**BENALEC HOLDINGS BERHAD**
**(200501020529) (702653-V)**
(Incorporated in Malaysia)

**NOTES IN RESPECT OF THE QUESTION AND ANSWER ("Q&A") SESSION DURING THE FOURTEENTH ANNUAL GENERAL MEETING OF THE COMPANY 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 MONDAY, 28 SEPTEMBER 2020 AT 10.00 A.M.**

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**Minority Shareholder Watch Group**

**<u>Strategy & Financial Matters</u>**

1. <u>COVID-19 Pandemic</u>

Q: To what extent has the COVID-19 pandemic impacted the prospects of Benalec Holdings Berhad ("Benalec" or "the Company")? What are the measures taken by Benalec Group ("the Group") to lessen the impact of the COVID-19 pandemic ("the pandemic")?

A: Fundamental changes in the operating environment within the property and construction sectors caused by the pandemic have negatively impacted all operators within the sector as a whole. The Group has not been spared in some aspects. Management has seen significant changes in the overall pattern of production, consumption and trade, as well as contractions on income, spending and employment of the country over the last six months. We have noted that in general, consumers are reining in non-essential or expansionary spending in the short term due to the economic impact of the pandemic.

As far as the Company's supply chain is concerned, most of the Company's raw materials are locally sourced. Since the Company has always been vertically integrated in its supply chain, such that our fleets of vessels are self-owned instead of chartered from third parties. Other than halting operations temporarily during the Movement Control Order, Benalec's business model has remained resilient from this aspect and has been minimally disrupted by the pandemic.

As for the demand aspect, uncertainties in the market have caused serious ripple effects across all sectors. The general market sentiments are cautious and conservative within the investment fraternity, especially for major investments in new projects and/or real estate. Pursuant to this, we have observed a noticeable slowdown in the interest for our reclaimed land bank, especially for Johor. In our opinion, it may be attributable to the oil price crash in April and the possible systemic change in the fundamentals of the oil market. Following such an unprecedented price crash never seen before in history, we found that many oil and gas players are still grappling with the current state of the market, causing existing prospects to hold back on certain decision making in order to re-evaluate the viability of their proposed businesses within the oil and gas sector in a post-pandemic era.

Despite the challenges highlighted, the Board and Management continue to believe in the resiliency of our whole business model as well as the underlying value of the reclaimed land bank of the Group. This is underscored by the Group's ability to monetise more than 934 acres of land in Melaka to date, amounting to more than RM1.28 billion in land sales being achieved. However, we endeavour not to stay complacent and remain vigilant on the market needs, striving to innovate, adapt and create value for our customers wherever possible.

We remain confident in the existing business direction of the Company and do not foresee any near-term change, other than those complementary or synergistic to our core businesses which we have been actively looking out. For the purpose of diversifying the revenue stream of the Company into a more sustainable and recurring pattern, we will not hesitate to look for opportunities that arise, which will allow us to achieve it.

2. Financial Performance

Q: The Group has recorded a loss before taxation of RM64,110,107 for the financial period ended 2019 ("FPE2019") (FY2018: Profit before taxation of RM4,403,742) (page 66 of the Annual Report 2019).

How does the Board plan to address the bottom-line result, moving forward?

A: We would like to point out that the bottom line of the Group in FPE2019 was greatly impacted by several significant one-off costs and impairments, including a RM25.6 million impairment loss of contract asset, RM16.6 million impairment loss of vessels, RM2.5 million impairment loss of Work in Progress and an increase in interest expense of RM3.7 million arising from the unwinding discount in relation to the Convertible Bond redeemed by the Group. Adjusting for these one-off costs, the Group made a profit of approximately RM4.86 million in FPE2019.

Despite FPE2019 being a rather challenging financial year for us and the first nine months of 2020 being a roller coaster ride from all fronts, it is worth highlighting that the Group still managed to redeem all the Convertible Bond amounting to RM200 million raised in April 2015.

Over the past two years, Management has been extremely aggressive with the sales and marketing of existing land bank in Melaka as part of its strategy in replenishing the cash flow and planning for the redemption of the Convertible Bond. To date, post redemption of the Convertible Bond, the Group still has about 88 acres of land bank inventory in Melaka which has already reclaimed, issued with land titles and are available for immediate sale. Our reclaimed land available for sale in Pulau Indah and Tanjung Piai Maritime Industrial Park ("TPMIP") also aggregates to more than 220 acres. The estimated total market value of these lands is worth about RM730 million. The Group is prepared to exhaust all possible avenues to ensure these land banks can continue to be monetised in the near medium term.

Against the backdrop of uncertainties and challenges faced by the whole construction and property development sectors, exacerbated by the current health and economic crisis caused by the pandemic, Benalec, like most other companies within the sector, is adjusting the pace of its operations to ride out the existing uncertainties and slowdown within its operating segment. While being mindful and conservative with its existing resources, the Group continues to position itself accordingly to capitalise and leverage any uptrend or opportunities that may arise once the operating environment improves.

Q: There is impairment loss on contract asset of RM25,609,992 recorded in FPE2019 (FY2018: RM Nil) (page 74 of the Annual Report 2019).

Is there any impairment loss on contract asset expected in FY2020? If so, how much is the expected amount?

A: The impairment loss on contract asset is to prudently reflect the recoverable amount of the contract asset by determining the probability of default, as well as forward-looking information.

This is also in line with the adoption of Malaysian Financial Reporting Standards ("MFRS") 9 – Financial Instruments by the Group during FPE2019, whereby the Group assesses on a forward-looking basis the expected credit loss associated with its financial assets.

The Company shall re-assess and review its financial assets, including the contract assets for any impairment as per the adoption of MFRS 9 in FY2020.

Q: The outstanding order book of the Group for all land reclamation contracts in Melaka and Pulau Indah as at FPE2019 stands at RM241.7 million.

The Group has continued to undertake land reclamation works at TPMIP and Pengerang Maritime Industrial Park ("PMIP") (page 20 of the Annual Report 2019).

How long will the order book of RM241.7 million last? What is the targeted order book replenishment next year?

A: Benalec's business model is unique as it seeks to secure and hold land reclamation concessions in its own capacity, and undertake and fund reclamation works using internally generated funds for most of its projects. In adopting this strategic business model, Benalec has managed to set itself apart from other land reclamation contractors who are primarily or solely engaged in reclamation activities for or on behalf of other third parties.

We have found that this business model serves us well for a number of reasons:-

The Group enjoys two major layers of profit, which is the construction profit arising from being its own contractor, and the land sale profit by selling the land that has been reclaimed at market value; and

Such integrated supply chain allows us to be in full control of our operations all the way up to the monetisation of our land banks, maximising returns in every stage of our operations.

Finally, our business partners, both public and private concessionaires have maintained long-term working relationships with us, not only because of our ability to execute well, but more importantly, our ability to offer such a unique and win-win joint venture proposition to them.

Having said the above, our order book consisting of third-party land reclamation contracts only make up a small percentage of the Group's total ongoing projects. In respect of contracts under the existing order book that are settled by way of cash consideration, the Group is expected to complete these contracts within the stipulated time period for the respective contracts, which generally range from twelve (12) to thirty (30) months from the commencement of work.

However, for contracts that are settled by way of kind consideration (i.e. Land portion), with the current challenges in the property market and bearing in mind the financial position of the Group at all times, the Group's latest strategy errs towards a more conservative approach, whereby our aim is to market and monetise our existing inventory first, and to adopt the "sell-then-build" model wherever possible. Bearing in mind the financial position of the Group at all times, Management is actively pursuing new marine construction contracts, as well as aggressively marketing and monetising the reclaimed land banks, which consist of approximately 88 acres in Melaka, 74 acres in Pulau Indah and 148 acres in Tanjung Piai. The estimated total market value of these lands is worth about RM730 million.

Q: What is the current progress of the Group's land reclamation works at TPMIP and PMIP? Are the projects on track to be completed within the stipulated timeframe?

A: With the first 100 acres of land ready for topside development at TPMIP, Management is still engaging with prospective partners and storage customers to kick off the Tanjung Piai Oil Terminal project. We have found that uncertainties in the oil market in the past 1.5 years have generally kept prospective investors extremely cautious and conservative about long-term commitments. Exacerbated by the current slowdown in the global economy affecting many companies, unfortunately some of our previous interests have seemed to take a step back to focus on the viability of their existing businesses.

We are not alone in this downturn as we have also observed significant delays in other infrastructure projects across the region, not least the Petronas RAPID Refinery project. Dubbed the largest downstream investment by Petronas to date worth over US$27 billion, the commercial operational date of the Petronas RAPID Refinery has been delayed since first quarter of 2019. The project has also faced huge setbacks when it was hit by two separate fires/explosions during its commissioning stage in April 2019 and March 2020. With the current pandemic resulting in most economic activities being brought to a complete standstill, the commercial operation date of RAPID has now been pushed back by more than 2 years to mid-2021.

This indirectly impedes the progress of our project located in Pengerang, namely the PMIP. It has always been the Company's strategy to develop PMIP in line with the progress of the RAPID Refinery so as to be well positioned to capture the spillover demand that is expected to be generated by such a catalytic development geared towards driving the local oil and gas market. PMIP is only 5km away from RAPID, offering an excellent location for the development of downstream support activities which are intended to serve or complement RAPID. Therefore, by continuing to take a more conservative approach towards the Company's development of another large greenfield project, Management has decided to adopt a "wait-and-see" approach with regards to the launch and development of the PMIP.

We are still confident that the unique characteristics and strong competitive advantages of our Johor projects will allow us to capture opportunities that will arise imminently in the oil, gas, chemicals and even renewables markets, as the world economy recovers from its current lows. Rest assured that we are not only doing everything we can to aggressively garner, keep and convert the strong interest in our projects, but also being mindful about the Company's resources and capabilities in this time of market-wide struggle.

Q: The Group has, on an ongoing basis, been providing vessel chartering services – time charter to a diversified clientele base within the land reclamation and dredging industry (page 20 of the Annual Report 2019)

a) What is the average utilisation rate of Group's vessel, to date?

b) What is the commercial outlook of the Group's vessel chartering services for FY2020? Does the Group expect an increase in the number of clients within the land reclamation and dredging industry in FY2020?

A: Unlike many other marine construction contractors, Benalec owns and operates its own fleet of vessels to support its marine construction projects and ship chartering activities as part of its vertical integration in supply chain. Due to the current economic slowdown and market environment of the domestic and regional maritime industry, there has been a softening in demand for vessels, both internally and externally. As such, not all vessels from the fleet owned by the Group have been fully utilised as some vessels are highly specialised.

However, by owning and operating a fleet of specialised vessels and equipment essential for a wide range of marine construction projects, the Group is able to undertake sizeable marine construction jobs of a diverse range and capitalise on many different business opportunities, thereby ensuring optimum utilisation of its fleet of vessels.

In line with the market recovery expected in 2021 as the pandemic gets more under control globally, we believe the land reclamation and dredging industry will also pick up its pace, resulting in more demand and opportunities for the Group to secure clients for its vessel chartering services.

3. Corporate Governance Matters

Q: Practice 8.5 of Malaysian Code on Corporate Governance ("MCCG") states that all members of the Audit Committee ("AC") should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The Company in its Corporate Governance Report ("CG Report") has stated that it has applied Practice 8.5 of MCCG.

Based on the Company's explanation on the application of Practice 8.5 (Page 29 of the CG Report), Benalec has not applied the Practice as not all AC members have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules (page 35 of the Annual Report 2019).

A: The Company acknowledges the importance of continuous development programmes that should be undertaken by the AC members. They have attended courses and seminars suitable to their needs in discharging their duties and responsibilities during the financial period.

The AC members are regularly updated on new and relevant statutory rules as well as regulatory guidelines from time to time during the Board meetings. Such updates, together with attendances at seminars/forums/courses and talks including deliberations during meetings, have kept the AC members abreast of developments in the accounting and auditing standards, practices and rules.

Furthermore, in their own independent work, the AC members are continuously exposed to areas which require the most up-to-date knowledge in accounting and auditing standards. All the AC members themselves are also sitting on the board of other public listed companies, which enables them to be exposed to the accounting treatment/practices. Periodic exposure in dealing with authorities, including Bursa Malaysia Securities Berhad and Securities Commission, also helps to keep them updated with the latest requirements/regulations.

The Company and the AC will make every endeavour to continue to devote sufficient time to upgrade their knowledge and enhance their skills through attending relevant training programmes in the future.

Agenda Item No. 1 – Audited Financial Statement together with the Reports of the Directors and Auditors thereon

Shareholder: What is the nature of impairment for the Contract Asset amounted to RM25.61 million?

Leaw Ai Lin: A Contract Asset is an entity's right to payment of goods/services which has been transferred to a customer if that right to payment is conditional on something other than the passage of time. For example, the entity will recognise Contract Asset when it has fulfilled a contract obligation but other obligations must be performed before being entitled for payment.

Prior to the adoption of MFRS 15 by the Group, such Contract Asset is known as "Amount due from Contract Customer".

The impairment arises from the legal opinion of Messrs. Azman Davidson & Co ("Azman Davidson") on the recoverability of Benalec's entitlement from the four (4) separate reclamation agreements in relation to the Company's Pulau Indah project, signed between Benalec and four (4) separate private concessionaires, all of which are related party companies, as disclosed in the Company's IPO prospectus previously.

In consideration of Benalec completing the reclamation works, the work done payable by the four (4) concessionaires to Benalec is to be settled "in-kind", by way of the reclaimed land in 67:33 proportion, whereby Benalec is entitled to 67% of the duly reclaimed land under each reclamation agreement.

Due to certain foreseeable disputes between Benalec and the private concessionaires, the Company consulted Azman Davidson on the recoverability of its entitlements pursuant to the reclamation agreements. Azman Davidson opined that Benalec has more than a reasonable chance to recover its entitlement for three (3) out of the four (4) reclamation agreements, as Benalec has completed most of the project area for these three (3) agreements. However, there may be a lower chance to recover the Company's 67% entitlement for one of the reclamation agreements. To date, only 57% of the reclamation works have been completed and the rest have been put on hold due to some minor disputes that have arisen.

As such, to be prudent from an accounting perspective, the consideration of the said agreement of which Benalec may not be able to recover its entitlement is being impaired during this financial year.

Shareholder:

a. Has Pulau Indah land been fully reclaimed?
b. Is Pulau Indah's land title being issued?
c. What is the status to monetise the land, moving forward?
d. What is the valuation (per square foot basis) on the land?

Leaw Ai Lin: The Group's Pulau Indah land development continues to attract strong interest and demand from various small to medium-sized and large scale logistics and manufacturing companies, which are interested in building facilities in Pulau Indah area. However, several offers that we received have been rejected after careful consideration as we are still holding out on the price that the Group is confident the land is able to fetch.

Currently the surrounding land value in Pulau Indah is RM65 to RM75 per square foot. However, our strategy is to sell the entire 144-acre parcel en-bloc, which will allow us to differentiate our offering from other surrounding developments (considering Pulau Indah is currently facing scarcity of land). Thus, our asking price is RM45 to RM55 per square foot, which is generally lower than the other smaller parcel's asking price in Pulau Indah area. However, the offers received are slightly lower than the company's asking price and we believe definitely the land can fetch higher price basis.

Spillover effects from the surrounding developments within the area will continue to enhance the value of the Group's land bank in Pulau Indah in the medium to long term:

(i) Central Spectrum Sdn Bhd's Selangor Bio-Bay, a mixed development comprising industrial, commercial and residential developments focused on promoting biotech and life-science sectors, is located immediately adjacent to the Group's land bank;
(ii) Moreover, large scale projects which have been announced in the past include IKEA's RM908 million regional distribution and supply chain centre at Central Spectrum's Pulau Indah Industrial Park ("PIIP") development, which is located directly opposite the Group's land bank; and
(iii) Westports Holdings Bhd's RM10 billion port expansion over the next 25 years comprising expansion of its Container Terminal 10 (CT10) to 17 (CT17) via a 150-hectare of leasehold land acquisition. These eight additional berths will support and strengthen Port Klang's role as the pre-eminent port for the nation's gateway trade, which is mainly operated by Westport's current container terminal facilities comprising CT1 to CT9 already operating at a almost 80% capacity. Westports is located only 8km from the Group's land bank in Pulau Indah.

In view of the above, we believe that the price of our land bank in Pulau Indah will continue to appreciate.

Shareholder: Is the Pulau Indah land freehold or leasehold? If leasehold, how many years?

Leaw Ai Lin: It is 99 years' leasehold land.

Shareholder: Will Benalec continue to reclaim Tanjung Piai land?

Leaw Ai Lin: We have reclaimed about 160 acres land in Tanjung Piai. The cost is still disclosed as work-in-progress in the financial statements ("FS") as the land title application is still underway. We are applying for the land title for all phase 1 development, comprising 1000 acres out of 3485 acres of our project. Due to the pandemic, our reclaim in Tanjung Piai is still trying to monetise aggressively before we inject more resources to expand and create land. The company believes that conservative approach is every important and prudent at this point of time whereby financial resources are stretched in most companies and the priority is to ensure the company is financially stable to pull through this pandemic struggle.

Shareholder: What is the valuation of land in Tanjung Piai Maritime Industrial Park per square foot basis?

Leaw Ai Lin: Our asking price is around RM75 to RM85 per square foot. However, the size of land and the timeline of completion will take into consideration when we determine the price.

Shareholder: Beside our core business, can we think ahead in venturing into other business, such as joint venture business in healthcare or electronics?

Wong Yoke Nyen: Our core business is broad based and not restricted to the oil and gas sector. However, Management will consider performing feasibility studies and evaluations if any good opportunities arise.

Shareholder: We lost RM64 million before tax last year, largely affected by the change of financial reporting standard and the impairment losses. Would we expect less impairment losses in FY2020?

Wong Yoke Nyen: We are unable to tell now due to uncertainties brought by the pandemic but we will do our best to improve the business performance.

Proxy:

a. Why do the redeemable convertible secured bonds ("RCSB") and deferred revenue show nil as stated in page 65 of the Annual Report?
b. Referring to pages 74 and 75, does Benalec still have sufficient land to dispose of?
c. What is the business strategy for Benalec to sustain?

Wong Yoke Nyen: Due to the reclassification of the new MFRS, the deferred revenue is recognised as contract liabilities, whereas for RCSB, it has been re-classed to short term liability and subsequently fully redeemed by Benalec.
Benalec has sufficient land for disposal. However, this depends on the duration of the pandemic. We will look into other business income, such as performing third-party contracts, to generate revenue.

Shareholder: What is the Gross Development Value ("GDV") for TPMIP and PMIP projects? What are the land cost and total budgeted development cost for TPMP and PMIP projects?

Leaw Ai Lin: The estimated GDV for TPMIP and PMIP is RM12 billion and RM4.8 billion respectively. The land cost varies for each project and depends on site profile, distance from sand source, land size to reclaim at any one time, purchaser's request for timeline to completion vis-a-vis number of vessels to be deployed, etc. However, the cost is generally higher than our projects in the Klang Valley and Melaka, generally because of the depth of the sea bed and distance of sand source.

Shareholder: Did the Company secure the financing for TPMIP and PMIP projects? If not, why?

Leaw Ai Lin: A certain part of the RM200 million nominal value of Convertible Bond raised by the Company in April 2015 was for the purpose of starting our Johor projects, which to date we have reclaimed 160ac in TPMIP and 45ac stockpile in PMIP. This bond was redeemed in July 2020. In the meantime, we are actively looking out for other financing arrangements suitable for our project needs. Due to our niche business model as the only "land manufacturer" in Malaysia, the general banking community takes a conservative approach towards providing financing to us, such that these financing offers may be too restrictive or expensive. Therefore, besides looking into the conventional financing arrangements, we are also exploring many different structures or joint venture models with potential partners.

Shareholder: What is the reason for the change of financial year end ("FYE")? Has this to do with the tax?

Leaw Ai Lin: As announced to Bursa Malaysia Securities Berhad on 19 August 2019, the change of FYE is to allow the Company to finalise the adoption of the new MFRS framework into its present accounting policies to ensure the financial standing position of the Company is accurately represented.

Shareholder: Referring to page 69, how is it possible to have overpaid tax by RM4.05 million? For which financial year end was this tax overpaid?

Christine: This is in relation to the tax for year of assessment 2019. We expected a few plots arising from one of the land sales to be completed in FPE2019 when we submitted our CP204 to Inland Revenue Board of Malaysia ("IRB"). Unfortunately, the said land sale's SPA was subsequently terminated on 9 January 2020, as announced by the Company.

Shareholder: Refer to note 8(b) in page 87, what is the nature of the RM6.146 million (or re-grossed valued of RM25.61million) of deferred tax assets?

Christine: This is due to the impairment of Contract Asset of RM25.61 million arising from the impact of deferred tax.

Shareholder: Referring to page 65 of the consolidated balance sheet, the cash and cash equivalents as at 31 Dec 2019 only stood at RM29.9 million but the short-term borrowings and trade and other payables stood at RM30.1 million and RM83.2 million respectively. I am concerned about the Group's cash flow. Does the Board expect any cash flow constraint for the financial year 2020/2021? What does the Board plan to do about this issue?

Christine: As disclosed in note 38 of the FS under the liquidity and cash flow risk, the Group is actively managing its debt maturity profile, operating cash flow and the availability of funding to ensure that all operating, investing and financing needs are met.

As you are aware, the Group has embarked on and is committed to developing two of its flagship projects, namely the Tanjung Piai and PMIP in Johor. Not surprisingly, these greenfield projects are extremely capital intensive and have long gestation periods. Significant amounts of resources have been ploughed into these two projects since 2017.

Bearing in mind the financial position of the Group at all times, Management is actively pursuing new marine construction contracts, as well as aggressively marketing and monetising the reclaimed land banks. Post the redemption of its Convertible Bond, the Group still has approximately 88 acres in Melaka, 74 acres in Pulau Indah and 148 acres in Tanjung Piai sitting in its inventory/WIP. The estimated total market value of these lands is about RM730 million. Management is prepared to do the necessary to ensure that these land banks can be monetised in the immediate to near term to ensure smooth cash flow.

In addition, looking more towards the mid to long term, the Group is also actively seeking to diversify its income streams via recurring income businesses, such as taking a minority stake in operating an oil tank terminal in Tanjung Piai, or any downstream support activities which will serve or complement RAPID in our Pengerang project. With vast tracts of lands to be reclaimed at both Tanjung Piai and Pengerang, the Group's venture into Johor provides a springboard for achieving business sustainability and is expected to propel the Group to the next level of growth in the long term.

Shareholder: There is a significant increase in the admin and other expenses by RM59.5 million or RM34.3 million if we extrapolate the financial year 30 June 2018 to 1.5 years. What are the other causes/expenses? Based on the note 31 in page 115, with all the expenses adding up, the increase is only RM36.5million.

Christine: If we are to extrapolate the figures of 2018 to 1.5 years, the increase in RM34.3 million is mainly due to the increase of:-

| Description | Actual in FYE2018 (RM'million) | Extrapolate FYE2018 to 1.5 years (RM'million) | FPE2019 (RM'million) | Difference of extrapolation of FYE2018 vs FPE2019 (RM'million) |
|---|---|---|---|---|
| Loss on disposal of PPE | 0.096 | 0.143 | 2.47 | 2.33 |
| Impairment in Contract Asset | - | - | 25.61 | 25.61 |
| Impairment in WIP | - | - | 2.54 | 2.54 |
| Write-off debt from trade receivables | - | - | 2.94 | 2.94 |
| Write-off debt from other | - | - | 0.6 | 0.6 |

| | | | | |
|---|---|---|---|---|
| receivables | | | | |
| TOTAL | 0.096 | 0.143 | 34.16 | 34.01 |

Shareholder: Referring to page 74, what is the reason for the sharp increase in the losses of land reclamation services segment?

Christine: The losses were mainly due to several significant one-off costs and impairments. such as impairment of contract assets which are related to the reclamation services.

Shareholder: Referring to page 99, will the Board consider distributing RM12.7 million treasury shares as dividend instead of cash dividend?

Christine: The Board will consider distributing the treasury shares as reward to shareholders as and when circumstances permit, subject to the interest of the Company as well as our shareholders.

Shareholder: Referring to page 109, it is noted that RM49.6 million trade and other payables of the Group are in SGD. Can the Board enlighten us about those purchases? What is the percentage of purchases in SGD in the loss of sales.

Christine: This is in relation to the purchase of vessels from a Related Party company, Oceanlec Pte Ltd, prior to the listing of Benalec, as disclosed in page 51 of the IPO Prospectus. The original purchase price was SGD28 million and the outstanding is SGD14 million.

Shareholder: Referring to pages 112 and 114 on notes 27 and 28, the revenue segments for disposal of properties to be held for sale, vessels chartering and marine transportation are in gross loss position. Is this the market norm? If not, what caused the gross losses? If it does not help to support the admin expenses of the Group, should the Board consider ceasing those businesses?

Christine: Fundamental changes and uncertainties in the current operating environment have caused serious ripple effects across all sectors and the Group has not been spared in some aspects. In light of the current state of the economy, it is generally perceived that the property market will remain soft in the immediate to near term. Bearing in mind the financial position of the Group, the disposal of the properties held was deemed necessary, even if at a loss, as part of the Group's strategy in replenishing its cash flow and ensuring that it is able to meet all financial obligations in a timely manner.

Unlike many other marine construction contractors, Benalec owns and operates its own fleet of vessels to support its projects as part of its vertical integration in supply chain. Due to the current economic slowdown and the market environment of the domestic and regional maritime industry, there has been a softening in demand for vessels, both internally and externally. As such, not all vessels owned by the Group have been fully utilised as some vessels are highly specialised vessels. Certain expenses, such as depreciation and maintenance of licenses, have contributed to the loss.

Against the backdrop of all the challenges faced by the construction and property development sectors as a whole, Benalec, like most other companies, is adjusting the pace of its operation to ride out the existing uncertainties and slowdown within its operating segment.

Shareholder: What is the average utilisation rate for those vessels in percentage?

Christine: Not all of the vessels owned by the Group have been fully utilised as some of these vessels are highly specialised vessels. It also depends on the project's site profile for the usage of the vessels. The average utilisation is approximately less than 50 percent.

Shareholder suggested to present some slides for financial performance and operation in the next AGM.

Agenda Item No. 9 – Proposed Continuation in Office of Mr Wong Yoke Nyen as Independent Non-Executive Director

Shareholder: Based on MCCG, any independent director who has served more than nine years shall be re-designated as non-independent director. Does the board agree with the Malaysia Corporate Governance? If not, why?

Leaw Ai Lin: We agree that the quoted guideline is in the best practice of Corporate Governance. However, currently the Board has yet to practice the same and will consider the merits of doing so. In addressing the directors' independence, it is the recurring practice of the Board to carry out a yearly assessment to evaluate such quality, skills and knowledge (amongst others) possessed by each director in order to assess their suitability and efficiency in discharging their duties as a Board member.

Furthermore, based on the current guidelines of the Main Market Listing Requirements of Bursa Securities, Paragraph 15.02 states that "a listed issuer must ensure that at least 2 directors or 1/3 of the Board, whichever is the higher, are independent directors". As at today, the Board comprise 5 Directors, in which 3 are independent and 2 are executives. This is more than half of the Board composition and is in line with one of the best practices of the MCGG.

Shareholder: Does the Company have any retirement policy?

Leaw Ai Lin: The Company currently does not have any retirement policy as far as the Directors are concerned as the Company is still relatively young as a public listed company ("PLC") as compared to other PLCs. However, for the purpose of good corporate governance, the Nomination Committee as well as the Board will deliberate on this matter and take into consideration the need and objective of establishing this policy for future guidance and reference.