,588,353** | **811,049,035** |
| **Segment liabilities** | **168,223,316** | **37,809,268** | **74,326,256** | **3,542,045** | **557,907** | **284,458,792** |

# Notes to the Financial Statements (continued)
30 June 2013

## 34. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

| | 2013 RM | 2012 RM |
|---|---|---|
| **Revenue** | | |
| Total revenue for reportable segments | 433,950,633 | 439,239,830 |
| Elimination of inter-segment revenues | (168,115,749) | (150,214,824) |
| Revenue of the Group per consolidated statements of profit or loss and other comprehensive income | 265,834,884 | 289,025,006 |
| **Profit for the financial year** | | |
| Total profit for reportable segments | 109,725,745 | 139,135,790 |
| Share options granted under shares options scheme | - | (1,813,760) |
| Elimination of inter-segment profits | (44,165,778) | (37,080,755) |
| Profit before tax | 65,559,967 | 100,241,275 |
| Tax expense | (8,898,386) | (17,574,151) |
| Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income | 56,661,581 | 82,667,124 |
| **Assets** | | |
| Total assets for reportable segments | 957,117,636 | 811,049,035 |
| Unallocated assets: | | |
| - Other investments | 38,464 | 33,745 |
| - Current tax assets | 8,145,838 | 396,809 |
| Assets of the Group per consolidated statement of financial position | 965,301,938 | 811,479,589 |
| **Liabilities** | | |
| Total liabilities for reportable segments | 400,981,589 | 284,458,792 |
| Unallocated liabilities: | | |
| - Current tax liabilities | 178,652 | 1,661,681 |
| - Deferred tax liabilities | 7,197,088 | 8,967,165 |
| Liabilities of the Group per consolidated statement of financial position | 408,357,329 | 295,087,638 |

# Notes to the Financial Statements (continued)
30 June 2013

## 34. OPERATING SEGMENTS (continued)

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 and resides. The non-current assets do not include financial instruments.

| | Group | |
|---|---|---|
| | 2013<br>RM | 2012<br>RM |
| **Revenue from external customers** | | |
| Malaysia | 265,834,884 | 284,277,213 |
| Singapore | - | 4,747,793 |
| | 265,834,884 | 289,025,006 |
| **Non-current assets** | | |
| Malaysia | 152,434,767 | 175,974,241 |
| Singapore | 61,643,564 | 64,084,470 |
| | 214,078,331 | 240,058,711 |

Major customers

The following are major customers with revenue equal to or more than ten per centum (10%) of Group revenue for current and prior year:

| | Group | |
|---|---|---|
| | 2013<br>RM | 2012<br>RM |
| Customer A | 173,084,331 | 79,752,828 |
| Customer B | - | 45,567,323 |
| | 173,084,331 | 125,320,151 |

The above customers are related to the marine construction segment.

# Notes to the Financial Statements (continued)

30 June 2013

## 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 whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in financial year ended 30 June 2012.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order 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 2013 and 30 June 2012. Pursuant to the banking facilities granted to a 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 loan was settled in full in August 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's strategy is to maintain the balance between debt and equity and to ensure sufficient cash flows to repay its liabilities as and when they fall due. The Group includes net debts, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent less the fair value adjustment reserve.

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM | 2012 RM | 2013 RM | 2012 RM |
| Borrowings | 31,261,581 | 48,175,952 | - | - |
| Trade and other payables | 217,198,898 | 198,473,572 | 916,011 | 352,437 |
| Financial debts | 248,460,479 | 246,649,524 | 916,011 | 352,437 |
| Cash and cash equivalents | (40,163,226) | (130,517,735) | (218,304) | (5,980,495) |
| Net debts/(cash) | 208,297,253 | 116,131,789 | 697,707 | (5,628,058) |
| Total equity | 554,060,020 | 516,417,618 | 373,898,012 | 381,375,619 |
| Net debts | 208,297,253 | 116,131,789 | 697,707 | - |
| Total equity plus net debts | 762,357,273 | 632,549,407 | 374,595,719 | 381,375,619 |
| Gearing ratio (%) | 27.32 | 18.36 | 0.19 | - |

# Notes to the Financial Statements (continued)
30 June 2013

## 35. FINANCIAL INSTRUMENTS (continued)

(a) Capital management (continued)

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, 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 for the financial year ended 30 June 2013.

(b) Financial instruments

| Group<br>2013 | Loans and receivables<br>RM | Available-for-sale<br>RM | Total<br>RM |
|---|---|---|---|
| **Financial assets** | | | |
| Other investments | - | 38,464 | 38,464 |
| Trade and other receivables, net of prepayments | 481,537,965 | - | 481,537,965 |
| Cash and cash equivalents | 40,163,226 | - | 40,163,226 |
| | 521,701,191 | 38,464 | 521,739,655 |

| | Other financial liabilities<br>RM | Total<br>RM |
|---|---|---|
| **Financial liabilities** | | |
| Borrowings | 31,261,581 | 31,261,581 |
| Trade and other payables | 217,198,898 | 217,198,898 |
| | 248,460,479 | 248,460,479 |

| Company<br>2013 | Loans and receivables<br>RM | Total<br>RM |
|---|---|---|
| **Financial assets** | | |
| Other receivables and deposits | 220,505,133 | 220,505,133 |
| Cash and cash equivalents | 218,304 | 218,304 |
| | 220,723,437 | 220,723,437 |

# Notes to the Financial Statements (continued)
30 June 2013

## 35. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments (continued)

| Company 2013 | Other financial liabilities RM | Total RM |
|---|---|---|
| **Financial liabilities** | | |
| Other payables and accruals | 916,011 | 916,011 |

| Group 2012 | Loans and receivables RM | Available-for-sale RM | Total RM |
|---|---|---|---|
| **Financial assets** | | | |
| Other investments | - | 33,745 | 33,745 |
| Trade and other receivables, net of prepayments | 234,797,569 | - | 234,797,569 |
| Cash and cash equivalents | 130,517,735 | - | 130,517,735 |
| | 365,315,304 | 33,745 | 365,349,049 |

| | Other financial liabilities RM | Total RM |
|---|---|---|
| **Financial liabilities** | | |
| Borrowings | 48,175,952 | 48,175,952 |
| Trade and other payables | 198,473,572 | 198,473,572 |
| | 246,649,524 | 246,649,524 |

| Company 2012 | Loans and receivables RM | Total RM |
|---|---|---|
| **Financial assets** | | |
| Other receivables and deposits | 218,236,563 | 218,236,563 |
| Cash and cash equivalents | 5,980,495 | 5,980,495 |
| | 224,217,058 | 224,217,058 |

# Notes to the Financial Statements (continued)
30 June 2013

## 35. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments (continued)

| Company 2012 | Other financial liabilities RM | Total RM |
|---|---|---|
| **Financial liabilities** | | |
| Other payables and accruals | 352,437 | 352,437 |

(c) Fair values of financial instruments

The fair values of financial instruments that are not carried at fair values and whose carrying amounts do not approximate their fair values are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| **2013** | **Carrying Amount RM** | **Fair value RM** | **Carrying amount RM** | **Fair value RM** |
| **Recognised** | | | | |
| **Financial liabilities** | | | | |
| Hire purchase | 1,650,088 | 1,524,307 | - | - |
| Amount owing to a related party | | | | |
| - term loan | 54,623,835 | 53,421,844 | - | - |
| **Unrecognised** | | | | |
| Contingent liabilities | - | - | - | 105,871 |

| | Group | | Company | |
|---|---|---|---|---|
| **2012** | **Carrying Amount RM** | **Fair value RM** | **Carrying amount RM** | **Fair value RM** |
| **Recognised** | | | | |
| **Financial liabilities** | | | | |
| Hire purchase | 1,431,821 | 1,323,829 | - | - |
| Amount owing to a related party | | | | |
| - term loan | 56,645,551 | 55,399,074 | - | - |
| **Unrecognised** | | | | |
| Contingent liabilities | - | - | - | 127,209 |

# Notes to the Financial Statements (continued)
30 June 2013

**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 values and whose carrying amounts are reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each 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

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar instruments at the end of each reporting period.

(iii) Other investments – quoted shares in Malaysia

The fair value of quoted investments in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business on the end of each reporting period.

(e) Fair value hierarchy

The following information 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 RM38,464 (2012: RM33,745).

There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 30 June 2013 and 30 June 2012.

# Notes to the Financial Statements (continued)
30 June 2013

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group 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.

The Group is exposed mainly to foreign currency risk, interest rate risk, liquidity and cash flow risk, credit risk and market 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 would 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

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the United States Dollar and Singapore Dollar exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

| | | Group | |
|---|---|---|---|
| | | 2013 RM | 2012 RM |
| **Profit after tax** | | | |
| USD/RM | • strengthen by 2% (2012: 2%) | +133,051 | +50,732 |
| | • weaken by 2% (2012: 2%) | -133,051 | -50,732 |
| SGD/RM | • strengthen by 2% (2012: 2%) | -906,928 | -967,080 |
| | • weaken by 2% (2012: 2%) | +906,928 | +967,080 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and the Company would fluctuate because of changes in market interest rates.

The exposure of the Group 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

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by thirty (30) basis points with all other variables held constant:

| | Group | |
|---|---|---|
| | 2013<br>RM | 2012<br>RM |
| **Profit after tax** | | |
| • Increased by 0.3% (2012: 0.3%) | -37,694 | -55,674 |
| • Decreased by 0.3% (2012: 0.3%) | +37,694 | +55,674 |

The sensitivity is lower in 2013 than in 2012 because of a decrease in outstanding borrowings during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

# Notes to the Financial Statements (continued)
30 June 2013

## 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 each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

| Group | Note | Weighted average effective interest rate % | Within 1 year RM | 2 to 5 years RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|
| **At 30 June 2013** | | | | | | |
| **Fixed rates** | | | | | | |
| Deposits with licensed financial institutions | 14 | 2.74 | 25,973,524 | - | - | 25,973,524 |
| Hire purchase | 18 | 4.79 | (677,155) | (972,933) | - | (1,650,088) |
| Amount owing to a related party | 22 | 3.00 | - | (54,623,835) | - | (54,623,835) |
| Term loans | 17 | 6.50 | (12,000,000) | - | - | (12,000,000) |
| **Floating rates** | | | | | | |
| Term loans | 17 | 6.70 | (6,001,027) | (9,233,411) | (1,518,756) | (16,753,194) |
| Overdraft | 17 | 7.85 | (858,299) | - | - | (858,299) |
| **At 30 June 2012** | | | | | | |
| **Fixed rates** | | | | | | |
| Deposits with licensed financial institutions | 14 | 2.66 | 26,345,697 | - | - | 26,345,697 |
| Hire purchase | 18 | 5.41 | (864,774) | (567,047) | - | (1,431,821) |
| Amount owing to a related party | 22 | 3.00 | - | (56,645,551) | - | (56,645,551) |
| Term loans | 17 | 6.50 | (10,000,000) | (12,000,000) | - | (22,000,000) |
| **Floating rates** | | | | | | |
| Term loans | 17 | 5.80 | (8,000,064) | (16,403,769) | (340,298) | (24,744,131) |

# Notes to the Financial Statements (continued)
30 June 2013

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

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 2013** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 162,575,063 | 54,825,450 | - | 217,400,513 |
| Loans and borrowings | 19,701,728 | 11,367,181 | 1,721,766 | 32,790,675 |
| Total undiscounted financial liabilities | 182,276,791 | 66,192,631 | 1,721,766 | 250,191,188 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Other payables and accruals | 916,011 | - | - | 916,011 |
| **At 30 June 2012** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 141,828,021 | 58,012,065 | - | 199,840,086 |
| Loans and borrowings | 21,198,894 | 29,348,323 | 2,226,941 | 52,774,158 |
| Total undiscounted financial liabilities | 163,026,915 | 87,360,388 | 2,226,941 | 252,614,244 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Other payables and accruals | 352,437 | - | - | 352,437 |

# Notes to the Financial Statements (continued)
30 June 2013

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Credit risk

Cash deposits and receivables could 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 policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of two (2) months, extending up to three (3) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and the Company to credit risk is represented by the carrying amount of each class of 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 credit enhancements for trade and other receivables is disclosed in Note 12 to the financial statements.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of each reporting period are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **RM** | **% of total** | **RM** | **% of total** |
| **By country** | | | | |
| Malaysia | 126,762,786 | 100.00% | 79,732,484 | 100.00% |
| **By industry sectors** | | | | |
| Marine construction | | | | |
| - Land reclamation services | 11,372,297 | 8.97% | 25,705,493 | 32.24% |
| - Disposal of land held for sale | 115,390,489 | 91.03% | 54,026,991 | 67.76% |
| | 126,762,786 | 100.00% | 79,732,484 | 100.00% |

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(iv) Credit risk (continued)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 12 to the financial statements. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 to the financial statements.

(v) Market risk

Market risk is the risk that the fair value of future cash flows of the Group's financial instruments would fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risks arising from quoted investments held by the Group. Quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities and are held for strategic rather than trading purposes. 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 RM38,464 (2012: RM33,745). There has been no change to the exposure of the Group to market risks 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) On 6 September 2012, the Company announced that SBSB had entered into a Development Agreement ('DA') with the State Government of Johor Darul Ta'zim ('the State Government') and the State Secretary, Johor (Incorporated) ('S.S.I.') and a DA between SKSB, the State Government and S.S.I. on the following reclamation works:

(i) SBSB - Reclamation works on that portion of the coast of Pengerang, State of Johor measuring 1,760 acres; and

(ii) SKSB - Reclamation works on that portion of the coast of Tanjung Piai, State of Johor measuring 3,485 acres.

The DAs are subject to the following conditions precedent:

(i) a hydraulic study and final survey shall be conducted;

(ii) the environmental impact assessment (EIA) approval shall be obtained; and

(iii) SBSB and SKSB to increase its paid-up share capital to RM5,000,000 respectively.

SKSB and SBSB are in the progress of conducting hydraulic study and final survey to obtain approval on EIA.

# Notes to the Financial Statements (continued)

30 June 2013

**37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)**

(b) On 21 December 2012, OPSB, ORSB, HLSB, HPSB, all of which are wholly-owned subsidiaries of BSB which in turn is a wholly-owned subsidiary of the Company, entered into conditional sale and purchase agreements with Oceancove Development Sdn. Bhd. ('ODSB'), Strategic Property Sdn. Bhd. ('SPSB') and Oceanfront Development Sdn Bhd. ('OCDSB'), companies in which Datuk Leaw Tua Choon and persons connected are major shareholders/directors, for the disposal of sixteen (16) parcels of leasehold land measuring in aggregate approximately 79.49 acres for a total disposal consideration of RM96,952,363 to be satisfied entirely in cash.

During the financial year, the Group received 30% deposits amounting to RM29,085,709 from ODSB, SPSB and OCDSB. The remaining balance was due on 10 September 2013, which was three (3) months from the date of consent of the shareholders obtained at the Extraordinary General Meeting held on 11 June 2013. The Group had granted the purchasers a further extension of one (1) month from 11 September 2013 subject to the purchasers paying the Group interest at the rate of eight per centum (8%) per annum on the outstanding balance. The above remaining balance of RM67,866,654 and the interest accrued thereon amounting to RM431,890 were subsequently received on 11 October 2013.

(c) On 12 March 2013, the Company announced that SKSB entered into a binding term sheet ('the Term Sheet') with S.S.I. and 1MY Strategic Oil Terminal Sdn. Bhd. ('the Parties') to undertake the reclamation works and sale of approximately 1,000 acres of land off the coast of Tanjung Piai, Johor Darul Ta'zim for the purpose of constructing and operating a crude oil and petroleum storage facility together with a private jetty. The Parties agreed to negotiate in good faith with a view to finalising and executing a legally binding sale and purchase agreement in respect of the Term Sheet at the earlier of the expiry of three (3) months from the date of the Term Sheet or the execution of the Sale and Purchase Agreement or such other periods as may be mutually agreed by the Parties.

The Parties had mutually agreed to extend the period of validity of the Term Sheet for an additional duration of six (6) months from 12 June 2013 until 11 December 2013 or such other date as the Parties may agree in writing to finalise the terms and conditions of the Sale and Purchase Agreement.

**38. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

(a) On 10 July 2013, HLSB, a wholly-owned subsidiary of BSB which in turn is a wholly-owned subsidiary of the Company, entered into sale and purchase agreements with Highbond Capital Sdn. Bhd. ('HCSB') and Gigayear Revenue Sdn. Bhd. ('GRSB') to dispose of eight (8) parcels of leasehold land held measuring in aggregate approximately 41.55 acres for a total consideration of RM54,314,528.

During the financial year, the Group received 2% deposits amounting to RM1,086,291 from HCSB and GRSB. Subsequent to the financial year, the Group received 8% deposits amounting to RM4,345,162 from HCSB and GRSB. The remaining balance was due on 9 October 2013, which was three (3) months from the date of agreements. The Group had granted the purchasers a further extension of two (2) months from 9 October 2013 subject to the purchasers paying the Group interest at the rate of eight per centum (8%) per annum on the outstanding balance.

(b) On 24 September 2013, OCSB, a wholly-owned subsidiary of BSB, which in turn is a wholly-owned subsidiary of the Company, entered into sale and purchase agreement with Ultra Harmony Development Sdn. Bhd. ('UHD') to dispose of six (6) parcels of leasehold land held measuring in aggregate approximately 30.00 acres for a total consideration of RM50,965,200.

Subsequent to the end of the reporting period, the Group received 10% deposits amounting to RM5,096,520 from UHD. The remaining balance is due on 23 December 2013, which is three (3) months from the date of agreement.

# Notes to the Financial Statements (continued)
30 June 2013

## 38. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

(c) On 28 October 2013, HLRSB, a wholly-owned subsidiary of BSB, which in turn is a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Faithview Supreme Development Sdn. Bhd. ('FSDSB') to dispose of eight (8) parcels of leasehold land held measuring in aggregate approximately 29.54 acres for a total consideration of RM51,470,496.

Subsequent to the end of the reporting period, the Group received 10% deposits amounting to RM5,147,050 from FSDSB. The remaining balance is due within three (3) months from the unconditional date as specified in the sale and purchase agreement, which is within one (1) year from the date of the said agreement.

(d) On 7 October 2013, in a specially convened Board of Directors' meeting, a resolution was passed to terminate the service agreements of two (2) of the Executive Directors of the Company, namely Datuk Leaw Tua Choon and Datuk Leaw Ah Chye, by reason of their having committed a serious breach of the terms and conditions of the said service agreements. The nature of the breach pertains to wilful failure of the said Executive Directors to disclose to the Board their direct involvement in two (2) land sale transactions, which were concluded in January and March 2012 respectively between a wholly-owned subsidiary of the Company, namely Strategic Land Sdn. Bhd., as vendor and two (2) companies connected to the said Directors as purchasers (see Note 33 to the financial statements).

Under normal circumstances, these transactions would have been disclosed in an announcement to Bursa Malaysia Securities Berhad as related party transactions subject to the relevant rules and regulations governing such transactions. The Group has made three (3) separate announcements to Bursa Malaysia Securities Berhad in relation to the termination of the aforesaid service agreements. In relation to this, the Group reserves all of its legal rights pursuant to this matter.

## 39. EXPLANATION OF TRANSITION TO MFRSs

The Group and the Company are non-transitioning entities as defined by the MASB, and have adopted the MFRS Framework during the financial year ended 30 June 2013. Accordingly, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 4 to the financial statements have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2013, as well as comparative information presented in these financial statements for the financial year ended 30 June 2012 and in the preparation of the opening MFRS statements of financial position at 1 July 2011 (the date of transition of the Group to MFRSs).

# Notes to the Financial Statements (continued)

30 June 2013

**39. EXPLANATION OF TRANSITION TO MFRSs (continued)**

The Group has adjusted amounts previously reported in financial statements that were prepared in accordance with the previous FRS Frameworks. In preparing the opening statements of financial position at 1 July 2011, an explanation on the impact arising from the transition from FRSs to MFRSs on the Group's financial position, financial performance and cash flows is set out as follows:

(a) Reconciliation of financial position as at 1 July 2011

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | | 245,313,392 | - | 245,313,392 | - | - | - |
| Investments in subsidiaries | | - | - | - | 157,499,998 | - | 157,499,998 |
| Other investments | | 37,404 | - | 37,404 | - | - | - |
| | | 245,350,796 | - | 245,350,796 | 157,499,998 | - | 157,499,998 |
| **Current assets** | | | | | | | |
| Land held for sale | 39(c)(i) | 107,482,881 | (107,482,881) | - | - | - | - |
| Inventories | 39(c)(i) | 7,456,842 | 107,482,881 | 114,939,723 | - | - | - |
| Land reclamation work in progress | | 1,170,000 | - | 1,170,000 | - | - | - |
| Trade and other receivables | 39(c)(i) | 206,760,220 | 122,401,876 | 329,162,096 | 114,960,274 | - | 114,960,274 |
| Current tax assets | | 196,905 | - | 196,905 | - | - | - |
| Cash and cash equivalents | | 69,786,571 | - | 69,786,571 | 165,862 | - | 165,862 |
| | | 392,853,419 | 122,401,876 | 515,255,295 | 115,126,136 | - | 115,126,136 |
| **TOTAL ASSETS** | | 638,204,215 | 122,401,876 | 760,606,091 | 272,626,134 | - | 272,626,134 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity attributable to owners of the parent** | | | | | | | |
| Share capital | | 182,500,000 | - | 182,500,000 | 182,500,000 | - | 182,500,000 |
| Share premium | | 72,545,000 | - | 72,545,000 | 72,545,000 | - | 72,545,000 |
| Exchange translation reserve | 39(c)(ii) | (5,904,675) | 5,904,675 | - | - | - | - |
| Reverse acquisition debit | | (146,069,559) | - | (146,069,559) | - | - | - |
| Available-for-sale reserve | | (24,875) | - | (24,875) | - | - | - |
| Retained earnings | 39(c)(ii) | 243,714,523 | (5,904,675) | 237,809,848 | 17,349,460 | - | 17,349,460 |
| **TOTAL EQUITY** | | 346,760,414 | - | 346,760,414 | 272,394,460 | - | 272,394,460 |

# Notes to the Financial Statements (continued)
30 June 2013

**39. EXPLANATION OF TRANSITION TO MFRSs (continued)**

(a) Reconciliation of financial position as at 1 July 2011 (continued)

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM |
| **LIABILITIES** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Borrowings | | 43,701,244 | - | 43,701,244 | - | - | - |
| Deferred tax liabilities | | 10,202,128 | - | 10,202,128 | - | - | - |
| Trade and other payables | | 28,757,219 | - | 28,757,219 | - | - | - |
| | | 82,660,591 | - | 82,660,591 | - | - | - |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 39(c)(i) | 169,961,060 | (2,724,076) | 167,236,984 | 231,674 | - | 231,674 |
| Borrowings | | 19,210,602 | - | 19,210,602 | - | - | - |
| Deferred revenue | 39(c)(i) | - | 125,125,952 | 125,125,952 | - | - | - |
| Current tax liabilities | | 19,611,548 | - | 19,611,548 | - | - | - |
| | | 208,783,210 | 122,401,876 | 311,185,086 | 231,674 | - | 231,674 |
| **TOTAL LIABILITIES** | | 291,443,801 | 122,401,876 | 413,845,677 | 231,674 | - | 231,674 |
| **TOTAL EQUITY AND LIABILITIES** | | 638,204,215 | 122,401,876 | 760,606,091 | 272,626,134 | - | 272,626,134 |

(b) Reconciliation of financial position as at 30 June 2012

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | | 240,058,711 | - | 240,058,711 | - | - | - |
| Investments in subsidiaries | | - | - | - | 157,499,998 | - | 157,499,998 |
| Other investments | | 33,745 | - | 33,745 | - | - | - |
| | | 240,092,456 | - | 240,092,456 | 157,499,998 | - | 157,499,998 |

# Notes to the Financial Statements (continued)

30 June 2013

## 39. EXPLANATION OF TRANSITION TO MFRSs (continued)

(b) Reconciliation of financial position as at 30 June 2012 (continued)

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM |
| **ASSETS (continued)** | | | | | | | |
| **Current assets** | | | | | | | |
| Land held for sale | 39(c)(i) | 183,465,208 | (183,465,208) | - | - | - | - |
| Inventories | 39(c)(i) | 2,460,622 | 183,465,208 | 185,925,830 | - | - | - |
| Land reclamation work in progress | 39(c)(iv) | 16,933,390 | 2,047,811 | 18,981,201 | - | - | - |
| Trade and other receivables | 39(c)(i),(iv) | 199,804,101 | 35,761,457 | 235,565,558 | 218,236,563 | - | 218,236,563 |
| Current tax assets | | 396,809 | - | 396,809 | 11,000 | - | 11,000 |
| Cash and cash equivalents | | 130,517,735 | - | 130,517,735 | 5,980,495 | - | 5,980,495 |
| | | 533,577,865 | 37,809,268 | 571,387,133 | 224,228,058 | - | 224,228,058 |
| **TOTAL ASSETS** | | 773,670,321 | 37,809,268 | 811,479,589 | 381,728,056 | - | 381,728,056 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity attributable to owners of the parent** | | | | | | | |
| Share capital | | 200,740,000 | - | 200,740,000 | 200,740,000 | - | 200,740,000 |
| Treasury shares | | (1,246,550) | - | (1,246,550) | (1,246,550) | - | (1,246,550) |
| Share premium | | 150,099,376 | - | 150,099,376 | 150,099,376 | - | 150,099,376 |
| Exchange translation reserve | 39(c)(ii) | 747,011 | 5,904,675 | 6,651,686 | - | - | - |
| Reverse acquisition debit | | (146,069,559) | - | (146,069,559) | - | - | - |
| Share options reserve | | 1,813,760 | - | 1,813,760 | 1,813,760 | - | 1,813,760 |
| Available-for-sale reserve | | (28,534) | - | (28,534) | - | - | - |
| Retained earnings | 39(a)(ii) | 310,333,580 | (5,904,675) | 304,428,905 | 29,969,033 | - | 29,969,033 |
| | | 516,389,084 | - | 516,389,084 | 381,375,619 | - | 381,375,619 |
| Non-controlling interests | | 2,867 | - | 2,867 | - | - | - |
| **TOTAL EQUITY** | | 516,391,951 | - | 516,391,951 | 381,375,619 | - | 381,375,619 |
| **LIABILITIES** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Borrowings | | 29,311,114 | - | 29,311,114 | - | - | - |
| Deferred tax liabilities | | 8,967,165 | - | 8,967,165 | - | - | - |
| Trade and other payables | | 56,645,551 | - | 56,645,551 | - | - | - |
| | | 94,923,830 | - | 94,923,830 | - | - | - |

# Notes to the Financial Statements (continued)
30 June 2013

## 39. EXPLANATION OF TRANSITION TO MFRSs (continued)

(b) Reconciliation of financial position as at 30 June 2012 (continued)

| | Note | Group Previously reported under FRSs RM | Group Effect on adoption of MFRSs RM | Group Restated under MFRSs RM | Company Previously reported under FRSs RM | Company Effect on adoption of MFRSs RM | Company Restated under MFRSs RM |
|---|---|---|---|---|---|---|---|
| **LIABILITIES (continued)** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Trade and other payables | | 141,828,021 | - | 141,828,021 | 352,437 | - | 352,437 |
| Borrowings | | 18,864,838 | - | 18,864,838 | - | - | - |
| Deferred revenue | 39(c)(i) | - | 37,809,268 | 37,809,268 | - | - | - |
| Current tax liabilities | | 1,661,681 | - | 1,661,681 | - | - | - |
| | | 162,354,540 | 37,809,268 | 200,163,808 | 352,437 | - | 352,437 |
| **TOTAL LIABILITIES** | | 257,278,370 | 37,809,268 | 295,087,638 | 352,437 | - | 352,437 |
| **TOTAL EQUITY AND LIABILITIES** | | 773,670,321 | 37,809,268 | 811,479,589 | 381,728,056 | - | 381,728,056 |

(c) Reconciliation of profit and loss and other comprehensive income for the financial year ended 30 June 2012

The statements of profit or loss and other comprehensive income for the financial year ended 30 June 2012 have been restated arising from the adoption of MFRS as follows:

| Group | Note | Previously reported under FRSs RM | Effect on adoption of MFRSs RM | Restated under MFRSs RM |
|---|---|---|---|---|
| Revenue | 39(c)(i) | 155,858,253 | 133,166,753 | 289,025,006 |
| Cost of sales | 39(c)(i) | (89,767,135) | (68,987,284) | (158,754,419) |
| Gross profit | | 66,091,118 | 64,179,469 | 130,270,587 |
| Other income | 39(c)(i) | 68,759,549 | (64,179,469) | 4,580,080 |
| Administrative and other expenses | | (28,818,593) | - | (28,818,593) |
| Finance costs | | (5,790,799) | - | (5,790,799) |
| Profit before tax | | 100,241,275 | - | 100,241,275 |
| Tax expense | | (17,574,151) | - | (17,574,151) |
| Profit for the financial year | | 82,667,124 | - | 82,667,124 |
| **Other comprehensive income, net of tax** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Fair value loss on available-for-sale financial assets | | (3,659) | - | (3,659) |
| Foreign currency translation | | 6,651,686 | - | 6,651,686 |
| Total other comprehensive income | | 6,648,027 | - | 6,648,027 |
| Total comprehensive income | | 89,315,151 | - | 89,315,151 |

There is no material impact to the Company's statements of profit or loss and other comprehensive income for the financial year ended 30 June 2012 arising from the transition from FRSs to MFRSs.

# Notes to the Financial Statements (continued)
30 June 2013

## 39. EXPLANATION OF TRANSITION TO MFRSs (continued)

(d) Notes to reconciliation

(i) Revenue recognition of disposal of land held for sale

During the previous financial years, income generated from the disposal of land held for sale were recognised in profit or loss of the Group as other income only upon the transfer of significant risk and rewards of ownership of the land and where the Group retained neither continuing managerial involvement over the land, which coincided with the delivery of land and acceptance by customers.

Upon transition to MFRSs, land held for sale represents inventories in accordance with MFRS 102 *Inventories*. Revenue arising from this transaction would fall within the scope of MFRS 118 *Revenue*, which results in such transactions being recognised as revenue in profit or loss from the ordinary course of business of the Group. The corresponding cost in relation to the disposal of the land held for sale has been recognised in profit or loss as cost of sales.

This has been accounted for retrospectively and has resulted in an increase in trade receivables and deferred revenue respectively in the statements of financial position as at 1 July 2011 and 30 June 2012. This has also resulted in an increase in revenue and cost of sales with a correspondence decrease in other income in the statement of profit or loss and other comprehensive income for the financial year ended 30 June 2012.

(ii) Exchange translation reserve

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

(iii) Retained earnings

The changes made in relation to Note 39(c)(ii) resulted in the following impact on retained earnings:

| | **Group** | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Decrease in retained earnings | 5,904,675 | 5,904,675 |

(iv) Presentation of prepayments and land reclamation work in progress

Upon transition to MFRSs, the Group reclassified prepayments amounting to RM2,047,811 to land reclamation work in progress, which are in accordance with their nature.

# Notes to the Financial Statements (continued)
30 June 2013

## 40. 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:

| | 2013 Group RM | 2013 Company RM |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries | | |
| - Realised | 335,226,975 | 17,752,144 |
| - Unrealised | (7,554,130) | - |
| | 327,672,845 | 17,752,144 |
| Less: Consolidation adjustments | 9,381,136 | - |
| Total retained earnings | 337,053,981 | 17,752,144 |

| | 2012 Group RM | 2012 Company RM |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries | | |
| - Realised | 329,893,404 | 29,969,033 |
| - Unrealised | (11,318,553) | - |
| | 318,574,851 | 29,969,033 |
| Less: Consolidation adjustments | (14,145,946) | - |
| Total retained earnings | 304,428,905 | 29,969,033 |

# GROUP PROPERTIES
as at 30 June 2013

### A. Summary of Land Held for Sale

| PT No. | Lot. No. | Description | Land Area (acres) | Existing usage | Tenure | NBV as at 30/06/2013 (RM) | Date of acquisition (based on title date) |
|---|---|---|---|---|---|---|---|
| PT 1490 | HS (D) 61492 | Kawasan Bandar VI, Melaka Tengah, Melaka | 5.30 | Vacant land / Residential | Leasehold & expiring on 18/05/2105 | 3,722,997 | 19/05/2006 |
| PT 98 - 108 | HS (D) 69020 - 30 | Pekan Klebang Sek. III, Melaka Tengah, Melaka | 53.85 | Vacant land / Residential | Leasehold & expiring on 28/11/2109 | 48,507,537 | 29/11/2010 |
| PT 115 | HS (D) 69056 | Pekan Klebang Sek. III, Melaka Tengah, Melaka | 5.00 | Vacant land / Residential | Leasehold & expiring on 09/12/2109 | 3,467,578 | 10/12/2010 |
| PT 116 -121 | HS (D) 69049 - 54 | Pekan Klebang Sek. III, Melaka Tengah, Melaka | 31.00 | Vacant land / Residential | Leasehold & expiring on 09/12/2109 | 22,864,480 | 10/12/2010 |
| PT 439 | HS (D) 69057 | Pekan Klebang Sek. II, Melaka Tengah, Melaka | 7.80 | Vacant land / Commercial | Leasehold & expiring on 09/12/2109 | 6,420,292 | 10/12/2010 |
| PT 440 | HS (D) 69055 | Pekan Klebang Sek. II, Melaka Tengah, Melaka | 7.90 | Vacant land / Commercial | Leasehold & expiring on 09/12/2109 | 6,499,290 | 10/12/2010 |
| PT 508 - 515 | HS (D) 70799 - 806 | Pekan Klebang Sek. II, Melaka Tengah, Melaka | 41.56 | Vacant land / Commercial | Leasehold & expiring on 24/04/2111 | 34,194,845 | 25/04/2012 |
| PT 1797 - 1798 | HS (D) 70334 - 335 | Kawasan Bandar VI, Melaka Tengah, Melaka | 9.80 | Vacant land / Residential | Leasehold & expiring on 21/07/2110 | 6,800,113 | 22/07/2011 |
| PT 1800 | HS (D) 70333 | Kawasan Bandar VI, Melaka Tengah, Melaka | 5.04 | Vacant land / Residential | Leasehold & expiring on 21/07/2110 | 3,495,890 | 22/07/2011 |
| PT 1832 - 1838 | HS (D) 70807 - 813 | Kawasan Bandar VI, Melaka Tengah, Melaka | 36.11 | Vacant land / Residential | Leasehold & expiring on 24/04/2111 | 20,982,431 | 25/04/2012 |
| PT 1839 - 1844 | HS (D) 70793 - 798 | Kawasan Bandar VI, Melaka Tengah, Melaka | 28.54 | Vacant land / Residential | Leasehold & expiring on 24/04/2111 | 16,592,030 | 25/04/2012 |
| | **Total** | | **231.90** | | | **173,547,483** | |

# Group Properties
as at 30 June 2013 (continued)

## B. Information on Land & Building

| No. | PT No. | Lot No. | Location | Built up area (sq. ft) | Description Existing usage | Tenure / Date of expiry of lease | NBV as at 30/06/2013 (RM) | Date of acquisition / SPA |
|---|---|---|---|---|---|---|---|---|
| 1 | PT 371 | HS (D) 228346 | Unit 12, Jalan J27/J, Seksyen 27, Shah Alam, Selangor. | 4,790.00 | 3 storey terrace shop (Vacant) | Freehold | 527,549 | 20/11/1998 |
| 2 | 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 | 2,351,701 | 10/02/2004 |
| 3 | 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 | 568,969 | 12/08/2005 |
| 4 | PT 16050 | HS (D) 102236 | No. 36, Jalan Pengacara U1/48, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor. | 9,601.49 | 3 storey semi-detached factory (Headquarter of the Group) | Freehold | 4,502,816 | 22/07/2011 |
| 5 | 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 | 1,263,229 | 26/11/2010 |
| 6 | 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 | 12,415,975 | Land: 06/09/2007 Bldg: 22/10/2010 |
| 7 | PT001790 | HS (D) 0070078 | No. 2, Jalan KL 3/9, Taman Kota Laksamana Sek. 3 75200 Melaka. | 6,088.00 | 3 storey shop office (Vacant) | Leasehold & expiring on 29/05/2110 | 1,398,256 | 01/06/2011 |
| 8 | PT001790 | HS (D) 0070078 | No. 8, Jalan KL 3/9, Taman Kota Laksamana Sek. 3 75200 Melaka. | 4,619.00 | 3 storey shop office (Vacant) | Leasehold & expiring on 29/05/2110 | 820,555 | 01/06/2011 |
| | | | | | | **Total (RM)** | **23,849,050** | |

# Group Properties
as at 30 June 2013 (continued)

### C. Information on Properties Held for Sale

| No. | PT No. | Block No. | Location | Built up area (sq. ft) | Description Existing usage | Tenure / Date of expiry of lease | NBV as at 30/06/2013 (RM) | Date of acquisition / SPA |
|---|---|---|---|---|---|---|---|---|
| 1 | PT 1860 | A-10-4 | Kompleks Perniagaan Kota Syahbandar, Kawasan Bandar VI, Daerah Melaka Tengah, 75200 Melaka. | 13,820.00 | 4 storey shop office (Vacant) | Leasehold & expiring on 30/09/2106 | 2,488,888 | 29/03/2013 |
| 2 | PT 1860 | A-13-4 | Kompleks Perniagaan Kota Syahbandar, Kawasan Bandar VI, Daerah Melaka Tengah, 75200 Melaka. | 6,719.00 | 4 storey shop office (Vacant) | Leasehold & expiring on 30/09/2106 | 1,280,307 | 29/03/2013 |
| 3 | PT 1860 | A-13-5 | Kompleks Perniagaan Kota Syahbandar, Kawasan Bandar VI, Daerah Melaka Tengah, 75200 Melaka. | 6,719.00 | 4 storey shop office (Vacant) | Leasehold & expiring on 30/09/2106 | 1,388,888 | 29/03/2013 |
| 4 | PT 1860 | A-13-6 | Kompleks Perniagaan Kota Syahbandar, Kawasan Bandar VI, Daerah Melaka Tengah, 75200 Melaka. | 6,719.00 | 4 storey shop office (Vacant) | Leasehold & expiring on 30/09/2106 | 1,388,888 | 29/03/2013 |
| 5 | PT 1860 | A-13-7 | Kompleks Perniagaan Kota Syahbandar, Kawasan Bandar VI, Daerah Melaka Tengah, 75200 Melaka. | 6,719.00 | 4 storey shop office (Vacant) | Leasehold & expiring on 30/09/2106 | 1,388,888 | 29/03/2013 |
| 6 | PT 1860 | A-13-8 | Kompleks Perniagaan Kota Syahbandar, Kawasan Bandar VI, Daerah Melaka Tengah, 75200 Melaka. | 6,719.00 | 4 storey shop office (Vacant) | Leasehold & expiring on 30/09/2106 | 1,388,888 | 29/03/2013 |
| 7 | PT 1860 | A-13-9 | Kompleks Perniagaan Kota Syahbandar, Kawasan Bandar VI, Daerah Melaka Tengah, 75200 Melaka. | 6,719.00 | 4 storey shop office (Vacant) | Leasehold & expiring on 30/09/2106 | 1,388,888 | 29/03/2013 |
| 8 | PT 1860 | A-13-11 | Kompleks Perniagaan Kota Syahbandar, Kawasan Bandar VI, Daerah Melaka Tengah, 75200 Melaka. | 8,137.00 | 4 storey shop office (Vacant) | Leasehold & expiring on 30/09/2106 | 2,588,888 | 29/03/2013 |
| | | | | | | **Total (RM)** | **13,302,523** | |

# STATEMENT OF SHAREHOLDERS
as at 31 October 2013

| | | |
|---|---|---|
| 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 | : | RM202,015,625 divided into 808,062,500 Ordinary Shares of RM0.25 each (including 1,444,900 treasury shares) |
| 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 2013

| Size of Shareholdings | No. of Holders | Total Holdings | % |
|---|---|---|---|
| Less than 100 | 20 | 331 | # |
| 100 to 1,000 | 620 | 546,401 | 0.07 |
| 1,001 to 10,000 | 6,681 | 38,790,704 | 4.81 |
| 10,001 to 100,000 | 3,112 | 102,294,565 | 12.68 |
| 100,001 to 40,330,879* | 347 | 186,226,899 | 23.09 |
| 40,330,880** and above | 2 | 478,758,700 | 59.35 |
| **Total** | **10,782** | **806,617,600+** | **100.00** |

+ *Total number of shares issued of 808,062,500 less 1,444,900 treasury shares as per the Record of Depositors as at 31 October 2013.*

# *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 2013

| Substantial Shareholders | Direct Interest No. of Shares | Direct Interest % | Deemed Interest No. of Shares | Deemed Interest % |
|---|---|---|---|---|
| Oceancove Sdn Bhd | 426,780,400 | 52.90 | - | - |
| Dato' Leaw Seng Hai | 444,100 | 0.05 | 426,780,400(2) | 52.90 |
| Datuk Leaw Ah Chye | - | - | 426,780,400(3) | 52.90 |
| Datuk Leaw Tua Choon | - | - | 426,780,400(3) | 52.90 |
| Foo Polin | - | - | 426,780,400(4) | 52.90 |
| Oceanview Cove Sdn Bhd | - | - | 426,780,400(1) | 52.90 |
| Kumpulan Wang Persaraan (Diperbadankan) | 55,857,300 | 6.92 | - | - |

*Notes:*

(1) *Deemed interested by virtue of its direct interests in Oceancove Sdn Bhd pursuant to Section 6A of the Companies Act 1965 ("the Act").*

(2) *Deemed interested by virtue of his interests in Oceancove Sdn Bhd via Oceanview Cove Sdn Bhd pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of his direct interest in Oceancove Sdn Bhd and indirect interests in Oceancove Sdn Bhd via Oceanview pursuant to Section 6A of the Act.*

(4) *Deemed interested by virtue of her interest in Oceancove pursuant to Section 6A of the Act.*

# Statement of Shareholders
as at 31 October 2013 (continued)

## DIRECT AND INDIRECT INTEREST OF DIRECTORS IN THE ORDINARY SHARES OF BENALEC HOLDINGS BERHAD AS AT 31 OCTOBER 2013

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Directors** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Aznam Bin Mansor | - | - | - | - |
| Dato' Leaw Seng Hai | 444,100 | 0.055 | 426,780,400[(2)] | 52.90 |
| Datuk Leaw Ah Chye | - | - | 426,780,400[(1)] | 52.90 |
| Datuk Leaw Tua Choon | - | - | 426,780,400[(1)] | 52.90 |
| | - | - | 50,000[(3)] | 0.006 |
| Koo Hoong Kwan | 200,000 | 0.024 | - | - |
| Wong Yoke Nyen | - | - | - | - |

*Notes:*

(1) *Deemed interested by virtue of his direct interest in Oceancove Sdn Bhd and indirect interest in Oceanview Cove Sdn. Bhd. pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his interest in Oceancove Sdn Bhd via Oceanview Cove Sdn Bhd pursuant to Section 6A of the Act.*

(3) *Disclosure made by Datuk Leaw Tua Choon's son, namely Leaw Yongene, that he has interest in the Company pursuant to Section 134(12)(c) of the Act.*

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 OCTOBER 2013

| Names of Shareholders | Shareholdings | % |
|---|---|---|
| 1. Oceancove Sdn Bhd | 426,780,400 | 52.90 |
| 2. Kumpulan Wang Persaraan (Diperbadankan) | 51,978,300 | 6.44 |
| 3. Citigroup Nominees (Tempatan) Sdn Bhd | | |
| *(Employees Provident Fund Board)* | 31,450,800 | 3.89 |
| 4. Cartaban Nominees (Tempatan) Sdn Bhd | | |
| *(Exempt An for Eastspring Investments Berhad)* | 16,500,000 | 2.04 |
| 5 HSBC Nominees (Asing) Sdn Bhd | | |
| *(HSBC-FS for Legg Mason Western Asset Southeast Asia Special Situations Trust) (201061)* | 5,891,000 | 0.73 |
| 6. Amanahraya Trustees Berhad | | |
| *(Skim Amanah Saham Bumiputera)* | 5,335,400 | 0.66 |
| 7. Malaysia Nominees (Tempatan) Sendirian Berhad | | |
| *(Great Eastern Life Assurance (Malaysia) Berhad)(LPF)* | 4,086,720 | 0.50 |
| 8. Citigroup Nominees (Asing) Sdn Bhd | | |
| *(CBNY for DFA Emerging Markets Small Cap Series)* | 3,915,600 | 0.48 |
| 9. Citigroup Nominees (Asing) Sdn Bhd | | |
| *(CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc)* | 3,569,500 | 0.44 |
| 10. Citigroup Nominees (Tempatan) Sdn Bhd | | |
| *(Kumpulan Wang Persaraan (Diperbadankan)(RHB Inv)* | 3,561,400 | 0.44 |
| 11. Citigroup Nominees (Tempatan) Sdn Bhd | | |
| *(Employees Provident Fund Board (RHB Inv)* | 3,553,300 | 0.44 |
| 12. Malaysia Nominees (Tempatan) Sendirian Berhad | | |
| *(Great Eastern Life Assurance (Malaysia) Berhad)(DR)* | 3,500,090 | 0.43 |

# Statement of Shareholders
as at 31 October 2013 (continued)

**THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 OCTOBER 2013 (continued)**

| Names of Shareholders | Shareholdings | % |
|---|---|---|
| 13. Malaysia Nominees (Tempatan) Sendirian Berhad | | |
| *(Great Eastern Life Assurance (Malaysia) Berhad)(PAR 3)* | 2,800,000 | 0.34 |
| 14. Cartaban Nominees (Asing) Sdn Bhd | | |
| *(BBH (Lux) SCA For Fidelity Funds Malaysia)* | 2,628,400 | 0.32 |
| 15. Malacca Equity Nominees (Tempatan) Sdn Bhd | | |
| *(Exempt An for Philip Capital Management Sdn Bhd)(EPF)* | 2,182,400 | 0.27 |
| 16. HSBC Nominess (Asing) Sdn Bhd | | |
| *(HSBC-FS I for JPMorgan Malaysia Fund)* | 2,141,000 | 0.26 |
| 17. Koperasi Permodalan Felda Malaysia Berhad | 2,000,000 | 0.24 |
| 18. Koperasi Permodalan Felda Malaysia Berhad | 2,000,000 | 0.24 |
| 19. Malaysia Nominees (Tempatan) Sendirian Berhad | | |
| *(Great Eastern Life Assurance (Malaysia) Berhad)(LBF)* | 1,885,780 | 0.23 |
| 20. Cartaban Nominees (Tempatan) Sdn Bhd | | |
| *(SSBT AIM Fund SAGN for Tabung Amanah Warisan Negeri Johor)(A/C1)* | 1,431,600 | 0.17 |
| 21. Maybank Nominees (Tempatan) Sdn Bhd | | |
| *(Pledged securities account for Seow Liew Wee)* | 1,310,000 | 0.16 |
| 22. Shameer Sdn Bhd | 1,300,000 | 0.16 |
| 23. RHB Nominees (Tempatan) Sdn Bhd | | |
| *(Pledged securities account for Goh Sin Bong)* | 1,233,200 | 0.15 |
| 24. HSBC Nominees (Tempatan) Sdn Bhd | | |
| *(HSBC (M) Trustee Bhd for Zurich Insurance Malaysia Berhad)(Growth Fund)* | 1,100,000 | 0.13 |
| 25. Kenanga Nominees (Tempatan) Sdn Bhd | | |
| *(Pledged securities account for Wong Su Yong)* | 1,100,000 | 0.13 |
| 26. HSBC Nominees (Asing) Sdn Bhd | | |
| *(Exempt An for Credit Suisse (SG BR-TST-ASING)* | 1,047,000 | 0.12 |
| 27. Malaysia Nominees (Tempatan) Sendirian Berhad | | |
| *(Malaysian Trustees Berhad for Alliance Vision Fund)(00-10033-000)* | 1,000,000 | 0.12 |
| 28. Cartaban Nominees (Asing) Sdn Bhd | | |
| *(Exempt An for State Street Bank & Trust Company)(West CLT OD67)* | 974,200 | 0.12 |
| 29. Maybank Nominees (Tempatan) Sdn Bhd | | |
| *(Pledged securities account for Lee Siow Shan)* | 955,300 | 0.11 |
| 30. Alliancegroup Nominees (Tempatan) Sdn Bhd | | |
| *(Pledged securities account for Tan Kim Seng (8056704)* | 900,000 | 0.11 |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT THE EIGHTH 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, SEKSYEN U1, 40250 SHAH ALAM, SELANGOR DARUL EHSAN ON FRIDAY, 27 DECEMBER 2013 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 2013 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 Dividend of 2 Sen for each Ordinary Share of RM0.25 each in respect of the financial year ended 30 June 2013. — **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM240,000.00 for the financial year ended 30 June 2013. — **Ordinary Resolution 2**

4. To re-elect Koo Hoong Kwan who retires by rotation pursuant to Article 108 of the Company's Articles of Association and being eligible, has offered himself for re-election. — **Ordinary Resolution 3**

5. To re-elect Wong Yoke Nyen who retires by rotation pursuant to Article 108 of the Company's Articles of Association and being eligible, has 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."

# Notice of Annual General Meeting (continued)

**8. PROPOSED RENEWAL OF THE AUTHORITY FOR THE 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 2013, the audited retained profits and share premium of the Company were RM17,752,144 and RM154,462,963 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;

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 bylaw 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 the Authority for the Share Buy-Back contemplated and/or authorised by this Ordinary Resolution."

# Notice of Annual General Meeting (continued)

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of shareholders at the Eighth Annual General Meeting of the Company to be held on Friday, 27 December 2013, the Final Single Tier Dividend of 2 Sen per share for the financial year ended 30 June 2013 will be paid on Friday, 14 March 2014 to the shareholders of the Company whose names appear in the Record of Depositors on Tuesday, 18 February 2014. The entitlement date for the dividend payment is on Tuesday, 18 February 2014.

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 18 February 2014 in respect of ordinary transfer; and

b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board of
**BENALEC HOLDINGS BERHAD**

**WONG WAI FOONG** (MAICSA No. 7001358)
Company Secretary
Kuala Lumpur
Dated: 5 December 2013

*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, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
8. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
9. *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 2013. 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.*

**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 the renewal of general mandate lender ("general mandate") 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.

As at the date of this Notice, the Company did not issue any new shares pursuant to Section 132D of the Companies Act, 1965 under the general mandate which was approved at Seventh Annual General Meeting of the Company held on 19 December 2012. The Company did not issue any shares pursuant to the mandate granted because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

The authority to issue shares pursuant to Section 132D of the Companies Act, 1965 will provide flexibility and expediency to the Company for any possible fund raising involving the issuance or placement of shares to facilitate business expansion or strategic merger or acquisition opportunities involving equity deals or part equity or to be fund future investment project(s) or for working capital requirements, which the Directors of the Company consider to be in the best interest 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 (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being. This authority will expire at the conclusion of the next Annual General Meeting unless earlier revoked or varied by ordinary resolution passed by shareholders at a general meeting.

For further information on Ordinary Resolution 7, please refer to the Share Buy-Back Statement dated 5 December 2013, which is despatched together with the Annual Report 2013.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There were no Directors standing for election at the forthcoming Eighth Annual General Meeting.

**BENALEC HOLDINGS BERHAD**
(Company No. 702653-V)
(Incorporated in Malaysia under the Companies Act, 1965)

| CDS Account No. |
|---|
| |

| No. of shares held |
|---|
| |

# PROXY FORM

I/We____________________________________________Tel:______________

NRIC no./Company no.____________________________________________

*[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 No./Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or *(delete as appropriate)*

| Full Name (in block) | NRIC No./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 Glenmarie Ballroom, Lobby Level, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Friday, 27 December 2013 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:

| AGENDA | RESOLUTION | FOR | AGAINST |
|---|---|---|---|
| Payment of a Final Dividend | Ordinary Resolution 1 | | |
| Payment of Directors' fees | Ordinary Resolution 2 | | |
| Re-election of Koo Hoong Kwan as Director | Ordinary Resolution 3 | | |
| Re-election of Wong Yoke Nyen as Director | Ordinary Resolution 4 | | |
| Re-appointment of Messrs BDO as Auditors | Ordinary Resolution 5 | | |
| Authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 | Ordinary Resolution 6 | | |
| Proposed Renewal of the Authority for the Share Buy-Back | Ordinary Resolution 7 | | |

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.

Signed this                    day of                              , 2013

____________________________________
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, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*

8. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

9. *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 2013. 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 this flap for sealing*

Affix
stamp

The Share Registrar

**BENALEC HOLDINGS BERHAD**
**c/o Tricor Investor Services Sdn Bhd**
*Level 17, The Gardens North Tower,*
*Mid Valley City,*
*Lingkaran Syed Putra,*
*59200 Kuala Lumpur*

*2nd fold here*


**Benalec Holdings Berhad**

No. 38, Jalan Pengacara U1/48, Seksyen U1,
Temasya Industrial Park, Glenmarie,
40150 Shah Alam,
Selangor Darul Ehsan, Malaysia.

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