1. INTRODUCTION

The Board of Directors of Benalec Holdings Berhad (“BENALEC” or “the Company”) is pleased to announce that Spektrum Kukuh Sdn. Bhd. (“SKSB”), a 70% owned-subsidiary of Tanjung Piai Maritime Industries Sdn. Bhd. (“TPMI”), which in turn is a wholly-owned subsidiary of Benalec Sdn. Bhd., which in turn is a wholly-owned subsidiary of BENALEC, has on 6 September 2012 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.”).

The DA grants the exclusive rights to SKSB to undertake the reclamation works of all those lands to be reclaimed along the shorelines of Tanjung Piai in the District of Pontian over a gross area of about 3,485 acres as defined in the DA (hereinafter referred to as “Project Land”) and thereafter to develop the Project Land into an integrated Petroleum & Petrochemical Hub Logistic and Maritime Industrial Park at Tanjung Piai, District of Pontian, Johor Darul Ta’zim in the State of Johor (hereinafter referred to as “the Project”).

(SKSB, the State Government and S.S.I. are collectively referred to as “the Parties”.)

2. DETAILS OF DA

2.1 SALIENT TERMS OF DA

The Parties agree on the respective rights and obligations in relation to the implementation, construction and successful completion of the Project Works as follows:-

(a) SKSB shall at its own risk, cost and expense to:-

(i) undertake the reclamation of the Project Land;
(ii) undertake the development, design, construction and completion of the construction of major infrastructure works on the Project Land and all other works relating to, in connection with or incidental to the Project;
(iii) find prospective purchasers for the Project Land or any part thereof.

(b) The State Government shall be entitled to 3% of the gross proceeds of the sales from the net saleable area of the Project Land (excluding sums paid or payable by the relevant purchasers for major infrastructure works in respect of the Project Land) (hereinafter referred to as “Government Benefit”).

(c) In consideration of the State Government receiving the Government Benefit, the State Government shall ensure that the State Authority approved such application(s) by SKSB for the alienation of the Parcels or any part thereof (as the case may be) for a term of 99 years to SKSB and/or its nominees and/or the relevant purchasers.

(d) The Parties agreed that the reclamations works of the Project land shall be implemented in three (3) phases which shall be completed in accordance with the Reclamation Works Implementation Schedule as defined in the DA (hereinafter referred to as “Reclamation Works”).

(e) SKSB shall be solely and singly responsible for providing complete financing for the design and construction of the Project Works, payment of fees, premium, and other dues, cost of all preliminary works, overhead expenses and all incidental or consequential costs of the
preparation and execution of the Project Works (hereinafter referred to as “the Project Work Financing”).

2.2 CONDITIONS PRECEDENT

(a) The Project is subject to:-

(i) the hydraulic study and final survey of the Project Land; and
(ii) the environmental impact assessment (EIA) approval.

(b) SKSB shall increase its paid-up capital to RM5,000,000.00 in proportion of the existing shareholding of SKSB shareholders.

2.3 SOURCES OF FUNDING

The Project Work Financing is to be financed by way of internally generated funds, proceeds from land sale and bank borrowings.

2.4 LIABILITIES TO BE ASSUMED

There are no liabilities, including contingent liabilities and guarantees, to be assumed by BENALEC arising from the DA.

3. RATIONALE AND PROSPECTS

In line with the government plans to transform Southern Johor into an oil and gas hub, BENALEC capitalise on its requisite technology, expertise, experience and financial resources to undertaken the reclamation works at the Project Land, which will then be developed into an integrated Petroleum & Petrochemical Hub Logistic and Maritime Industrial Park.

4. INFORMATION ON SKSB, THE STATE GOVERNMENT AND S.S.I.

4.1 SKSB

SKSB was incorporated in Malaysia on 25 April 2011, a 70% owned-subsidiary of TPMISB, which in turn is a wholly-owned subsidiary of Benalec Sdn. Bhd., which in turn is a wholly-owned subsidiary of BENALEC. The principal activity of SKSB is project investment with an issued and paid-up share capital of RM10,000.00 comprising 10,000 ordinary shares of RM1.00 each.

4.2 THE STATE OF GOVERNMENT

The State of Government is implementing the development policy by encouraging participation from private sectors to undertake various development projects in the State of Johor on joint venture basis with the objectives to reduce financial and administrative burdens on the public sector, increase productivity, stimulate and generate entrepreneurship and investment as well as contributing towards the enhancement of economic activities and prosperity of the State.

4.3 S.S.I.

S.S.I. is a body corporate established under the State Secretary, Johor (Incorporation) Enactment, 1953 having its office at Aras 3, Bangunan Dato' Jaafar Muhammad, Kota Iskandar, 79503 Nusajaya, Johor Darul Ta'zim.
5. **FINANCIAL EFFECTS**

5.1 **SHARE CAPITAL**

Save from the above, the DA is not expected to have any effects on the share capital of BENALEC for the current financial year ending 30 June 2013.

5.2 **EARNINGS**

The DA is not expected to have any material effects on the earnings of BENALEC for the current financial year ending 30 June 2013. However, it is expected to contribute positively to the long term future earnings of BENALEC.

5.3 **SUBSTANTIAL SHAREHOLDERS’ SHAREHOLDING**

The DA is not expected to have any effects on substantial shareholders’ shareholding in BENALEC for the current financial year ending 30 June 2013.

5.4 **NET ASSETS**

The DA is not expected to have material effects on the net assets of BENALEC for the current financial year ending 30 June 2013.

5.5 **GEARING**

The DA is not expected to have material effects on the gearing of BENALEC for the current financial year ending 30 June 2013. However, the Board of Directors of BENALEC is mindful of maintaining a healthy gearing level of BENALEC.

6. **RISKS**

Risk factors affecting the DA include but are not limited to changes in conditions of competition, economic, business, political, and legal framework environment. BENALEC will undertake the necessary efforts to mitigate the various business risks identified.

7. **APPROVALS REQUIRED**

SKSB shall submit a complete and full hydraulic reports to the relevant Department of Irrigation and Drainage for approval; and

SKSB shall obtain the approval of the Environmental Impact Assessment from the Department of Environment in accordance with the provisions of the Environmental Quality (Prescribed Activities)(Environmental Impact Assessment) Order 1987 as made pursuant to the Environmental Quality Act 1974, at SKSB sole costs and expense within twelve (12) months from the Execution Date.

Save from the above, the DA does not require approvals from the other relevant authorities and the shareholders of BENALEC.

8. **DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS AND PERSONS CONNECTED WITH THEM**

None of the directors of BENALEC, major shareholders of BENALEC and/or persons connected with them have any interest, whether direct or indirect, in the DA.

9. **DIRECTORS’ STATEMENT**

After having taken into consideration all aspects of the DA, the Board is of the opinion that the DA is in the best interest of the BENALEC Group.
10. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROJECT

The Project is expected to be completed within 15 years from the Execution Date unless extended by mutual agreement of the Parties.

11. DOCUMENTS FOR INSPECTION

A copy of the DA is available for inspection at the registered office of BENALEC at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 6 September 2012.