

STRICTLY PRIVATE AND CONFIDENTIAL

Serial Number:[*]

ISSUER

MANJUNG ISLAND ENERGY BERHAD
(COMPANY No. 960686-V)

OBLIGOR

GUARANTOR



TNB Janamanjung Sdn Bhd
(Company No. 398456-H)



Tenaga Nasional Berhad
(Company No. 200866-W)

Information Memorandum

**Islamic Securities Programme of RM5.0 billion in
nominal value**

JOINT PRINCIPAL ADVISERS/JOINT LEAD ARRANGERS/JOINT LEAD MANAGERS



Bank Islam Malaysia Berhad
(Company No. 98127-X)



CIMB Investment Bank Berhad
(Company No. 18417-M)

This Information Memorandum is dated 19 October 2011

IMPORTANT NOTICE

Responsibility Statements

This Information Memorandum has been approved by the directors of Manjung Island Energy Berhad (Company No: 960686-V) ("**Issuer**"), TNB Janamanjung Sdn Bhd (Company No: 398456-H) ("**TNBJ**" or "**Obligor**") and Tenaga Nasional Berhad (Company No. 200866-W), in its capacity as guarantor in respect of series 2 of the Islamic Securities Programme ("**TNB**" or "**Guarantor**") respectively and they, each of the Issuer, TNBJ and TNB, accepts full responsibility for the accuracy of the information contained in this Information Memorandum with respect to information relating to itself. The Issuer, TNBJ and TNB, after having made all reasonable enquiries, confirm that this Information Memorandum contains all information which is material in the context of the Islamic securities programme of RM5.0 billion in nominal value ("**Islamic Securities Programme**") and the offering of the Islamic securities ("**Islamic Securities**") under the Islamic Securities Programme. The opinions and intentions expressed in this Information Memorandum in relation to the Issuer, TNBJ and TNB are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and there are no other facts in relation to the Issuer, TNBJ, TNB or the Islamic Securities Programme the omission of which would, in the context of the Islamic Securities Programme and each Islamic Securities issuance, make any statement in this Information Memorandum misleading in any material respect and all reasonable enquiries have been made by the Issuer, TNBJ and TNB to ascertain such facts and to verify the accuracy of all such information and statements. No representation or warranty, expressed or implied, is made such that the information remains unchanged in any respect as of any date or dates after those stated herein, with respect to any matter concerning the Issuer, TNBJ, TNB or any statement made in this Information Memorandum.

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This Information Memorandum is being furnished on a private and confidential basis solely for the purpose of enabling prospective investors to consider the purchase of the Islamic Securities to be issued pursuant to the Islamic Securities Programme.

The Islamic Securities Programme has been partially rated with Series 1 being assigned with a rating of AAA and Series 2 being assigned with a rating of AAA(s) by RAM Rating Services Berhad as at the date of this Information Memorandum. It is a condition precedent to the issuance of each subsequent series under the Islamic Securities Programme that such subsequent series has received a rating of AAA. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

None of the information or data contained in this Information Memorandum has been independently verified by Bank Islam Malaysia Berhad ("**Bank Islam**") and CIMB Investment Bank Berhad ("**CIMB**") as the joint principal advisers, joint lead arrangers and joint lead managers for the establishment of the Islamic Securities Programme ("**Joint Lead Arrangers/Joint Lead Managers**"). Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Joint Lead Arrangers/Joint Lead Managers as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum. The Joint Lead Arrangers/Joint Lead Managers have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Islamic Securities Programme and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

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This Information Memorandum is not and is not intended to be a prospectus. Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Islamic Securities shall in any circumstance imply that there has been no change in the information contained and incorporated by reference in this Information Memorandum since the date of it or the information contained and incorporated by herein concerning the Issuer, TNBJ or TNB is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Islamic Securities Programme is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Joint Lead Arrangers/Joint Lead Managers nor any other advisers for the Islamic Securities Programme undertake to review the financial condition or affairs of the Issuer, TNBJ and TNB or to advise any participants of the Islamic Securities Programme or investor in any Islamic Securities of any information coming to their respective attention. The recipient of this Information Memorandum or the potential investors should review, inter alia, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any Islamic Securities.

This Information Memorandum includes forward-looking statements and reflects projections of future events which may or may not prove to be correct. All of these statements are based on estimates and assumptions made by the Issuer, TNBJ, TNB and their advisers and although believed to be reasonable, are subject to risks and uncertainties that may cause actual events or future results to be materially different than expected or indicated by such statements and estimates, and no assurance can be given that any such statements or estimates will be realised. The Issuer, TNBJ and TNB are not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer, TNBJ, TNB, its advisers or any other persons that the future events as anticipated by the Issuer, TNBJ or TNB will occur. Any such statements are not guarantees of performance and involve risks and uncertainties many of which are beyond the control of the Issuer, TNBJ and TNB.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, the material businesses which the Issuer, TNBJ and TNB operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimates and/or reports thereon derived from such sources or from other third party sources.

Bank Islam and CIMB Islamic Bank Berhad ("**CIMB Islamic**") as the joint Shariah advisers ("**Joint Shariah Advisers**") have individually approved the structure and mechanism of the Islamic Securities and their compliance with the applicable Shariah principles. However, the approvals are only an expression of the view of

the Joint Shariah Advisers based on their extensive experience in the subject. There can be no assurance as to the Shariah permissibility of the structure of the Islamic Securities Programme and the trading of the Islamic Securities and neither the Issuer, TNBJ, TNB, the Joint Lead Arrangers/Joint Lead Managers nor any other person makes any representation of the same. Investors are reminded that, as with any Shariah views, differences in opinion are possible. Investors are advised to obtain their own independent Shariah advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradability of the Islamic Securities on any secondary market.

Acknowledgement

The Issuer, TNBJ and TNB respectively hereby acknowledge that they have authorised the Joint Lead Arrangers/Joint Lead Managers to circulate or distribute this Information Memorandum on their behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of the Islamic Securities to prospective investors and that no further evidence of authorisation is required.

Statements of Disclaimer by the Securities Commission

The issue, offer or invitation in relation to the Islamic Securities in this Information Memorandum or otherwise are conditional upon the approval of the Securities Commission of Malaysia ("SC") and subject to the fulfilment of various conditions precedent including without limitation the approval of the SC.

A copy of this Information Memorandum will be lodged with the SC together with the application for the issuance of the Islamic Securities and upon such deposit of this Information Memorandum and the Islamic Securities submission, the SC will be deemed to have granted its approval. Please note that the approval of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Islamic Securities.

The SC shall not be liable for any non-disclosure on the part of the Issuer, TNBJ and TNB and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Information Memorandum.

EACH ISLAMIC SECURITIES ISSUE UNDER THE ISLAMIC SECURITIES PROGRAMME WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH ISLAMIC SECURITIES ISSUE ON ITS OWN MERITS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR SUBSCRIBING FOR THE ISLAMIC SECURITIES.

Documents Incorporated by Reference

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (i) the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Issuer, TNBJ and TNB; and
- (ii) all supplements or amendments to this Information Memorandum circulated by or on behalf of the Issuer, TNBJ and TNB, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer, TNBJ and TNB will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer, TNBJ or TNB at its offices set out at the end of this Information Memorandum.

CONFIDENTIALITY**To the recipient of this Information Memorandum:**

This Information Memorandum and its contents are strictly confidential and are made strictly on the basis that they will remain confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is submitted to prospective investors specifically in reference to the Islamic Securities Programme and may not be reproduced or used, in whole or in part, for any purpose, nor furnished to any person other than those to whom copies have been sent by the Joint Lead Arrangers/Joint Lead Managers.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer, TNBJ, TNB or the Joint Lead Arrangers/Joint Lead Managers may, at its discretion apply for any available remedy whether at law or equity, including without limitation, injunctions. The Issuer, TNBJ, TNB and the Joint Lead Arrangers/Joint Lead Managers are entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard on a full indemnity basis. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisors, directors, employees and any other persons who may receive this Information Memorandum (or any part of it) from the recipient.

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DEFINITIONS

In this Information Memorandum, the following words or expressions shall have the following meanings except where the context otherwise requires:

Bursa Securities	- Bursa Malaysia Securities Berhad.
CMSA	- Capital Markets and Services Act 2007 and includes any amendments thereto from time to time.
Designated Accounts	- Collectively, the following accounts to be opened and maintained by TNBJ: (a) Sukuk Escrow Account(s); (b) Revenue Account; (c) Operating Account(s); and (d) Finance Service Reserve Account.
DEIA	- Detailed Environmental Impact Assessment.
DOE	- Department of Environment.
EC	- The Energy Commission.
ESA	- Electricity Supply Act 1990.
Exercise Price	- In respect of all or a tranche of the Islamic Securities the relevant exercise price due from the Obligor for purchase of the relevant Lease Assets pursuant to exercise of the Purchase Undertaking and Sale Undertaking.
Existing Power Plant	- The existing coal-fired power plant of TNB Janamanjung Sdn Bhd in Manjung, Perak having a nominal capacity of 2,100 MW (3X700 MW).
Government	- The Government of Malaysia.
Guarantor	- Tenaga Nasional Berhad as guarantor for Series 2 of the Islamic Securities Programme.
GW	- Gigawatt.
HHV	- High heating value.
HVAC	- Heating, ventilation and air conditioning.
HVDC	- High voltage direct current.
Ijarah Agreement	- The Ijarah agreement to be entered into from time to time between the Issuer (acting on behalf of the Sukukholders) and TNBJ in relation to the lease of the Lease Assets by the Issuer to TNBJ.
Ijarah Trust Assets	- Collectively, the relevant Lease Assets, the present and future rights and interest in the relevant Ijarah Agreement, the relevant Purchase Undertaking, the relevant Sale Undertaking and the relevant proceeds of the foregoing and other transaction documents pertaining to the Islamic Securities Programme.

IPPs	- Independent power producers.
Issuer	- Manjung Island Energy Berhad.
Islamic Securities	- The Islamic securities to be issued pursuant to the Islamic Securities Programme, the outstanding nominal value of which shall not exceed RM5.0 billion at any one time.
Islamic Securities Programme	- The Islamic securities programme of RM5.0 billion in nominal value pursuant to which the Issuer may issue Islamic Securities.
KeTTHA	- Ministry of Energy, Green Technology and Water.
kJ	- Kilojoule.
kV	- Kilovolts.
kWh	- Kilowatt hour.
Lessor	- Manjung Island Energy Berhad.
Lease Assets	- The Shariah-compliant leasable assets which the Issuer, (acting on behalf of the Sukukholders) from time to time purchases from TNBJ, consisting of specific leasable components of the plant and machinery assets of the Existing Power Plant, specific portions of land and/or such other Shariah-compliant leasable assets approved by the Joint Shariah Advisers.
Lot 3	- The parcel of land held under H.S.(D) 17399 P.T 43195 located in the Mukim of Sitiawan, District of Manjung, Perak on which the New Power Plant will be located.
Mandatory Redemption Event	<ul style="list-style-type: none"> - Occurrence of the following events: <ul style="list-style-type: none"> (a) any of the provisions of the transaction documents pertaining to the Islamic Securities Programme is or becomes illegal, void, voidable or unenforceable and it does not affect the Sukukholder's ownership of the Ijarah Trust Assets and which would have a material adverse effect; or (b) a Total Loss Event with respect to the relevant Lease Assets in a particular Ijarah Agreement.
Maturity Date	- In respect of any Islamic Securities, the date for payment of the nominal value of that Islamic Securities.
MCR	- Maximum continuous rating.
MIEB	- Manjung Island Energy Berhad (Company No. 960686-V).
MVA	- Mega Volt Ampere.
MW	- Megawatt.
MWh	- Megawatt hour.
New Power Plant	- The new 1,010 MW coal-fired power plant to be constructed by TNBJ in Manjung Perak.

Obligor	- TNB Janamanjung Sdn Bhd.
PPA1	- The power purchase agreement between TNB and TNBJ dated 2 May 2006 in relation to the Existing Power Plant.
PPA2	- The power purchase agreement entered or to be entered into between TNB and TNBJ in relation to the New Power Plant.
Project	- The construction and delivery of the New Power Plant.
Purchase Undertaking	- The purchase undertaking to be executed between the Obligor and the Issuer (acting on behalf of the Sukukholders), pursuant to which the Obligor undertakes to purchase the relevant Lease Assets from the Issuer and enter into a Sale Agreement for such purchase at the relevant Exercise Price upon the terms and subject to the conditions therein contained.
Rental	- The pre-determined rental amount payable by TNBJ in such capacity as the lessee pursuant to an Ijarah Agreement.
REMACO	- TNB Repair and Maintenance Sdn Bhd (Company No. 360318-P).
Sale Undertaking	- The sale undertaking to be executed between the Issuer (acting on behalf of the Sukukholders) and the Obligor, pursuant to which the Obligor shall have the right to require the Issuer to sell the relevant Lease Assets to the Obligor and enter into a Sale Agreement for such sale at the relevant Exercise Price upon the terms and subject to the conditions therein contained.
SC	- Securities Commission of Malaysia.
Security	- Has the meaning assigned to it in Section 1.5.
Security Agent	- CIMB Investment Bank Berhad (Company No. 18417-M).
Servicing Agent	- TNB Janamanjung Sdn Bhd.
Servicing Agency Agreement	- The servicing agency agreement to be executed between the Issuer and the Servicing Agent, pursuant to which the Servicing Agent on behalf of the Lessor will be responsible for among others, the performance and/or maintenance and/or ownership expenses in respect of the Lease Assets.
Sukukholders	- The holders of the Islamic Securities.
TNB	- Tenaga Nasional Berhad (Company No. 200866-W).
TNB Undertaking Letter	- A letter of undertaking to be provided by TNB to provide up to RM300.0 million to TNBJ in the form of equity injection and/or inter-company financing facility to meet part of the Project costs, in the event that the internally generated funds of TNBJ is insufficient to fund the relevant portion of the Project costs which are not funded by the Islamic Securities Programme.
TNBJ	- TNB Janamanjung Sdn Bhd (Company No. 398456-H).
Total Loss Event	- The total loss or destruction of, or damage to the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement or any event or occurrence that renders the whole

(and not part only) of the relevant Lease Assets in a particular Ijarah Agreement permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical.

Trustee

- Malaysian Trustees Berhad (Company No. 21666-V).

SECTION 1.0

EXECUTIVE SUMMARY

This summary is qualified by and must be read in conjunction with the more detailed information and financial statements appearing elsewhere in this Information Memorandum. Each investor should read this entire Information Memorandum including the appendices.

1.1 The Issuer

The Issuer is a special purpose vehicle incorporated on 19 September 2011 in Malaysia under the name of Manjung Island Energy Berhad, as a public company limited by shares under the Companies Act, 1965. The Issuer has been formed solely to operate as a special purpose company to raise Islamic Securities under the Islamic Securities Programme. The registered address of the Issuer is located at Tingkat 2, Urusetia Lembaga Pengarah, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur.

1.2 The Obligor

TNBJ was incorporated on 17 August 1996 in Malaysia under the name of TNB Janamanjung Sdn Bhd, as a private company limited by shares under the Companies Act, 1965. The principal activity of TNBJ is to generate and deliver electricity energy and generating capacity to TNB. The registered office of TNBJ is located at No. 129, Jalan Bangsar, 59200 Kuala Lumpur.

1.3 The Guarantor

TNB was incorporated on 12 July 1990 in Malaysia under the name of Tenaga Nasional Berhad, as a public company limited by shares under the Companies Act, 1965. The principal activity of TNB includes generation, transmission, distribution and sales of electricity. The registered office of TNB is located at No. 129, Jalan Bangsar, 59200 Kuala Lumpur.

1.4 Utilisation of proceeds

The Islamic Securities proceeds shall be utilised by the Issuer to pay the Asset Purchase Price (as defined in the Principal Terms and Conditions of the Islamic Securities Programme in Section 2.0) under the relevant Asset Purchase Agreement (as defined in the Principal Terms and Conditions of the Islamic Securities Programme in Section 2.0).

Upon receipt of the proceeds, TNBJ shall undertake to use the proceeds only for the following Shariah-compliant utilisations in connection with the Project:

- (a) pay and/or towards reimbursement of all costs associated with the Project including but not limited to site acquisition, development, design, construction, start-up and initial operations of the Project;
- (b) pay and/or towards reimbursement of all rentals, fees, expenses, commissions and all other amounts payable in connection with the Islamic Securities Programme prior to and/or after the commercial operation date of the New Power Plant;
- (c) pay and/or towards reimbursement of any other Project related costs, including consultant fees, takaful contribution and contingencies;
- (d) meet the working capital requirements of TNBJ in relation to the Project; and

- (e) payment and/or redemption of financing facilities provided or to be provided from time to time by TNB to TNBJ (including, without limitation, all amounts due and/or payable in connection with the existing financing facilities and the payment of dividends and/or redemption of redeemable preference shares), for an aggregate amount which is equivalent to the aggregate amount used by TNBJ (from its internally generated funds and/or equity contribution from TNB whether in the form of equity and/or intercompany facilities) to pay and/or towards reimbursement of all costs associated with the Project.

For the avoidance of doubt, (i) the use of the proceeds by TNBJ as set out above shall not be subject to the "Priority of Cashflow" as provided in the Principal Terms and Conditions of the Islamic Securities Programme in Section 2.0 and (ii) the utilisation mentioned in paragraph (e) above shall not be subject to the various negative undertakings under the heading "Negative Covenants" as provided in the Principal Terms and Conditions of the Islamic Securities Programme in Section 2.0.

1.5 Brief Description of the Islamic Securities Programme

The Issuer proposes to issue from time to time Islamic Securities pursuant to the Islamic Securities Programme of RM5.0 billion in nominal value under the Shariah principle of Ijarah. The Islamic Securities Programme shall have a tenure of twenty eight (28) years from the date of first issue and the Islamic Securities shall have a tenure of more than one (1) year and up to twenty eight (28) years provided that the Islamic Securities mature prior to the expiry of the Islamic Securities Programme.

It is expected that the Islamic Securities will consist of at least two (2) series. The details relating to the initial two (2) series on an indicative basis are as follows:

- (a) Series 1: Series 1 will consist of fifteen (15) tranches, with tenures ranging from five (5) years to nineteen (19) years; and
- (b) Series 2: Series 2 will consist of one (1) tranche, with a tenure of twenty (20) years.

Series 1 shall be secured by the following security:

- (a) a first ranking assignment of all TNBJ's rights, interest, titles and benefits under the PPA1 and the PPA2, and the proceeds therefrom; and
- (b) a first ranking assignment of all Designated Accounts and the related credit balances,

(collectively, "**Security**").

Series 2 will be unsecured. However, Series 2 shall have the benefit of an unconditional and irrevocable guarantee ("**TNB Guarantee**") from TNB, guaranteeing the payment obligations of TNBJ in relation to Series 2.

Any subsequent series ("**Subsequent Series**") will be unsecured and will not have the benefit of an unconditional and irrevocable guarantee from TNB.

The Islamic Securities will represent the Sukukholder's undivided beneficial ownership in the Ijarah Trust Assets of the relevant tranche of Islamic Securities. The Islamic Securities will constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, except those preferred by law and the transaction documents pertaining to the Islamic Securities Programme.

The obligations of the Obligor pursuant to the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other transaction documents pertaining to the Islamic Securities Programme to which the Obligor is a party in respect of (a) Series 1 of the Islamic Securities will constitute direct, unconditional and secured obligations of the Obligor and (b) Series 2 and the Subsequent Series of the Islamic Securities will constitute direct, unconditional and unsecured obligations of the Obligor.

The obligations of TNB pursuant to the TNB Guarantee and the TNB Undertaking Letter will constitute direct, unconditional and unsecured obligations of TNB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of TNB, except those preferred by law and the transaction documents pertaining to the Islamic Securities Programme.

In addition to other voting rights to be set out in the transaction documents pertaining to the Islamic Securities Programme:

- (a) Sukukholders of Series 1 will have the sole right to vote on any release or replacement of any security provided for Series 1, any amendment or variation to the security documents relating to the security for Series 1, any consent or waiver which may be sought in respect of any provisions of the security documents for Series 1, and the exercise or the restraint in exercising of any rights, powers or discretions under any of the security documents for Series 1, including the enforcement of the security documents for Series 1; and
- (b) Sukukholders of Series 2 will have the sole right to vote on any release or replacement of the TNB Guarantee, any amendment or variation to the TNB Guarantee and any consent or waiver which may be sought in respect of any provisions of the TNB Guarantee, and the exercise or the restraint in exercising of any rights, powers or discretions under the TNB Guarantee, including the enforcement of the TNB Guarantee.

For the terms of the Islamic Securities Programme, please see “Section 2.0 – Principal Terms and Conditions of the Islamic Securities Programme”.

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SECTION 2.0
PRINCIPAL TERMS AND CONDITIONS OF THE ISLAMIC SECURITIES PROGRAMME

BACKGROUND INFORMATION

1. Issuer

- (i) Name : Manjung Island Energy Berhad (“**Issuer**”).
- (ii) Address : Tingkat 2, Urusetia Lembaga Pengarah, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur.
- (iii) Business Registration No. : 960686-V.
- (iv) Date/Place of Incorporation : 19 September 2011/Malaysia.
- (v) Date of Listing (in case of a public listed company) : Not applicable.
- (vi) Status : Resident-controlled Company.
- (vii) Principal Activities : To operate as a special purpose company to raise Islamic Securities for the Islamic Securities Programme.
- (viii) Board of Directors as at 22 September 2011 : Chia Siew Chin.
Wong Yu Chee.
- | (viii) | Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders as at 22 September 2011 | : | <table border="0"> <tr> <th>Name of Shareholders</th> <th>Total Shareholding</th> <th>% Equity Held</th> </tr> <tr> <td>Equity Trust (Malaysia) Berhad</td> <td>2 ordinary shares of RM1.00 each</td> <td>100%</td> </tr> </table> | Name of Shareholders | Total Shareholding | % Equity Held | Equity Trust (Malaysia) Berhad | 2 ordinary shares of RM1.00 each | 100% |
|--------------------------------|---|----------------------|---|-----------------------------|---------------------------|----------------------|--------------------------------|----------------------------------|------|
| Name of Shareholders | Total Shareholding | % Equity Held | | | | | | | |
| Equity Trust (Malaysia) Berhad | 2 ordinary shares of RM1.00 each | 100% | | | | | | | |
- (ix) Authorised share capital as at 22 September 2011 : RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each.
- (x) Paid-up share capital as at 22 September 2011 : RM2.00 divided into 2 ordinary shares of RM1.00 each.

2. Obligor

- (i) Name : TNB Janamanjung Sdn Bhd (“**TNBJ**” or “**Obligor**”).
- (ii) Address : No.129, Jalan Bangsar, 59200 Kuala Lumpur.

- (iii) Business Registration No. : 398456-H.
- (iv) Date/Place of Incorporation : 17 August 1996/ Malaysia.
- (v) Date of Listing (in case of a public listed company) : Not applicable.
- (vi) Status : Resident controlled company.
- (vii) Principal Activities : To generate and deliver electricity energy and generating capacity to Tenaga Nasional Berhad (“TNB”).
- (viii) Board of Directors as at 31 August 2011 : Tan Sri Leo Moggie.
Dato’ Sri Che Khalib bin Mohamad Noh.
Dato’ (Dr.) Megat Abdul Rahman bin Megat Ahmad.
Dato’ Sri Raja Ahmad Zainuddin bin Raja Haji Omar.
Dato’ Ir. Mohd Nazri bin Shahrudin.
Abdul Halim bin Mohamad Noah.
- (ix) Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders as at 31 August 2011 :
- | Name of Shareholders | Total Shareholding | % Equity Held |
|------------------------|--|---------------|
| Tenaga Nasional Berhad | 100,000,002 ordinary shares of RM1.00 each
31,224,263 redeemable preference shares of RM1.00 each | 100% |
- (x) Authorised share capital as at 31 August 2011 : RM2,050,000,000.00 divided into 2,000,000,000 ordinary shares of RM1.00 each and 50,000,000 redeemable preference shares of RM1.00 each.
- (xi) Paid-up share capital as at 31 August 2011 : RM131,224,265.00 divided into 100,000,002 ordinary shares of RM1.00 each 31,224,263 redeemable preference shares of RM1.00 each.

3. PRINCIPAL TERMS AND CONDITIONS

(a) Names of parties involved in the proposed transaction (where applicable)

- (i) Principal Advisers : Bank Islam Malaysia Berhad and CIMB Investment Bank Berhad.
- (ii) Lead Arrangers : Bank Islam Malaysia Berhad and CIMB Investment Bank Berhad.
- (iii) Co-Arranger : Not applicable.

(iv)	Solicitors	: To the Lead Arrangers: Messrs. Zaid Ibrahim & Co. (" Legal Counsel "). To the Obligor and Guarantor: Messrs Zul Rafique & partners.
(v)	Financial Adviser	: Not applicable.
(vi)	Technical Adviser	: WorleyParsons Services Sdn Bhd as independent consulting engineer. Marsh Insurance Broker Sdn Bhd as independent insurance advisers.
(vii)	Trustee	: Malaysian Trustees Berhad.
(viii)	Guarantor	: Tenaga Nasional Berhad (Company No. 200866-W) as the guarantor for Series 2 (as defined below).
(ix)	Valuer	: Not applicable.
(x)	Facility Agent	: CIMB Investment Bank Berhad.
(xi)	Primary subscriber (under a bought-deal arrangement) and amount subscribed	: The primary subscribers under a bought deal arrangement for any issuance will be determined prior to that issuance, if any.
(xii)	Underwriter(s) and amount underwritten	: Not applicable.
(xiii)	Shariah Advisers	: Bank Islam Malaysia Berhad (backed by Shariah Supervisory Council of Bank Islam) and CIMB Islamic Bank Berhad (backed by CIMB Islamic Shariah Committee).
(xiv)	Central Depository	: Bank Negara Malaysia (" BNM ").
(xv)	Paying Agent	: BNM.
(xvi)	Reporting Accountant	: Messrs KPMG.
(xvii)	Calculation Agent	: Not applicable.
(xviii)	Others (please specify)	: CIMB Investment Bank Berhad as Security Agent. Bank Islam Malaysia Berhad and CIMB Investment Bank Berhad as Joint Lead Managers.
(b)	Facility Description (including description of Islamic principle)	: Islamic Securities Programme of up to RM5.0 billion in nominal value based on the principle of Ijarah. The Issuer, on behalf of the investors (" Sukukholders "), shall from time to time purchase certain Shariah-compliant leasable assets (" Lease Assets ") from TNB Janamanjung Sdn Bhd (" TNBJ ") and in such capacity, the " Seller ") by way of transfer of the beneficial ownership at the asset purchase price (" Asset Purchase Price ") pursuant to an asset purchase agreement (" Asset

Purchase Agreement”).

The Asset Purchase Price shall be in compliance with the Securities Commission (“**SC**”) Shariah Advisory Council (“**SAC**”) asset pricing guidelines under the Islamic Securities Guidelines (Sukuk Guidelines) as may be replaced, substituted, amended or revised from time to time (“**Assets Pricing Guidelines**”).

The Lease Assets shall be free from encumbrances and not subject to any existing lease arrangement. If any of the Lease Assets are encumbered, TNBJ shall obtain the relevant consents to allow TNBJ to use the Lease Assets for the Islamic Securities Programme.

For the purposes of this Principal Terms and Conditions, the “**Project**” means the construction and delivery of a 1,010 MW coal fired power plant in Manjung, Perak (“**New Power Plant**”).

The Issuer (on behalf of the Sukukholders) (in such capacity, the “**Lessor**”) shall then, from time to time, lease the Lease Assets to TNBJ (in such capacity, the “**Lessee**”) for a pre-determined rental amount (“**Rental**”) (as defined below) and tenure (“**Ijarah Lease Term**”) pursuant to an Ijarah agreement (“**Ijarah Agreement**”).

The Issuer shall declare a trust (“**Trust**”) over, amongst others, the relevant Lease Assets the present and future rights and interest in the relevant Ijarah Agreement, the relevant Purchase Undertaking (as described below), the relevant Sale Undertaking (as described below) and the relevant proceeds of the foregoing and other transaction documents pertaining to the Islamic Securities Programme (“**Transaction Documents**”) (collectively the “**Ijarah Trust Assets**”) in favour of the relevant Sukukholders, and shall issue the Islamic Securities to the Sukukholders to represent the Sukukholders’ undivided beneficial ownership in the relevant Ijarah Trust Assets.

The Islamic Securities proceeds shall be utilised by the Issuer to pay the Asset Purchase Price under the relevant Asset Purchase Agreement.

Under the terms of the Servicing Agency Agreement (as defined below), TNBJ shall be appointed as the servicing agent (“**Servicing Agent**”) by the Issuer and will, amongst other things, be responsible, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Lease Assets and/or the related payment and/or ownership expenses in respect of the Lease Assets (“**Ownership Expenses**”), which are to be reimbursed by the Issuer to TNBJ upon the expiry of the relevant Ijarah Agreement.

The Servicing Agent shall also ensure that the takaful/insurance is for a covered/insured amount at all times and shall be responsible for the related payment of the relevant takaful contribution or insurance premium.

Upon receipt by the Lessor from the Lessee of Rental on the relevant rental payment dates (which would coincide with the Periodic Distribution Dates), the Issuer will use

such amounts to make payments of the distributions due under the Islamic Securities (i.e. Periodic Distribution Amount) to the Sukukholders.

Pursuant to the Purchase Undertaking, TNBJ (as “**Obligor**”) shall purchase the relevant Lease Assets from the Issuer and enter into a Sale Agreement for such purchase, on the earlier of:

- (a) upon the maturity date of the Islamic Securities (“**Scheduled Dissolution Date**”); or
- (b) upon declaration of a Dissolution Event or upon occurrence of a Mandatory Redemption Event (save for a Mandatory Redemption Event due to a Total Loss Event) (both as described below),

at the relevant Exercise Price (as defined below) and the proceeds therefrom shall be utilised by the Issuer for the redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

Pursuant to the Sale Undertaking, TNBJ shall have the right to require the Issuer to sell the relevant Lease Assets to TNBJ at certain dates prior to the Scheduled Dissolution Dates of the relevant Islamic Securities and accordingly the Issuer shall sell the relevant Lease Assets to TNBJ and enter into a Sale Agreement for such sale at the relevant Exercise Price on the Early Redemption Date (as defined below), if TNBJ has provided an exercise notice in this respect, and the proceeds therefrom shall be utilised by the Issuer for the Early Redemption (as defined below) of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

Under a substitution undertaking (“**Substitution Undertaking**”), TNBJ shall have the right to substitute all or part of the Lease Assets from time to time throughout the tenure of the Islamic Securities with qualified assets that are approved by the Shariah Advisers (“**Substitute Lease Assets**”), save and except in a Total Loss Event duly notified to the Trustee/Facility Agent (on behalf of the Sukukholders) as provided herein. The Substitute Lease Assets shall form part of the Lease Assets and thereby form part of the Ijarah Trust Assets.

Upon the occurrence of a Total Loss Event, TNBJ shall notify by written notice to the Trustee and the Issuer in accordance with the provisions of the Islamic Securities Trust Deed and/or Servicing Agency Agreement, following which upon receipt of the notice in writing by the Trustee a Mandatory Redemption Event shall have occurred in relation to the relevant tranche of the Islamic Securities relating to the relevant Lease Assets in a particular Ijarah Agreement.

In such event, the relevant Islamic Securities will be redeemed using the proceeds of takaful/insurance. If the takaful/insurance proceeds are insufficient to cover the nominal value of the relevant outstanding Islamic Securities and all accrued and unpaid Periodic Distribution Amount thereon, the Servicing Agent shall irrevocably and unconditionally undertake to make good

the difference, for not taking full takaful/insurance coverage on the relevant Lease Assets pursuant to the terms of the Servicing Agency Agreement and shall immediately make the requisite payment to the Issuer if sufficient proceeds of takaful/insurance have not been received within thirty (30) days after the occurrence of a Mandatory Redemption Event. Any excess from the takaful/insurance proceeds shall be paid to the Servicing Agent as an incentive fee.

“Total Loss Event” is the total loss or destruction of, or damage to the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement or any event or occurrence that renders the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical.

Lease Assets for tranches maturing up to and including 18 years from the date of first issue of the Islamic Securities are proposed to consist of specific portions of land and specific leasable components of the plant and machinery assets of the existing power plant of TNBJ in Manjung, Perak (the **“Existing Power Plant”**) and any other Shariah compliant leasable assets approved by the Shariah Advisers to be identified for each tranche.

Lease Assets for tranches maturing more than 18 years from the date of first issue of the Islamic Securities are proposed to consist of specific leasable components of the plant and machinery assets of the Existing Power Plant, specific portions of land of the New Power Plant and any other Shariah compliant leasable assets approved by the Shariah Advisers to be identified for each tranche.

Under the terms of power purchase agreement for the Existing Power Plant (**“PPA1”**) between TNB and TNBJ, the land and the plant and machinery assets of the Existing Power Plant and the land of the New Power Plant are to be transferred to TNB upon expiry of PPA1 on 31 August 2030 (**“Affected Assets”**) unless otherwise agreed by TNB and TNBJ.

In respect of those tranches maturing more than 18 years from the date of first issue of the Islamic Securities (**“Said Tranches”**), TNBJ will be obliged, pursuant to a mandatory substitution (**“Mandatory Substitution”**), from the commercial operation date of the New Power Plant (**“COD”**) but no later than sixty (60) days prior to the expiry of PPA1 (**“Mandatory Substitution Period”**), to substitute the Affected Assets with specific leasable components of the plant and machinery assets of the New Power Plant and/or any other Shariah compliant leasable assets of equal or greater value than the Affected Assets subject to compliance with the Assets Pricing Guidelines, approved by the Shariah Advisers (**“Mandatory Substitute Lease Assets”**). Following such substitution, the lease under the relevant Ijarah Agreement of the Said Tranches shall continue with the Mandatory Substitute Lease Assets based on the existing

terms of the relevant Ijarah Agreement. For avoidance of doubt, in the event the land of the New Power Plant is not transferred to TNB upon expiry of PPA1, the land of the New Power Plant shall continue to be part of the Lease Assets of the Said Tranches until maturity. Failure by TNBJ to substitute the Affected Assets within the Mandatory Substitution Period shall be a Dissolution Event, pursuant to which the Purchase Undertaking shall be exercised unless the failure is remedied within 30 days after TNBJ becomes aware or having been notified by the Trustee/Security Agent in writing of the failure to comply.

Please refer to Annexure 1 for the structure diagram of the Islamic Securities Programme.

(c) Issue/ Programme Size

The aggregate outstanding nominal value of Islamic Securities issued under the Islamic Securities Programme shall not exceed RM5.0 billion at any point in time, but subject to the following reducing limit schedule, with the limit fixed at RM1,140 million from the 19th anniversary of the first issue date of the Islamic Securities until the expiry of the Islamic Securities Programme.

From Date of First Issue (years)	Reduction Amount (RM million)	Remaining Program Limit (RM million)
5	360	4,640
6	520	4,120
7	520	3,600
8	520	3,080
9	520	2,560
10	520	2,040
11	100	1,940
12	100	1,840
13	100	1,740
14	100	1,640
15	100	1,540
16	100	1,440
17	100	1,340
18	100	1,240
19	100	1,140

- (d) **Tenure of the Facility/Issue** : The tenure of the Islamic Securities Programme shall be twenty eight (28) years from the date of first issue.
- The tenure of the Islamic Securities shall be more than one (1) year and up to twenty eight (28) years, provided that the Islamic Securities mature prior to the expiry of the Islamic Securities Programme.
- It is expected that the Islamic Securities will consist of at least two (2) series. The details relating to the initial two (2) series are as follows:
- (1) Series 1: Series 1 will consist of 15 tranches, with tenures ranging from 5 years to 19 years; and
 - (2) Series 2: Series 2 will consist of 1 tranche, with a tenure of 20 years.
- Any subsequent series of the Islamic Securities ("**Subsequent Series**") shall be governed by the terms and conditions of this Principal Terms and Conditions.
- (e) **Availability period of the Facility** : Twenty eight (28) years from the date of first issuance which shall be made within two (2) years from the date of approval by the SC.
- (f) **Profit/Coupon/Rental Rate (%)** : To be determined prior to each issuance of the Islamic Securities ("**Periodic Distribution Rate**").
- (g) **Profit/ Coupon/Rental Payment Frequency** : Islamic Securities with Periodic Distribution Amounts will be entitled to Periodic Distribution Amounts on the Periodic Distribution Dates (each as defined below).
- The frequency of the Periodic Distribution Amounts for such Islamic Securities shall be on a semi-annual basis or such period to be determined prior to each issuance of the Islamic Securities ("**Periodic Distribution Dates**").
- (h) **Profit/Coupon/Rental Payment Basis** : The Periodic Distribution Amounts shall be calculated based on the actual number of days elapsed and 365 days basis (actual/365).
- (i) **Security/Collateral (if any)** : Series 1
- The obligations of TNBJ under the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other Transaction Documents to which TNBJ is a party, in relation to Series 1 and all other amounts due and payable arising from the failure of TNBJ to pay under the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other Transaction Documents to which TNBJ is a party in relation to Series 1 shall be secured by the following security:
- (1) A first ranking assignment of all the TNBJ's rights, interests, titles and benefits under the PPA1 and the power purchase agreement ("**PPA2**") of the New Power Plant, and the proceeds therefrom; and
 - (2) A first ranking assignment of all Designated Accounts (as defined below) and the related

credit balances.

Series 2

Series 2 will be unsecured. However, the obligations of TNBJ in connection with payment due under the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other Transaction Documents to which TNBJ is a party in relation to Series 2 and all other amounts due and payable arising from the failure of TNBJ to pay under the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other Transaction Documents to which TNBJ is a party in relation to Series 2 shall have the benefit of an unconditional and irrevocable guarantee (“**TNB Guarantee**”) from Tenaga Nasional Berhad (“**TNB**”).

Subsequent Series

The Subsequent Series will be unsecured and will not have the benefit of an unconditional and irrevocable guarantee from TNB.

(j) Details on Utilisation of Proceeds

: The Islamic Securities proceeds shall be utilised by the Issuer to pay the Asset Purchase Price under the relevant Asset Purchase Agreement.

Upon receipt of the proceeds, TNBJ shall undertake to use the proceeds only for the following Shariah-compliant utilisations in connection with the Project:

- (1) pay and/or towards reimbursement of all costs associated with the Project including but not limited to site acquisition, development, design, construction, start-up and initial operations of the Project;
- (2) pay and/or towards reimbursement of all Rentals, fees, expenses, commissions and all other amounts payable in connection with the Islamic Securities Programme prior to and/or after COD;
- (3) pay and/or towards reimbursement of any other Project related costs, including consultant fees, takaful contribution and contingencies;
- (4) meet the working capital requirements of TNBJ in relation to the Project; and
- (5) payment and/or redemption of financing facilities provided or to be provided from time to time by TNB to TNBJ (including, without limitation, all amounts due and/or payable in connection with the existing financing facilities and the payment of dividends and/or redemption of redeemable preference shares), for an aggregate amount which is equivalent to the aggregate amount used by TNBJ (from its internally generated funds and/or equity contribution from TNB whether in the form of equity and/or intercompany facilities)

to pay and/or towards reimbursement of all costs associated with the Project.

For the avoidance of doubt, (i) the use of the proceeds by TNBJ as set out above shall not be subject to the "Priority of Cashflow" as provided below, and (ii) the utilisation mentioned in paragraph (5) shall not be subject to the various negative undertakings under the heading "Negative Covenants (by TNBJ)".

(k) **Sinking Fund and designated accounts (if any)**

: TNBJ shall open and maintain the following Shariah compliant designated accounts ("**Designated Accounts**") with Bank Islam Malaysia Berhad and/or any other Islamic bank chosen by TNBJ which is acceptable to the Trustee as follows:

- (1) Sukuk Escrow Account(s);
- (2) Revenue Account;
- (3) Operating Account(s); and
- (4) Finance Service Reserve Account.

The Sukuk Escrow Account(s), the Revenue Account and the Operating Account(s) shall be operated by TNBJ solely and the Finance Service Reserve Account shall be operated by the Security Agent solely. However, upon enforcement of security, the Security Agent shall be the sole signatory of all Designated Accounts.

TNBJ shall not have any bank accounts other than (i) the Designated Accounts and (ii) the maintenance reserve account(s), if any, in connection with PPA1 and/or PPA2, so long as any of the Islamic Securities is outstanding, unless otherwise agreed by the Trustee (acting reasonably).

Sukuk Escrow Account(s)

TNBJ shall open Shariah compliant Sukuk escrow account(s) (which may include foreign/multi-currencies account(s)) ("**Sukuk Escrow Account(s)**") for the purpose of depositing and/or remitting the Asset Purchase Price. TNBJ shall use the credit balances in the Sukuk Escrow Account(s) for the purposes set out under the heading "Details on Utilisation of Proceeds" above only from time to time.

Any credit balance remaining in the Sukuk Escrow Account(s) after the COD shall be deposited into the Revenue Account.

Revenue Account

TNBJ shall open a Shariah compliant revenue account ("**Revenue Account**") for the purpose of depositing the following:

- (i) all receivables under the Existing Power Plant and the project documents (including the PPA1) in connection with the Existing Power Plant, and under the New Power Plant and the project

documents (including the PPA2) in connection with the New Power Plant;

- (ii) all other revenues received by TNBJ (except in connection with its future expansion (other than in connection with the Project) ("**Future Expansion**");
- (iii) proceeds of takaful/insurance claims in respect of takaful and insurance taken and/or maintained by TNBJ or in connection with the Existing Power Plant and/or the New Power Plant;
- (iv) any claims received in respect of third party performance bonds/guarantees or any other compensation received by TNBJ (except in connection with the Future Expansion);
- (v) any remaining credit balances in the Sukuk Escrow Account(s) after the COD; and
- (vi) any transfer from the Finance Service Reserve Account in accordance with the provisions of the Transaction Documents.

The credit balances in the Revenue Account shall be applied in accordance with the "Priority of Cashflow" clause below.

Operating Account(s)

TNBJ shall open Shariah compliant operating account(s) ("**Operating Account(s)**") for the purpose of depositing the amount transferred from the Revenue Account for the payment of operating and maintenance, taxes, duties and capital expenditures (recurring or otherwise) in respect of the Existing Power Plant and the New Power Plant including the maintenance reserve requirement in connection with PPA1 and/or PPA2.

To the extent that such amount is transferred from the Revenue Account, TNBJ shall use the amount transferred for the payment of operating and maintenance, taxes, duties and capital expenditures (recurring or otherwise) in respect of the Existing Power Plant and the New Power Plant including the maintenance reserve requirement in connection with PPA1 and/or PPA2 (and, for that purpose, TNBJ may deposit such moneys into maintenance reserve account(s)).

Finance Service Reserve Account

TNBJ shall open a Shariah compliant finance service reserve account ("**Finance Service Reserve Account**"), which may be drawn by the Security Agent to the extent that funds, in accordance with the provisions of the "Priority of Cashflow" (as provided below), are insufficient to fulfil any payment obligation under items (ii) and (iii) of the "Priority of Cashflow" in connection with Series 1 of the Islamic Securities Programme.

The minimum required balance ("**Minimum Required**

Balance") in relation to the Finance Service Reserve Account shall be an amount equal to the estimated total Rental and Exercise Price payable by TNBJ for the next 12 months in relation to Series 1. The initial and subsequent Minimum Required Balance shall be funded by the internally generated funds of TNBJ and/or equity contribution from TNB and/or a bank guarantee and/or standby letter of credit procured by TNB for the benefit of TNBJ issued in favour of the Security Agent by a bank with a rating of AAA by RAM or Malaysian Rating Corporation Berhad.

For the subsequent Minimum Required Balance, the required amount shall be deposited no later than 3 months after any withdrawal is made from the Finance Service Reserve Account for the purposes of meeting any payment obligation under items (ii) and (iii) of the "Priority of Cashflow" in connection with Series 1 of the Islamic Securities Programme.

For the avoidance of doubt, if the balance in the Finance Service Reserve Account exceeds the Minimum Required Balance, the difference will be transferred to the Revenue Account to be utilised in accordance with the "Priority of Cashflow".

- | | | | |
|-----|--|---|---|
| (l) | Rating | : | Series 1 of the Islamic Securities Programme has been accorded an indicative rating of AAA and Series 2 of the Islamic Securities Programme has been accorded an indicative rating of AAA(s) by RAM Rating Services Berhad (" RAM "). |
| (m) | Mode of Issue | : | The Islamic Securities may be issued via bought deal or via book-building on a best effort basis or via direct placement on a best effort basis. |
| (n) | Selling Restrictions, including tradability | : | <p>The Islamic Securities are tradable subject to the following restrictions:</p> <p><u>Selling Restrictions at Issuance</u></p> <p>The Islamic Securities may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to subscribe the Islamic Securities may be made and to whom the Islamic Securities are issued would fall within Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act 2007 ("CMSA") and Schedule 7 or Section 230(1)(b) of the CMSA and would fall within Schedule 9 or Section 257(3) of the CMSA.</p> <p><u>Selling Restrictions Thereafter</u></p> <p>The Islamic Securities may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the Islamic Securities would fall within Schedule 6 or Section 229(1)(b) of the CMSA and would fall within Schedule 9 or Section 257 of the CMSA.</p> |
| (o) | Listing Status and type of listing | : | The Islamic Securities may be listed on Bursa Malaysia Securities Berhad under its Exempt Regime, if the Issuer |

so decides.

- (p) **Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)** : None.
- (q) **Conditions Precedent** : To include but not limited to the following:
- A. Main Documentation
 - a) The Transaction Documents have been signed and where applicable stamped or endorsed as being exempted from stamp duty and presented for registration with the relevant registries (where applicable); and
 - b) All relevant notices and acknowledgements (where applicable) shall have been made or received as the case may be.
 - B. The Issuer
 - a) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer;
 - b) Certified true copies of the Forms 24 and 49 of the Issuer;
 - c) A certified true copy of a board resolution of the Issuer authorising, among others, the execution of the relevant Transaction Documents;
 - d) A list of the Issuer's authorised signatories and their respective specimen signatures;
 - e) A report of the relevant company search of the Issuer; and
 - f) A report of the relevant winding up search or the relevant statutory declaration of the Issuer.
 - C. TNBJ
 - a) The documents corresponding to those under items B(a) to B(f) (both inclusive) in respect of TNBJ.
 - b) A report of the relevant land searches relating to the respective lands on which the Existing Power Plant and the New Power Plant are situated.
 - D. TNB
 - a) The documents corresponding to those under items B(a) to B(f) (both inclusive) in respect of TNB.
 - b) A letter of undertaking ("**TNB Undertaking Letter**") from TNB to provide up to RM300 million to TNBJ in

the form of equity injection and/or inter-company financing facility to meet part of the Project costs, in the event that the internally generated funds of TNBJ is insufficient to fund the relevant portion of the Project costs which are not funded by the Islamic Securities Programme.

For the purposes of this Principal Terms and Conditions, (1) the TNB Guarantee and the TNB Undertaking Letter shall collectively be referred to as “**TNB Documents**”, and (2) the “**Relevant Parties**” means the Issuer, TNBJ and TNB.

E. General

- a) The approval from the SC and, where applicable, all other relevant regulatory authorities;
- b) Series 1 shall have received a rating of AAA and Series 2 of the Islamic Securities Programme shall have received a rating of AAA(s) from RAM;
- c) Evidence that all the Designated Accounts have been opened and in accordance with the provisions of this Principal Terms and Conditions;
- d) Evidence that the initial minimum required balance of the Finance Service Reserve Account has been deposited into that account or covered by a bank guarantee and/or standby letter of credit as permitted under this Principal Terms and Conditions;
- e) The Joint Lead Managers have received an acceptable legal opinion from TNBJ's solicitors addressed to them advising with respect to, among others, the legality, validity and enforceability of PPA1 and the PPA2 against TNBJ and the relevant counter-parties and confirming to the Joint Lead Managers that all the conditions precedents in relation to the PPA1 and the PPA2 (if applicable) have been fulfilled;
- f) The Joint Lead Managers have received an acceptable legal opinion from their legal counsel addressed to them and the Trustee advising with respect to, among others, the legality, validity and enforceability of the Transaction Documents and a confirmation from the legal counsel addressed to the Joint Lead Managers confirming that all the conditions precedent have been fulfilled;
- g) Certified true copies of the project documents in connection with the Existing Power Plant (including the PPA1) and the New Power Plant (including the PPA2) (list to be mutually agreed later);
- h) A written report from the independent consulting engineer confirming the reasonableness of the Project costs;
- i) A written report from the independent insurance adviser that the takaful/insurance cover obtained by TNBJ in relation to the Project is adequate and in compliance with TNBJ's obligations to insure under the relevant project documents;

- j) A written report from the independent insurance adviser that the takaful/insurance cover obtained by TNBJ in relation to the Existing Power Plant is adequate and in compliance with TNBJ's obligations to insure under the relevant project documents relating to the Existing Power Plant;
- k) A written report from an environmental consultant (whom is acceptable to the Joint Lead Managers) which provides an environmental assessment confirming that all environmental laws and environmental licences to which the Project is subject (including the recommendations and requirements of the Department of Environment) have been complied with and that the works have been designed so as to facilitate compliance with such recommendations and requirements and which also provides a soil investigation report and permit review;
- l) Certified true copies of the relevant licences in connection with the Existing Power Plant (list to be mutually agreed later);
- m) A certified true copy of the shared facilities agreement between TNBJ and TNB relating to the land on which the New Power Plant is to be constructed;
- n) Evidence of the confirmation from the Shariah Advisers that the structure and mechanism together with the Transaction Documents of the Islamic Securities Programme are in compliance with Shariah;
- o) All transaction fees, costs and expenses have been fully paid or documentary evidence that it will be paid from the issue proceeds; and
- p) Such other conditions precedent as may be advised by the legal counsel of the Joint Lead Managers and to be mutually agreed between the Joint Lead Managers and TNBJ.

F. Additional Conditions Precedent for the Subsequent Series

The Subsequent Series shall have received a rating of AAA from RAM, before the relevant issue request is made.

(r) Representations and Warranties

- : The Issuer's representations and warranties are as follows:
- (a) it is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has full power to carry on its business and to own its property and assets;
 - (b) subject to the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and

approvals referred to under paragraph (q) (*Conditions Precedent*), its memorandum and articles of association incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise it to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;

- (c) subject to any general principles of law limiting its obligations referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), the Islamic Securities and each of the other Transaction Documents, is or will be when executed and/or issued, as the case may be, in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, its valid and legally binding obligations enforceable in accordance with the terms of the Islamic Securities and each such Transaction Document;
- (d) subject to the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), neither the execution and delivery of any of the Transaction Documents by the Issuer, nor the performance of any of the transactions contemplated by the Transaction Documents by the Issuer, did or does as at the date the representation and warranty is made or repeated (i) contravene or constitute a default under any provision contained in any financing agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which it or any of its assets are bound or which is applicable to it or any of its assets, (ii) cause the powers of its directors, whether imposed by or contained in its memorandum and articles of association or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (iii) cause the creation or imposition of any security interest or restriction of any nature on any of its assets (other than the securities as contemplated under this Principal Terms and Conditions); which will have a Material Adverse Effect or a material adverse effect on the validity or enforceability of the Transaction Documents or the right or remedies of a party (other than the Relevant Parties) under the Transaction Documents;
- (e) save for the perfection requirements referred to in the legal opinion delivered under paragraph (q)

(*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), no authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever is necessary to ensure the legality, validity, enforceability of its liabilities and obligations or the rights of the Sukukholders under the Transaction Documents or the Islamic Securities;

- (f) all consents, licences, approvals or authorisations of governmental authorities in Malaysia which are required for it to own its assets and carry on its business as it is being conducted have been duly obtained and complied with and are in full force and effect where failure to do so would have a Material Adverse Effect;
- (g) except as disclosed to the Trustee in writing, no litigation, arbitration or administrative proceeding or claim is current, presently in progress or pending against it or any of its assets which would have a Material Adverse Effect;
- (h) the information memorandum issued in connection with the Islamic Securities ("**Information Memorandum**" which term shall include the Information Memorandum as amended or supplemented from time to time) does not contain any statements or information which are false or misleading or from which there is a material omission which makes the statements therein, in the light of the circumstances under which they were made, misleading in any material respects as at the date of the Information Memorandum or such other date specified therein and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful inquiry by the Issuer based on facts existing as at the date of the Information Memorandum or such other dates specified therein;
- (i) there has been no material adverse change in the financial condition of the Issuer since the date of its incorporation (where no audited financial statements have been prepared) or since its last audited financial statements, which would have a Material Adverse Effect; and
- (j) no Dissolution Event has occurred and continuing.

TNBJ's and TNB's representations and warranties are as follows:

- (a) it is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has full power to carry on its business and to own its property and assets;
- (b) subject to the perfection requirements referred to in

the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), its memorandum and articles of association incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise it to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;

- (c) subject to any general principles of law limiting its obligations referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), each of the Transaction Documents to which it is a party is or will be when executed and/or issued, as the case may be, in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, its valid and legally binding obligations enforceable in accordance with the terms of such Transaction Document;
- (d) subject to the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), neither the execution and delivery of any of the Transaction Documents to which it is a party nor the performance by it of any of the transactions contemplated by such Transaction Documents did or does as at the date this representation and warranty is made or repeated (i) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which it or any of its assets are bound or which is applicable to it or any of its assets, (ii) cause the powers of its executive, whether imposed by or contained in its constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (iii) cause the creation or imposition of any security Interest or restriction of any nature on any of its assets (other than the securities as contemplated under this Principal Terms and Conditions); which will have a Material Adverse Effect or a material adverse effect on the validity or enforceability of the Transaction Documents or the right or remedies of a party (other than the Relevant Parties) under the Transaction Documents;
- (e) save for the perfection requirements referred to in

the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), no authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever is necessary to ensure the legality, validity, enforceability of its liabilities and obligations or the rights of the Sukukholders under the Transaction Documents or under the Islamic Securities;

- (f) (save and except for the relevant licences in connection with the Existing Power Plant and the New Power Plant), all consents, licences, approvals or authorisations of governmental authorities in Malaysia which are required for it to own its assets and carry on its business as it is being conducted have been duly obtained and complied with and are in full force and effect where failure to do so would have a Material Adverse Effect;
- (g) except as disclosed to the Trustee in writing, no litigation, arbitration or administrative proceeding or claim is current, presently in progress or pending against it or any of its assets, which if adversely determined would have a Material Adverse Effect;
- (h) the Information Memorandum does not contain any statements or information pertaining to the Project, the Existing Power Plant, TNBJ or TNB which are false or misleading or from which there is a material omission which makes the statements therein pertaining to the Project, the Existing Power Plant, TNBJ or TNB, in the light of the circumstances under which they were made, misleading in any material respects as at the date of the Information Memorandum or such other date specified therein and all expressions of expectation, intention, belief and opinion on the part of TNBJ or TNB contained therein were honestly made on reasonable grounds after due and careful inquiry by TNBJ and TNB based on facts existing as at the date of the Information Memorandum or such other dates specified therein;
- (i) unless otherwise disclosed, its latest audited financial statements (including the cashflow statements, income statements and balance sheet) have been prepared in accordance with approved accounting standards in Malaysia and give a true and fair view of its financial position for that year and the state of its affairs at that date, as the case may be;
- (j) there has been no material adverse change in the financial condition of TNBJ or TNB since its last audited financial statements which would have a Material Adverse Effect; and
- (k) no Dissolution Event has occurred and continuing.

“Material Adverse Effect” means, in relation to any event, the occurrence of which materially and adversely affect the ability of any of the Relevant Parties to perform their respective payment obligations under the Islamic Securities and/or any of the Transaction Documents to which it is a party.

The representations and warranties are given on the date of the relevant agreements and repeated on the date of each Issue Request and each Issue Date of the Islamic Securities only with respect to the facts and circumstances then subsisting, as if repeated by reference to the then existing circumstances.

**(s) Events of Default/
Dissolution Events**

: The Dissolution Events mean the following events:

- (i) the Issuer fails to distribute the Scheduled Distribution Amount or a Periodic Distribution Amount or TNBJ fails to pay any rental amount under the Ijarah Agreement or any Exercise Price pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking, as the case may be or TNB fails to meet its payment obligation under any of the TNB Documents unless such failure to pay is caused by administrative or technical error and payment is made within five business days from its due date;
- (ii) any of the Relevant Parties fails to observe or perform any of its obligations under any of the Transaction Documents or under any undertaking or arrangement entered into in connection therewith (other than an obligation of the type referred to in paragraph (s)(i) above) where such failure would have a Material Adverse Effect, and in the case of a failure which in the reasonable opinion of the Trustee/Security Agent is capable of being remedied, the Relevant Party does not remedy the failure within 30 days after the Relevant Party became aware or having been notified by the Trustee/Security Agent in writing of the failure to comply. For the purposes of this paragraph, a failure by TNBJ to perform its obligation to substitute any Lease Assets in accordance with the provisions of the relevant Transaction Documents (should such obligation arise under the terms of the relevant Transaction Documents) shall be deemed to be a failure which has a Material Adverse Effect and which is capable of being remedied;
- (iii) any representation or warranty made or given by any of the Relevant Parties under the Transaction Documents or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of the Islamic Securities and/or any of the Transaction Documents proves to have been incorrect or misleading in any material respects on or as of the date made or given or deemed made or given, where such event would have a Material

Adverse Effect and in the case of a failure which in the reasonable opinion of the Trustee/Security Agent is capable of being remedied, the Relevant Parties do not remedy the failure within 30 days after the Relevant Parties become aware of such misrepresentation or has been notified by the Trustee/Security Agent in writing of such misrepresentation;

- (iv) the PPA1 or any of the Project Documents (including the PPA2) is terminated or there has been a breach of any material obligations by TNBJ and/or project counterparties under any of such documents which would have a Material Adverse Effect and which, if capable of remedy, has not been remedied to the reasonable satisfaction of the Trustee/Security Agent within a period of 30 days after the Relevant Party became aware or having been notified by the Trustee/Security Agent in writing of such breach;
- (v) (a) any financial indebtedness of any of the Relevant Parties (other than the Islamic Securities) becomes due or payable or capable of being declared due or payable prior to its stated maturity; or
- (b) any guarantee or similar obligations of any of the Relevant Parties for financial indebtedness is not discharged at maturity or when called;

and such declaration of financial indebtedness being due or payable or such call on the guarantee or similar obligations would have a Material Adverse Effect unless within 90 days:

- (1) it is contested in good faith by the Relevant Party; or
- (2) the Trustee/Security Agent is furnished with evidence that the relevant creditors' agreement has been obtained not to declare due or not to call on the guarantee or similar obligations or to waive such default or not to take any further action in relation thereto;

No Dissolution Event will occur under this paragraph (s)(v) if the aggregate amount of financial indebtedness falling within paragraph (s)(v)(a) and (s)(v)(b) above is less than 10% of the consolidated net tangible assets of TNB group (as defined below).

"TNB group" shall mean TNB and all the Subsidiaries.

"Subsidiaries" shall mean at any time, any entity whose financial statements at such time are required by law or in accordance with applicable generally accepted accounting principles at such time to be fully consolidated with those of TNB.

"financial indebtedness" shall mean, without duplication or double counting, whether Islamic or

conventional:

- (a) all indebtedness for borrowed money in respect of which interest charges are customarily paid and other indebtedness under or pursuant to Islamic financing;
- (b) all indebtedness for or in respect of any amount raised pursuant to the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (c) all financial guarantees by such person of financial indebtedness of others; and
- (d) all hire purchase and finance lease obligations of such person,

provided that notwithstanding the foregoing, the term "**financial indebtedness**" shall not include subordinated shareholders loans or advances, redeemable preference shares, vendor financing, trade credits in the ordinary course of business or security or refundable deposits taken in the ordinary course of business.

- (vi) an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or substantial part of the assets of any of the Relevant Parties, or distress, legal process, sequestration or any form of execution is levied or enforced or sued out against such assets which would have a Material Adverse Effect and is not discharged within 90 days, or any security interest which may for the time being affect any of such assets becomes enforceable and which would have a Material Adverse Effect;

For the purpose of this paragraph (s)(vi), references to "substantial" shall mean such value equivalent to or more than 10% of the consolidated net tangible assets of the TNB group.

- (vii) any of the Relevant Parties fails to satisfy any judgement involving material liabilities passed against it by any court of competent jurisdiction (excluding those liabilities in which it is confirmed that insurance coverage can be claimed) which would have a Material Adverse Effect provided that no Dissolution Event shall occur under this paragraph (s)(vii) if:-

- (a) an appeal against such judgement has been made to any appropriate appellate court within the time prescribed by law; or
- (b) an application is made to discharge or stay such judgment within 90 days.

For the purpose of this paragraph (s)(vii), references to "material" shall mean such value equivalent to or more than 10% of the consolidated net tangible assets of the TNB

group.

- (viii) other than for the purposes of and followed by a reconstruction previously approved in writing by the Trustee/Security Agent, unless during or following such reconstruction the Relevant Party becomes or is declared to be insolvent, a winding-up order has been made against the Relevant Party or any step is taken for the winding up, dissolution or liquidation of any of the Relevant Parties or a resolution is passed for the winding up of any of the Relevant Parties or a petition for winding up is presented against any of the Relevant Parties (unless such petition is frivolous or vexatious or related to a claim to which the Relevant Parties have a good defence or which is being contested in good faith by the Relevant Party) and the Relevant Party has not taken any action in good faith to set aside such petition or the petition is not withdrawn or discharged within 90 days from the date of service of such winding up petition or a winding up order has been made against the Relevant Party;
- (ix) other than for the purposes of and followed by a reconstruction previously approved in writing by the Trustee/Security Agent, unless during or following such reconstruction the Relevant Party becomes or is declared to be insolvent, any of the Relevant Parties:-
 - (a) convenes a meeting of its creditors or proposes or makes any arrangement (including any scheme of arrangement under Section 176 of the Companies Act, 1965) or composition or begins negotiations with its creditors, or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or a material part of its indebtedness; or
 - (b) a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or a material part of its indebtedness; or
 - (c) makes any assignment for the benefit of its creditors in respect of or affecting all or a material part of its indebtedness.

For the purpose of this paragraph (s)(ix), references to "material" shall mean such value equivalent to or more than 10% of the consolidated net tangible assets of the TNB group.

- (x) other than as contemplated under Positive Covenants, paragraph (t)(1)(q) below, where there is a revocation, withholding or modification of any license, authorisation, approval or consent necessary for the Relevant Parties to carry on its business which in the reasonable opinion of the Trustee/Facility Agent would have a Material

Adverse Effect;

- (xi) any creditor of any of the Relevant Parties exercises a contractual right to take over the financial management of the Relevant Party and such event in the reasonable opinion of the Trustee would have a Material Adverse Effect on the Relevant Party;
- (xii) any of the Relevant Parties repudiates any of the Transaction Documents to which it is a party;
- (xiii) all or a substantial part of the assets, undertakings, rights or revenue of any of the Relevant Parties are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which in the opinion of the Trustee/Security Agent would have a Material Adverse Effect on the Relevant Party;

For the purpose of this paragraph (s)(xiii), references to "substantial" shall mean such value equivalent to or more than 10% of the consolidated net tangible assets of the TNB group.

- (xiv) any event or events has or have occurred or a situation exists which in the reasonable opinion of the Trustee/Security Agent would have a Material Adverse Effect and in the case of the occurrence of such event or situation which in the reasonable opinion of the Trustee/Security Agent is capable of being remedied, the Relevant Party does not remedy it within 60 days after the Relevant Party became aware or having been notified in writing by the Trustee/Security Agent of the event or situation;
- (xv) COD does not occur within sixty (60) months from and including 1 March 2011 or 31 March 2011 (if approved by the EC);
- (xvi) TNBJ ceases to be 100% owned by TNB directly or indirectly.

Upon the occurrence of a Dissolution Event, the Trustee may, at its sole and absolute discretion and shall, if so directed by an extraordinary resolution of the Sukukholders (subject to its rights to be indemnified to its satisfaction against all reasonable costs and expenses thereby occasioned), declare (by giving notice to the Issuer and Obligor) that a Dissolution Event has occurred and the Trustee /Security Agent is entitled to enforce its rights under the Transaction Documents, including, if applicable, requiring the Obligor as stipulated under the Purchase Undertaking to purchase the Lease Assets by entering into a Sale Agreement and pay the Exercise Price.

(t) Covenants

(1) Positive Covenants

: TNBJ and the Issuer covenant that so long as the Islamic Securities are outstanding:

- (a) it shall provide to the Trustee at least on an annual basis, a certificate confirming that to the best of its knowledge and belief, there does not exist or had not existed, from the first date the Islamic Securities were issued or the date of the last certificate, as the case may be, any Dissolution Event, and if such is not the case, to specify the same;
- (b) it shall deliver to the Trustee the following:
 - (i) as soon as they become available (and in any event within a period to be mutually agreed in the Transaction Documents after the end of its financial year) copies of its financial statements for that year which shall contain the income statements and balance sheets of the Issuer and TNBJ, respectively and which are audited by a firm of independent certified public accountants acceptable to the Trustee;
 - (ii) promptly, such additional financial or other information or reports as the Trustee may from time to time reasonably request including without limitation, such information as the Trustee may require in order for the Trustee to discharge its duties and obligations to the extent permitted by law and would not result in the Relevant Parties breaching any stock exchange requirements, duty of confidentiality or confidentiality obligations;
- (c) it shall promptly notify the Trustee of any litigation or other proceedings of any nature whatsoever being initiated against it before any court or tribunal or administrative agency which would have a Material Adverse Effect;
- (d) it shall promptly give notice to the Trustee of:
 - (i) any change in the utilisation of proceeds from the Islamic Securities from that set out in the Transaction Documents;
 - (ii) the occurrence of any Dissolution Event;
 - (iii) any substantial change in the nature of the business of the Relevant Party;
 - (iv) any change in the withholding tax position or taxing jurisdiction of the Relevant Party;
- (e) (save and except for the relevant licences in connection with the Existing Power Plant and the New Power Plant), it shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) and will promptly obtain any further

authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) which is or may become necessary to enable it to own its assets, to carry on its business or for the Relevant Party to enter into or perform its obligations under the Transaction Documents or to ensure the legality, validity, enforceability, admissibility in evidence of its obligations or the priority or rights of the Trustee/the Facility Agent/the Security Agent or the Sukukholders under the Transaction Documents and it shall comply with the same where failure to do so would have a Material Adverse Effect;

- (f) it shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents;
- (g) it shall exercise reasonable diligence in carrying out its business and affairs and in accordance with sound financial and commercial standards and practices;
- (h) it shall prepare its financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia (unless otherwise disclosed) and those financial statements shall give a true and fair view of its results of the operations for the period to which the financial statements are made up;
- (i) it shall maintain an accounting system and records in compliance with applicable statutory requirements and in accordance with generally accepted accounting principles in Malaysia which are adequate to record and reflect its operations and financial condition and it will permit upon reasonable request by the Trustee or its agent and servants and any person appointed or authorised by it with prior notice and at all reasonable times to have access to and to inspect its books of accounts and records relating to its business at any office, branch or place of business of the Issuer and all records kept by any other persons subject to such parties executing confidentiality undertakings as prescribed by the Relevant Parties and Provided further that such access and disclosure does not result in any contravention of any laws, regulations or directives by the Relevant Parties and would not result in the Relevant Parties breaching any stock exchange requirements, duty of confidentiality or confidentiality obligations;
- (j) it shall promptly comply with all applicable laws relating to the Islamic Securities (including the provisions of the Capital Markets and Services Act 2007 and all circulars, conditions or guidelines issued by the Securities Commission from time to time) as may be applicable to it;
- (k) the Issuer shall maintain a paying agent in

Malaysia;

- (l) during the construction period prior to the COD, TNBJ's engineer shall submit a progress report every quarter to the independent consulting engineer ("ICE") for verification and to the Trustee, and which shall contain (i) a summary of progress towards achieving the COD, (ii) estimated date of COD, (iii) confirmation of construction and other costs paid up to the date of the then quarterly progress report and estimated remaining capital expenditure/ construction-related costs and pre-operational expenditure to be incurred towards the implementation of the COD and (iv) details of actual or likely cost overruns;
- (m) TNBJ shall provide the Trustee and its representatives reasonable access to the Project site and inspection of all relevant Project Documents at all reasonable times provided prior notice has been given to TNBJ and subject to such parties executing confidentiality undertakings as prescribed by TNBJ and Provided further that such access and disclosure does not result in any contravention of any laws, regulations or directives by the Relevant Parties and would not result in the Relevant Parties breaching any stock exchange requirements, duty of confidentiality or confidentiality obligations; and
- (n) TNBJ shall open and maintain each of the required Designated Accounts and pay all relevant amounts into such accounts and make all payments from such accounts, only as permitted under the Transaction Documents;
- (o) TNBJ shall ensure that the Sponsor Gross Equity Contribution (as defined in PPA2) amounts to 20% or more of the Total Project Costs (as defined in PPA2) as and when calculated in accordance with the terms of PPA2;
- (p) TNBJ shall ensure that the jetty terminal usage agreement to be entered into between TNBJ and Lekir Bulk Terminal Sdn Bhd in connection with the Project is signed and will contain the salient terms as set out in Section 5.2.6 (Draft Jetty Terminal Usage Agreement between TNBJ and LBT ("**JTUA 2**") in the information memorandum and becomes effective no later than a date falling 6 months after the date of first issuance of the Islamic Securities or such other extended period as the Trustee may agree acting reasonably.
- (q) TNBJ shall procure from the relevant authority:
 - (i) the approval for the extension of the existing licence for the Existing Power Plant up to and including 31 August 2030; and
 - (ii) the approval for the licence for the New Power Plant;

within nine (9) months from the first Issue Date (or

such extended period as the Trustee may agree, acting reasonably) and upon the said approval and licence being granted and issued by the relevant authority, TNBJ shall maintain the relevant licences in connection with the Existing Power Plant and the New Power Plant in full force and effect; and

- (r) TNBJ shall ensure that the contract between TNB and Tokyo Electric Power Services Co. Ltd and Minconsult Sdn Bhd Joint Venture as owner's engineer is novated to TNBJ or otherwise all rights, remedies and benefits of TNB under that contract are assigned to TNBJ, no later than 6 months after the date of first issuance of the Islamic Securities or such other extended period as the Trustee may agree acting reasonably.

(2) Negative Covenants (by the Issuer) : The Issuer covenants that, for so long as any Islamic Security is outstanding, it will not:

- (a) add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents unless required by law;
- (b) reduce its authorised or paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares which would have a Material Adverse Effect;
- (c) save for any loans or securities, which repayment or redemption is subordinated to the Islamic Securities, incur any financial indebtedness whatsoever, or give any guarantee in respect of any financial indebtedness of any person other than pursuant to the Islamic Securities Programme;
- (d) sell, lease, transfer or otherwise dispose of any part of its interest in any of the Ijarah Trust Assets except as permitted under the Islamic Securities Programme;
- (e) use the proceeds of the issue of the Islamic Securities for any purpose other than as stated in the Transaction Documents;
- (f) have any subsidiaries or employees;
- (g) redeem any of its shares or pay any dividend or make any distribution to its shareholders;
- (h) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any bankruptcy or insolvency proceeding with respect to it;
- (i) enter into any contract, transaction or engage in any business or activity other than:
 - (i) the Transaction Documents to which it is a party (or any amendment or supplemental

agreement thereto);

- (ii) as provided for or permitted in the Transaction Documents;
 - (iii) the ownership, management and disposal of Ijarah Trust Assets as provided in the Transaction Documents; or
 - (iv) such matters as incidental to the Transaction Documents or the Ijarah Trust Assets;
- (j) cause or permit to be created on any of its property or assets any security interest as security for any notes, bonds or other evidence of financial indebtedness issued, assumed or guaranteed by the Issuer, except in relation to the Islamic Securities Programme.

**(3) Negative Covenants
(by TNBJ)**

: TNBJ covenants that, for so long as any Islamic Security is outstanding:

- (i) TNBJ shall not change in a material manner the nature or scope of its existing business nor suspend a substantial part of its business where such change or suspension would have a Material Adverse Effect;
- (ii) TNBJ shall not obtain or permit to exist any financial indebtedness other than the following:
 - (a) the Islamic Securities;
 - (b) financing facilities from related corporations of TNBJ;
 - (c) the financing facilities ("**Permitted Facilities**") arising from or in connection with TNBJ's obligations under the project documents (including PPA1 and PPA2) to any provision of bonds/performance guarantee;
 - (d) the financing facilities ("**Future Facilities**") which TNBJ obtained or to be obtained from time to time to fund the Future Expansion, provided that such Future Facilities do not share any of the securities given or to be given for the Islamic Securities and also does not cause the rating of the Islamic Securities to be lower than AAA or be put on a negative watch;
 - (e) financing which repayment or redemption are subordinated to the Islamic Securities; and
 - (f) working capital facilities ("**Working Capital Facilities**") of up to an aggregate principal amount of RM450.0 million only at any time.
- (iii) TNBJ shall not create or permit to exist any security interest over its assets, except for:-

- (a) liens arising in the ordinary course of business by operation of law and not by way of contract;
 - (b) those security as contemplated in this Principal Terms and Conditions;
 - (c) securities given for the Permitted Facilities, the Future Facilities and Working Capital Facilities;
 - (d) securities given as an alternative (whether in whole or in part) to the Permitted Facilities (**"Alternative Securities"**);
 - (e) any netting or set-off arrangement entered into in the ordinary course of banking arrangements for the purpose of netting debit and credit balances;
 - (f) security created in relation to documentary credits, trust receipts and bankers acceptances opened in the ordinary course of business;
 - (g) security arising under retention of title, leases, hire purchase or conditional sale arrangements in respect of any assets or goods supplied in the ordinary course of business;
 - (h) security created in respect solely of indebtedness incurred or assumed for the purpose of financing the purchase price of any asset (including but not limited to shares), in each case, created solely over such assets;
 - (i) security created in respect of liabilities which exist on any property or asset prior to its acquisition or arising after such acquisition pursuant to contractual commitments entered into prior to, but not in connection with or in contemplation of, such acquisition;
 - (j) security existing as at the date of the Transaction Documents and disclosed to the Trustee;
 - (k) security created with the prior written consent of the Trustee; and
 - (l) security which equally and rateably secures the obligations under the Series 1.
- (iv) TNBJ shall not provide or permit to exist any guarantee to any party other than:-
- (a) performance bonds and maintenance bonds as required in relation to the Existing Power Plant, the New Power Plant and/or the Future Expansion; and
 - (b) those required in the ordinary course of

business.

- (v) TNBJ will not sell, transfer or lease or otherwise dispose of or in any case cease to exercise control over, whether by a single transaction or a number of transactions, related or not, the whole or part of TNBJ's undertaking, business or assets, except:-
- (a) sale or disposal of TNBJ's undertaking, business or assets which is in the ordinary course of business and on ordinary commercial terms on the basis of arm's length transaction; or
 - (b) disposal of any of TNBJ's undertaking, business or assets due to obsolescence and/or deterioration; or
 - (c) as permitted under the Islamic Securities Programme; or
 - (d) solely for the purpose of facilitating any Islamic financing in connection with any of the financing facilities allowed under the Islamic Securities Programme; or
 - (e) transfer or disposal pursuant to the terms of PPA1; or
 - (f) sale or disposal pursuant to security permitted under the Islamic Securities Programme; or
 - (g) sale or disposal which would not have a Material Adverse Effect; or
 - (h) sale or disposal constituted by creation of permitted security; or
 - (i) sale or disposal in exchange for other assets comparable or superior as to value; or
 - (j) sale or disposal of any Future Expansion or any part thereof.

For the avoidance of doubt, the exceptions provided above (other than exception (c) and (e)) shall be subject to compliance with the Substitution Undertaking.

- (vi) TNBJ shall not add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents unless required by law or the Listing Requirements;
- (vii) TNBJ shall not reduce its authorised or paid-up share capital (except by way of purchase, acquisition or reduction permitted under the law or redemption of redeemable preference shares permitted in the Transaction Documents) whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of

its shares where doing so would have a Material Adverse Effect;

- (viii) save for distribution, redemption and/or payment referred to in paragraph 3(j)(5), TNBJ shall not declare or pay any dividends or make any distribution whether income or capital in nature to its shareholders or redeem any preference shares or make any payments (whether in relation to principal, profits or other forms of return, or otherwise) to its related corporations or associated companies in connection with any financing facilities, if any, from its related corporations or associated companies if:
 - (a) the FSCR (as defined below) falls below 2.0 times before and after such payment or distribution;
 - (b) the requirements with respect to the Finance Service Reserve Account and/or the Finance to Equity Ratio (as defined below) have not been met or will not be met after such payment or distribution; or
 - (c) a Dissolution Event has occurred and is continuing or if following such payment or distribution, a Dissolution Event would occur;
- (ix) TNBJ shall not enter into any agreement with its related corporations or associated companies if it has a Material Adverse Effect on TNBJ;
- (x) TNBJ shall not use the proceeds of the Islamic Securities Programme except for the purposes set out in this Principal Terms and Conditions;
- (xi) TNBJ shall not provide any financing facility to any party other than in compliance with the Listing Requirements;
- (xii) TNBJ shall not, and shall not agree to, amend, vary, terminate (except due to lapse of time), replace or supplement any of its project documents relating to the Existing Power Plant and/or the New Power Plant (the list to be mutually agreed) which would have a Material Adverse Effect;
- (xiii) TNBJ shall not, and shall not agree to, waive any breach or proposed breach in any of the project documents relating to the Existing Power Plant and/or the New Power Plant by its counterparty/ies which would have a Material Adverse Effect; and
- (xiv) TNBJ shall not do or omit to do any act, or execute or omit to execute any document which may render any of the project documents relating to the Existing Power Plant and/or the New Power Plant to be illegal, void, voidable or unenforceable which would have a Material Adverse Effect.

- (4) **Negative Covenants (by TNB)** : TNB covenants that, for so long as any Islamic Security is outstanding:
- (1) it shall not add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents unless required by law or the Listing Requirements;
 - (2) it shall not reduce its authorised or paid-up share capital (except by way of purchase, acquisition or reduction permitted under the law or redemption of redeemable preference shares) whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares which would have a Material Adverse Effect.
- (5) **Financial Covenants** : (1) Finance to equity ratio ("**Finance to Equity Ratio**") of not more than 85:15 for TNBJ.
- (2) Finance service cover ratio ("**FSCR**") : minimum 2.0 times. For the requirement relating to the FSCR, not more than 1.0 time may be met by the relevant bank guarantee and/or standby letter of credit provided in relation to the Finance Service Reserve Account, if any, at any time or from time to time during the tenure of the Series 1 of the Islamic Securities.
- (6) **Finance to Equity Ratio** : With respect to TNBJ, the Finance to Equity Ratio will be defined as (1) the outstanding principal obligations of TNBJ under all financing facilities including the lease obligations from TNBJ to the Issuer under the Islamic Securities (except in relation to (a) intercompany facilities from related corporations of TNBJ and (b) the Future Facilities), hire purchase obligations and finance lease obligations to (2) the shareholders' funds of TNBJ.
- (7) **Finance Service Cover Ratio ("FSCR")** : The FSCR is the ratio of Net Available Cash (as defined below) for the next twelve (12) months to the Total Finance Service (as defined below) to be paid for such period, where:
- i. net available cash ("**Net Available Cash**") for any period is the aggregate of (a) the net operating cash flow generated for the period (except those in relation to the Future Expansion), (b) income on cash balances (except those in relation to the Future Expansion), (c) all cash balances (including those of the Designated Accounts) at the beginning of such period and (d) the amount covered by the relevant bank guarantee and/or standby letter of credit provided in relation to the Finance Service Reserve Account. For the avoidance of doubt, such amounts will also include the nominal value of any Permitted Investments; and
 - ii. total finance service ("**Total Finance Service**") for any period is the aggregate amount that is required to be paid (relating to outstanding principal

obligations and periodic distribution amounts, and all other corresponding amounts) in connection with all financing facilities of TNBJ including the lease obligations from TNBJ to the Issuer under the Islamic Securities (except in relation to (a) Series 2, (b) intercompany facilities from related corporations of TNBJ and (c) the Future Facilities), for that period.

In this regard, the net operating cash flow generated means (a) with respect to inflow, the items (i) to (iv) (both inclusive) listed under the heading "Revenue Account" above and (b) with respect to outflow, the item (i) listed under the heading "Priority of Cashflow" below.

For the avoidance of doubt, any double counting shall be disregarded.

TNBJ shall maintain a minimum FSCR of 2.0 times commencing from the first semi annual periodic distribution amount date in respect of Series 1 of the Islamic Securities until final maturity of the last Islamic Securities.

The FSCR shall be calculated by TNBJ at least 14 days prior to each semi annual periodic distribution amount period in respect of Series 1 of the Islamic Securities (and, after Series 1 of the Islamic Securities has been fully redeemed, in respect of Series 2 of the Islamic Securities) and checked and confirmed acceptable by the Facility Agent. For the avoidance of doubt and in respect of paragraph (t)(3)(viii) under the heading "Negative Covenants (by TNBJ)", the calculation of FSCR shall be made at least 14 days prior to the relevant date of distribution, redemption or payment.

In the event there is a dispute and the Facility Agent requires certification from any external party (choice of such party must be acceptable to the Facility Agent) in relation to the calculation of the said FSCR, TNBJ shall promptly procure such certification prior to the relevant periodic distribution amount date.

Such external party's certification shall be provided to the Facility Agent before the Facility Agent gives any confirmation as required above and such external party's certification is final.

(u) Provisions on buy-back and early redemption of sukuk

- (1) Redemption** : Unless redeemed earlier by the Issuer, the Issuer shall redeem the Islamic Securities at their face value on their respective Scheduled Dissolution Date.
- (2) Repurchase and Cancellation** : The Issuer and TNBJ and their respective related corporations may at any time purchase the Islamic Securities in the open market or otherwise at any price, but these repurchased Islamic Securities shall be cancelled and cannot be reissued.
- (3) Early Redemption** : The Issuer may, at its sole discretion, redeem in whole (and not in part) any particular tranche of the Islamic

Securities before its Scheduled Dissolution Date at the Early Redemption Amount (as defined in paragraph (v)(4)) subject to the following conditions:

- (i) the Issuer shall have issued a notice to the Trustee (the “**Early Redemption Notice**”) not less than 21 days and not more than 60 days before the date of the proposed redemption (the “**Early Redemption Date**”). The Early Redemption Notice must specify the Early Redemption Date, the particulars of the tranche of the Islamic Securities that the Issuer wishes to cancel; and
- (ii) the Early Redemption Date must fall on a Periodic Distribution Date and the redemption shall be in inverse order of maturity.

(4) Mandatory Redemption : If, at any time,

- (i) any of the provisions of the Transaction Documents is or becomes illegal, void, voidable or unenforceable and it does not affect the Sukukholders’ ownership of the Ijarah Trust Assets and this would have a Material Adverse Effect; or
- (ii) upon occurrence of a Total Loss Event with respect to the relevant Lease Assets in a particular Ijarah Agreement;

(each a “**Mandatory Redemption Event**”), the Issuer shall, for event (i), redeem in whole (and not in part) all the Islamic Securities before its Scheduled Dissolution Date at the Exercise Price, subject to the Trustee issuing a notice to the Issuer (the “**Mandatory Redemption Notice**”) requiring the Issuer to redeem all the Islamic Securities no less than 5 business days before the date of the proposed redemption (the “**Mandatory Redemption Date**”) and, upon occurrence of event (ii), TNBJ shall notify the Trustee and the Issuer immediately, and the Issuer shall redeem the relevant Islamic Securities at the nominal value of the relevant outstanding Islamic Securities and all accrued and unpaid Periodic Distribution Amount thereon, using the proceeds of takaful/insurance (including, where applicable, the amount payable by the Servicing Agent pursuant to the Servicing Agency Agreement) as soon as practicable upon receiving the same.

(v) Other principal terms and conditions for the issue

(1) Purchase Undertaking : TNBJ (as Obligor) shall enter into a Purchase Undertaking pursuant to which TNBJ shall undertake to purchase the relevant Lease Assets from the Issuer and enter into a Sale Agreement for such purchase, on the earlier of:

- (a) upon the Scheduled Dissolution Date; or
- (b) upon declaration of a Dissolution Event or upon occurrence of a Mandatory Redemption Event (save for a Mandatory Redemption Event due to a Total Loss Event),

at the relevant Exercise Price and the proceeds therefrom shall be utilised by the Issuer for the redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

- (2) **Sale Undertaking** : The Issuer on behalf of the Sukukholders shall enter into a Sale Undertaking pursuant to which, TNBJ shall have the right to require the Issuer to sell the relevant Lease Assets to TNBJ at certain dates prior to the Scheduled Dissolution Dates of the relevant Islamic Securities and accordingly the Issuer shall sell the relevant Lease Assets to TNBJ and enter into a Sale Agreement for such sale at the relevant Exercise Price on the Early Redemption Date, if TNBJ has provided an exercise notice in this respect, and the proceeds therefrom shall be utilised by the Issuer for the Early Redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.
- (3) **Costs Undertaking** : TNBJ shall enter into a costs undertaking ("**Costs Undertaking**") pursuant to which TNBJ undertakes for the benefit of the Issuer and the Trustee to pay the fees and expenses of service providers (except the Servicing Agent) appointed to perform services in connection to the Islamic Securities.
- (4) **Exercise Price** : (a) In relation to the Purchase Undertaking, the Exercise Price for the purchase of the relevant Lease Assets is as follows:
 - (i) in the case of a purchase of all the Lease Assets due to declaration of a Dissolution Event or upon occurrence of a Mandatory Redemption Event (save for a Mandatory Redemption Event due to a Total Loss Event), the Exercise Price shall be an amount equal to the Dissolution Distribution Amount plus the Ownership Expenses; and
 - (ii) in the case of a purchase of the relevant Lease Assets on the Scheduled Dissolution Date of a tranche of Islamic Securities, the Exercise Price shall be an amount equal to the Scheduled Distribution Amount for the relevant tranche plus the Ownership Expenses;

"Dissolution Distribution Amount" means the aggregate of the following in respect of all outstanding Islamic Securities:

 - (1) the nominal value; and
 - (2) the accrued but unpaid Periodic Distribution Amounts, accrued to the date of declaration of the Dissolution Event;

"Scheduled Distribution Amount" means in respect of a tranche of Islamic Securities the aggregate of the following:

 - (1) the nominal value; and

- (2) the accrued but unpaid Periodic Distribution Amounts as at the Scheduled Dissolution Date;
- (b) In relation to the Sale Undertaking, the Exercise Price payable by the Obligor for the purchase of the relevant Lease Assets on the Early Redemption Date of a tranche of Islamic Securities, shall be the relevant early redemption amount ("**Early Redemption Amount**") for the relevant tranche of Islamic Securities plus the Ownership Expenses;

The Early Redemption Amount for each particular tranche of Islamic Securities is the higher of (i) the nominal value of that particular tranche of Islamic Securities or (ii) the early redemption sum based on the following formula (which calculation by the Facility Agent shall be final and binding):

$$\frac{(NV \times ERP)}{100}$$

100

Where:

"**NV**" means the aggregate nominal value of the Islamic Securities to be redeemed; and

"**ERP**" means the early redemption price per RM100 (rounded to 2 decimal places) subject to a minimum of RM100, calculated as follows:

$$ERP = \left[\frac{100}{[1 + (YTM / 2)]^{(N-1)}} \right] + \left[\sum_{k=1}^N \frac{[100 \times (profit / 2)]}{[1 + (YTM / 2)]^{(k-1)}} \right]$$

Where:

N = number of Periodic Distribution Date(s) between the Scheduled Dissolution Date and the Early Redemption Date, inclusive of both the Scheduled Dissolution Date and the Early Redemption Date.

Profit = Periodic Distribution Rate of the particular tranche of Islamic Securities expressed as a percentage per annum.

YTM = Reference MGS plus 0.30% (if the remaining tenure of the relevant tranche is 7 years or less as at the relevant Early Redemption Date) or 0.50% (if the remaining tenure of the relevant tranche is more than 7 years as at the relevant Early Redemption Date).

"**Reference MGS**" shall be the rates for the Malaysian Government Securities for the tenure which is equal to the remaining tenure of the tranche of Islamic Securities and shall be determined from:

- (i) first, the latest consolidated Government Securities Rates (Conventional) published by BNM daily, 2 business days prior to the date

that the Early Redemption Notice is received by the Trustee/Facility Agent or in the case where the rate for a particular tenure is not available directly, then such a rate shall be extrapolated on a linear basis using the consolidated Government Securities Rates (Conventional) published; or

- (ii) if (i) above is not available, the arithmetic average of the mid-rates quoted by any 5 Principal Dealers, 2 business days prior to the date that the Early Redemption Notice is received by the Trustee/Facility Agent or in the case where the rate for a particular tenure is not available directly, then such a rate shall be extrapolated on a linear basis using the available arithmetic average mid-rates.

“Principal Dealers” are banking institutions appointed by BNM as principal dealers.

For the redemption of the relevant Islamic Securities in connection with the Sale Undertaking, it shall be in inverse order of maturity and, in relation to a particular tranche, it shall be in whole (rather than in part) for the relevant series.

The Exercise Price payable shall be set off against the reimbursement of the Ownership Expenses to Servicing Agent.

- (5) Ijarah Agreement** : Under the terms of an Ijarah Agreement between the Lessee and the Lessor from time to time, the Lessor will agree to lease to the Lessee, and the Lessee will agree to lease from the Lessor, the Lease Assets during the term commencing on the lease commencement date and expiring on the Scheduled Dissolution Date.

The Ijarah Agreement is subject to early termination upon the occurrence of certain events to be determined.

- (6) Servicing Agency Agreement** : Under the Servicing Agency Agreement, TNBJ (in such capacity as the Servicing Agent) on behalf of the Issuer, will be responsible for among others the performance of all major maintenance and ownership expenses in respect of the Lease Assets.

- (7) Transferability** : Transferable but subject to the Selling Restrictions.

- (8) Status** : The Islamic Securities will represent the Sukukholders' undivided beneficial ownership in the Ijarah Trust Asset of the relevant tranche of Islamic Securities. The Islamic Securities will constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.

The obligations of TNBJ pursuant to the Transaction Documents to which it is a party in respect of (a) Series 1

of the Islamic Securities will constitute direct, unconditional and secured obligations of TNBJ and (b) Series 2 and the Subsequent Series of the Islamic Securities will constitute direct, unconditional and unsecured obligations of TNBJ. Series 1 is secured by the security described in paragraph 10 above, and ranks senior in right of payment to all other unsecured obligations of TNBJ with respect to the value of the security provided by TNBJ, except those mandatorily preferred by law. Series 2 and each of the Subsequent Series of the Islamic Securities (as the case may be), shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of TNBJ, except those preferred by law and the Transaction Documents.

The obligations of TNB pursuant to the TNB Guarantee and the TNB Undertaking Letter will constitute direct, unconditional and unsecured obligations of TNB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of TNB, except those preferred by law and the Transaction Documents.

- (9) Availability**

: Upon completion of documentation and, unless waived by the Joint Lead Managers, compliance of all conditions precedent and other applicable conditions to the reasonable satisfaction of the Joint Lead Managers.
- (10) Compensation for late and default payments (Ta'widh)**

: In the event of any overdue payments of any Rental, Exercise Price and amounts due under the Servicing Agency Agreement in relation to occurrence of a Total Loss Event, TNBJ shall pay the compensation on such overdue amounts at the rate and manner prescribed by the SC's SAC from time to time in accordance with Shariah.
- (11) Governing Laws**

: The Islamic Securities and the Transaction Documents shall be governed by the laws of Malaysia.
- (12) Taxation**

: All payments by any of the Relevant Parties shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law, in which event the payer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made.
- (13) Jurisdiction**

: The Issuer, TNB and TNBJ shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.
- (14) No Payment of Interest**

: For the avoidance of doubt and notwithstanding any other provision to the contrary herein, it is hereby agreed

and declared that nothing in this principal terms and conditions and the Transaction Documents shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest.

(15) Other Conditions : The Islamic Securities shall at all times be governed by the guidelines issued and to be issued from time to time by Securities Commission, BNM, Malaysian Electronic Clearing Corporation Sdn Bhd and/or any other authority in Malaysia having jurisdiction over matters pertaining to the Islamic Securities.

(16) Priority of Cashflow : Priority application of cash flow from the Revenue Account shall be as follows:

- i. for transfer to the Operating Account(s) for payment of operating and maintenance, taxes, duties and capital expenditures (recurring or otherwise) in respect of the Existing Power Plant and the New Power Plant including TNBJ's payment obligations under the Project Documents and the maintenance reserve requirement in connection with PPA1 and/or PPA2;
- ii. for payment of periodic distribution amount, fees, costs, expenses, commissions and other financing costs payable in connection with, in terms of priority, firstly, the Islamic Securities Programme and, secondly, other financing facilities as allowed under this Principal Terms and Conditions (except in relation to the Future Facilities);
- iii. for payment of all principal obligations under, in terms of priority, firstly, the Islamic Securities Programme (including TNBJ's obligations in connection with the Purchase Undertaking and the other Transaction Documents) and, secondly, other financing facilities as allowed under this Principal Terms and Conditions (except in relation to the Future Facilities);
- iv. for compliance with the requirements in connection with the Finance Service Reserve Account and the Alternative Securities;
- v. for all other payments to be determined at the discretion of TNBJ subject to compliance with Negative Covenants (TNBJ) item (viii) above (if applicable).

With respect to item (i), to the extent that there are fees, costs and expenses which cannot be reasonably identified and allocated for (a) the Existing Power Plant and the New Power Plant on the one hand and (b) the Future Expansion on the other, such fees, costs and expenses shall be proportionately allocated based on the net capacity (in MW) of (a) the Existing Power Plant and the New Power Plant and (b) the Future Expansion.

For this purpose, such net capacity is deemed to be 2,100 MW for the Existing Power Plant, and 1,010 MW for the New Power Plant and, for the Future Expansion, it shall be such number of MW as mutually agreed between the Trustee and TNBJ.

With respect to costs, fees and expenses (including enforcement costs, fees and expenses in connection with the Islamic Securities Programme which in the view of the Facility Agent cannot be attributed solely to any particular Series, such costs, fees and expenses shall be allocated amongst all the Series proportionately based on the then outstanding nominal value of each Series.

(17) Permitted Investments : Credit balances in the Designated Accounts may be used to invest in Permitted Investments, provided that such funds utilised for the Permitted Investments shall be remitted to the respective Designated Accounts at least three (3) business days before the next payment obligation of the Issuer is due and payable.

The Permitted Investments shall comprise investment products approved by the SC's SAC, BNM's Shariah Advisory Council and/or other recognised Shariah authorities from time to time.

For the purposes of the Islamic Securities Programme, the Permitted Investments are as follows:

- (i) deposits with licensed Islamic financial institutions in Malaysia with a short term rating of P1 or MARC-1 or a minimum long term rating of A3 or A-; or
- (ii) Islamic bankers acceptances, Islamic bills and other Islamic money market instruments by licensed financial institutions with a short term rating of P1 or MARC-1 or a minimum long term rating of AA3 or AA-; or
- (iii) Islamic treasury bills, Islamic money market instruments, and other Islamic securities or sukuk issued by BNM or the Government of Malaysia; or
- (iv) Islamic securities or sukuk issued by quasi government or government related corporations with a short term rating of P1 or MARC-1 or a minimum long term rating of AA3 or AA- or Islamic securities or sukuk guaranteed by the Government of Malaysia or BNM; or
- (v) Islamic securities or sukuk issued by corporations with a short term rating of P1 or MARC-1 or a minimum long term rating of AA3 or AA- or by financial institutions with a short term rating of P1 or MARC-1 or a minimum long term rating of AA3 or AA-; or
- (vi) any Islamic fund approved by the SC which invests in any of the instruments above.

(18) Sukukholders' voting rights in relation to

In addition to other voting rights to be set out in the Transaction Documents:

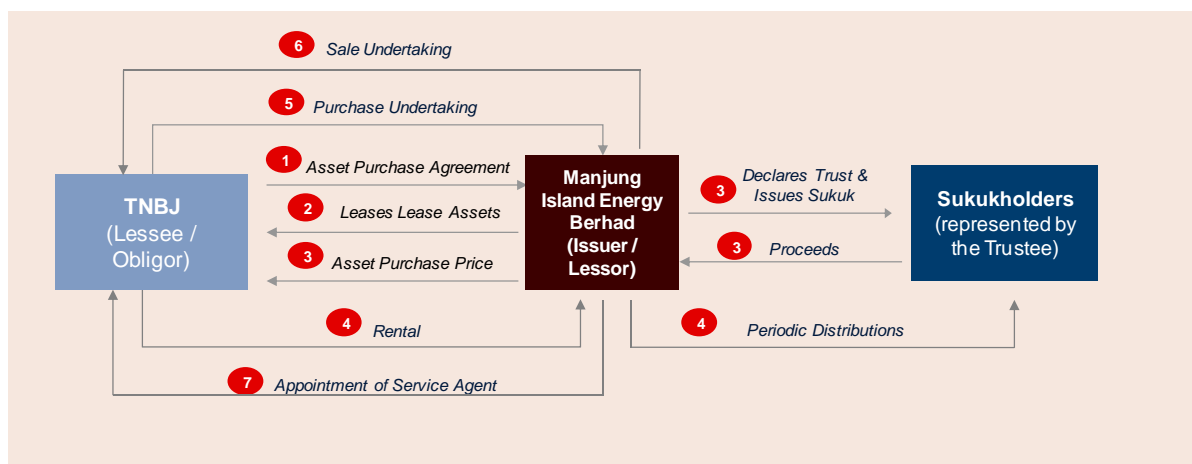
specific matters

- (a) Series 1 Sukukholders will have the sole right to vote on any release or replacement of any security provided for Series 1, any amendment or variation to the security documents relating to the security for Series 1, any consent or waiver which may be sought in respect of any provisions of the security documents for Series 1, and the exercise or the restraint in exercising of any rights, powers or discretions under any of the security documents for Series 1, including the enforcement of the security documents for Series 1; and
- (b) Series 2 Sukukholders will have the sole right to vote on any release or replacement of the TNB Guarantee, any amendment or variation to the TNB Guarantee and any consent or waiver which may be sought in respect of any provisions of the TNB Guarantee, and the exercise or the restraint in exercising of any rights, powers or discretions under the guarantee, including the enforcement of the TNB Guarantee.

(19) Future Expansion

For the avoidance of doubt, nothing in the terms herein shall affect, restrict or impede the right of TNBJ to undertake any Future Expansion and to do all matters relating to the Future Expansion including but not limited to obtaining and/or incurring any Future Facilities, creating any security interest over any Future Expansion or part thereof and/or for the Future Facilities or part thereof (as long as such Future Facilities do not share any of the securities given or to be given for the Islamic Securities and also does not cause the rating of the Islamic Securities to be lower than AAA or be put on a negative watch) and/or disposing of the Future Expansion or part thereof and TNBJ shall be fully entitled to undertake, do and carry out any Future Expansion and to do all matters relating to the Future Expansion (as long as such Future Facilities do not share any of the securities given or to be given for the Islamic Securities and also does not cause the rating of the Islamic Securities to be lower than AAA or be put on a negative watch) without consent from any other parties to the transaction and the Transaction Documents including but not limited to the Trustee, the Sukukholders, the Security Agent and the Facility Agent.

Annexure 1 - Description of the Transaction and Structure Diagram of the Proposed Islamic Securities Programme



Step 1:

The Issuer, on behalf of the investors (“**Sukukholders**”), shall from time to time purchase certain Shariah-compliant leasable assets (“**Lease Assets**”) from TNBJ (in such capacity, the “**Seller**”) by way of transfer of beneficial ownership, at the asset purchase price (“**Asset Purchase Price**”) pursuant to an asset purchase agreement (“**Asset Purchase Agreement**”).

Step 2:

The Issuer (on behalf of the Sukukholders) (in such capacity, the “**Lessor**”) shall then, from time to time, lease the Lease Assets to TNBJ (in such capacity, the “**Lessee**”) for a pre-determined rental amount (“**Rental**”) and tenure (“**Ijarah Lease Term**”) pursuant to an Ijarah agreement (“**Ijarah Agreement**”).

Step 3:

- a. The Issuer shall declare a trust (“**Trust**”) over, amongst others, the relevant Lease Assets, the present and future rights and interest in the relevant Ijarah Agreement, the relevant Purchase Undertaking, the relevant Sale Undertaking, and the relevant proceeds of the foregoing and other transaction documents pertaining to the Islamic Securities Programme (collectively, the “**Ijarah Trust Assets**”) in favour of the relevant Sukukholders, and shall issue the Islamic Securities to the Sukukholders to represent the Sukukholders’ undivided beneficial ownership in the relevant Ijarah Trust Assets.
- b. The Islamic Securities proceeds shall be utilised by the Issuer to pay the Asset Purchase Price under the relevant Asset Purchase Agreement.

Step 4:

Upon receipt by the Lessor from the Lessee of Rental on the relevant rental payment dates (which would coincide with the periodic distribution dates under the Islamic Securities), the Issuer will use such amounts to make payments of the periodic distribution amounts due under the Islamic Securities to the Sukukholders.

Step 5:

Pursuant to a purchase undertaking ("**Purchase Undertaking**"), TNBJ (in such capacity, the "**Obligor**") shall purchase the relevant Lease Assets from the Issuer and enter into a Sale Agreement for such purchase, on the earlier of:

- (a) upon the maturity date of the Islamic Securities ("**Scheduled Dissolution Date**"); or
- (b) upon declaration of a Dissolution Event or upon occurrence of a Mandatory Redemption Event (save for a mandatory redemption event due to a total loss event);

at the relevant Exercise Price and the proceeds therefrom shall be utilised by the Issuer for the redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

Step 6:

Pursuant to a sale undertaking ("**Sale Undertaking**"), TNBJ shall have the right to require the Issuer to sell the relevant Lease Assets to TNBJ at certain dates prior to the Scheduled Dissolution Dates of the relevant Islamic Securities ("**Early Redemption Date**") and accordingly the Issuer shall sell the relevant Lease Assets to TNBJ and enter into a Sale Agreement for such sale at the relevant Exercise Price on the Early Redemption Date, if TNBJ has provided an exercise notice in this respect and the proceeds therefrom shall be utilised by the Issuer for the early redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

Step 7:

Under the terms of a servicing agency agreement ("**Servicing Agency Agreement**"), TNBJ shall be appointed as the servicing agent ("**Servicing Agent**") by the Issuer and will, amongst other things, be responsible, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Lease Assets and/or the related payment and/or ownership expenses in respect of the Lease Assets ("**Ownership Expenses**"), which are to be reimbursed by the Issuer to TNBJ upon the expiry of the relevant Ijarah Agreement. The Servicing Agent shall also ensure that the takaful/insurance is for a covered/insured amount, at all times and shall be responsible for the related payment of the relevant takaful contribution or insurance premium.

Note:

Under a substitution undertaking ("**Substitution Undertaking**"), TNBJ shall have the right to substitute all or part of the Lease Assets from time to time throughout the tenure of the Islamic Securities with qualified assets that are approved by the Shariah Advisers ("**Substitute Lease Assets**"), save and except in a Total Loss Event (as described herein) duly notified to the Trustee/Facility Agent (on behalf of the Sukukholders). The Substitute Lease Assets shall form part of the Lease Assets and thereby form part of the Ijarah Trust Assets.

Total Loss Event is the total loss or destruction of, or damage to the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement or any event or occurrence that renders the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical.

SECTION 3.0 THE ISSUER

3.1 Background

The Issuer is a special purpose vehicle incorporated in Malaysia on 19 September 2011 as a public company limited by shares pursuant to the Companies Act, 1965 and has been formed to operate as a special purpose company to raise Islamic Securities for the Islamic Securities Programme. The registered address of the Issuer is Tingkat 2, Urusetia Lembaga Pengarah, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur. All of the issued shares of the Issuer are held by Equity Trust (Malaysia) Berhad as share trustee for the benefit of certain specified charities, under the terms of a declaration of trust.

3.2 Share capital

As at 22 September 2011, the authorised share capital of the Issuer is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each and the issued and paid up capital is RM2.00 comprising 2 ordinary shares of RM1.00 each.

3.3 Profiles of Directors

As at 22 September 2011, the directors of the Issuer are as follows:

MADAM CHIA SIEW CHIN

(59 years of age – Malaysian, NRIC No. 520922-13-5622)

Chia Siew Chin is currently the Managing Director of TMF Group, Kuala Lumpur office. She has more than 25 years experience in accounting, corporate secretarial, taxation and business advisory services and trust. She has been advising corporations and individuals on cross border transactions and offshore structuring.

A qualified Chartered Accountant in England and Wales, she is a member of the Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia, and UK based Society of Trust and Estate Practitioners (STEP). Madam Chia is also a Certified Financial Planner (CFP) and currently a member of the Board of Governors of Financial Planning Association of Malaysia. She is also an approved Trust Officer in Labuan.

MR WONG YU CHEE

(39 years of age – Malaysian, NRIC No. 721203-05-5053)

Wong Yu Chee is currently the Director of Accounting Services, TMF Group, Kuala Lumpur office. Prior to this, he worked in TMF Group, Shanghai office for 2 years and Big 4 accounting firms for more than 11 years. He has more than 15 years experience in audit, accounting, taxation and business advisory services, including advising corporations on listing and corporate exercises locally and in international market.

He is a member of the Malaysian Institute of Accountants (MIA) and a Fellow of Association of Chartered Certified Accountants (FCCA).

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SECTION 4.0

INFORMATION ON THE OBLIGOR

4.1 Introduction

TNBJ is a private company limited by shares, incorporated and domiciled in Malaysia. The principal activities of TNBJ are to generate and deliver electricity energy and generating capacity to TNB. TNBJ is a wholly owned subsidiary of TNB.

TNBJ was responsible for the development of the Existing Power Plant. On 23 August 2010, TNBJ was offered by the EC to develop the Project adjacent to the Existing Power Plant. TNBJ on 31 March 2011 awarded the turnkey engineering, procurement and construction contract with respect to the New Power Plant (the “**EPC Contract**”) to a consortium of Alstom Power Systems SA, Alstom (Wuhan) Engineering & Technology Co. Ltd, Alstom Services Sdn Bhd, China National Machinery Import and Export Corporation and CMC Machipex Sdn Bhd (the “**EPC Contractor**”). Under the terms of the EPCC (as defined in Section 5.2.1), the EPC Contractor will design, execute, install, complete, commission and test the New Power Plant. The EPC Contractor will also supply and install its Series 6 control system using microprocessor based on distributed control and monitoring equipment including hardware redundancies and environmental control systems to cut emissions.

The New Power Plant is expected to achieve commercial operation and come online in March 2015 providing an extra 1,010 MW of power to the national grid system.

4.2 Share capital

As at 31 August 2011, the authorised share capital of TNBJ is RM2,050,000,000.00 divided into 2,000,000,000 ordinary shares of RM1.00 each and 50,000,000 redeemable preference shares of RM1.00 each. The issued and paid-up share capital of TNBJ as at 31 August 2011 stands at RM131,224,265.00 divided into 100,000,002 ordinary shares of RM1.00 each and 31,224,263 redeemable preference shares of RM1.00 each.

4.3 Shareholding structure

TNBJ is a wholly-owned subsidiary of TNB.

4.4 Profiles of directors

As at 31 August 2011, the directors of TNBJ are as follows:

TAN SRI LEO MOGGIE

(70 years of age – Malaysian, NRIC No. 411001-13-5027)

Tan Sri Leo Moggie was appointed as Chairman to the Board of TNBJ on 1 September 2004. He is also the Chairman of TNB since 12 April 2004.

He holds a Master of Arts in History from University of Otago, New Zealand and a Master in Business Administration from Pennsylvania State University, USA.

Tan Sri Leo Moggie has served the Government in several senior ministerial positions both at the federal and state level prior to his appointment as Chairman of TNB. Tan Sri Leo Moggie was the former Minister of Energy, Communications and Multimedia (1998-2004), Minister of Works (1989-1995), Minister of Energy, Telecommunications and Posts (1978-1989 and 1995-1998) in the Federal Cabinet and Minister of Local Government (1977-1978) and Minister of Welfare Services (1976-1977) in the State Government of Sarawak. He began his career as a Civil Servant and held various positions in the Sarawak State

Civil Service from 1966 until 1974. He was also a member of Council Negeri Sarawak (1974-1978) and a Member of Parliament (1978-2004).

Tan Sri Leo Moggie's other directorships in public companies include Digi.Com Berhad and The New Straits Times Press (Malaysia) Berhad. He also sits as Chairman on various Boards of TNB Group of Companies.

DATO' SRI CHE KHALIB BIN MOHAMAD NOH

(46 years of age – Malaysian, NRIC No. 650528-02-5287)

Dato' Sri Che Khalib Bin Mohamad Noh was appointed as Director to the Board of TNBJ on 1 July 2004. He is currently the President/Chief Executive Officer of TNB.

He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and a member of the Malaysian Institute of Accountants.

Dato' Sri Che Khalib started his career with Messrs Ernst & Young and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within Renong Group including Projek Lebuhraya Utara Selatan (PLUS), HBN Management Services Sdn. Bhd., Renong Overseas Corporation Sdn. Bhd. and Marak Unggul Sdn. Bhd., the consortium company responsible for the management of Keretapi Tanah Melayu Berhad. In June 1999, he joined Ranhill Utilities Berhad as the Chief Executive Officer. He was the Managing Director and Chief Executive Officer of KUB Malaysia Berhad prior to his appointment as President/Chief Executive Officer of TNB.

Prior to joining TNB, Dato' Sri Che Khalib served as a member of the Board and Executive Committee of Khazanah Nasional Berhad from the year 2000 until 2004. He also served as a Board member on several of the United Engineers Malaysia Berhad Group of Companies and Bank Industri & Teknologi Malaysia Berhad. He also sits as Director and Chairman on various Boards of TNB Group of Companies.

DATO' (DR.) MEGAT ABDUL RAHMAN BIN MEGAT AHMAD

(72 years of age – Malaysian, NRIC No. 390809-02-5349)

Dato' (Dr.) Megat Abdul Rahman bin Megat Ahmad was appointed to the Board of TNBJ as Director on 26 February 2004. He is the Chairman of Board Tender Committee of TNBJ.

Dato' (Dr.) Megat Abdul Rahman holds a Bachelor of Commerce degree from University of Melbourne, Australia. He is a Life Member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and a Fellow Member of the Institute of Chartered Accountants in Australia. He was awarded an Honorary Doctorate in Business Administration (DBA (Hons.)) by Universiti Kebangsaan Malaysia.

He was a partner in KPMG, Managing Partner of KPMG Desa, Megat & Co. for over ten (10) years, an Executive Director in Kumpulan Guthrie Berhad for eleven (11) years and a Director in the National Electricity Board from 1977 to 1990 and later TNB from 1990 to 2000. He currently sits on the Boards of Boustead Holdings Berhad, UAC Berhad, Press Metal Berhad and TNB Group of Companies. He also sits on the Boards of University Kebangsaan Malaysia and Hospital Universiti Kebangsaan Malaysia.

DATO' SRI RAJA AHMAD ZAINUDDIN BIN RAJA HAJI OMAR

(55 years of age – Malaysian, NRIC No. 560213-08-5577)

Dato' Sri Raja Ahmad Zainuddin bin Raja Haji Omar was appointed to the Board of TNBJ as Director on 18 September 2000.

Dato' Sri Raja Ahmad Zainuddin has been actively involved in the political scene in Malaysia since 1982. From a Press Secretary to the Menteri Besar of Perak in 1982 until 1988 to a Political Secretary of the Menteri Besar of Perak from 1986 until 1999, he then moved on to become a Member of Parliament for the constituency of Larut from 1999.

He was Perak State Assemblyman for Batu Kurau from 1990 until 1999 and currently, he is the Kubu Gajah's Perak State Assemblyman.

DATO' IR. MOHD NAZRI BIN SHAHRUDDIN

(55 years of age – Malaysian, NRIC No. 561027-08-6685)

Dato' Ir. Mohd Nazri bin Shahrudin was appointed to the Board of TNBJ as Director on 1 July 2008.

He holds a Bachelor of Science (Engineering) Hons. in Mechanical Engineering from King's College, University of London.

Dato' Ir. Mohd Nazri joined the National Electricity Board on 1 September 1979 upon completion of his studies in the United Kingdom as a fully sponsored scholar of National Electricity Board. He had served in several power stations of National Electricity Board (and later TNB) in the field of Operations and Maintenance. Later in TNB, Dato' Ir. Mohd Nazri was involved in many power plant project developments, amongst others were the development, construction and commissioning of the Existing Power Plant and a combined Power and Water Facility of 900 MW and 880,000 m3/day seawater desalination project at Shuaibah, Saudi Arabia as an Independent Water and Power Producer.

He is currently the Vice President (Generation) of TNB and also sits as Director on various Boards of TNB Group of Companies.

ABDUL HALIM BIN MOHAMAD NOAH

(55 years of age – Malaysian, NRIC No. 560407-01-5083)

Abdul Halim bin Mohamad Noah was appointed to the Board of TNBJ as Director on 1 April 2008.

He holds a Bachelor of Science (Hons.) in Mechanical Engineering from University of Surrey, United Kingdom, a Master of Science (Safety Technology) from Marshall University, West Virginia and a Master in Business Administration from TNB Training Institute/Ohio University, USA. He also holds a Second (2nd) Grade Steam Engineering Certificate from the Factory and Machinery Department of Malaysia.

He has held various positions in the Generation Division of TNB, including as Manager (Safety and Fuel Management) (June 1992 – November 1993), Senior Manager (Energy Management Unit) (November 1993 – October 1998), General Manager (Energy Management), TNB Generation Sdn Bhd (October 1998 – August 2001), General Manager, Connaught Bridge Power Station (August 2001 – July 2006) and General Manager (Performance and Operation Planning), Generation Operation Department (August 2006 – January 2008). He is currently the Senior General Manager (Operations) of Generation Division.

4.5 Senior Management

The key personnel in the management team of TNBJ as at 31 August 2011 are as follows:

Name	Designation
Ir. Hj. Azman Bin Hj. Talib	Chief Operating Officer/General Manager (until 12 September 2011)
Tuan Hj. Shamsul Bin Ahmad	Chief Operating Officer/General Manager (effective from 12 September 2011)
Ir. Wan Norazri Bin Ab. Aziz	Head (Maintenance)
Azizul Bin Othman	Head (Production)
Megat Hishamuddin Bin Megat Sharuddin	Senior Manager (Human Resources and Administration)
Abdul Sukur Bin Abdul Latif	Senior Manager (Business and Support Services)

The profiles of the key personnel in the management team of TNBJ as at 31 August 2011 are as follow:

IR. HJ. AZMAN BIN HJ. TALIB (49 years of age)

Ir. Hj. Azman Bin Hj. Talib holds a Bachelor of Science in Mechanical Engineering from State University of New York @ Buffalo, USA.

He joined the National Electricity Board in 1st July 1985 after completion of his studies in United Kingdom as a fully sponsored scholar of National Electricity Board. He had served in hydro, combined cycle and coal fired power stations of National Electricity Board (and later TNB). He has vast experience in power plant operation, maintenance and management. He had served as a General Manager at two TNB power plants.

TUAN HJ. SHAMSUL BIN AHMAD (45 years of age)

Tuan Hj. Shamsul holds a Bachelor of Science in Mechanical Engineering from North Carolina A&T State University, USA and Masters in Business Administration from University Tenaga Nasional.

Tuan Hj. Shamsul joined the National Electricity Board on 2nd June 1988 upon completion of his studies in the United States as a fully sponsored scholar of National Electricity Board. He started off his career in Sultan Salahuddin Abd Aziz, Kapar and then moved to Generation Operations Department, Serdang Gas Turbine Project, Putrajaya Power Station and Connaught Bridge Power Station. In February 2008, he was seconded to Kapar Energy Ventures, an IPP and a subsidiary owned jointly by TNB and Malakoff.

He has experience in various fields namely in Operations, Maintenance, Materials & Services and Business Support Services and Quality Management. He is actively involved in many Quality and Change Management projects and Business Process Reengineering projects embarked by TNB and a participant of GLC Accelerated Leadership Development Program organized by Khazanah Nasional.

He is currently the Chief Operating Officer/General Manager of Stesen Janakuasa Sultan Azlan Shah, Manjung.

IR. WAN NORAZRI BIN AB AZIZ

(45 years of age)

Ir. Wan Norazri holds a Bachelor of Science in Mechanical Engineering and Business Administration from West Virginia Institute of Technology, USA.

He joined the National Electricity Board in 1st February 1989 after completion of his studies in the United States as a fully sponsored scholar of National Electricity Board. He had served in Stesen Janaelektrik Sultan Ismail, Pasir Gudang and Stesen Janakuasa Sultan Azlan Shah, Manjung in the field of Operations, Maintenance, Plant Simulator Training and Support Services. He was involved in the bidding for Qurrayah 1 IPP Combined Cycle Plant in Saudi Arabia as the Bidding Manager.

He is currently the Head of Maintenance of Stesen Janakuasa Sultan Azlan Shah, Manjung.

AZIZUL BIN OTHMAN

(53 years of age)

Azizul Bin Othman holds a Bachelor of Science in Mechanical Engineering from University of Sussex, Great Britain.

He joined the National Electricity Board in 11th July 1982 after completion of his studies in United Kingdom as a fully sponsored scholar of National Electricity Board. During his tenure of service he has served at Stesen Janaelektrik Sultan Ismail, Pasir Gudang, Stesen Janakuasa Sultan Azlan Shah, Manjung and TNB Generation Headquarters in the field of Operations.

He is currently the Head of Production at Stesen Janakuasa Sultan Azlan Shah, Manjung.

MEGAT HISHAMUDDIN MEGAT SHARUDDIN

(46 years of age)

Megat Hishamuddin holds a Bachelor of Engineering (Mechanical & Computing) from Chisholm Institute of Technology, Melbourne Australia.

He joined the National Electricity Board in 14th May 1990 after completion of his studies in Australia as a fully sponsored scholar of National Electricity Board. He had served in hydro power stations, open cycle gas turbine power plant and coal fired steam plant of National Electricity Board (and later TNB) in the field of Operations, Procurement and Planning.

He was the Shift Manager at Stesen Janakuasa Sultan Azlan Shah, Manjung prior to his current position as the Senior Manager of Human Resource and Administration at the same power station.

ABDUL SUKUR ABDUL LATIF

(38 years of age)

Abdul Sukur holds Certificate and Diploma in Mechanical Engineering from Politeknik Sultan Abdul Halim Muadzam Shah, Kedah and from Politeknik Port Dickson, Negeri Sembilan. He holds a Bachelor of Engineering (Hons.) in Mechanical Engineering from Universiti Teknologi Malaysia, Johor.

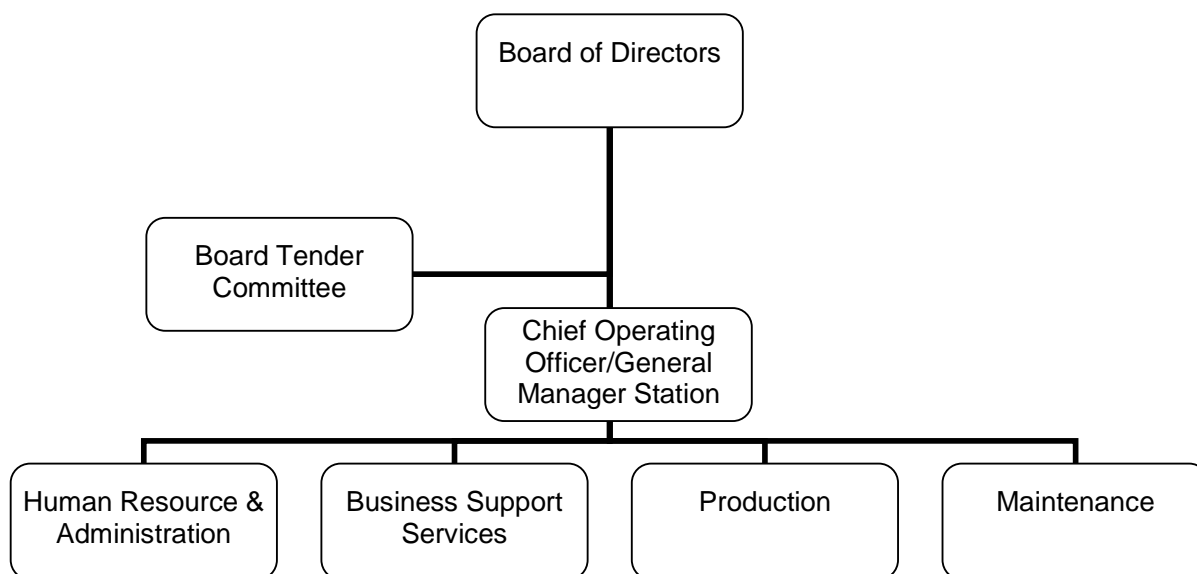
Abdul Sukur joined TNB on 1st September 1993 upon completion of his studies at Politeknik Sultan Abdul Halim Muadzam Shah. He started off his career at Prai Power Station, Penang and subsequently as a Mechanical Engineer at Stesen Janakuasa Sultan Azlan Shah, Manjung.

He has experience in various fields namely in Operations, Maintenance, Project, Materials & Services and Business Support Services and Quality Management.

He is currently the Senior Manager (Business and Support Services) of Stesen Janakuasa Sultan Azlan Shah, Manjung.

4.6 Business Overview of the Obligor

4.6.1 Organisational Structure



4.6.2 TNBJ's Core Business

TNBJ is a wholly owned subsidiary of TNB. It was established to meet the anticipated growth in electricity demand then and to help maintain the required power reserve margin. TNBJ was incorporated on 17 August 1996 to spearhead the design, development and management of Stesen Janakuasa Sultan Azlan Shah, Manjung, Perak, which was to be a coal-fired plant operating as an IPP. It is required to supply electric power to TNB via a power purchase agreement. TNBJ is operating as a strategic business enterprise under the Generation Division of TNB.

4.7 Key Financial Highlights of the Obligor

Summary of the Obligor's Balance Sheet:

FYE RM' Million	Unaudited Nine (9) months ended 31 May 2011	Audited		
		2010	2009	2008
Total assets	4,822.5	5,340.7	4,765.6	4,927.0
Total liabilities	1,252.9	1,111.4	928.0	687.0
Share capital	126.9	132.8	132.8	138.0
Shareholder's equity	3,569.6	4,229.3	3,837.6	4,240.1

Summary of the Obligor's Income Statement:

FYE RM' Million	Unaudited Nine (9) months ended 31 May 2011	Audited		
		2010	2009	2008
Revenue	1,942.4	2,881.1	2,348.5	1,872.4
Profit/(loss) before taxation and zakat	256.0	526.2	475.8	416.4
Profit/(loss) after tax	190.3	391.7	352.6	312.1

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SECTION 5.0 INFORMATION ON THE PROJECT

5.1 The Project

The Project to be undertaken by TNBJ involves the financing, design, engineering, procurement, construction, installation, testing, commissioning, operation and maintenance of the New Power Plant, fuel facilities for the New Power Plant and other associated facilities.

The New Power Plant will be located on Lot 3, at Teluk Penchalang, in the district of Manjung, Perak, in the vicinity of the Existing Power Plant. Lot 3 is currently part of the lands under the ambit of the PPA1 but will be excluded from the PPA1 through a supplemental agreement. Please refer to section 5.4.2 for details on the supplemental agreement.

The New Power Plant is expected to commence commercial operation by March 2015. It will thenceforth sell available capacity, test energy and net electrical output to TNB. In consideration of the provision of available capacity, test energy and net electrical output, TNB will be making available capacity payments, test energy payments and energy payments to TNBJ in accordance with the provisions of the PPA2.

In view of the proximate location of the New Power Plant and the Existing Power Plant and the sharing of a number of its facilities for operation ("**Shared Facilities**"), TNB and TNBJ will be entering into two (2) shared facilities agreements, namely the SFA1 and SFA2 (defined in Sections 5.2.4 and 5.2.5 respectively) to regulate the use, operation and maintenance of the Shared Facilities and also grant easements and irrevocable licences to each other upon the occurrence of specified events and particularly the transfer of the Existing Power Plant or the New Power Plant (and the lands on which they are located) to TNB. This transfer is consequent to the expiry or earlier termination of the PPA1 or the termination of the PPA2. The grant of the licence to use the Shared Facilities will be in consideration of the payment of yearly fees.

5.1.1 Technical description

Parameters		Details
Plant Net Capacity		1,010 MW
Efficiency (HHV) @ 100.0% MCR		39.4 %
Net Plant Heat Rate		9,135 kJ/kWh
Boiler outlet Main Steam Temperature/ Pressure @ 100.0% MCR		600 °C / 278 bar
Feedwater Temperature		302 °C
Plant Availability (based on PPA2 requirements)		85.0%
Outages (based on PPA2 requirements)	Planned	9.0%
	Unplanned	6.0%

The 1 x 1,010 MW Coal Fired Supercritical Power Plant will utilise the latest and more efficient technology. The main features of the New Power Plant are as follows:

1. A once-through, super-critical pressure type boiler technology with low NO_x combustion system that give higher efficiency and significant improvement of environment by

reduction in emissions such as CO₂, NO_x and SO_x as compared to normal sub-critical boiler.

2. A tandem compound, one (1) high pressure steam turbine, one (1) double-flow intermediate pressure steam turbine and two (2) double-flow low pressure steam turbines.
3. One (1) fabric filter system for flue gas particulate control.
4. One (1) Seawater Flue Gas Desulfurization (SWFGD) for flue gas SO₂ emission control.
5. The control system using microprocessor based distributed control and monitoring equipment with hardware redundancies.
6. One (1) three-phase synchronous turbo-generator with hydrogen gas cooling of rotor and with water-cooled stator winding.

5.1.2 Licensing requirements

TNBJ's licence for the generation and supply of electricity ("**Generation Licence**") for the Existing Power Plant was issued by the Director General of Electricity Supply, Malaysia (the predecessor to the EC) on 21 May 1998. Please refer to Section 5.4.5 for more details on the Generation Licence.

For the New Power Plant, TNBJ has submitted an application for a new licence for the generation and supply of electricity for the New Power Plant to the EC on 25 August 2011 and its issuance is expected to be in December 2011.

In respect of the environment requirements, the Malaysian Department of Environments has confirmed that the DEIA Report submitted by TNBJ fulfills the requirements of Section 34A(2) of the Environmental Quality Act 1974 and thus has granted its approval on the report to TNBJ on 22 February 2011.

5.1.3 Project economics

Objectives of the Financial Model

The information and assumptions contained in the detailed financial model ("**Base Case Financial Projection**") are presented in this section and represent the current and anticipated contractual terms between TNBJ and the relevant parties as well as other assumptions on the operating and financial parameters of the Existing Power Plant and New Power Plant, made as of the date of this Information Memorandum.

The Base Case Financial Projection and certain statements herein are forward-looking statements and are illustrative only. The calculations are based on certain assumptions which may not be realized. In addition, the forward-looking statements involve a number of risks and uncertainties. Each recipient should carefully conduct an independent evaluation of the financial projections of the Existing Power Plant and the New Power Plant and associated due diligence to determine the viability of the under-mentioned assumptions.

As the Project is still under development, these parameters are expected to change or be revised from time to time in the future.

An extract of the Base Case Financial Projection is attached as Appendix III (*Cashflow Projections*) of this Information Memorandum.

Project Capital Structure

The sources and uses of funds presented in this section are derived from assumptions as to when payments under the EPCC and other Project expenditures are expected to occur. Shareholders' funds are provided *pari passu* with issuances of the Islamic Securities

according to the assumed finance to equity ratio. The following is a summary of the sources and uses of funds of the Project:-

Uses of Funds	RM' Million	Note	Percentage
EPC Cost	5,089.9		87.1
Development Costs (or soft costs including insurance, project advisors and initial start-up costs)	341.9	-	5.8
O&M Mobilisation Cost	50.0	-	0.9
Import Duties, Sales and Service Taxes	332.4	-	5.7
Maintenance Reserve	24.0	-	0.4
Financing Fees and Expenses	3.3	-	0.1
Total Uses of Funds	5,841.5		100.0%

Sources of Funds	RM Million	Note	Percentage
Earnings from Unutilised Islamic Securities	130.6	-	2.2
Debt			
Islamic Securities	4,850.0	1	83.0
Equity			
Total Shareholders' Equity	860.9	1	14.8
Total Debt and Equity	5,710.9	-	
Total Sources of Funds	5,841.5		100.0%

Note 1:

Internally generated funds from the Existing Power Plant and advances from shareholders have been used prior to the Financial Close to meet payment obligations under the EPCC and to partly finance the Development Cost occurred prior to the Financial Close.

The total Project cost is to be financed from earnings from unutilized Islamic Securities, shareholders' equity contribution and the Islamic Securities in the ratio of two point two percent (2.2%), fourteen point eight percent (14.8%) and eighty three percent (83.0%) respectively.

Shareholder's equity contribution is expected to be in the form of ordinary shares, redeemable preference shares and/or advances from shareholders.

The parameters of the Project assumed in the Base Case Financial Projection are summarized below.

Parameters of the Base Case Financial Projection of the New Power Plant

The Base Case Financial Projection reflects current assumptions at the date of this Information Memorandum and may be revised from time to time with updated information as appropriate.

Net Capacity

The Base Case Financial Projection assumes a net capacity output of 1,010 MW for the New Power Plant.

The Base Case Financial Projection makes the simplified assumption that the net capacity will be 1,010 MW throughout the term of PPA2.

The net electrical output, revenue and expense calculations, as summarized below, are based on the assumption that the net capacity will be made available throughout the term of the PPA2.

Annual Availability Factor

The Annual Availability Factor (“**AAF**”) is the percentage of time the New Power Plant is able to produce electrical energy, during any given year, for delivery to TNB at the interconnection point.

The Base Case Financial Model assumes that the AAF is eighty five percent (85.0%) and it has taken into consideration the nine percent (9.0%) planned outage and six percent (6.0%) unplanned outage.

Capacity Factor

The capacity factor is the ratio of actual electricity produced in a year, measured in MWh, divided by the maximum possible generation, which is the number of hours in a year multiplied by net capacity.

The Base Case Financial Projection makes the assumption that the capacity factor for the New Power Plant will be eighty five percent (85.0%) for the tenure of the New Power Plant, notwithstanding fluctuations that may occur throughout the period.

Net Electrical Output

The net electrical output for the New Power Plant is calculated based on net capacity multiplied by the hours in a year and the capacity factor.

Net Heat Rate

The net heat rate is a measure of the generating plant thermal efficiency, computed by dividing the higher heating value kJ content of coal burned for electric generation, by the resulting net kWh electrical output.

Fuel Consumption

Fuel (coal) consumption is a function of the net electrical output generated by the New Power Plant, the net rate and the calorific value of the coal. The Base Case Financial Projection assumes that approximately 3.3 million tonnes of coal will be required per annum.

Coal Price

Coal price is assumed at forecasted market/spot rate which ranges from RM303.62/ton to RM488.36/ton. The Base Case Financial Projections assumes that the price of coal is a pass-through cost to TNB, and is therefore insensitive to price fluctuations.

Inflation

Fixed and variable expenses are assumed to be escalated at a rate of four percent (4.0%) every 4 years to reflect the increase in salary, materials or spare part costs and other costs with the first increment starting on the 1st day of the 49th month after the Schedule Commercial Operation Date (as defined below).

Base Year

The base year for the Base Case Financial Projection starts from 1 September 2011 and ends on 31 August 2040. The Base Case Financial Projection assumes a financial year-end of 31 August.

The Project is assumed to be completed within 48 months after the commencement date of the EPCC. The Scheduled Commercial Operation Date is assumed to be on 31 March 2015.

Scheduled Commercial Operation Date (“SCOD”)

The Base Case Financial Projection assumes the SCOD to be on 31 March 2015, based on the commencement date for construction and the EPC Contractor's guaranteed acceptance date. The Base Case Financial Projection assumes no liquidated damages will be incurred by TNBJ.

Operating Revenues

Revenues are assumed to comprise of the following:

- (i) Capacity Rate Financial (“**CRF**”) Revenue;
- (ii) Fixed Operating Rate (“**FOR**”) Revenue;
- (iii) Variable Operating Rate (“**VOR**”) Revenue and
- (iv) Fuel Revenue.

CRF Revenue

CRF Revenue is calculated as follows:

Net Capacity (in kW) x CRF rate (in RM/kW/mth) x number of months

The Base Case Financial Projection assumes that the New Power Plant will be fully despatched and will meet its contracted availability targets according to the agreed ASAC, and will be within its outage limits. The Base Case Financial Projection assumes that the New Power Plant will operate within its unscheduled outage limit of six percent (6.0%) overall. Hence it is assumed that one hundred percent (100.0%) of CRF revenue will be received. The CRF rate is not subject to escalation.

FOR Revenue

FOR Revenue is calculated as follows:

Net Capacity (in kW) x FOR rate (in RM/kW/mth) x number of months

The Base Case Financial Projection assumes that the New Power Plant will meet its contracted availability targets according to the agreed ASAC and will be within its outage limits. The Base Case Financial Projection assumes that the New Power Plant will operate within its unscheduled outage limit of six percent (6.0%) overall. Hence it is assumed that one hundred percent (100.0%) of FOR revenue will be received. The FOR revenue is assumed to be fully matched to fixed expenses.

Effective on the first day of each of the 49th, 97th, 145th, 193rd, 241st and 289th month following the month in which the Commercial Operation Date occurs (each an Adjustment Date), the FOR as used in the determination of the Available Capacity Payment shall be adjusted by multiplying the prevailing FOR by 1.04 provided always that any adjustment to the FOR shall only be effective from the date on which such adjustment to the FOR is approved in writing by the Commission.

VOR Revenue

VOR Revenue is calculated as follows:

Net Electrical Output (in kWh) x VOR rate (in RM/kWh)

The Base Case Financial Projection assumes that the New Power Plant will be fully despatched. VOR revenue is assumed to be fully matched to variable expenses.

Effective on each Adjustment Date, the VOR as used in the determination of the Energy Payment shall be adjusted by multiplying the prevailing VOR by 1.04 provided always that any adjustment to the VOR shall only be effective from the date on which such adjustment to the VOR is approved in writing by the Commission.

Fuel Payment Revenue

Fuel Payment Revenue is calculated as follows:

Net Electrical Output (in kWh) x net heat rate (in kJ/kWh) x Fuel Price (in RM/GJ) x 1,000,000

Fuel payment revenue in the Base Case Financial Projection is based on full load net heat rate of 9,135 kJ/kWh throughout the life of the New Power Plant. Fuel payment revenue is assumed to be fully matched to fuel expenses. According to the PPA2, TNBJ shall not have fuel price risk.

Operating Expenses

The operating expenses for the New Power Plant are assumed to comprise of fuel expenses, variable expenses, fixed expenses and the Cess fund contribution. Fuel expenses and variable expenses vary directly with the net electrical output produced by the New Power Plant, while fixed operating expenses do not.

Fuel Expense

The New Power Plant will utilise coal as its primary fuel. Fuel expenses are calculated as coal price multiplied by the amount of coal consumed for the generation of the net electrical output. Fuel expenses are assumed to be a pass-through cost to TNB.

Variable Expenses

Variable expenses are costs that vary directly with the amount of energy generated, e.g. spare parts, non-fuel costs such as water and consumable for the generation of electrical energy. It is calculated at a set rate per unit (in sen/kWh) based on the projected variable expenses divided by the projected electricity output.

The major overhaul costs have been levelised annually in calculating the variable expenses.

Fixed Expenses

Fixed operating expenses include fixed operations and maintenance costs, insurance, general and administrative expenses, fixed payments under the JTUA2 (as defined in Section 5.2.6), licence fee and including the fixed financing related expenses such as the rating agency's fees.

Cess Fund Payment

A Cess Fund payment payable to the Government is assumed to be equal to one percent (1.0%) of the gross revenue received excluding the fuel payment revenue.

Maintenance Reserve

A Maintenance Reserve of RM24.0 million is assumed to be pre financed before SCOD.

Corporate Tax and Capital Allowance

The corporate tax rate is assumed at the current Malaysian corporate tax rate of 25.0% per annum throughout the projection period and is to be paid in the year of assessment. It is also assumed that there will be no significant changes to the current tax legislation throughout the projection period. In calculating TNBJ's corporate tax exposure, capital allowances that can be used to shield TNBJ's taxable income are assumed as follows:

Qualifying Expenditure	Initial Allowance	Annual Allowance
Civil works/buildings	10.0%	3.0%
Plant & Machinery	20.0%	14.0%

Any unabsorbed or unutilized capital allowances are assumed to be permitted to be carried forward indefinitely to offset future taxable statutory income.

Custom Duties and Sales Tax

TNBJ has taken into account the custom duties which are payable on the importation of equipment and spares into Malaysia and sales tax (10.0%) on locally manufactured equipment and spares. The custom duty rates range from 5.0% to 20.0% depending on the type of equipment listed in the HS Tariff Code.

TNBJ is in the process of applying for import duties and sales tax exemptions.

Accounting Assumptions

It is assumed that the New Power Plant will use the straight-line depreciation method over its respective life. For the purpose of book depreciation, the economic useful life of the New Power Plant is assumed at 25 years.

Financing Assumptions

Finance to Equity Ratio

The finance to equity ratio at each issuance of the Islamic Securities is not expected to exceed 85:15.

Standby Letter of Credit Facility

A standby letter of credit facility to be issued by TNB is assumed to be available from Financial Close until the expiry of Series 1 of the Islamic Securities.

Islamic Securities Programme

The Islamic Securities is assumed to be issued upfront with the assumed Financial Close of November 2011.

The total proceeds of RM4,850.0 million is equivalent to eighty three percent (83.0%) of estimated total Project cost .

Proceeds that have been issued and not yet utilized are assumed to be reinvested at an earnings rate of 3.40% per annum. Such earnings are assumed to be a source of funds towards Project cost.

Maturity of Islamic Securities

The redemption profile takes into account the expected cashflow of the Existing Power Plant and the New Power Plant, as well as financial covenants required to be met under the financing documents in relation to the Islamic Securities Programme and by the rating agency. The following redemption profile has been assumed:

From Date of First Issue (years)	Redemption Amount (RM million)
5	360
6	520
7	520
8	520
9	520
10	520
11	100
12	100
13	100
14	100
15	100
16	100
17	100
18	100
19	100
20	990

Periodic Distributions on the Islamic Securities

Periodic distributions are assumed to be made semi-annually in arrears.

Finance Service Reserve Account (“FSRA”)

The Base Case Financial Projection assumes that TNBJ maintains a FSRA equal to the next twelve (12) months of total finance service (profit and principal payment). The cashflows of the Base Case Financial Projection are modeled on a semi-annual basis. The FSRA is assumed to be fully funded from the Standby Letter of Credit Facility prior to any distribution to shareholders, commencing from Financial Close date. The FSRA is released to TNBJ upon final redemption of the Islamic Securities.

Finance Service Coverage Ratio (“FSCR”)

The Base Case Financial Projection assumes that TNBJ maintains a FSCR of a minimum 2.0 times, which is calculated as the ratio of net available cash for the next twelve (12) months to the total finance service to be paid for such period, where:

- (a) Net available cash is defined as the aggregate net operating cash flow to be generated for the period (except those in relation to future expansion) plus income on cash balances (except those in relation to future expansion) and all

cash balances (including the escrow account, revenue account, operating account and FSRA) at the beginning of such period and the amount covered by the bank guarantee and/or standby letter of credit provided in relation to the FSRA (including normal value of permitted investments); and

- (b) Total finance service is defined as the aggregate amount that is required to be paid under the outstanding Islamic Securities and other permitted borrowings for that period including the lease obligations of TNBJ (except in relation to Series 2 and intercompany facilities from related corporations of TNBJ and future expansion) for the period.

Shareholders' Funds

Shareholders' funds are expected to comprise of a combination of ordinary shares, redeemable preference shares ("RPS"), share premium account, retained earnings and capital redemption reserve account. Payments to the shareholders which may be made from time to time (whether in the form of dividends or redemption of the RPS) shall be made in accordance with the restrictions as contained in the financing documents in relation to the Islamic Securities Programme.

Parameters of the Base Case Financial Projection of the Existing Power Plant

The Base Case Financial Projection reflects current assumptions at the date of this Information Memorandum and may be revised from time to time with updated information as appropriate.

Net Capacity

The Base Case Financial Projection assumes a net capacity output of 2,070 MW for the Existing Power Plant.

The net electrical output, revenue and expense calculations, as summarized below, are based on the assumption that the net capacity will be made available throughout the term of the PPA1.

Annual Availability Factor

AAF is expressed, as a percentage of time the Existing Power Plant is able to generate in relation to total hours in a year.

The Base Case Financial Model assumes that the AAF is eighty-five percent (85.0%) and it has taken into consideration nine percent (9.0%) planned outage and six percent (6.0%) unplanned outage required throughout the period.

Capacity Factor

The capacity factor is the ratio of actual electricity produced in a year, measured in MWh, divided by the maximum possible generation, which is the number of hours in a year multiplied by net capacity.

The Base Case Financial Projection makes the simplified assumption that the capacity factor for the Existing Power Plant will be seventy eight percent (78.0%) for the term of the Existing Power Plant, notwithstanding fluctuations that may occur throughout the period.

Net Electrical Output

The net electrical output in a year is equal to the product of the net capacity (in MW), hours in a year and the capacity factor for that year.

Net Heat Rate

The net heat rate is a measure of the generating plant thermal efficiency, computed by dividing the higher heating value kJ content of coal burned for electric generation, by the resulting net kWh electrical output.

Fuel Consumption

Fuel (coal) consumption is a function of the net electrical output generated by the Existing Power Plant, the net heat rate and the calorific value of the coal. The Base Case Financial Projection assumes that approximately 6.8 million tonnes of coal will be required per annum.

Coal Price

Coal price is assumed at forecasted market/spot rate ranging from RM303.62/tonne to RM488.36/tonne. The Base Case Financial Projection assumes that the price of coal is a pass-through cost to TNB, and is therefore insensitive to price fluctuations.

Inflation

Fixed and variable expenses are assumed to be escalated at a rate of four percent (4.0%) every 4 years to reflect the increase in salary, materials or spare part costs and other costs.

Base Year

The base year for the Base Case Financial Projection starts from 1 September 2011 and ends on 31 August 2040. The Base Case Financial Projections assumes a financial year-end of 31 August.

The Existing Power Plant achieved the SCOD on 1 September 2005 and its PPA1 will expire on 31 August 2030.

Operating Revenues

Revenues are assumed to comprise of the following:

- (i) CRF Revenue;
- (ii) FOR Revenue;
- (iii) VOR Revenue; and
- (iv) Fuel Revenue.

CRF Revenue

CRF Revenue is calculated as follows:

Net Capacity (in kW) x CRF rate (in RM/kW/mth) x number of months

The Base Case Financial Projection assumes that the Existing Power Plant will be fully despatched and will meet its contracted availability targets according to the agreed ASAC, and will be within its outage limits. The Base Case Financial Projection assumes that the Existing Power Plant will operate within its unscheduled outage limit of six percent (6.0%) overall. Hence it is assumed that one hundred percent (100.0%) of CRF revenue will be received. The CRF rate is not subject to escalation.

Notwithstanding the above, the Base Case Financial Projection assumes lower CRF revenue due to loss in capacity payment stemming from a temporary derating; the affected unit of the Existing Power Plant generation unit is expected to undergo a major overhaul to recover any loss in capacity so that the unit can deliver its full capacity by April 2012.

FOR Revenue

FOR Revenue is calculated as follows:

Net Capacity (in MW) x FOR rate (in RM/kW/mth) x number of months

The Base Case Financial Projection assumes that the Existing Power Plant will meet its contracted availability targets according to the agreed ASAC and will be within its outage limits. The Base Case Financial Projection assumes that the Existing Power Plant will operate within its unscheduled outage limit of six percent (6.0%) overall. Hence it is assumed that one hundred percent (100.0%) of FOR revenue will be received and it is subject to escalation periodically at a factor of four percent (4.0%) for every 4 years.

Notwithstanding the above, the Base Case Financial Projection assumes lower FOR revenue due to loss in capacity payment stemming from a temporary derating; the affected unit of the Existing Power Plant generation unit is expected to undergo a major overhaul to recover any loss in capacity so that the unit can deliver its full capacity by April 2012.

VOR Revenue

VOR Revenue is calculated as follows:

Net Electrical Output (in kWh) x VOR rate (in RM/kWh)

The Base Case Financial Projection assumes that the Existing Power Plant will be fully despatched. VOR revenue is assumed to be fully matched to variable expenses and it is subject to escalation periodically at a factor of four percent (4.0%) for every 4 years.

Fuel Payment Revenue

Fuel Payment Revenue is calculated as follows:

Electrical Output (in kWh) x net heat rate (in kJ/kWh) x Fuel Price (in RM/GJ) x 1,000,000

Fuel payment revenue in the Base Case Financial Projection is based on full load heat rate of 10,113 kJ/kWh throughout the life of the Existing Power Plant. Fuel payment revenue is assumed to be fully matched to fuel expenses. According to the PPA1, TNBJ shall not have fuel price risk.

Operating Expenses

The operating expenses for the Existing Power Plant are assumed to comprise of fuel expenses, variable expenses, fixed expenses and the Cess fund contribution. Fuel expenses and variable expenses vary directly with the net electrical output produced by the Existing Power Plant, while fixed operating expenses do not.

Fuel Expense

The Existing Power Plant will utilise coal as its primary fuel. Fuel expenses are calculated as coal price multiplied by the amount of coal consumed for the

generation of the net electrical output. Fuel expenses are assumed to be a pass-through cost to TNB.

Variable Expenses

Variable expenses are costs that vary directly with the amount of energy generated, e.g. spare parts, non-fuel costs such as water and consumable for the generation of electrical energy. It is calculated at a set rate per unit (in sen/kWh) based on the projected variable expenses divided by the projected electricity output.

The major overhaul costs have been levelised annually in calculating the variable expenses.

Fixed Expenses

Fixed operating expenses include fixed operations and maintenance costs, insurance, general and administrative expenses, fixed payment under the JTUA1 payment, licence fee and including the fixed financing related expenses such as the rating agency's fees.

Cess Fund Payment

A Cess Fund payment payable to the Government is assumed to be equal to one percent (1.0%) of the gross revenue received excluding the fuel payment revenue.

Corporate Tax and Capital Allowance

The corporate tax rate is assumed at the current Malaysian corporate tax rate of 25.0% per annum throughout the projection period and is to be paid in the year of assessment. It is also assumed that there shall be no significant changes to the current tax legislation throughout the projection period.

In calculating TNBJ's corporate tax exposure, capital allowances that can be used to shield TNBJ's taxable income are assumed as follows:

Any unabsorbed or unutilized capital allowances are assumed to be permitted to be carried forward indefinitely to offset future taxable statutory income.

Accounting Assumptions

It is assumed that the Existing Power Plant will use the straight-line depreciation method over its respective life. For the purpose of book depreciation, the economic useful life of the Existing Power Plant is assumed at 25 years.

TNBJ's Financial Position For Year Ended 31 August 2011

	RM' million
<u>Current Assets</u>	
Inventories	442.6
Receivables, Deposits and Prepayments	464.4
Amount Due From Ultimate Holding Company	447.6
Amount Due From Related Companies	-
Current Tax Assets	14.7
Cash Balance	14.5
<u>Non-Current Assets</u>	
Fixed Assets 1	3,686.5
Fixed Assets 2	
Amortised Costs and Other Fixed Costs	102.9
Deferred Tax Assets	33.5
	<u>5,206.7</u>
<u>Current Liabilities</u>	
Payables	40.8
Amount Due To Ultimate Holding Company	887.5
Amount Due To Related Companies	
Taxation	
<u>Non-Current Liabilities</u>	
Deferred Taxation	731.3
<u>Shareholders' Funds</u>	
Share Capital – ordinary shares	100.0
Share Capital - redeemable preference shares	26.9
Redeemable Preference Shares - Share Premium	2,398.7
Reserve	12.3
Retained Earnings	1,009.2
	<u>5,206.7</u>
Unutilised Capital Allowance	125.9
Balance of Tax Written Down Value	141.4

5.1.4 Project insurance

TNBJ has procured and will maintain the following insurance policies with licensed insurers in Malaysia and there is no obligation for the EPC Contractor to procure these insurance policies.

All losses within deductible amount stated in the above insurance shall be for the account of and be paid by the EPC Contractor. Any breach by the EPC Contractor of conditions and/or warranties contained therein shall also be for the account of the EPC Contractor.

TNBJ will include the EPC Contractor and its sub-contractors as additional insured parties and shall cause the insurers thereof to waive all express and implied rights and subrogation against such parties, The Comprehensive General Liability policy

shall include a Cross Liability provision in favour of TNBJ, the EPC Contractor and sub-contractors, where applicable.

- (a) Construction / Erection All Risks Insurance against all risks (subject to agreed policy exclusions between the insured and the insurer) in relation to the permanent and temporary works executed or in the course of execution in performance of the Project and the materials, equipment or other property and goods of every kind and description including free issue and temporary structures used in connection therewith or intended to form part thereof of the Project site.

The estimated total Project cost is at RM5,929,285,232.00 and the deductible amounts (on each and every occurrence) are as follows:

1) Act of God	EUR250,000.00
2) Subsidence and Landslip	EUR100,000.00
3) Civil/Erection Works	EUR100,000.00
4) Commissioning/Hot testing/Warranty Period/LEG2:	
(i) Steam turbine and generator	EUR500,000.00
(ii) Boiler	EUR500,000.00
(iii) Transformer	EUR500,000.00
(iv) All other equipment	EUR100,000.00
(v) All other losses	EUR50,000.00

- (b) Third Party Liability Policy with the amount insured of RM50,000,000.00 for any one claim or series of claims arising out of an accident or occurrence resulting in bodily injury and/or personal injury, including death and property damage or destruction to any person or property which shall arise out of the Works. This insurance shall however apply in excess of EUR25,000.00 for any one occurrence.

- (c) Advance Loss of Profit Policy to indemnify in respect of the amount of loss sustained as a result of interference or interruption to the Project resulting from loss or damage as provided for Construction / Erection All Risks insurance.

The sum insured is RM1,479,124,000.00 over a 24 month indemnity period in respect of the total of all fixed capacity payments as per financial model lodged with the company, bearing the deductible of 45 days (plus additional 30 days in respect of loss of damage to the revetment or reclaimed island).

- (d) Workmen's Compensation Insurance to insure all employees engaged in the construction of the New Power Plant.

The amount insured based on the estimated wages is RM292,069,261.60 with a common law limit of RM20,000,000.00

- (e) "All Risks" Cargo Policy to cover all materials from the respective warehouse and/or point of supply and/or place of manufacture until arrival at Site which for this purpose shall mean after unloading or, in the event of equipment which cannot reasonably be inspected at the time of unloading, within thirty (30 days) of unloading at the Project site. Such insurance shall further include insurer's agreement to contribute to fifty per centum (50.0%) of the claim in the event of any loss or damage being discovered after arrival at the Project site of the relevant materials and where it is not

possible to ascertain whether such loss or damage occurred prior to the said arrival or subsequently.

The amount insured is the estimated total value of shipments is at RM5,039,892,447.00, with EUR70,000,000.00 on any one conveyance or location and EUR30,000,000.00 on any one barge shipment. The deductibles applicable on each and every loss is EUR15,000.00.

- (f) Marine Delay in Start-up Policy to indemnify for the amount of actual loss sustained as a result of interference or interruption to the Project resulting from:
 - (i) Loss or damage as provided for under Marine Cargo insurance;
 - (ii) Loss of, mechanical breakdown of, or damage to the hull, machinery and/or equipment of the vessel or aircraft on which any of the Property covered is being carried or is intended to be carried;
 - (iii) Loss of, mechanical breakdown of or damage to any other conveyance on which any of the Property covered is being carried or is intended to be carried from any fortuitous cause;
 - (iv) The vessel aircraft or other conveyance on which any of the Property covered is carried or intended to be carried being involved in a General Average Salvage or Life Saving operation; and
 - (v) Port Blockage / Jetty Facilities - the prevention or hindrance of discharge at the project site, port / pier / jetty / terminal or the like resulting from the sinking or foul berthing or physical blockage of any vessel or craft engaged in the delivery of the property covered.

The sum insured is RM1,479,124.00 over a 24 month indemnity period bearing the deductible of 30 days.

5.15 Key Project participants and advisors

- (a) Power Purchaser/Offtaker TNB
- (b) Nominated Fuel Supplier TNB Fuel Services Sdn Bhd ("TFS")
(Coal Supplier)
- (c) EPC Contractor Consortium of Alstom Power Systems SA, Alstom (Wuhan) Engineering & Technology Co. Ltd., Alstom Services Sdn. Bhd., China National Machinery Import And Export Corporation and CMC Machipex Sdn. Bhd.
- (d) Jetty Operator Lekir Bulk Terminal Sdn Bhd ("LBT")
- (e) Owner's Engineer Tokyo Electric Power Services Co. Ltd and Minconsult Sdn. Bhd. (58835-P) Joint Venture
- (f) Technical Advisor WorleyParsons Services Sdn. Bhd.
- (g) Risk Management Advisor Sime-Darby Lockton Insurance Brokers Sdn. Bhd.
and Insurance Broker

5.2 Summary of Material Contracts In Respect of the New Power Plant

5.2.1 Contract for the design, execution, installation, completion, commissioning, testing of the New Power Plant ("EPCC") between TNBJ and EPC Contractor dated 31 March 2011.

The EPCC is entered into between TNBJ and the EPC Contractor for the design, execution, installation, completion, commissioning, testing of the New Power Plant. The EPC Contractor covenants to design, execute, complete, commission and test

the works and remedy any defects in conformity with the provisions of the EPCC, and TNBJ in return covenants to pay the EPC Contractor the contract price which shall be the lump sum accepted contract amount and be subjected to adjustments in accordance with the EPCC ("**Contract Price**"). The accepted contract amount comprises of (i) Eight Hundred and Ten Million One Hundred and Sixty Nine Thousand Two Hundred and Seventy Six US Dollars (USD810,169,276.00), (ii) One Hundred and Eighty Million Four Hundred and Sixty Eight Thousand and Three Hundred Euros (Euro 180,468,300.00) and (iii) One Billion Eight Hundred Million Five Hundred and Eighty Two Thousand and Three Hundred and Eighteen Malaysian Ringgit (RM1,800,582,318.00) ("**Accepted Contract Amount**"). TNBJ shall make an advance payment, as an interest-free loan for mobilization and design to the EPC Contractor, upon the submission of a guarantee specified in the EPCC by the EPC Contractor. The amount of advance payment is equivalent to ten percent (10.0%) of the Accepted Contract Amount.

The commencement date of the works shall be 31 March 2011 and the EPC Contractor shall complete the whole of the works within the time for completion which is one thousand four hundred sixty one (1,461) days ("**Time for Completion**"). The EPCC provides that in the event the EPC Contractor fails to complete the whole of the works within the Time for Completion, the EPC Contractor shall pay delay damages to TNBJ subject to a maximum amount equivalent to fifteen percent (15.0%) of the Accepted Contract Amount.

The EPCC requires the EPC Contractor to provide the following guarantees to TNBJ:

- (a) a performance security for proper performance ("**Performance Security**"). The Performance Security shall be for twenty percent (20.0%) of the Accepted Contract Amount. The EPC Contractor shall deliver the Performance Security to TNBJ within twenty-eight (28) days after 31 March 2011 and the said Performance Security shall be valid until one hundred sixty-eight (168) days after the date stated in the taking-over certificate;
- (b) a defects notification period performance security ("**DNP Performance Security**") with an amount of five percent (5.0%) of the Contract Price in favour of TNBJ. The DNP Performance Security shall take effect from the date stated in the taking-over certificate and valid until the earlier of either (i) twenty-eight (28) days after the issuance of the performance certificate, or (ii) 31 December 2017; and
- (c) parent company guarantees ("**Parent Company Guarantee**") by ALSTOM Holdings and China General Technology (Group) Holding Limited respectively no later than thirty-five (35) days after 31 March 2011. The said Parent Company Guarantee is to guarantee the prompt performance or discharge by the EPC Contractor of the EPC Contractor's obligations under the EPCC and also to undertake to pay, upon demand, to TNBJ whenever any of the EPC Contractor does not pay any amount or perform or discharge any obligation in respect of the EPC Contractor's obligations under the EPCC when due. The cumulative liability under the Parent Company Guarantee shall be limited to the Contract Price which upon the effective date of the Parent Company Guarantee is the lump sum Accepted Contract Amount, as adjusted in accordance with the EPCC. The Parent Company Guarantee shall be valid from 31 March 2011 until the earlier of either (i) the date on which the EPC Contractor's obligations under the EPCC has been performed or discharged, or (ii) 30 September 2024.

The EPCC provides that neither party shall assign the whole or any part of the EPCC or any benefit or interest in or under the EPCC. This restriction on assignment is subject to the following exceptions:

- (a) either Party may assign the whole or any part of the EPCC with the prior agreement of the other party, at the sole discretion of such other party; and
- (b) either party may, as security in favour of a bank or financial institution, assign its right to any moneys due, or to become due, under the EPCC.

Notwithstanding the paragraph above, TNBJ may assign the EPCC without the consent of the EPC Contractor under the following circumstances:

- (a) as security in favour of lenders and/or a trustee or agent on behalf of such lenders;
- (b) to an entity following a restructuring of the electricity sector industry of Malaysia;
- (c) to TNB ("**Off-taker**") following the transfer of the Project to the Off-taker at the election of the Off-taker.

The EPC Contractor may, with the prior agreement of TNBJ in writing, replace any member of the consortium that comprises the EPC Contractor with an affiliate of the member to be replaced. TNBJ shall not unreasonably refuse his agreement to such replacement. TNBJ shall refuse his agreement if in its reasonable opinion, the proposed replacement does not have the technical competence, capability and resources to perform the EPCC or if the EPC Contractor is unwilling to provide a parent company guarantee that guarantees the obligations of the proposed replacement on the same terms as the parent company guarantee applicable to the member of the consortium proposed to be replaced.

If TNBJ is subject to a change in control after the 31 March 2011, TNBJ shall give prompt notice to the EPC Contractor. If so requested by the EPC Contractor, TNBJ shall provide evidence reasonably satisfactory to the EPC Contractor that following such change in control, TNBJ shall continue to have the financial capability to satisfy its payment obligations under the EPCC. If TNBJ fails to provide such evidence, the EPC Contractor may, by notice to TNBJ, require TNBJ to provide security reasonably satisfactory to the EPC Contractor with respect to TNBJ's performance of his payment obligations under the EPCC. For the purpose of this paragraph, "control" means in relation to TNBJ the beneficial ownership (whether directly or indirectly) of more than fifty percent (50.0%) of the issued share capital of TNBJ.

The EPC Contractor shall carry out the tests on completion in accordance with EPCC. Unless stated otherwise in the employer's requirements, the tests on completion shall be carried out in the following sequence:

- (a) pre-commissioning tests, which shall include the appropriate inspections and ("dry" or "cold") functional tests to demonstrate that each item of the New Power Plant can safely undertake the next stage;
- (b) commissioning tests, which shall include the specified operational tests to demonstrate that the works can be operated safely and as specified, under all available operating conditions;
- (c) performance test; and
- (d) reliability run test.

The defects notification period is seven hundred and thirty-one (731) days from the date stated in the taking-over certificate.

The right to vary falls with the engineer appointed by TNBJ ("**Engineer**"). Variations may be initiated by the Engineer at any time prior to issuing the taking-over certificate for the works, either by an instruction or by a request for the EPC Contractor to submit a proposal. The Engineer shall obtain a specific approval of TNBJ before exercising his right to vary. The EPC Contractor shall notify TNBJ of any variation initiated by the Engineer and shall provide TNBJ with a copy of such variation. A variation shall not comprise the omission of any work which is to be carried out by others.

A force majeure event under the EPCC means an exceptional event or circumstance:

- (a) which is beyond a party's control;
- (b) which such party could not reasonably have provided against before entering into the EPCC;
- (c) which, having arisen, such party could not reasonably have avoided or overcome; and
- (d) which is not substantially attributable to the other party.

If a party is or will be prevented from performing any of its obligations under the EPCC by force majeure, then it shall give notice to the other party of the event or circumstance the force majeure and shall specify the obligations, the performance of which is or will be prevented. The notice shall be given within fourteen (14) days after the party became aware, or should have become aware, of the relevant event or circumstance constituting force majeure. The party shall, having given notice, be excused performance of such obligations for so long as such force majeure prevents it from performing them. However, force majeure shall not apply to obligations of either party to make payments to the other party under the EPCC.

If the EPC Contractor is prevented from performing any of their obligations under the EPCC by force majeure event of which notice has been given in accordance with the EPCC, the EPC Contractor shall be entitled to:

- (a) an extension of time, and
- (b) in circumstances where the force majeure event is caused by acts of war or public disorders and the like, the EPC Contractor is entitled (subject to claim procedures set out in sub-clause 20.1) to the cost incurred in rectifying the loss or damage to the works, goods (excluding EPC Contractor's equipment) or EPC Contractor's documents caused by the force majeure event; such cost, shall be included in the contract price.

If the execution of substantially all the works in progress is prevented for a continuous period of 84 days by reason of force majeure of which notice has been given in accordance with the EPCC, then either party may give to the other party a notice of termination of the EPCC. In the event that any event or circumstance outside the control of the parties (including, but not limited to force majeure) arises which makes it impossible or unlawful for either or both parties to fulfil its or their contractual obligations or which, under the law of Malaysia, entitles the parties to be released from further performance of the EPCC, then upon notice by either party to the other party of such event or circumstance:

- (a) the parties shall be discharged from further performance, without prejudice to the rights of either party in respect of any previous breach of the EPCC; and
- (b) the sum payable by TNBJ to the EPC Contractor shall be the amounts payable for any work carried out for which a price is stated in the EPCC

and to the extent not already paid by TNBJ, the cost of plant and materials ordered for the works which have been delivered to the EPC Contractor, or of which the EPC Contractor is liable to accept delivery.

TNBJ is entitled to terminate the EPCC immediately if the EPC Contractor:

- (a) abandons the works or otherwise plainly demonstrates the intention not to continue performance of his obligations under the EPCC;
- (b) subcontracts the whole of the works or assigns the EPCC without the required agreement;
- (c) becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against him, compounds with his creditors, or carries on business under a receiver, trustee or manager for the benefit of his creditors, or if any act is done or event occurs which (under applicable Laws) has a similar effect to any of these acts or events;
- (d) gives or offers to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of value, as an inducement or reward:
 - (i) for doing or forbearing to do any action in relation to the EPCC; or
 - (ii) for showing or forbearing to show favour or disfavour to any person in relation to the EPCC,

or if any of the Contractor's personnel, agents or subcontractors gives or offers to give (directly or indirectly) to any person any such inducement or reward as is described in this sub-paragraph (d). However, lawful inducements and rewards to the EPC Contractor's personnel shall not entitle termination;

- (e) has at any stage prior to the award of the EPCC engaged in any unlawful practices or in any activities which involved, directly or indirectly, offering a bribe or gratuity to anyone as consideration for the decision, opinion, recommendation, vote or other exercise of discretion or violation of a known legal right by any officer or employee of TNBJ, or if any of the EPC Contractor's personnel, agents or subcontractors has done any of the foregoing;
- (f) fails to complete the works in accordance within a period of 180 days after the Time for Completion;
- (g) wrongfully seeks to interfere with the payment of any call made by TNBJ under the advance payment guarantee, performance security or DNP Performance Security; or
- (h) any member of the consortium comprising the EPC Contractor, is in material breach of any of the representations and warranties set out in the EPCC and the EPC Contractor fails to procure the remedy of such breach to the reasonable satisfaction of TNBJ within 14 days of being notified of the breach by TNBJ.

After a notice of termination issued by TNBJ has taken effect, TNBJ may:

- (a) proceed to make claims against the EPC Contractor;
- (b) withhold further payments to the EPC Contractor until the costs of design, execution, completion and remedying of any defects caused by the EPC Contractor, damages for delay in completion, and all other costs incurred

by TNBJ, have been established after the defects have been remedied; and/or

- (c) recover from the EPC Contractor any losses and damages incurred by TNBJ and any extra costs of completing the works, after allowing for any sum due to the EPC Contractor for the value of the works, goods and EPC Contractor's documents, and any other sums due to the EPC Contractor for works executed in accordance with the EPCC.

TNBJ is also entitled to terminate the EPCC at any time for convenience, by giving notice of such termination to the EPC Contractor. The termination shall take effect 28 days after the later of the dates on which the EPC Contractor receives this notice or TNBJ returns the performance security.

The EPC Contractor shall be entitled to terminate the EPCC upon giving 14 days' notice to TNBJ if:

- (a) the Engineer fails, within 56 days after receiving a statement and supporting documents, to issue the relevant payment certificate;
- (b) the EPC Contractor does not receive the advance payment or an amount due under an interim payment certificate within 42 days after the expiry of the time stated;
- (c) TNBJ substantially fails to perform his obligations under the EPCC;
- (d) TNBJ fails to pay the stamp duties imposed by law in connection with entry into the EPCC or fails to comply with the assignment clause;
- (e) the Commencement Date does not occur within 210 days of the date of signature of the EPCC.

Immediate termination by the EPC Contractor is allowed if:

- (a) a prolonged suspension affects the whole of the works; or
- (b) TNBJ becomes bankrupt or insolvent, goes into liquidation, has a receiving or administration order made against him, compounds with his creditors, or carries on business under a receiver, trustee or manager for the benefit of his creditors, or if any act is done or event occurs which (under applicable Laws) has a similar effect to any of these acts or events.

After a notice of termination issued by the EPC Contractor has taken effect, TNBJ shall promptly:

- (a) return the performance security and any other security (other than the advance payment guarantee) to the EPC Contractor;
- (b) pay the EPC Contractor the amounts payable for any work carried out for which a price is stated in the EPCC and to the extent not already paid by TNBJ, the cost of plant and materials ordered for the works which have been delivered to the EPC Contractor, or of which the EPC Contractor is liable to accept delivery; and
- (c) pay to the EPC Contractor the amount of any loss or damage sustained by the EPC Contractor as a result of the termination.

5.2.2 Draft Coal Supply and Transportation Agreement between TNBJ and TFS (“CSTA2”)

The CSTA2 is to be entered into between TNBJ and TFS for the procurement and purchase of coal by TNBJ from TFS and the supply and sale of coal from TFS to TNBJ.

The agreement is effective upon execution and will continue until and expire on the date of expiry or termination of the PPA2. Under CSTA2, TFS shall be the sole and exclusive supplier of coal to TNBJ and TNBJ in turn undertakes not to purchase coal from any other party unless allowed under CSTA2.

The coal to be supplied to TNBJ is required to meet quality specifications and shall be supplied by TFS in the quantities and at the times agreed under the CSTA2. Notices specifying the quantity of coal nominated by TNBJ for delivery in each month are submitted by TNBJ to TFS on a monthly basis.

The coal to be procured from TFS shall be used by TNBJ to meet its obligations to generate and deliver electricity under the PPA2. In supplying coal to TNBJ, TFS shall purchase coal through coal purchase contracts it will enter into with suppliers of coal from time to time. TNBJ has the right to reject the shipment of coal that fails to meet predefined coal quality rejection limits, coal that poses the risk of spontaneous combustion and coal with proven impurities.

In the event the grid system operator despatches the New Power Plant at a level lower than TNB's prior estimates of dispatch levels or upon the occurrence of a forced outage resulting in stockpiles of coal at the New Power Plant being at a maximum, TNBJ may cancel shipments of coal provided that sufficient advance notice is given and TFS has not yet committed to a coal producer or transport arrangements for the shipment of such coal. Alternatively and if the said conditions cannot be fulfilled, TNBJ is also entitled to request a diversion of shipment of coal to another party if:

- (a) the grid system operator despatches the New Power Plant at a level lower than TNB's prior estimates of dispatch levels and TFS has already committed to a coal producer or transport arrangements for the shipment of such coal; or
- (b) a forced outage causes the stockpiles of coal at the New Power Plant to be at maximum.

By the fifteenth (15th) day of any month, TFS shall issue an initial invoice (“**CSTA2 Initial Invoice**”) to TNBJ for all shipments of coal delivered to TNBJ in the prior month. The shipment price will be based on the base price which is derived from the applicable coal price set by TNB in consultation with TFS. This price is adjusted by reference to defined parameters that have been agreed between the parties, namely:

- (a) gross calorific value, on an as received basis;
- (b) total moisture;
- (c) ash content;
- (d) total sulphur content;
- (e) sizing; and
- (f) further adjustments under Article 10 of CSTA2.

Either TNBJ or TFS may also request for a more in-depth analysis on a shipment of coal and the final findings of such analysis (as set out in a certificate of umpire's analysis) will be used to prepare a revised invoice that supersedes and replaces the CSTA2 Initial Invoice. Any undisputed amounts unpaid when due will incur interest at the rate of BLR +2.0%.

If either TNBJ or TFS is rendered unable by reason of a force majeure event to perform, wholly or in part, any obligation set out in CSTA2, its obligations shall be suspended or excused to the extent of such event. Where TFS is prevented by a force majeure event from supplying and delivering coal, TNBJ may enter into binding contracts for the purchase of coal from any person, including producers, to the extent reasonable and necessary in the circumstances.

TFS is obliged to prepare a plan for remedial action if a shipment of coal does not arrive for any reason other than:

- (a) the inability of TNBJ to take delivery of such shipment due to a force majeure event precluding TNBJ from discharging vessels at the discharge port;
- (b) a force majeure event resulting in stockpiles of coal at the facility being at maximum;
- (c) unexpected congestion or a longer than normal queue of vessels at the loading port (not amounting to an event of force majeure) which causes or contributes to delays in the berthing and loading operations of the vessel at the loading port; or
- (d) where TFS is excused by a force majeure event:
 - (i) as a result of such failure by TFS, the aggregate amount of coal contained in the coal stockpile at the New Power Plant becomes less than the prescribed minimum level; and
 - (ii) immediately prior to such failure of TFS, the coal stockpile at the facility held not less than the prescribed minimum level.

The remedial plan shall set forth TFS's plan for shipments of coal to be delivered to TNBJ to deal with the circumstances giving rise thereto in a manner reasonably acceptable to a prudent power plant operator in like circumstances. If TFS fails to provide TNBJ with an acceptable remedial plan, TNBJ may enter into binding contracts for the purchase of replacement coal from other sources.

Three specific events have been identified as those that entitle either party to terminate the CSTA2. These events are:

- (a) if TNB ceases to control TFS, in which case termination can be effected by giving one hundred and twenty (120) days' prior notice;
- (b) if the financing date does not occur, namely if TNBJ does not receive a certificate from its lenders stating that conditions precedent to the initial drawdown of funds for financing the Project have been satisfied, , in which case termination can be effected by giving at least thirty days' (30) prior notice; and
- (c) if a force majeure event occurs and continues for a period of more than two hundred and seventy (270) days and parties are unable to reach agreement with sixty (60) days after that two hundred and seventy (270) day period on how arrangements may be continued.

TFS events of default on the other hand are when, among others:

- (a) in a year of delivery, any of the following incidents occur thrice:
 - (i) TFS fails to provide TNBJ with a remedial plan;
 - (ii) TFS fails to implement an agreed remedial plan; or
 - (iii) TNBJ reasonably rejects a remedial planresulting in TNBJ having had to purchase replacement coal;
- (b) TFS breaches or fails to perform any material covenants or obligations under the CSTA2 and such breach or failure is not remedied within thirty (30) or sixty (60) days, as the case may be, after receiving notice from TNBJ;
- (c) a resolution for the bankruptcy, insolvency, winding-up, liquidation of, or other similar proceeding relating to TFS is passed;
- (d) TFS fails to suspend deliveries of coal from a defaulting supplier as provided for under the CSTA2.

Upon the occurrence of a TFS event of default, TNBJ shall, in addition to any remedy under the CSTA or in law, be entitled to:

- (a) acquire coal from any other party and TFS shall be entitled for net incremental acquisition and transportation costs thereof;
- (b) in lieu of termination, issue a notice of intent to terminate, requiring TFS to submit a default remedial plan to remedy the default, within 60 days;
- (c) if no default remedial plan is submitted, implemented or accepted by TNBJ or an event of default continues, terminate the Agreement.

It should be noted that if these remedies are not exercised within 75 days after TNBJ becomes aware of the TFS event of default, TNBJ shall be deemed to have waived its right in respect of such TFS event of default.

TNBJ events of default are when:

- (a) TNBJ fails to pay in full when due the amount set out in any Initial Invoice, unless disputed by TNBJ;
- (b) TNBJ fails to pay in full when due any other amount required to be paid by TNBJ, unless disputed by TNBJ;
- (c) TNBJ breaches or fails to perform any material covenants or obligations under the CSTA2 and such breach or failure is not remedied within thirty (30) or sixty (60) days, as the case may be, after receiving notice from TFS;
- (d) a resolution for the bankruptcy, insolvency, winding-up, liquidation of, or other similar proceeding relating to TNBJ is passed.

Upon the occurrence of a TNBJ event of default, termination can be effected by way of 30 days' notice by TFS or in the case of termination for non-payment, 60 days after the due date of an applicable invoice that is not disputed in good faith by TNBJ. TFS may also suspend deliveries except that when the event of default is

caused by non-payment, the suspension can only occur no later than 15 days after the due date of an applicable invoice that is not disputed in good faith by TNBJ.

5.2.3 Draft PPA2

The PPA2 is to be entered into between TNB and TNBJ for the sale and purchase of daily available capacity and, to the extent despatched, the net electrical output generated by the New Power Plant and delivered and accepted by TNB.

The PPA2 shall be effective for a term that expires on the date before the 25th anniversary of the commercial operation date. Either party may, at any time but not later than 36 months prior to the expiry of the term, make a written request to the other party to extend the term. The parties shall meet and, in consultation with the EC, enter into discussions to establish whether and on what terms the PPA2 may be extended.

Under the PPA2, the sale and purchase of test energy shall commence from the initial operation date while the sale and purchase of available capacity and net electrical output shall commence on the commercial operation date. The scheduled commercial operation date under the PPA2 is 1 March 2015 ("**Scheduled Commercial Operation Date**"). Provisions on the payment for daily available capacity, test energy and net electrical output (through available capacity payments, test energy payments and energy payments respectively) are set forth in clause 5 and Appendix G of the PPA2. Start-up payments are also made at rates determined in accordance with Appendix G of the PPA2.

Liquidated damages for failure to achieve the Scheduled Commercial Operation Date is fixed at RM600,000.00 per day for each day following the Scheduled Commercial Operation Date until the earlier of (i) the commercial operation date; (ii) the date on which the PPA2 is terminated by TNB in accordance with the provisions of the PPA2; and (iii) 180 days after the Scheduled Commercial Operation Date. If TNBJ abandons the New Power Plant after the effective date, TNBJ shall pay to TNB liquidated damages in an amount equal to RM108,000,000.00. The aggregate of liquidated damages payable by TNBJ under clause 8 (Liquidated Damages) of the PPA2 shall not exceed RM108,000,000.00.

TNBJ shall also secure payment of the liquidated damages specified in clause 8 (Liquidated Damages) of the PPA2 by providing to TNB an irrevocable bank guarantee issued by a commercial bank reasonably acceptable to TNB in the form set out in Exhibit 1 of the PPA2 for an amount equal to RM108,000,000.00.

The bank guarantee shall permit drawings by TNB thereunder to satisfy the performance obligations of TNBJ under clause 8 (Liquidated Damages) of the PPA2. This bank guarantee shall be submitted to TNB no later than the earlier of (i) 7 days from the date on which the financing documents relating to the financing or refinancing for the total construction costs of the New Power Plant have been entered into by TNBJ and the financing parties, and all of the conditions precedent for the initial drawdown by TNBJ under such financing documents have been satisfied by TNBJ or waived by the financing parties thereunder and (ii) 210 days after the effective date of the PPA2.

The bank guarantee shall remain valid until the expiration of 6 months after the Scheduled Commercial Operation Date. TNB may terminate the PPA2 by giving notice to TNBJ in the event that TNBJ fails to furnish the bank guarantee to TNB within the time frame and valid for the duration set out above or such other date as may be otherwise agreed by the parties. Further and in addition to the liquidated damages set out under clause 8 (Liquidated Damages) of the PPA2, TNBJ shall also be liable to pay to TNB liquidated damages at the rate of RM100,000.00 for each of TNBJ's failure to comply with or operate in conformity with any of the

operating standards or characteristics set out in Appendix B of the PPA2. Under the terms of the PPA2, if the dependable capacity of the plant is below the nominal capacity of 1,010 MW, TNBJ is liable to pay a one time liquidated damages calculated at RM5,000.00 per kW of the shortfall in the capacity.

Under the PPA2, TNBJ is required to establish a reserve account ("**Maintenance Reserve**") in the sum of not less than RM24,000,000.00 to be built up over a 3-year period commencing on the commercial operation date at the rate of RM8,000,000.00 per year to fund the maintenance expenses of the New Power Plant.

The following events of default by TNBJ give TNB the right to terminate the PPA2:

- (a) a failure by TNBJ to make a payment of any amount of substantial nature which is due and payable under the PPA2 within 60 days after receipt of notice of non-payment from TNB;
- (b) a failure by TNBJ to comply with or operate in conformity with any obligation of the PPA2 (except for a payment obligation) and such failure, is capable of remedy, is not cured within a period of 90 days after receipt of notice from TNB or an extended period of 180 days;
- (c)
 - (i) TNBJ is dissolved or liquidated, other than for the purpose of a voluntary dissolution or liquidation as part of a reorganisation or reincorporation;
 - (ii) TNBJ applies for or consents to a receiver, manager, custodian, trustee or liquidator being appointed over or taking possession of all or a substantial part of its assets;
 - (iii) TNBJ admits in writing its inability to pay its debts as they fall due;
 - (iv) TNBJ makes a general assignment or an arrangement or composition with or for the benefit of its creditors;
 - (v) TNBJ commences a voluntary case or files a petition seeking to take advantage of any law relating to bankruptcy, insolvency, reorganisation of its debts, winding-up or composition or readjustment of its debts;
 - (vi) TNBJ fails to dispute in a timely manner, or acquiesces in writing to, any petition filed against it in an involuntary case under any bankruptcy or similar law;
 - (vii) TNBJ takes any action for the purpose of effecting any of the events described in paragraphs (c) (i) through (v) above;
- (d) the commercial operation date fails to occur within 6 months of the Scheduled Commercial Operation Date (unless otherwise excused or extended under the PPA2);
- (e) TNBJ abandons the New Power Plant after the effective date of the PPA2 and fails to resume activities within a period of time agreeable to TNB;
- (f) the Licence for PPA2 is suspended or revoked or terminated or expired due to TNBJ's default, and TNBJ has not caused the Licence for the PPA2 to be reinstated or renewed either (i) within the shorter of three hundred and sixty-five (365) days and the legally permissible period for such reinstatement or renewal or (ii) after having exhausted all available

administrative or legal appeals and applications for such reinstatement or renewal; or

- (g) the CSTA2 is terminated by the TFS as a result of a default by TNBJ thereunder.

If TNB exercises its rights to terminate the PPA2, TNB shall have the option, but not the obligation, to purchase the New Power Plant, the land on which it is to be located, fuel facilities and associated facilities (other than those that comprise the Existing Power Plant) in a manner and for the purchase price determined in accordance with Appendix K of the PPA2, being an amount equal to:

- (a) Outstanding Indebtedness if the Sponsors Gross Equity Contribution (as defined below but certified by the auditor as at the date which is one year after the Commercial Operation Date) amounts to 20.0% or more of the Total Project Costs and 95.0% of the Outstanding Indebtedness if the Sponsors Gross Equity Contribution (as defined below but certified by the auditor as at the date which is one year after the Commercial Operation Date) amounts to less than 20.0% of the Total Project Costs; **plus**
- (b) RM10.00; **plus**
- (c) Transfer Costs; **minus**
- (d) Retained Sum.

For the purposes of Appendix K, the definitions of the terms Outstanding Indebtedness, Transfer Costs, Retained Sum and a number of other relevant terms are as follows:

Outstanding Indebtedness	<p>means:</p> <ul style="list-style-type: none"> (i) the aggregate amount at the date of termination of the PPA2 of all amounts owing to the financing parties (other than any amounts owing to the shareholders of TNBJ and their respective affiliates) as incurred by TNBJ under the initial financing documents and as amortised in accordance thereunder and reflected in the initial financial model; and (ii) the aggregate amount at the date of termination of the PPA2 of all amounts owing to the financing parties (other than any amounts owing to the shareholders of TNBJ and their respective affiliates) as incurred by TNBJ under the financing documents; <p>including any reasonable costs and fees related to accelerated repayment and other financing termination costs, but excluding any costs and fees relating to the Sponsors Gross Equity Contribution;</p>
Retained Sum	means an amount certified by the auditor as being the aggregate of the cash balances at bank and in hand and liquid securities held by TNBJ and to be retained by TNBJ after the date of termination of the PPA2;
Sponsors Gross Equity Contribution	means an amount certified by the auditor as at the date of termination of the PPA2 as being the lesser of:-

- (i) the aggregate of all registered and paid-up share capital issued by TNBJ and any share premia received by TNBJ, the subscription price received by TNBJ for all loan stocks, bonds and redeemable preference shares issued by TNBJ to its shareholders and their respective affiliates, all loans (whether secured, unsecured or subordinated) received by TNBJ from its shareholders and their respective affiliates and all other forms of capital contributed on or before the date of termination of the PPA2 by the shareholders of TNBJ and their respective affiliates for financing the New Power Plant, as committed by TNBJ, its shareholders and their respective affiliates at the financial closing date in accordance with the initial financing documents and such cashflow internally generated by TNBJ in relation to the Existing Power Plant for the construction of the New Power Plant; and
- (ii) the aggregate of all registered and paid-up share capital issued by TNBJ and any share premia received by TNBJ, the subscription price received by TNBJ for all loan stocks, bonds and redeemable preference shares issued by TNBJ to its shareholders and their respective affiliates, all loans (whether secured, unsecured or subordinated) received by TNBJ from its shareholders and their respective affiliates and all other forms of capital contributed on or before the date of termination of the PPA2 by the shareholders of TNBJ and their respective affiliates for financing the New Power Plant and such cashflow internally generated by TNBJ in relation to the Existing Power Plant for the construction of the New Power Plant, as outstanding as at the date of termination of the PPA2;

Total Project Costs

means the aggregate amount of the expenditure incurred and paid by TNBJ in connection with the New Power Plant up to the date which is one year after the Commercial Operation Date and includes all development costs, procurement costs, construction costs, financing costs and any amounts paid by way of liquidated damages or compensation under the PPA2 or any project document;

Transfer Costs

means an amount equal to all reasonable costs and expenses of TNBJ which are incurred or suffered as a result of the purchase of the New Power Plant by TNB, including any termination payments or novation fees on contracts in connection with the New Power Plant whose terms are reasonable and customary for private power projects such as the New Power Plant or were specifically approved by TNB, and all taxes, any reasonable breakage costs and fees, any registration fees and other reasonable and necessary termination costs that become payable by TNBJ as a result of the

purchase of the New Power Plant by TNB, but excluding the Outstanding Indebtedness.

Similarly, if TNBJ terminates the PPA2 as a result of an event of default by TNB, TNBJ shall have the option, but not the obligation to sell the New Power Plant to TNB.

If TNBJ chooses to exercise this option prior to the commercial operation date, the sale will be at an amount equal to

- (a) the Outstanding Indebtedness; **plus**
- (b) the Sponsors Gross Equity Contribution; **plus**
- (c) the Interest on Sponsors Gross Equity Contribution; **plus**
- (d) Transfer Costs; **minus**
- (e) Retained Sum.

However if TNBJ chooses to exercise the option post commercial operation date, the sale will be at an amount equal to:

- (a) the Outstanding Indebtedness; **plus**
- (b) the B Purchase Price; **plus**
- (c) Transfer Costs; **minus**
- (d) Retained Sum.

Such B Purchase Price is determined by way of the following formula:

QR + SEC – SER (provided that if it results in a negative number, the “B” Purchase Price shall be zero)

SEC = the sum of all Sponsors Gross Equity Contribution paid to TNBJ prior to date of termination of the PPA2.

SER = the sum of all Sponsors Gross Equity Repayment paid on or prior to date of termination of the PPA2.

QR = the quarterly return on the SEC, calculated in accordance with the following formula:

$$QR = \sum_{n=1}^N [(SEC_n - SER_n) \times (1 + X\%)^{(N-n)/4}] - [SEC_N - SER_N]$$

Where:

SEC_n = (i) the sum of all Sponsors Gross Equity Contribution paid to the TNBJ within calendar quarter *n*, or

- (ii) zero (0), if the cumulative sum of all Sponsors Gross Equity Contribution paid to the TNBJ in each of the full calendar quarters n is greater than SEC.

SER_n = the sum of all Sponsors Gross Equity Repayment paid within calendar quarter n .

n = an index, from 1 through N , representing each of the full calendar quarters occurring since the effective date of the PPA2.

N = the aggregate number of full calendar quarters occurring between the effective date of the PPA2 and the date of its termination (both dates inclusive).

X = the lower of:

- (a) 10.0%, and
- (b) New Power Plant returns as in the latest updated input financial model, as revised to take into consideration the capacity rate financial prevailing as at the date of termination of the PPA2.

For this purpose, a calendar quarter means a period of 3 months ending on 31 March, 30 June, 30 September and 31 December.

In the event of industry restructuring, where the structure of the electricity supply industry is revamped to set up a power pool or other market system, TNBJ and TNB are required to negotiate in good faith amendments to the PPA2 to enable TNBJ's full participation in the restructured market. If no agreement is reached within 6 months, TNB may terminate the PPA2 by giving written notice and also give notice to purchase the New Power Plant in terms also set forth in Appendix K of the PPA2. The amount to be paid by TNB to TNBJ in such instance is the same as that paid when TNBJ exercises its option to sell the New Power Plant consequent to the termination of PPA2 on account of a default by TNB post commercial operation date.

5.2.4 Draft Shared Facility Agreement between TNBJ and TNB (In Favour of TNB) ("SFA1")

The SFA1 will be entered into between TNBJ and TNB to grant to TNB:

- (a) an irrevocable licence to use the Shared Facilities (as specifically described in Appendix 2 of the SFA1); and
- (b) specified easement rights ("**SFA1 Easement**") over Lot 1, Lot 2 and Lot 4 as defined in the SFA1 ("**Servient Land**"),

upon and subject to the terms and conditions set forth in the SFA1.

TNBJ is the registered proprietor of all those parcels of land referred to in SFA1 as Lot 1, Lot 2, Lot 3 and Lot 4 located in the District of Manjung, Perak. The Existing Power Plant and the Shared Facilities are located on the Servient Land while the New Power Plant is proposed to be built on Lot 3 ("**Dominant Land**").

Under the PPA2, it is expressly provided that TNBJ shall, among others, transfer the New Power Plant, the fuel facilities, and the Dominant Land to TNB upon the termination of the PPA2 and where TNB exercises its option (or is required) to purchase the New Power Plant, the fuel facilities and the Dominant Land in accordance with the terms of the PPA2. The date on which this transfer is to occur is referred to as the Transfer Date ("**SFA1 Transfer Date**").

Upon the transfer of the Dominant Land to TNB on the SFA1 Transfer Date and in consideration of TNB making the payment of predetermined fees to TNBJ throughout the period of the SFA1 Easement, TNB shall be granted the SFA1 Easement which comprises of the right to use of and/or the right of way to:

- (a) the Shared Facilities in accordance with a jointly developed shared facilities manual that sets out, among others, the basis of sharing and the responsibility matrix of the parties;
- (b) existing pipes, drains and mains of the Shared Facilities; and
- (c) fuel facilities (including the right to relocate such facilities to any part of the Servient Land);

for the use and enjoyment of the New Power Plant and/or the Dominant Land.

In addition, and in consideration of a payment of Ringgit Malaysia ten only (RM10.00) from TNB to TNBJ on the execution date of the SFA1, TNBJ grants an irrevocable licence to TNB to use and enjoy the rights comprised in the SFA1 Easement.

Within fourteen (14) days from the execution date of the SFA1, TNBJ shall execute a valid and registrable instrument in conformity with the provisions of the National Land Code 1965 ("**NLC**") ("**SFA1 Instrument**") for the grant of the SFA1 Easement in favour of TNB. TNBJ shall within seven (7) days from the SFA1 Transfer Date deliver the original document of final title to the Servient Land to TNB for the purposes of registering the SFA1 Instrument in accordance with the NLC upon TNB's undertaking to return the original issue document of final title to the Servient Land to TNBJ on completion of the registration of the instrument.

The SFA1 Easement shall commence from the date of presentation for registration of the SFA1 Instrument in accordance with the NLC and shall continue until the 25th anniversary of the commercial operation date under the PPA2 and any longer duration as may be reasonably requested by TNB ("**SFA1 Easement Period**"). If the period of the SFA1 Easement as recorded in the SFA1 Instrument which has been registered expires prior to the expiry of the SFA1 Easement Period, TNBJ shall procure the execution and registration of a further valid and registrable instrument for the grant of the SFA1 Easement for the remaining period up to and until the last day of the SFA1 Easement Period.

In addition to the above, TNBJ also covenants with TNB that beginning from the execution date of the SFA1 to the intent and so as to bind the Servient Land into whosoever hands it may come and for the benefit and protection of the Dominant Land, TNBJ and its successors in title shall, among others:

- (a) use the Shared Facilities in accordance with prudent utility practices and a jointly developed shared facilities manual that sets out, among others, the basis of sharing and the responsibility matrix of the parties;
- (b) grant TNB the right to enter, use and occupy such parts of the Servient Land as may be required to operate and maintain the fuel facilities;
- (c) not change, modify, demolish, cease operation of the Shared Facilities during the subsistence of the SFA1 Easement;

TNB on the other hand and at the same time covenants with TNBJ to the intent and so as to bind the Dominant Land into whosoever hands it may come and for the benefit and protection of the Servient Land that TNB and its successors in title shall:

- (a) use the Shared Facilities in accordance with prudent utility practices and the shared facilities manual;
- (b) not use the Shared Facilities for any purpose other than for the operation of the New Power Plant; and
- (c) observe and comply at all times with the provisions of the shared facilities manual.

In the event either party fails to comply with the provisions of the shared facilities manual, the other party shall be entitled to issue a notice of non-compliance to the non-complying party and seven (7) days thereafter take remedial action if such non-compliance continues. The non-complying party shall reimburse the other party for all costs and expenses reasonably incurred by the other party in effecting such remedial action.

Finally, TNB is also required under the SFA1 to pay TNBJ charges in amounts calculated in accordance with Appendix 5 for the supply and use of steam from the Existing Power Plant to the New Power Plant.

5.2.5 Draft Shared Facilities Agreement between TNBJ and TNB (In Favour of TNBJ) (“SFA2”)

The SFA2 will be entered into between TNBJ and TNB to grant to TNBJ:

- (a) specified easement rights over the Servient Land (“**SFA2 Easement**”); and
- (b) an irrevocable licence to use the Shared Facilities (as specifically described in Appendix 2 of the SFA2);

upon and subject to the terms and conditions set forth in the SFA2.

As mentioned in Section 5.2.4, TNBJ is the registered proprietor of all those parcels of land referred to as Lot 1, Lot 2, Lot 3 and Lot 4 located in the District of Manjung, Perak. The Existing Power Plant and the Shared Facilities are located on the Servient Land while the New Power Plant is proposed to be built on the Dominant Land.

Under the PPA1, it is expressly provided that TNBJ shall, among others, transfer the Existing Power Plant, the Shared Facilities and the Servient Land to TNB upon the occurrence of the expiry of the PPA1 or the early termination of the PPA1 where TNB exercises its option (or is required) to purchase the Existing Power Plant, the Shared Facilities and the Servient Land in accordance with the terms of

the PPA1. The date on which this transfer is to occur is referred to as the Transfer Date ("**SFA2 Transfer Date**").

Subject to the transfer of the Servient Land to TNB on the SFA2 Transfer Date and payment by TNBJ to TNB of predetermined fees throughout the period of the SFA2 Easement, TNBJ shall be granted the SFA2 Easement which comprises of the right to use of and/or the right of way to:

- (a) the Shared Facilities in accordance with a jointly developed shared facilities manual that sets out, among others, the basis of sharing and the responsibility matrix of the parties;
- (b) existing pipes, drains and mains of the Shared Facilities; and
- (c) fuel facilities (including the right to relocate such facilities to any part of the Servient Land);

for the use and enjoyment of the New Power Plant and/or the Dominant Land. TNBJ shall also be granted by TNB an irrevocable licence to use and enjoy the rights comprised in the SFA2 Easement.

The SFA2 Easement shall commence from the date of presentation for registration of a valid and registrable instrument ("**SFA2 Instrument**") in accordance with the NLC and shall continue until the earlier of the 25th anniversary of the commercial operation date under the PPA2 or the date of termination of the PPA2 ("**SFA2 Easement Period**"). If the period of the SFA2 Easement as recorded in the SFA2 Instrument which has been registered expires prior to the expiry of the SFA2 Easement Period, TNB shall procure the execution and registration of a further valid and registrable instrument for the grant of the SFA2 Easement for the remaining period up to and until the last day of the SFA2 Easement Period.

The grant of the SFA2 Easement and the irrevocable licence by TNB to TNBJ to use and enjoy the rights comprised in the SFA2 Easement are on the basis that the Existing Power Plant is still in operation. In the event the Existing Power Plant is no longer in operation and TNB decides not to operate and maintain the Shared Facilities, TNBJ shall have the right to take control and possession of the Shared Facilities and to operate and maintain the Shared Facilities at its own cost and expense and TNB shall grant TNBJ the right to enter, use and occupy such parts of the Servient Land as may be mutually agreed between TNB and TNBJ.

Under the SFA2, TNB also covenants with TNBJ so as to bind the Servient Land into whosever hands it may come and for the benefit and protection of the Dominant Land that TNB and its successors in title shall, subject to the Existing Power Plant continuing to be in operation, among others:

- (a) use the Shared Facilities in accordance with prudent utility practices and the shared facilities manual;
- (b) grant TNBJ the right to enter, use and occupy such parts of the Servient Land as may be required to operate and maintain the fuel facilities; and
- (c) not change, modify, demolish, cease operation of the Shared Facilities;

TNBJ on the other hand covenants with TNB so as to bind the Dominant Land into whosever hands it may come and for the benefit and protection of the Servient Land that TNBJ and its successors in title shall:

- (a) use the Shared Facilities in accordance with prudent utility practices and the shared facilities manual;

- (b) not use the Shared Facilities for any purpose other than for the operation of the New Power Plant; and
- (c) at all times observe and comply with the provisions of the shared facilities manual.

In the event either party fails to comply with the provisions of the shared facilities manual, the other party shall be entitled to issue a notice of non-compliance to the non-complying party and seven (7) days thereafter take remedial action if such non-compliance continues. The non-complying party shall reimburse the other party for all costs and expenses reasonably incurred by the other party in effecting such remedial action.

Upon expiry of the SFA2 Easement Period, TNBJ shall execute a valid and registrable instrument under the NLC to secure the release or termination of the SFA2 Easement.

Finally, TNBJ is also required under the SFA2 to pay TNB charges in amounts calculated in accordance with Appendix 5 for the supply and use of steam from the Existing Power Plant to the New Power Plant.

5.2.6 Draft Jetty Terminal Usage Agreement between TNBJ and LBT (“JTUA2”)

The JTUA2 is presently being negotiated between TNBJ and Lekir Bulk Terminal Sdn Bhd (“**LBT**”). In principle, the JTUA2 is for LBT to:

- (a) procure the availability of the grab ship unloader feeder conveyors, berth conveyer and trestle conveyor being in operational condition to unload coal from a coal vessel and convey the coal to the delivery point (“**LBT Conveyor Lines**”);
- (b) to procure the availability of the PLC instrumentation control system signals and such signals will be interfaced and interlocked to the PLC instrumentation of the LBT Conveyor Lines to ensure safe operation of the Handling Services (“**Interfacing Control System**”); and
- (c) to provide the following services to TNBJ:
 - (i) the provision of the jetty and necessary equipment and labour for the efficient unloading of coal from the coal vessels;
 - (ii) the provision of clean-up mobile equipment operations in the holds of the coal vessels;
 - (iii) the transfer/conveyance of coal unloaded from the coal vessels to the delivery point;
 - (iv) the operation of magnets over transfer systems for the detection whenever possible of tramp iron or other ferrous foreign bodies/objects; and
 - (v) the use of water for dust suppression purposes at the jetty to minimize airborne dust pollution.

(collectively, “**Handling Services**”)

LBT further covenants with TNBJ that all times throughout the contract period:

- (a) LBT shall make available the jetty for the primary but not sole use of the coal vessels transporting coal to and for the consumption by the New Power Plant;
- (b) the coal vessels shall be accorded the priority status as set out in the JTUA2; and
- (c) LBT shall maintain the jetty in good working condition.

In consideration of LBT making available the jetty and rendering the Handling Services, TNBJ agrees to make payment to LBT. These payments will be finalised prior to the execution of JTUA2.

The JTUA2 will come into effect on a date to be determined prior to the execution of the JTUA2 and shall expire on the twenty-fifth (25th) anniversary of the commercial operation date of the New Power Plant, currently scheduled to fall on 1 March 2015 (“**Initial Period**”). The JTUA2 shall continue to be effective and subsist after the Initial Period for so long as the New Power Plant is in operations provided that the parties shall reach agreement on the Base Operating Payment and the Tonnage Payment to be charged for each year after year twenty-six (26).

Neither the JTUA2 nor any of the rights or obligations thereunder may be assigned, transferred or novated by LBT or TNBJ without the express prior written consent of the other party, which consent shall not be unreasonably withheld or delayed, provided that:

- (a) TNBJ may assign its rights to its financiers for financing and refinancing purposes or to TNB;
- (b) LBT may assign its rights to LBT’s financiers for financing and refinancing purposes; and
- (c) unless expressly agreed to by the other party, no assignment, whether or not consented to, shall relieve the assignor of its obligations under the JTUA1 in the event its assignee fails to perform.

LBT shall not be obligated to deliver or handle the following types of coal (“**Distressed Coal**”):

- (a) coal which constitutes a safety and fire hazard to LBT’s jetty personnel and facilities;
- (b) coal that has such percentage and size of fines which may be detrimental to its handling;
- (c) coal that has excessive moisture content at time of berthing of the coal vessel or that contains entrained slurry;
- (d) coal that contains excessive debris and tramp metal; and
- (e) coal which does not comply with the nature of coal described in the statement of needs as set out in JTUA2.

LBT shall not be liable to TNBJ for any damage to the coalyard facilities and/or the New Power Plant caused by the coal and TNBJ shall remain liable to pay LBT in accordance to the payment terms in JTUA2. TNBJ shall not hold LBT liable for any deterioration in the quality of and/or loss of coal (including transit loss, environmental related loss and non-recoverable coal) whilst the same is in the care of LBT unless such deterioration or loss is attributable to the negligence of LBT in exercising the degree of skill and care of a reasonable and prudent operator. The

cost of any damage to the jetty resulting from the handling or delivery of Distressed Coal which is not attributable to the fault or negligence of LBT, its servants or agents, shall be borne by TNBJ.

In principle, parties agree that there will be an aggregate maximum liability for damages (including liquidated damages) and liability for indemnities provided always that:

- (a) the limitation of liability shall not reduce, limit or affect the obligations of TNBJ to pay Facility Payment, Base Operating Payment and Tonnage Payment where due hereunder; and
- (b) the limitation of liability shall not reduce, limit or affect the obligations of LBT to pay the value of time lost based on the time lost rate.

5.3 Existing Power Plant

The Existing Power Plant is located on a wholly manmade island off the Lekir coast in Manjung, Perak. The nominal capacity of the Existing Power Plant is 2,100 MW from 3 x 700 MW generating units. Under the PPA1 the contracted capacity for each generating unit is 690 MW only and the contracted capacity for the entire Existing Power Plant is therefore 2,070 MW.

The first unit of the Existing Power Plant was taken over from its engineering, procurement and construction contractor on 21 April 2003 followed by unit 2 on 20 August 2003 and unit 3 on 25 September 2003. Since 2 May 2006, and with the execution of the PPA1, the date 1 September 2005 was designated as the Scheduled Commercial Operation Date under the PPA1 for all 3 units.



Figure 1: The Existing 3 x 700 MW Manjung Power Plant

Figure 1 shows the existing 3 x 700 MW Manjung Power Plant. The plant consists of the following key components:

- a) Turbine and Generator Hall
- b) Control building

- c) Berthing facility/ jetty with access channel and unloading facility for coal (Lekir Bulk Terminal)
- d) Coal storage yard
- e) Coal transportation mode from jetty to the storage facility
- f) Circulating water pump house
- g) Cooling water intake
- h) Seawater treatment facility
- i) Ash disposal area i.e. ash pond
- j) Stilling basin
- k) Discharge outlet
- l) Switchyard
- m) Substation
- n) Transmission line
- o) Access and maintenance roads

5.3.2 Fuel

The Existing Power Plant utilises two types of combustion fuels: coal and distillate. Coal is the primary fuel while distillate is used only for start-ups. Coal sourced for the Existing Power Plant is of sub-bituminous type with less than 5.0% ash content and 0.44.0% sulphur (average or blended). Coal is mainly imported from Indonesia and also procured from other countries within the region such as Australia and South Africa that have similar required properties. Coal stockpiles are maintained on a minimum storage of 30 days for the full load consumption.

Coals are transported by sea via 60,000 to 80,000 dead weighted tonnage vessels, unloaded at the terminal and transported via an enclosed conveyor and transfer bunkers system to one of the five stockpiles at the coal yard for storage.

The stacker-reclaimer is used to stack coal into piles and the stacker-reclaimer shall retrieve the coal when needed by the power station (known as reclaiming). During reclaiming, coal is unloaded to the inter-transfer line conveyors. These conveyors transport the coal to the slot bunkers for temporary storage. The slot bunkers discharge coal to the power station bunkers via the discharge line conveyors.

However, and if necessary, coal can be fed directly from the ship to the station, or the storage pile to the station, via the direct transfer lines. The slot bunker and stackers-reclaimers are bypassed during these operations.

Distillate is transported via 16-tonne road tanker and pumped into the 2 x 5,000 m³ storage tanks and re-distributed to various boilers through pipes.

5.3.3 Coal Pulverisation

Coal is fed from short term storage bunkers into coal pulverisers that grind the coal into fine powder. As grinding proceeds, fine particles are removed from the process to prevent excessive grinding, power consumption and wear.

5.3.4 Boiler and Heat Generation

There are 3 subcritical pressure boiler units where the heat of combustion is used to generate steam. Each unit comprises of a two-pass boiler with vertical membrane furnace walls, incorporating superheat and reheat stages producing superheated steam for a turbine. Pulverised coal is injected through burners into the boiler furnace where it mixes with air and is burnt to generate heat.

The boilers require carefully regulated quantities of fuel and air to provide stable combustion in the furnace. The air is drawn through the inlet ducts by two forced draught fans. Fans supply

combustion air that has been pre-warmed by the boiler exhaust gases in the air heaters. This improves the power station efficiency. Most of the air is directed into the furnace. The rest of the air is used in the mills to collect and carry finely-ground coal particles into the combustion zone of the furnace.

5.3.5 Feedwater and Treatment System

The major components of the feedwater system are a deaerator and storage tank, a deaerator recirculation pump, boiler feed pumps and booster pumps and high pressure feedwater heaters.

There is a common water treatment plant and reserve feed water storage facilities to produce and store boiler-quality feedwater. Water for the boiler is derived from town water supplied by Lembaga Air Perak that are stored in steel tanks with an average of 3 days storage capacity. The water is treated with an ion exchange process treatment system to achieve the required boiler water quality. Inside the feedwater system, hydrazine is added to reduce dissolved oxygen. Ammonia is used to control pH level in feedwater prior to sending to the economiser. These are to reduce scaling and corrosion of the boiler's (drum and pipings) internal surfaces. Trisodium phosphate is used for pH control by direct injection into the boiler drum. The feedwater is a closed system. There will be no discharges into the environment except for small quantities due to leakage and filter cartridge backwash which shall be treated prior to release.

5.3.6 Steam Generation

Water at high pressure enters the drum through tubes over which the combustion gases pass inside the boiler. Water is progressively heated in the drum to 538°C at pressure of 166.7 bar and converted into steam. The furnace walls consist of a large number of water-tubes extending to the full height of the boiler. The heat produced in the furnace raises the temperature of water circulating in these tubes and produces steam. The steam passes to the steam drum at high pressures i.e. 180 times the atmospheric pressures. It is then heated to 538°C in the superheater and piped to the high pressure cylinder of the steam turbine. After the steam has passed through the high pressure cylinder, it returns to the boiler reheater. This steam is reheated to 538°C and is piped to the intermediate and low pressure cylinders of the turbine.

5.3.7 Turbine

Steam turbine uses the steam to drive an electrical generator. The steam turbine comprises of a high pressure, intermediate pressure and two double flow low pressure turbines. The low pressure turbines exhaust to dedicated condensers.

5.3.8 Condenser and Cooling System

Cool seawater is passed through condensers mounted below the low pressure steam turbines to condense the steam back to water, where it is then passed to feed heaters and high pressure pumps that pass it back to the boiler in a closed loop. The sea water is drawn via a submerged intake and on-land forebay pumped through the condensers where it is slightly warmed, before being returned to the sea through the outfall.

From the low pressure turbine, the steam passes to the condenser, where it is condensed back to water. The condensed water passes through the low pressure feedwater heaters, where it is heated by steam tapped off from the turbine stages before the pressure feedwater heaters and economiser before it is returned to the drum to complete the cycle. Steam passing through the condenser for conversion back to water is cooled by seawater circulating within the condenser tubes. The outgoing cooling water is discharged via the outfall.

5.3.9 Electrochlorination Plant

Chlorination prevents slime and marine growth in the seawater systems. Marine growth would rapidly reduce the heat transfer capability in the condensing plant and increase the losses in the seawater piping. Seawater is taken from the seawater intake structure by means of a seawater pump. It passes through an automatic self-cleaning strainer before entering the electrolyser trains.

The hypochlorite solution with active chlorine is produced in an electrolytic cell plant by electrolysing seawater in a single pass.

5.3.10 Generator and Electricity Generation

Each of the three generators has brushless excitation using either rotating rectifiers or static excitation. Auxiliary load is supplied from unit transformers.

Steam enters the high pressure turbine through valves which control the flow of steam. Within the turbine, the high pressure steam expands stage by stage forcing a series of blades on a central shaft to rotate. This steam is then returned to the boiler for reheating before passing through an intermediate pressure turbine and finally two low pressure turbine before being condensed back to water. The central shaft passing through the high, intermediate and low pressure turbines drives an electrical generator. Electricity from the generator is transformed to the 500kV grid voltage by the generator transformer prior to being supplied to the Malaysian grid.

The generator consists of the rotor (rotating elements), which supplies a magnetic field included by current from an exciter, and the stator (stationary elements). As the rotor spins, the rotation of the magnetic field causes an alternating current to flow in the windings of the stator. Electricity from the generator is then transmitted to the generator transformer by large conductors encased in metal ducts. The generator transformer steps up the electrical energy output to a higher voltage (500kV) for transmission through the National Grid Network.

5.3.11 Switchyard and Transmission Generation

The 500kV substation for the connection of the power station to the transmission system is of the one and a half circuit-breaker design containing 3 diameters to accommodate the outgoing double circuit overhead lines plus the power station generator circuits. The substation "open terminal" design takes full account of the exposed coastal nature of the site under the likely extremes of weather conditions. All circuit-breakers are of the SF5 type and the switchyard also contains disconnectors (motorised), earthing switches, conductors and fittings, insulators, surge arresters, voltage and current transformers, line traps, supporting structures, lightning and small power, cabling, lightning protection, earthing and bonding etc. The substation control building will contain all protection relays, interlocking metering, alternating current (a.c.) and direct current (d.c.) electrical supplies, controls, alarms, indications, data acquisition, recorders, telecommunications etc.

A new section of a 500kV double circuit overhead transmission line to the Ayer Tawar substation was necessary to permit the connection of the Existing Power Plant to the Malaysian National grid transmission system. This has been completed and is currently in operation.

The full operation of the Existing Power Plant contributes 101073.1 GWh in FY2010 and 103354.1 GWh in FY2011 into the National Grid which is equivalent to 14.0% of the total demand in FY2010 and 12.0% in FY2011. The total coal consumption for FY2010 is 6640.5 MT and FY2011 is 5807.6 MT.

5.3.12 Operational Performance

The current strengths of the Existing Power Plant are as follows:

- (a) Within its class of 700 MW sub-critical pressure coal fired power plants in Malaysia, the Existing Power Plant has one of the lowest heat rates and hence one of the highest efficiencies on the grid.
- (b) The Existing Power Plant also offers a low CRF & FOR.
- (c) The boiler furnace and coal handling systems can utilise a wide spectrum of 100.0% sub-bituminous coal from Indonesia and other countries which is less costly than bituminous coals.

- (d) The Existing Power Plant has a fast start-up capability and ability to change load with the new forced circulation, once-through boiler which makes it more responsive from a grid system standpoint.
- (e) The Existing Power Plant has been able to fully comply with DOE's environmental limits for emissions by the use of clean coal technologies. These technologies at the Existing Power Plant have led to:
 - (i) one of the lowest SO₂ emissions to the environment through the installation of the first Flue Gas Desulphurization (FGD) system using seawater washing in Malaysia;
 - (ii) the use of low NO_x burners in the furnace to limit the generation of NO_x emissions at the chimney.

The three monitoring stations in the vicinity of the Existing Power Plant confirm that the ground level concentrations of these emissions are also in compliance with DOE's regulations and the conditions of approval of the DEIA.

- (f) There is an in-house power plant Simulator for the Existing Power Plant which is used to train new operators and to increase their competencies and efficiency.
- (g) TNBJ has also implemented various tools in monitoring the Existing Power Plant's performance, i.e. an archive database for all plant process data which is accessible by all employees in the plant and headquarters. This has allowed the management to monitor the plant real-time data remotely from their offices.
- (h) The main operating platform for the Existing Power Plant (the Distributed Control System) has a number of add-on packages that allows the operational staff to optimise performance of the Existing Power Plant and make selective improvements by using plant optimization and monitoring tools.

5.3.13 Maintenance Performance

The O&M Team for the Existing Power Plant comprise of experienced and completely trained personnel to meet the challenges of the PPA1 and in maintaining the Existing Power Plant. Among the strategies adopted by the O&M Team are:

- (a) Various maintenance tools and methodologies to ensure the effective management of the Existing Power Plant. These include Life Expectancy Assessment Program for critical motors, an electronic Knowledge Management System, use of a Reliability Centered Maintenance philosophy balanced with Risk Based Inspection, together with Hot Gas Path Component Management and a Plant Performance Monitoring System. The SAP R/3 System is used for spare parts inventory monitoring purposes.
- (b) The principal maintenance challenges will be related to tackling forced or unplanned outages as well as scheduling the annual minor outages (several weeks duration) and the major plant outage every three years which also involves an inspection by the Malaysian Boiler and Pressure Vessel Inspection Authority (Department of Occupational Safety and Health).
- (c) As the unit gets older, the maintenance regime will need to intensify to counteract the effects of degradation and aging that occurs through wear and tear. Assistance can also be sought from the Original Equipment Manufacturers in this region.

The challenge will be to learn from the past performance of the units within the Existing Power Plant and adapt quickly to the requirements demanded, both as to operation and maintenance, in meeting the PPA1 obligations and overall financial performance targets.

5.3.13.1 Maintenance processes

The maintenance of the Existing Power Plant involves processes that are preventative and corrective. The maintenance processes must be carried out throughout the life of the power plant in order to meet operational needs to generate power. The maintenance works can be carried out while the plant is in operation or during an outage.

- a) Preventative maintenance involves the care and servicing of the Existing Power Plant equipment and facilities for the purpose of maintaining equipment and facilities to achieve a satisfactory operating condition by providing systematic inspection, detection, and correction of incipient failures either before they occur or before they develop into major defects; and
- b) Corrective maintenance involves the remedial works to be carried out after failure detection and is aimed at restoring the Existing Power Plant equipments and facilities to its normal condition.

5.3.13.2 Outages (planned and unplanned)

The PPA1 treats periods of non-operation as outages, namely planned or unplanned:

- a) Planned outages

Planned outages involve a level of coordination between TNBJ and TNB as the off-taker and must be agreed in advance. Planned outages are the occurrence for any period of time of any loss of, interruption or reduction in the availability of the Existing Power Plant to carry out scheduled preventative and corrective maintenance which may involve a minor or major plan outage. Minor outages usually cover a period of 2 weeks in a year for each unit and are typically used for clearing of defects and routine maintenance. A major overhaul outage usually takes place once every 3 years for a duration of 50 days. Mandatory inspections of the boilers and unfired pressure vessels by DOSH in conjunction with the implementation of the Reliability Based Inspection activities and repair activities requiring a longer period of time are also carried out during a major overhaul outage.

- b) Unplanned outages

Unplanned outages involve the loss of, interruption or reduction in the availability of the Existing Power Plant for emergency reasons or unanticipated breakdowns.

5.3.13.3 Existing Power Plant Performance for the last six (6) years

Extended or recurring outages beyond unplanned outage limit thresholds of 6.0% and 8.0% can result in reductions in capacity payments payable to TNBJ. Since the commencement of commercial operations in 2003, the Existing Power Plant has experienced unplanned outages from time to time which are caused by wear and tear issues, some unsatisfactory welding effects and consequences due to the difficulties in getting plant outages for maintenance works and/or overhaul (longer operation due to gas curtailment). The estimated loss in capacity payments represent an average of 5.9% for the period from FY05/06 to FY10/11 as indicated in the table below:

Financial Year	Full Capacity Payment (RM)	Loss in Capacity Payment (RM)	% Loss in Capacity Payment
FY05/06	869,396,274	0	0.00%
FY06/07	869,396,274	361,879	0.04%
FY07/08	869,396,274	15,904,336	1.83%
FY08/09	871,778,181	62,160,496	7.13%
FY09/10	869,396,274	3,342,485	0.38%
FY10/11	869,396,274	224,563,880	25.83%

The management of the Existing Power Plant has identified the root cause of the problems causing the above outages and has undertaken the following mitigation measures:

The main cause of the unplanned outage in FY10/11 was boiler tube leaks at dissimilar metal weldment. In addition to replacing the leaked boiler tubes and repairing the weldment, TNBJ has instituted a program to increase non-destructive testing (NDT) and inspections in the critical areas of Units 1, 2 and 3 during each planned outage in the future. As part of the long term solution to this problem, the Existing Power Plant has already implemented a comprehensive Risk Based Inspection Program and already engaged an independent third party specialist to provide technical support.

The outage in FY10/11 was also caused by the failure of auxiliary equipments due to unanticipated wear and tear. The management of TNBJ has identified a systematic plan to increase the spares holding for the affected equipments and replacing key components more frequently in all the three units.

5.3.14 By-products of the Existing Power Plant

The Existing Power Plant has several by-products as a result of the combustion of coal as fuel as follows:

- a) Ash which is not sold to any third party is conveyed to the ash disposal area within the area of the Existing Power Plant that is sealed at the periphery to prevent any leachate from going into the sea as required by the Department of Environment.
- b) Waste water discharged from the Existing Power Plant is treated and recycled for usage in the coal dust suppression system of the coalyard. All the waste water is treated and reused so that there is essentially zero discharge beyond the perimeter of the Existing Power Plant.

5.3.15 Insurances

A. Industrial All Risks Takaful

This policy extends to include financing parties on unnamed basis as insured parties. The policy has a broad form of All Risks cover. Unless a specified peril is excluded then it would be deemed as covered in this policy. This policy provides cover for loss or damage to insured property caused by the following perils:

- (a) Fire
- (b) Storm
- (c) Explosion
- (d) Flood
- (e) Theft/Burglary
- (f) Malicious Damage
- (g) Breakage - Accidental Damage
- (h) Impact damage

This policy is extended to cover machinery breakdown for any unforeseen loss or damage to any machinery from any breakdown not specifically excluded from the policy while at work or at rest and/or while being dismantled, move or re-erected for the purpose of cleaning, inspection, repair or installation in another position.

The sum insured on plant, machinery or equipment of every description including its ancillary installation is RM8,604,000,000.00

Insured Self Retention or deductibles are as follow:

- (a) Office Building / Dwelling : RM200,000.00 each and every loss

- (b) All other Property : RM3,500,000.00 each and every loss
- (c) Machinery Breakdown : RM7,500,000.00 each and every loss

The details of the policy are as follows:-

- Name of Insurer - Syarikat Takaful Malaysia Berhad.
- Name of Policyholder - TNBJ.
- Additional Participants:
 - TNB, its directors, officers and employees and Power Generation Technology Sdn Bhd as the operation and maintenance contractor, its agents and subcontractors as additional participant for their respective rights and interest.
 - (collectively known as "Participant").
- Duration
 - From 1 September 2011 to 31 August 2012 and annual renewal basis.
- Risk Covered
 - Industrial All Risks - Covers the Participant property against all risks of direct physical loss, destruction or damage occurring during the period of takaful whilst at the Participant location and whilst at unnamed location within the Territorial Limit.
 - Machinery Breakdown - Indemnify the Participant against breakdown of any property of the machinery covered under this section of the certificate.
- "Territorial Limit" means anywhere within Malaysia and in respect of such property being away of repairs, overhaul or inspection, then at any location worldwide.
- Amount Insured - RM8,604,000,000.00

B. Employer's Liability Takaful

This policy indemnifies the Employer against liability at law in respect of bodily injury and/or property damage occurs to their employees during the course of employment. The policy provides for a common law limit of liability of RM10,000,000.00 any one claim but is limited to RM20,000,000.00 in aggregate

The details of the policy are as follows:-

- Name of Insurer - Syarikat Takaful Malaysia Berhad.
- Name of Policyholder - TNB and its subsidiary companies.
- Duration - 1 September 2011 to 31 August 2012 and annual renewal basis.
- Risk Covered - On all employees (2359 employees) outside the scope of SOCSO.
- Amount Insured - RM64,115,917.08
- Salient Terms - Limit of liability:
 - Any and all claims arising attributable to one source shall not exceed RM10,000,000.00, irrespective of the number of employees.
 - All personal injury caused during any one period of takaful irrespective of the number of employees who may sustain personal injury shall not exceed RM20,000,000.00.

C. Public Liability Takaful

This policy is arranged on TNB group wide basis and covers the following:

- Accidental bodily injury and illness to third parties
- Accidental loss damage to property belonging to third parties
- Litigation cost and expenses recovered by claimant (third party).
- Defence cost subject to the written consent from insurer.

The details of the policy are as follows:

- Name of Insurer - Syarikat Takaful Malaysia Berhad.
- Name of Policyholder - TNB and its subsidiary companies ("Participant").
- Duration - 1 September 2011 to 31 August 2012 and annual renewal basis.
- Risk Covered - Accidental bodily injury and property damage to third party arising out of the insured's business activities including power stations, boilers and turbines located within Malaysia including related legal costs for defence.
- Amount Insured - RM33,000,000.00.00

- Limit of liability – RM33,000,000.00 any one accident
- The policy has a deductible of RM50,000.00 each and every claim for third party property damage only
- Salient Terms - The Participant's right and duties under this policy may not be transferred without the Insurer's written consent except in the case of death of an individual named Participant.

5.3.16 Environmental

With the environmental control equipments such as the FGD and low NOx burners, the Existing Power Plant has complied with all the emission requirements imposed by the Department of Environment. During the eight years of operation after the taking over, the Existing Power Plant has complied with the effluent requirements imposed by the Department of Environment.

The Existing Power Plant has been maintained and operated in accordance with the Prudent Utility Practices to promote energy efficiency.

The electricity generated from the Existing Power Plant is exported to the national grid through the existing 500kV grid voltage. The load dispatch is being determined by the Grid System Operator at the National Load Dispatch Centre, TNB.

5.3.17 Disaster prevention plan and recovery plan

TNBJ has established a disaster prevention plan and recovery plan which is described in emergency preparedness and response document. The emergency preparedness and response document covers a comprehensive description of emergency response plan at Stesen Janakuasa Sultan Azlan Shah. This plan is developed in-line with the TNB Corporate Emergency Response Plan (CERP). The primary purpose of this plan is to ensure that all employees, responders and external supports are aware of their respective responsibilities before, during and after an emergency. This document also outlines the procedure to follow during an emergency.

5.4 Summary of Material Contracts In Respect of the Existing Power Plant

5.4.1 PPA1

The PPA1 was entered into between TNB and TNBJ for the sale and purchase of daily available capacity, test energy and net electrical output generated by the Existing Power Plant and delivered and accepted by TNB. The PPA1 was executed on 2 May 2006 and completely supersedes an earlier power purchase agreement between the parties of 9 June 1998.

It has been acknowledged and agreed under the PPA1 that the nominal capacity of the Existing Power Plant is 2,100 MW while its total contracted capacity is 2,070 MW.

The PPA1 is effective for a term that expires on the date before the 25th anniversary of the commercial operation date of the first unit of the Existing Power Plant. It is agreed under the PPA1 that the commercial operation date for unit 1, unit 2 and unit 3 of the Existing Power Plant is 1 September 2005. The date of expiry would therefore be 31 August 2030. Subject to TNBJ's licence being extended, the term of the PPA1 may be extended for up to three (3) additional periods of five (5) years if all governmental authorisations, licences and other applicable conditions are fulfilled. If TNB and TNBJ are unable to reach an agreement on the extension of the PPA1 and the terms thereof, TNBJ shall, if requested by TNB and upon payment of RM10.00 by TNB to TNBJ, transfer the Existing Power Plant to TNB at no further cost to TNB.

Under the PPA1, the sale and purchase of test energy commenced from the initial operation date while the sale and purchase of available capacity and net electrical output began on the commercial operation date under the PPA1. Provisions on the main payments under the PPA1, namely available capacity payments, test energy payments and energy payments are set forth in clause 5 and Appendix G of the PPA1. In brief, TNB makes available capacity payments for the availability of the Existing Power Plant as declared by TNBJ (daily available capacity), test energy payments for electricity accepted by TNB when the Existing Power Plant is running tests and energy payments when the Existing Power Plant is generating electricity at TNB's request or despatch. Minor or less frequent payments under the PPA1 include start-up payments which are made by TNB for the start-up of each generating unit which exceeds a pre-determined number set out in Appendix G.

Liquidated damages include that imposed upon TNBJ at the rate of RM100,000.00 if the Existing Power Plant fails to comply with a dispatch instruction or operating standards or characteristics set out in Appendix B of the PPA1.

Under the PPA1, TNBJ is required to establish a reserve account ("**Maintenance Reserve**") in the sum of no less than RM24,000,000.00 to be built up over a three (3)-year period commencing on the commercial operation date of the second unit at the rate of RM8,000,000.00 per year to fund the maintenance expenses of the Existing Power Plant.

Events of default of TNBJ give TNB the right to terminate the PPA1. These events include:

- (a) a failure by TNBJ to make a payment of more than RM10,000,000.00 which is due and payable under the PPA1;
- (b) a failure by TNBJ to comply with or operate in conformity with any obligation of the PPA1 (except for a payment obligation) and such failure is not cured within a period of 90 days or an extended period of 180 days;
- (c)
 - (i) TNBJ is dissolved or liquidated, other than for the purpose of a voluntary dissolution or liquidation as part of a reorganisation or reincorporation;
 - (ii) TNBJ applies for or consents to a receiver, manager, custodian, trustee or liquidator being appointed over or taking possession of all or a substantial part of its assets;
 - (iii) TNBJ admits in writing its inability to pay its debts as they fall due;
 - (iv) TNBJ makes a general assignment or an arrangement or composition with or for the benefit of its creditors;
 - (v) TNBJ commences a voluntary case or files a petition seeking to take advantage of any law relating to bankruptcy, insolvency, reorganisation of its debts, winding-up or composition or readjustment of its debts;
 - (vi) TNBJ fails to dispute in a timely manner, or acquiesces in writing to, any petition filed against it in an involuntary case under any bankruptcy or similar law;
 - (vii) TNBJ takes any action for the purpose of effecting any of the events described in paragraphs (c) (i) to (v) above;

- (d) TNBJ abandons the Existing Power Plant after the effective date of the PPA1 and fails to resume activities within a period of time agreeable to TNB;
- (e) the Generation Licence (as defined in Section 5.1) is suspended or revoked or terminated or expired due to TNBJ's default, and TNBJ has not caused the Generation Licence to be reinstated or renewed either (i) within the shorter of 365 days and the legally permissible period for such reinstatement or renewal or (ii) after having exhausted all available administrative or legal appeals and applications for such reinstatement or renewal; or
- (g) the CSTA1 (as defined in Section 5.4.3) is terminated by TFS as a result of a default by TNBJ thereunder.

If TNB exercises its rights to terminate the PPA1, TNB shall have the option, but not the obligation, to purchase the Existing Power Plant in a manner and for the purchase price determined in accordance with Appendix K of the PPA1, being an amount equal to Outstanding Indebtedness plus RM10.00 and Transfer Costs minus the Retained Sum. For the purposes of Appendix K, the terms Outstanding Indebtedness, Transfer Costs and Retained Sum and other relevant terms have the following meanings:

- “Outstanding Indebtedness”
- (i) the aggregate amount at the date of termination of the PPA1 of all amounts owing to the financing parties (other than any amounts owing to the shareholders of TNBJ and their respective affiliates) as incurred by TNBJ under the Initial Financing Documents and as amortised in accordance thereunder and reflected in the base case financial model agreed between the parties; and
 - (ii) the aggregate amount at the date of termination of the PPA1 of all amounts owing to the financing parties (other than any amounts owing to the shareholders of TNBJ and their respective affiliates) as incurred by TNBJ under the Financing Documents.

“Transfer Costs” means an amount equal to all reasonable costs and expenses of TNBJ which are incurred or suffered as a result of the purchase of the Existing Power Plant by TNB, including any termination payments or novation fees on contracts in connection with the Existing Power Plant whose terms are reasonable and customary for private power projects such as the Existing Power Plant or were specifically approved by TNB, and all taxes, any reasonable breakage costs and fees, any registration fees and other reasonable and necessary termination costs that become payable by TNBJ as a result of the purchase of the Existing Power Plant by TNB, but excluding the Outstanding Indebtedness.

“Retained Sum” means an amount certified by the auditor as

being the aggregate of the cash balances at bank and in hand and liquid securities held by TNBJ and to be retained by TNBJ after the date of termination of the PPA1.

“Financing Documents” means the loan agreements (including agreements for any subordinated debt), notes, bonds, indenture, guarantees, security agreements, hedging agreements and any other documents relating to the financing or refinancing and security arrangements for the Existing Power Plant which have been or are to be entered into by TNBJ, excluding any agreements relating to Sponsors Gross Equity Contribution;

“Initial Financing Documents” means the loan agreements (including agreements for any subordinated debt), notes, bonds, indenture, guarantees, security agreements, hedging agreements and any other documents relating to the financing and security arrangements for the Existing Power Plant which are entered into between the financing parties and TNBJ and reflecting accurately the initial financial model, excluding any agreements relating to Sponsors Gross Equity Contribution;

“Sponsors Gross Equity Contribution” means an amount certified by the auditor as at the termination of the PPA1 as being the lesser of:

- (i) the aggregate of all registered and paid-up share capital issued by TNBJ and any share premium received by TNBJ, the subscription price received by TNBJ for all loan stocks, bonds and redeemable preference shares issued by TNBJ to its shareholders and their respective affiliates, all loans (whether secured, unsecured or subordinated) received by TNBJ from its shareholders and their respective affiliates and all other forms of capital contributed on or before the date of termination of the PPA1 by the shareholders of TNBJ and their respective affiliates for financing the Existing Power Plant, as committed by TNBJ, its shareholders and their respective affiliates at the financial closing date in accordance with the Initial Financing Documents; and
- (ii) the aggregate of all registered and paid-up share capital issued by TNBJ and any share premium received by TNBJ, the subscription price received by TNBJ for all loan stocks, bonds and redeemable preference shares issued by TNBJ to its shareholders and their respective affiliates, all loans (whether secured, unsecured or subordinated) received by TNBJ from its shareholders and their respective affiliates and all other forms of capital contributed on or before the date

of termination of the PPA1 by the shareholders of TNBJ and their respective affiliates for financing the Existing Power Plant, as outstanding at the date of the termination of the PPA1.

Similarly, if TNBJ terminates the PPA1 as a result of an event of default by TNB, TNBJ shall have the option, but not the obligation to sell the Existing Power Plant to TNB. If TNBJ chooses to exercise this option, the sale will be at an amount equal to the Outstanding Indebtedness, the B Purchase Price and Transfer Costs. Such B Purchase Price is determined by way of the following formula:

$QR + SEC - SER - RS$ (provided that negative sums are deemed to be zero)

SEC = the sum of all Sponsors Gross Equity Contribution paid to TNBJ prior to date of termination of the PPA1.

SER = the sum of all Sponsors Gross Equity Repayment paid on or prior to date of termination of the PPA1.

RS = the Retained Sum.

QR = the quarterly return on the SEC, calculated in accordance with the following formula:

$$QR = \sum_{n=1}^N [(SEC_n - SER_n) \times (1 + X\%)^{(N-n)/4}] - [SEC_n - SER_n]$$

Where:

SEC_n = (i) the sum of all Sponsors Gross Equity Contribution paid to the TNBJ within calendar quarter *n*, or

(ii) zero (0), if the cumulative sum of all Sponsors Gross Equity Contribution paid to the TNBJ in each of the full calendar quarters *n* is greater than SEC.

SER_n = the sum of all Sponsors Gross Equity Repayment paid within calendar quarter *n*.

n = an index, from 1 through N, representing each of the full calendar quarters occurring since the effective date of the PPA1.

N = the aggregate number of full calendar quarters occurring between the effective date of the PPA1 and the date of its termination (both dates inclusive).

X = 12%

In the event of industry restructuring, where the structure of the electricity supply industry is revamped to set up a power pool or other market system, TNBJ and

TNB are required to negotiate in good faith amendments to the PPA1 to enable TNBJ's full participation in the restructured market. If no agreement is reached within six (6) months, TNB may terminate the PPA1 by giving written notice and also give notice to purchase the Existing Power Plant in terms also set forth in Appendix K of the PPA1. The amount to be paid by TNB to TNBJ in such instance is the same as that paid when TNBJ exercises its option to sell the Existing Power Plant consequent to the termination of PPA1 on the account of a default by TNB.

5.4.2 Draft Supplemental Agreement to the PPA1

As mentioned earlier in Section 5.1, the supplemental agreement to the PPA1 will be entered into between TNBJ and TNB to exclude Lot 3 which currently forms part of the project under the PPA1. The purpose of this exclusion is so that the New Power Plant may be developed and constructed on Lot 3.

The land cost for Lot 3 has been taken into account when TNBJ and TNB determined the rates for available capacity payments to be paid under the PPA1. As TNBJ now intends to develop the New Power Plant on Lot 3, TNBJ and TNB have agreed that Lot 3 would be excluded by agreement from the ambit of the PPA1.

The contemplated exclusion will be effected through the supplemental agreement to the PPA1 and will be in consideration of Ringgit Malaysia ten (RM10.00) payable from TNBJ to TNB and on the understanding that the cost of Lot 3 had not and will not be taken into account to determine the commercial rates under the PPA2.

5.4.3 Coal Supply Agreement between TNBJ and TFS dated 2 May 2006 ("CSTA1")

The CSTA1 is entered into between TNBJ and TFS, both wholly-owned subsidiaries of TNB, for the procurement and purchase of coal by TNBJ from TFS and the supply and sale of coal from TFS to TNBJ.

The agreement is effective upon execution and will continue until and expire on the date of expiry or termination of the PPA1. Under the CSTA1, TFS is the sole and exclusive supplier of coal to TNBJ and TNBJ in turn has undertaken not to purchase coal from any other party unless allowed under the CSTA1.

The coal supplied to TNBJ is required to meet quality specifications and is supplied by TFS in the quantities and at the times agreed under the CSTA1. Notices specifying the quantity of coal nominated by TNBJ for delivery in each month are submitted by TNBJ to TFS on a monthly basis and TFS shall promptly inform TNBJ of any delay in the arrival of coal.

The coal procured from TFS is used by TNBJ to meet its obligations to generate and deliver electricity under the PPA1. In supplying coal to TNBJ, TFS purchases coal through coal purchase contracts it enters into with suppliers of coal from time to time. TNBJ has the right to reject the shipment of coal that fails to meet predefined coal quality rejection limits, coal that poses the risk of spontaneous combustion and coal with proven impurities.

In the event the grid system operator despatches the Existing Power Plant at a level lower than TNB's prior estimates of dispatch levels or upon the occurrence of a forced outage resulting in stockpiles of coal at the Existing Power Plant being at a maximum, TNBJ may cancel shipments of coal provided that sufficient advance notice is given and TFS has not yet committed to a coal producer or transport arrangements for the shipment of such coal. Alternatively and if the said conditions cannot be fulfilled, TNBJ is also entitled to request a diversion of shipment of coal to another party if:

- (a) an event of force majeure precludes the discharging of vessels, or causes the stockpiles of coal at the Existing Power Plant to be at maximum; or
- (b) the grid system operator despatches the Existing Power Plant at a level lower than TNB's prior estimates of dispatch levels and TFS has already committed to a coal producer or transport arrangements for the shipment of such coal; or
- (c) a forced outage causes the stockpiles of coal at the Existing Power Plant to be at maximum.

No earlier than the fifth (5th) day nor later than the fifteenth (15th) day of any month, TFS shall prepare and send an initial invoice ("**CSTA1 Initial Invoice**") to TNBJ for all shipments of coal delivered in the prior month. The shipment price will be based on the base price which is based on the applicable coal price set by TNB in consultation with TFS. The price is adjusted and initially determined by reference to defined parameters that have been agreed between the parties, namely:

- (a) gross calorific value, on an as received basis;
- (b) total moisture;
- (c) ash content;
- (d) total sulphur content; and
- (e) liquidated damages payable by TFS.

Either TNBJ or TFS may also request for a more in-depth analysis on a shipment of coal and the final findings of such analysis (as set out in a certificate of umpire's analysis) will be used to prepare a revised invoice that supersedes and replaces the CSTA1 Initial Invoice. Any undisputed amounts unpaid when due will incur interest at the rate of base lending rate (BLR) +2.0%.

If either TNBJ or TFS ceases to become a wholly-owned subsidiary of TNB, TFS shall deposit in favour of TNBJ a Performance Guarantee Bond in an amount of RM5,000,000.00. The performance guarantee bond shall be renewed each year and shall remain in force until expiry or earlier termination of the CSTA1.

If TNBJ or TFS is rendered unable by reason of a force majeure event to perform, wholly or in part, any obligation set out in the CSTA1, its obligations shall be suspended or excused to the extent of such event. Where TFS is prevented by a force majeure event from supplying and delivering coal, TNBJ may enter into binding contracts for the purchase of coal from any person, including producers, to the extent reasonable and necessary in the circumstances.

TFS is obliged to prepare a plan for remedial action ("**Remedial Plan**") if:

- (a) a shipment of coal does not arrive for any reason other than TNBJ default, a force majeure event affecting TNBJ or where TFS is excused by a force majeure event;
- (b) a shipment is rejected by TNBJ; or
- (c) a shipment is withdrawn by TFS.

The Remedial Plan shall set forth TFS's plan for shipments of coal to be delivered to TNBJ to deal with the circumstances giving rise thereto in a manner reasonably acceptable to a prudent power plant operator in like circumstances. If TFS fails to

provide TNBJ with an acceptable Remedial Plan, TNBJ may enter into binding contracts for the purchase of replacement coal from other sources.

5.4.4 Jetty Terminal Usage Agreement between TNBJ and LBT dated 19 August 1999, as supplemented by a supplemental agreement dated 12 April 2000 (“JTUA1”)

The JTUA1 is entered into between TNBJ and LBT for LBT to:

- (a) construct the jetty;
- (b) procure the availability of one unit of grab ship unloader, one berth conveyer and one trestle conveyor being in operational condition to unload coal from a coal vessel and convey the coal to the delivery point (“**First Line**”);
- (b) to procure the availability of one unit of grab ship unloader, one berth conveyor and one trestle conveyor and the remainder of the jetty after construction of the First Line all in operation condition (“**Second Line**”); and
- (c) to provide the following services to TNBJ:
 - (i) the provision of the jetty and necessary equipment and labour for the efficient unloading of coal from the coal vessels;
 - (ii) the provision of clean-up mobile equipment operations in the holds of the coal vessels;
 - (iii) the transfer/conveyance of coal unloaded from the coal vessels to the delivery point;
 - (iv) the operation of magnets over transfer systems for the detection whenever possible of tramp iron or other ferrous foreign bodies/objects; and
 - (v) the use of water for dust suppression purposes at the jetty to minimize airborne dust pollution.

(collectively, “**Handling Services**”)

LBT further covenants with TNBJ that at all times throughout the contract period:

- (a) LBT shall make available the jetty for the primary but not sole use of the coal vessels transporting coal to and for the consumption by the Existing Power Plant;
- (b) the coal vessels shall be accorded the priority status as set out in the JTUA1; and
- (c) LBT shall maintain the jetty in good working condition.

In consideration of LBT making available the jetty and rendering the Handling Services, TNBJ agrees to pay LBT:

- (a) the payment for the cost of constructing the jetty (including all payments required to be made by LBT to LBT’s financiers, with interest and other cost, to service and borrowings to fund the construction of the jetty) payable for each contract year (“**Facility Payment**”);

- (b) the payment for the fixed operating costs for the operation of the jetty to provide Handling Services for each contract year ("**Base Operating Payment**") for the availability of the First Line and the Second Line; and
- (c) the monthly payment for coal received by the coalyard facilities at the delivery point ("**Tonnage Payment**").

The JTUA1 came into effect on 12 April 2000 and will expire on the twenty-fifth (25th) anniversary of the commercial operation date of the last unit of the Existing Power Plant ("**Initial Period**"). The Initial Period shall expire on 25 September 2028.

Notwithstanding this, JTUA1 shall continue to be effective and subsist after the Initial Period for so long as the Existing Power Plant is in operations provided that the parties shall reach agreement on the Base Operating Payment and the Tonnage Payment to be charged for each year after year twenty-six (26). In this regard, TNBJ had on 21 September 2011 received LBT's agreement to new Base Operating Payment and Tonnage Payment rates to be applicable from the year 2028 to 2030 and the expiry date of JTUA1 shall be extended to 31 August 2030. Parties shall execute a supplement agreement to reflect the same.

For the duration of the Initial Period unless otherwise required by any Government entity or agreed by TNBJ:

- (a) LBT shall be the legal and beneficial owner of the jetty, the land and waterbody areas for the sitting of the jetty; and
- (b) Perbadanan Kemajuan Negeri Perak and Halim Rasip Holdings Sdn Bhd (Company No. 64655-T) shall collectively hold, directly or indirectly not less than thirty percent (30.0%) of the voting shares in LBT.

Neither the JTUA1 nor any of the rights or obligations thereunder may be assigned, transferred or novated by LBT or TNBJ without the express prior written consent of the other party, which consent shall not be unreasonably withheld or delayed, provided that:

- (a) TNBJ may assign its rights to its financiers for financing and refinancing purposes or to TNB;
- (b) LBT may assign its rights to LBT's financiers for financing and refinancing purposes and its obligations for the purpose of Step-in Rights (as defined below) of LBT's financiers; and
- (c) unless expressly agreed to by the other party, no assignment, whether or not consented to, shall relieve the assignor of its obligations under the JTUA1 in the event its assignee fails to perform.

LBT shall not be obligated to deliver or handle the following types of coal ("**Distressed Coal**"):

- (a) coal which constitutes a safety and fire hazard to LBT's jetty personnel and facilities;
- (b) coal that has such percentage of fines which may be detrimental to its handling;
- (c) coal that has excessive moisture content at time of berthing of the coal vessel or that contains entrained slurry;

- (d) coal that contains excessive debris and tramp metal; and
- (e) coal which does not comply with the nature of coal described in the statement of needs as set out in schedule 2 of JTUA1.

LBT shall not be liable to TNBJ for any damage to the coalyard facilities and/or the Existing Power Plant caused by the coal and TNBJ shall remain liable to pay LBT in accordance to the payment terms in JTUA1. TNBJ shall not hold LBT liable for any deterioration in the quality of and/or loss of coal (including transit loss, environmental related loss and non-recoverable coal) whilst the same is in the care of LBT unless such deterioration or loss is attributable to the negligence of LBT in exercising the degree of skill and care of a reasonable and prudent operator. The cost of any damage to the jetty resulting from the handling or delivery of Distressed Coal which is not attributable to the fault or negligence of LBT, its servants or agents, shall be borne by TNBJ.

The aggregate maximum liability of a party to JTUA1 for damages (including liquidated damages) and liability for indemnities under JTUA1 shall not exceed Ringgit Malaysia forty-eight million (RM48,000,000.00) provided always that:

- (a) the limitation of liability shall not reduce, limit or affect the obligations of TNBJ to pay Facility Payment, Base Operating Payment and Tonnage Payment where due hereunder; and
- (b) the limitation of liability shall not reduce, limit or affect the obligations of LBT to pay the value of time lost based on the time lost rate.

LBT's financiers shall have the right to step into the shoes of LBT ("**Step-in Rights**") to acquire the benefits of JTUA1 and conduct operations of the jetty in place of LBT in the event of occurrence of an event of default on the part of LBT under JTUA1 or an event of default or breach of any of the terms of the financing documents. Subject to the Step-in Rights of LBT's financiers:

- (a) if TNBJ terminates JTUA1 as a result of an event of default by LBT, TNBJ shall have an option to purchase all facilities, equipment, buildings and improvements comprised in the jetty at fair market value ("**Purchase Price**"); or
- (b) if LBT terminates JTUA1 as a result of an event of default by TNBJ, LBT may require TNBJ to purchase the jetty, and TNBJ shall be obliged to purchase the jetty at fair market value.

Where TNBJ exercises its option to purchase the jetty or where TNBJ is obliged to purchase the jetty, LBT shall inform TNBJ the amount ("**Redemption Sum**") payable to LBT's financier towards discharge of the funding or financing provided by LBT's financiers in respect of the jetty. If the Purchase Price exceeds the Redemption Sum, TNBJ shall pay LBT's financiers the Redemption Sum and LBT the difference between the Purchase Price and Redemption Sum. If the Redemption Sum exceeds the Purchase Price, TNBJ shall pay LBT's financiers the full Redemption Sum and LBT shall simultaneously pay TNBJ the difference between the Purchase Price and Redemption Sum.

5.4.5 Generation Licence

The Generation Licence was granted to TNBJ on 21 May 1998 by the Director General of Electricity Supply, Malaysia ("**Director General**") with the approval of the Minister of Energy, Telecommunications and Post, Malaysia ("**Minister**"). Pursuant to the Electricity Supply (Amendment) Act 2001 and the Energy

Commission Act 2001, the powers and function of the Director General has been vested to the EC.

The Generation Licence comes into force on its date of issuance and expires 21 years after the completion date but shall be subject to revocation. There are two (2) completion dates provided under the Generation Licence, namely 31 August 2001 and 31 August 2002 being the respective completion dates of the first and last generating units. EC in consultation with the Minister may extend the period of the Generation Licence.

The Generation Licence will be expiring prior to the expiry of the PPA1 and TNBJ has taken steps to address this mismatch by applying to the EC for an extension of the Generation Licence. This application was made on 20 July 2011 and a response from the EC is now pending.

The conditions of the Generation Licence stipulate that TNBJ is to finance, construct, complete, own, operate and maintain the Existing Power Plant as may be required to sell or supply energy to TNB or any other person permitted by EC. TNBJ shall not undertake any business apart from the generation and supply of electricity without the approval of the Minister.

TNBJ is required to ensure that the Existing Power Plant is constructed to have a nominal installation capacity of 2,100 MW consisting of three (3) generating units, each with a nominal capacity of 700 MW. TNBJ shall maintain at all times no less than 60.0% of the said 2,100 MW capacity (unless prevented by regulation or factors beyond its control) and the average annual dependable capacity and availability of energy shall not be less than 75.0% of 2,100 MW. Apart from such specific conditions, TNBJ is also obligated to maintain the Existing Power Plant to the standards under the ESA and regulations thereunder and other standards and requirements determined by EC. At the end of the second year of completion of the Existing Power Plant and subsequently at intervals of every four (4) years, TNBJ is required to conduct a management and engineering audit, the results of which are submitted to EC.

TNBJ shall ensure that the purchase of supplies, equipment and services shall be from the most economical sources available. With regards to the purchase of coal, TNBJ is to ensure that the price is not more than the bench price that has been fixed by the Government unless for reasons beyond TNBJ's control and as approved by EC in writing.

In the event of the suspension or revocation of the Generation Licence resulting from a breach of the conditions therein, EC may step in for the purposes of carrying out its duties and functions.

The Generation Licence prohibits the business of TNBJ from granting or receiving subsidies to or from its other businesses, affiliates or related undertakings. In this regard, subsidy refers to any allowance in the form of money or otherwise, including any manner of assistance that can be extended by way of transfer of pricing. This prohibition however does not apply to subsidies arising from trading or any other arrangement which TNBJ is obligated to enter into.

As at the date of the Generation Licence, TNBJ is a wholly owned subsidiary of TNB. TNBJ was required to maintain the said shareholder and shareholding structure for a period of three (3) years from the date of the PPA1, which is 2 May 2006. Any changes to the shareholders and shareholding structure are subject to the prior written approval of the Minister. TNBJ may apply for its shares to be listed and quoted on Bursa Securities subject to prior written approval of the Minister and all relevant authorities.

TNBJ shall give EC not less than two (2) months prior written notice of its intention to acquire any relevant asset or to relinquish control over any relevant asset with a value exceeding RM10,000,000.00, together with such further information as EC may request. In this regard, "relinquishment of control" includes the transfer of any operational control of the asset with or without a transfer of legal or beneficial interest.

TNBJ shall not assign, transfer, sublet or otherwise dispose of its rights, duties, liabilities, obligations and privileges or part thereof under the terms and conditions of the Generation Licence unless with the prior written approval of the Minister. The Generation Licence cannot be transferred, charged, pledged or otherwise encumbered without the prior written approval of the Minister. The creation of any charge, mortgages, pledges, lien or other securities over the land used for the Existing Power Plant is prohibited without express written consent of the Minister.

TNBJ shall pay to EC fees provided for in the regulations under the ESA (namely regulation 10 of the Electricity Regulations 1994), upon the issuance of the Generation Licence and an annual renewal fee. TNBJ is also required to contribute to any fund established for the electricity supply industry.

EC has the power under the Generation Licence to add to, vary or revoke the terms and conditions of the Generation Licence whenever it appears necessary or expedient for the purpose of extending the grant of the Generation Licence or to meet technical, safety and efficiency requirements. EC may also suspend the Generation Licence if:

- (a) TNBJ fails to comply or breaches the conditions of the Generation Licence;
- (b) TNBJ fails to comply with any directive or order or notice by EC pursuant to the conditions of the Generation Licence; or
- (c) TNBJ breaches the PPA1 and fails to remedy such breach.

When the Generation Licence is suspended, EC may, after consulting the Minister, appoint TNB or such other person to carry out the obligations and duties and responsibilities of TNBJ and receive payments, benefits and privileges that TNBJ is entitled to.

EC may also revoke the Generation Licence if:

- (a) any of the conditions of the Generation Licence is breached;
- (b) TNBJ ceases to work or operate the Existing Power Plant;
- (c) fees due to EC are unpaid;
- (d) a receiver or liquidator has been appointed by TNBJ; or
- (e) the PPA1 is revoked or terminated by TNB.

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SECTION 6.0

INFORMATION ON THE GUARANTOR

6.1 Introduction

TNB is a public limited company incorporated under the laws of Malaysia on 12 July 1990, which succeeded the National Electricity Board as the principal provider of electricity in Peninsular Malaysia. As of 31 August 2011, TNB had a market capitalisation of approximately RM28,650.0 billion.

TNB's core businesses are in the generation, transmission and distribution of electricity. In Peninsular Malaysia, TNB is a major contributor to the total industry capacity through six thermal stations and three major hydroelectric schemes. TNB also manages and operates a comprehensive transmission network – the National Grid. Spanning the peninsular, the grid links TNB power stations and IPPs to the distribution network. The grid is also interconnected to Thailand's transmission system in the North and Singapore's transmission system in the South. TNB's distribution network is managed through a comprehensive distribution system, customer service centres and call management centres.

TNB is also involved in diversified activities linked to the power industry. Through its subsidiaries, TNB is in the manufacture of transformers, high voltage switchgears and cables; the provision of professional consultancy services; civil, electrical engineering works and services, repair and maintenance; as well as in research and development; property development; and management service.

In advancing human capital, Universiti Tenaga Nasional ("**UNITEN**") has been established for the purpose of producing well-rounded competent individuals in various fields. A major part of TNB's corporate social responsibility in education, sponsorships and contributions is channelled through its trust foundation – Yayasan Tenaga Nasional.

TNB has been ranked as the 72nd world's largest company in the electricity supply business and ranks 550th world's biggest company in this year's list of Forbes Global 2000. In addition, TNB has also received the 2nd Asia's Best Employer Brand Award 2011, ISQ 2011 Award, Best Energy Sector – Global Leadership Awards 2011, Asia HRD Congress 2011 and BrandLaureate Awards 2010 – 2011 for Best Brands in Corporate Branding.

As at 31 August 2011, the Government and related entities owned, directly or indirectly, approximately 51.39% (including the Employee's Provident Fund ("**EPF**") of TNB's outstanding ordinary shares and the sole "Special Share" of TNB, with the Minister of Finance Incorporated, Khazanah Nasional Berhad and EPF collectively owning 50.14% of TNB's outstanding ordinary shares.

TNB aims to serve the customers and fulfil its regulatory requirements which are shaped by the national public policy planning especially in infrastructural matters such as power plants and nation-wide electricity supply to the population. The Government regulates the electricity industry through the KeTTHA and the EC, which administers the licensing terms. In addition to the regular contact with the EC, TNB consults from time to time with various departments of the Government on matters relating to electricity policy and central planning, industry restructuring, generation capacity, expansion plans and fuel source diversification policy. As a company listed on the Bursa Securities, TNB is also subject to the rules, regulations and requirements issued by the SC and Bursa Securities.

TNB's regulatory framework is intended to:

- (a) ensure TNB's compliance with prevailing acts of parliament, by-laws, regulations and terms and conditions of license;
- (b) assist in the drafting, amendment of the ESA and other relevant subsidiary legislations;

- (c) address issue/question with regards to parliament, ministers, members of parliament, politicians, state governments and government agencies; and
- (d) influence local and international regulatory outcomes in favour of TNB's short term and long term outlook.

6.2 Share capital

As at 31 August 2011, the authorised share capital of TNB is RM10,000,001,501.00 comprising 10,000,000,000 ordinary shares of RM1.00 each, 1 special rights redeemable preference share of RM1.00, 1,000 Class A redeemable preference shares of RM1.00 each and 500 Class B redeemable preference shares of RM1.00 each. The issued and paid up share capital of TNB as at 31 August 2011 stands at RM5,456,657,640.00 divided into 5,456,657,139 ordinary shares of RM1.00 each, 1 special rights redeemable preference share of RM1.00, and 500 Class B redeemable preference shares of RM1.00 each. By 16 September 2011, Class B Redeemable Preference Shares will be fully redeemed.

6.3 Shareholding structure

As at 31 August 2011, the substantial shareholders of TNB are as follows:

Substantial Shareholders	%
Khazanah Nasional Berhad	35.55
Citigroup Nominees (Tempatan) Sdn Bhd holding as trustee for Employees Provident Fund Board	13.17
AmanahRaya Trustees Berhad holding as trustee for Skim Amanah Saham Bumiputera	9.90

6.4 Profiles of directors

As at 31 August 2011, the directors of TNB are as follows:

TAN SRI LEO MOGGIE

(70 years of age – Malaysian, NRIC No. 411001-13-5027)

Non-Independent Non-Executive Chairman

Tan Sri Leo Moggie was appointed as Non-Independent Non-Executive Chairman to the Board of TNB on 12 April 2004.

He holds a Master of Arts in History from University of Otago, New Zealand and a Master in Business Administration from Pennsylvania State University, USA. He is the Chairman of the Board Nomination and Remuneration Committee and Board Finance and Investment Committee.

Tan Sri Leo Moggie has served the Government in several senior ministerial positions both at the federal and state level prior to his appointment as Chairman of TNB. Tan Sri Leo Moggie was the former Minister of Energy, Communications and Multimedia (1998-2004), Minister of Works (1989-1995), Minister of Energy, Telecommunications and Posts (1978-1989 and 1995-1998) in the Federal Cabinet and Minister of Local Government (1977-1978) and Minister of Welfare Services (1976-1977) in the State Government of Sarawak. He began his career as a Civil Servant and held various positions in the Sarawak State

Civil Service from 1966 until 1974. He was also a member of Council Negeri Sarawak (1974-1978) and a Member of Parliament (1978-2004).

Tan Sri Leo Moggie's other directorship in public companies include Digi.Com Berhad and The New Straits Times Press (Malaysia) Berhad. He also sits as Chairman on various Boards of TNB Group of Companies.

DATO' SRI CHE KHALIB BIN MOHAMAD NOH

(46 years of age – Malaysian, NRIC No. 650528-02-5287)

*President/Chief Executive Officer
Non-Independent Executive Director*

Dato' Sri Che Khalib Bin Mohamad Noh was appointed as a Non-Independent Executive Director to the Board of TNB on 1 July 2004.

He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and a member of the Malaysian Institute of Accountants.

Dato' Sri Che Khalib started his career with Messrs Ernst & Young and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within Renong Group including Projek Lebuhraya Utara Selatan (PLUS), HBN Management Services Sdn. Bhd., Renong Overseas Corporation Sdn. Bhd. and Marak Unggul Sdn. Bhd., the consortium company responsible for the management of Keretapi Tanah Melayu Berhad. In June 1999, he joined Ranhill Utilities Berhad as the Chief Executive Officer. He was the Managing Director and Chief Executive Officer of KUB Malaysia Berhad prior to his appointment as President/Chief Executive Officer of TNB.

Prior to joining TNB, Dato' Sri Che Khalib served as a member of the Board and Executive Committee of Khazanah Nasional Berhad from the year 2000 until 2004. He also served as a Board member on several of the United Engineers Malaysia Berhad Group of Companies and Bank Industri & Teknologi Malaysia Berhad. He also sits as Director and Chairman on various Boards of TNB Group of Companies.

DATO' MOHAMMAD ZAINAL BIN SHAARI

(48 years of age – Malaysian, NRIC No. 631210-08-6289)

Non-Independent Non-Executive Director

Dato' Mohammad Zainal Bin Shaari was appointed as Non-Independent Non-Executive Director to the Board of TNB on 31 March 2007.

Dato' Mohammad Zainal is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), and the Association of Chartered Certified Accountants (ACCA) of the United Kingdom. He is also a Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants (MICPA). He serves as a member of the Board Tender Committee, Board Finance and Investment Committee and Board Nomination and Remuneration Committee.

He has served in various positions in the private sector including with a public accounting firm in the United Kingdom in the year 1984 until 1990 and subsequently with PricewaterhouseCoopers until 2002. He then had a short stint in BinaFikir Sdn. Bhd. prior to joining Khazanah Nasional Berhad in October 2004 where he is presently the Executive Director/Chief Operating Officer.

DATO' ZAINAL ABIDIN BIN PUTIH

(65 years of age – Malaysian, NRIC No. 460114-10-5191)

Senior Independent Non-Executive Director

Dato' Zainal Abidin Bin Putih was appointed as Independent Non-Executive Director of TNB on 1 May 2003 and later, redesignated as Senior Independent Non-Executive Director on 1 October 2010.

He serves as the Chairman of the Board Audit Committee and a member of Board Finance and Investment Committee.

He is a qualified Chartered Accountant from the England and Wales Institute. He has extensive experience in Public Accounting Practice and has held various positions that include as Partner, Executive Director, Country Managing Partner and Chairman in the firm of Hanafiah Raslan & Mohamad which merged with Ernst & Young in the year 2002.

Presently, he is the Chairman of CIMB Bank Berhad, Mobile Money International Sdn. Bhd., Dutch Lady Milk Industries Berhad and Land & General Berhad as well as a Trustee of IJN Foundation. He was formerly the Chairman of the Malaysian Accounting Standards Board (MASB), Mentakab Rubber Company Berhad and Pengurusan Danaharta Nasional Berhad. He was also past President of Malaysian Institute of Certified Public Accountants (MICPA), a past member of Multimedia & Communication Commission of Malaysia and past Advisor to Ernst & Young Malaysia.

His other directorships in public companies include CIMB Group Holdings Berhad, ESSO Malaysia Berhad, CIMB Investment Bank Berhad, and Southeast Asia Special Asset Management Berhad.

TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY

(61 years of age – Malaysian, NRIC No. 500722-02-5519)

Independent Non-Executive Director

Tan Sri Dato' Hari Narayanan was appointed as Independent Non-Executive Director to the Board of TNB on 1 March 1995.

He holds a Bachelor degree in Electrical and Electronics Engineering from the University of Northumbria, England.

He serves as a member of the Board Audit Committee and Board Nomination and Remuneration Committee.

He has vast experience in the field of electrical and electronics engineering and has held key positions in InchCape Berhad and Tamco Cutler-Hammer Sdn. Bhd. He is currently the Chairman of Noblemax Resources Sdn. Bhd. and Deputy Chairman of Emrail Sdn. Bhd.

His directorships in other public listed companies include S P Setia Berhad and Puncak Niaga Holdings Berhad.

DATO' FUAD BIN JAAFAR

(68 years of age – Malaysian, NRIC No. 431219-02-5419)

Independent Non-Executive Director

Dato' Fuad Bin Jaafar was appointed as Independent Non-Executive Director to the Board of TNB on 15 March 2007.

He is a holder of a Diploma in Technology from Brighton University, United Kingdom.

He sits as a member on the Board Tender Committee, Board Disciplinary Committee and Board Nomination and Remuneration Committee.

He has served in various capacities during his tenure with TNB holding positions such as Assistant Distribution Engineer, Senior District Manager, Construction Engineer, Assistant Senior Construction Engineer, Senior Construction Engineer, Deputy Chief Engineer/Assistant General Manager and Deputy General Manager. In January 1994, Dato' Fuad became the General Manager for Transmission Division and later became the Senior General Manager for Energy Supply.

On 4 September 1997, he was appointed as TNB's Chief Operating Officer and Executive Director and subsequently on 16 October 2000, he was appointed as the President/Chief Executive Officer of TNB.

TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB

(71 years of age – Malaysian, NRIC No. 400706-05-5066)

Independent Non-Executive Director

Tan Sri Dato' Seri Siti Norma Binti Yaakob was appointed as Independent Non-Executive Director to the Board of TNB on 12 September 2008.

She graduated as a Barrister-at-law from Gray's Inn, London. She also holds a Certificate in Public International Law in Post-Finals Course, Council of Legal Education, London.

Tan Sri Dato' Seri Siti Norma serves as the Chairman of the Board Disciplinary Committee and a member on the Board Nomination and Remuneration Committee and Board Finance and Investment Committee.

She has held various senior positions in the Legal Service of Malaysia holding such positions as Senior Assistant Registrar, President of Sessions Court, Senior Federal Counsel of Attorney General's Chambers, Deputy Public Trustee, Malaysia and Chief Registrar of Federal Court, Malaysia. She was appointed as Judge of the High Court of Malaya (1983-1994), and Judge of Court of Appeal, Malaysia (1994-2000). Effective 1 January 2001, she was made a Judge of the Federal Court of Malaysia and subsequently on 8 February 2005 she was elevated as Chief Judge of Malaya and held that position until 5 January 2007.

She is the Chairman of RAM Holdings Berhad and the Malaysian Competition Commission. Her directorship in other public companies include as a Board member of KAF Investment Bank Berhad, RAM Holdings Berhad, RAM Rating Services Berhad and RAM Ratings (Lanka) Limited.

DATO' IR. AZMAN BIN MOHD

(54 years of age – Malaysian, NRIC No. 570926-11-5181)

*Executive Director/Chief Operating Officer
Non-Independent Executive Director*

Dato' Ir. Azman Bin Mohd was appointed as a Non-Independent Executive Director to the Board of TNB on 15 April 2010.

He is a holder of a Bachelor of Engineering (Electrical Engineering) from University of Liverpool, United Kingdom and Masters in Business Administration from University Malaya.

He has served TNB since 1979 in various capacities such as Assistant District Engineer, District Manager, Area Manager, Assistant General Manager as well as General Manager. Subsequently, he was appointed as Senior General Manager (Operation-Region 2) for Distribution Division and later became the Vice President (Distribution) prior to his appointment as Executive Director/Chief Operating Officer of TNB. He also sits as Director on various Boards of TNB Group of Companies.

DATO' ABD MANAF BIN HASHIM

(55 years of age – Malaysian, NRIC No. 560912-08-6755)

Independent Non-Executive Director

Dato' Abd Manaf Bin Hashim was appointed to the Board of TNB as Independent Non-Executive Director on 1 February 2010.

He holds a Higher National Diploma in Engineering from Cambridgeshire College of Arts and Technology O.N.D. of Thames Valley University (Slough Campus).

He serves as a member of Board Audit Committee, Board Disciplinary Committee and Board Tender Committee.

Presently he is a member of the Suruhanjaya Perkhidmatan Awam Negeri Perak since 2009 and Chairman of several private companies that involved in the construction, telecommunication and solar hybrid since 1993. Prior to that, he held various positions in Shapadu Decloedt Dredging Sdn. Bhd. (1990-1992), Industrial Boilers and Allied Equipment (IBAE) (1984-1986), Hakasa Sdn. Bhd. (1983-1984) and Asie Sdn. Bhd. (1982-1983). Dato' Abd Manaf is also a Director in Integrex Berhad.

CHUNG HON CHEONG

(50 years of age – Malaysian, NRIC No. 611031-08-5127)

Independent Non-Executive Director

Chung Hon Cheong was appointed as Independent Non-Executive Director to the Board of TNB on 1 October 2010. He holds a qualification in Advance Computer Programming, CDS Computer Data Services.

He started his career in the early 80's with the involvement in Information Technology ("IT") and later in 2001 he joined E-Resource.com Sdn. Bhd., a company involved in conducting research and development in RFID applications, as a Managing Director. Thereafter, he joined Rexit Solutions Sdn. Bhd. in 2003 and later became a Managing Director of Rexit Venture Sdn. Bhd. He is presently the Chief Executive Officer/Executive Director of Rexit Berhad.

He serves as a member of Board Audit Committee and Board Finance and Investment Committee and his directorships in other public company include Rexit (Labuan) Berhad.

DATUK NOZIRAH BINTI BAHARI

(56 years of age – Malaysian, NRIC No. 551228-09-5044)

Non-Independent Non-Executive Director

Datuk Nozirah Binti Bahari was appointed to the Board of TNB as Non-Independent Non-Executive Director on 28 June 2011.

She has a Bachelor of Social Science (Hons.) (Urban Studies) from University of Science, Malaysia and a Diploma in Public Administration from Institute of Public Administration

("INTAN"). She is the Chairman of Board Tender Committee and a member of the Board Disciplinary Committee.

She has held various positions in the Government, amongst others as Deputy Under Secretary Procurement and Supplies Division, Ministry of Finance (2002 - 2004), Deputy Under Secretary Loan Management, Financial Market and Actuary Division (2005 - 18 March 2007), Under Secretary Loan Management, Financial Market and Actuary Division (19 March 2007 - 20 March 2011) and Director of Budget Management Division (21 March 2011 - 20 May 2011). She is currently the Deputy Secretary General (Management), Ministry of Finance.

Her directorships of public companies include Proton Holdings Berhad and Bank Simpanan Nasional Berhad.

SURIA BINTI AB RAHMAN

(38 years of age – Malaysian, NRIC No. 730428-03-5234)

*Alternate Director to Dato' Mohammad Zainal bin Shaari
Non-Independent Non-Executive*

Suria Binti Ab Rahman was appointed as Non-Independent Non-Executive Alternate Director to Dato' Mohammad Zainal bin Shaari on 30 November 2009.

She holds a Masters in Business Administration (MBA) from the Judge Business School, University of Cambridge and a Bachelor of Science in Economics (Accounting and Finance) from the London School of Economics. She is an Associate of the ICAEW and the Institute of Internal Auditors United Kingdom and Ireland as well as a member of the Malaysian Institute of Accountants.

She is presently a Director in Managing Director's Office of Khazanah Nasional Berhad since June 2009. Before her current position, she has held various key roles in Khazanah Nasional Berhad that includes Head of Risk Management Unit (February 2006 – May 2009) and Vice President, Risk Management Unit (April 2005 – January 2006). Prior to that, she served with KPMG of London Offices for a period of nine and a half years from mid 1996 until 2005.

6.5 Senior Management

The key personnel in the management team of TNB as at 31 August 2011 are as follows:

Name	Designation
Dato' Sri Che Khalib Bin Mohamad Noh	President / Chief Executive Officer
Dato' Ir. Azman Bin Mohd	Executive Director / Chief Operating Officer
Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	Chief Financial Officer/ Vice President (Group Finance)
Dato' Ir. Mohd Nazri Bin Shahrudin	Vice President (Generation)
Datuk Rozimi Bin Remeli	Vice President (Transmission)
Tuan Hj. Hussin Bin Othman	Vice President (Distribution)
Datin Roslina Binti Zainal	Vice President (Planning)

Name	Designation
Dato' Muhammad Razif Bin Abdul Rahman	Vice President (Human Resource)
Dato' Razali Bin Awang	Chief Information Officer
Ir. Nor Azmi Bin Ramli	Chief Procurement Officer
Md. Jailani Bin Abas	Senior General Manager (Corporate Services)
Adelina Binti Iskandar	Vice President (Corporate Affairs)
Lucy Wong Kam Yang	Head of Group Internal Audit

The profiles of the key personnel in the management team of TNB as at 31 August 2011 are as follow:

DATO' SRI CHE KHALIB BIN MOHAMAD NOH
(46 years of age)

Dato' Sri Che Khalib Bin Mohamad Noh is currently the President/Chief Executive Officer of TNB.

He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and a member of the Malaysian Institute of Accountants.

Dato' Sri Che Khalib started his career with Messrs Ernst & Young and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within Renong Group including Projek Lebuhraya Utara Selatan (PLUS), HBN Management Services Sdn. Bhd., Renong Overseas Corporation Sdn. Bhd. and Marak Unggul Sdn. Bhd., the consortium company responsible for the management of Keretapi Tanah Melayu Berhad. In June 1999, he joined Ranhill Utilities Berhad as the Chief Executive Officer. He was the Managing Director and Chief Executive Officer of KUB Malaysia Berhad prior to his appointment as President/Chief Executive Officer of TNB.

Prior to joining TNB, Dato' Sri Che Khalib served as a member of the Board and Executive Committee of Khazanah Nasional Berhad from the year 2000 until 2004. He also served as a Board member on several of the United Engineers Malaysia Berhad Group of Companies and Bank Industri & Teknologi Malaysia Berhad. He also sits as Director and Chairman on various Boards of TNB Group of Companies.

DATO' IR. AZMAN BIN MOHD
(54 years of age)

Dato' Ir. Azman Bin Mohd is currently the Executive Director/Chief Operating Officer of TNB. He is a holder of Bachelor of Engineering (Electrical Engineering) from University of Liverpool, United Kingdom and Masters in Business Administration from University Malaya.

He has served TNB since 1979 in various capacities such as Assistant District Engineer, District Manager, Area Manager, Assistant General Manager as well as General Manager. Subsequently, he was appointed as Senior General Manager (Operation-Region 2) for Distribution Division and later became the Vice President (Distribution). He also sits as Director on various Boards of TNB Group of Companies.

MOHAMED RAFIQUE MERICAN BIN MOHD. WAHIDUDDIN MERICAN

(46 years of age)

En. Mohamed Rafique is currently the Chief Financial Officer / Vice President (Group Finance) of TNB, a major shareholder of the Company. He is a Chartered Accountant, registered with the Malaysian Institute of Accountants, and a fellow member of the Association of Chartered Certified Accountants, UK.

He has an extensive service track record, where he started his career with Land and General Berhad and later he served with Bumiputra Merchant Bankers Bhd, Landmarks Bhd and Taiping Consolidated Berhad. Prior to joining Malakoff Corporation Berhad, the IPP as Chief Financial Officer (CFO) in 2002, he was with Amanah Capital Partners Berhad. He later served as Chief Executive Officer of Radicare (M) Berhad before joining TNB in August 2009.

DATO' IR. MOHD NAZRI BIN SHAHRUDDIN

(55 years of age)

Dato' Ir. Mohd Nazri bin Shahrudin is currently the Vice President (Generation) of TNB. He holds a Bachelor of Science (Engineering) Hons. in Mechanical Engineering from King's College, University of London.

Dato' Ir. Mohd Nazri joined the National Electricity Board on 1 September 1979 upon completion of his studies in the United Kingdom as a fully sponsored scholar of National Electricity Board. He had served in several power stations of National Electricity Board (and later TNB) in the field of Operations and Maintenance. Later in TNB, Dato' Ir. Mohd Nazri was involved in many power plant project developments, amongst others were the development, construction and commissioning of the Existing Power Plant and a combined Power and Water Facility of 900 MW and 880,000 m³/day seawater desalination project at Shuaibah, Saudi Arabia as an Independent Water and Power Producer.

He also sits as Director on various Boards of TNB Group of Companies.

DATUK ROZIMI BIN REMELI

(54 years of age)

Datuk Rozimi is currently the Vice President of Transmission Division in TNB. In this capacity he is responsible for managing the development, operation and maintenance of the 132 kV, 275 kV and 500 kV transmission network or also known as the National Grid. He is the Board Member of TNB Research (a subsidiary of TNB) and an Adjunct Professor in the Civil Engineering Department of UNITEN. Being appointed as the Chairman of Technical Committee on High Voltage Power Transmission, he is responsible in ensuring the development of the Malaysian Standard related to High Voltage Equipment, test method, power system and related high voltage aspects. Similarly demanding, he is the National Mirror Committee Chairman for IEC/TC 115 where Malaysia is the participating Member. He is also the Chairman of Industrial Advisory Panel (IAP) in Civil Engineering for undergraduate program, UNITEN.

Datuk Rozimi has spent more than 30 years working with the company. He was the General Manager (Asset Maintenance) and Senior General Manager (Asset Development) prior to being promoted as the Vice President (Transmission). He joined the company in 1979 after earning his Degree in Electrical Engineering. He also holds a Masters Degree in Business Administration (MBA).

TUAN HJ. HUSSIN BIN OTHMAN

(52 years of age)

Tuan Hj. Hussin Bin Othman was appointed as Vice President Distribution of TNB on 1 June 2010.

He is a holder of a Bachelor of Science in Electrical and Electronics Engineering from Loughborough University, United Kingdom and Masters in Business Administration from Ohio University, United State of America.

He has served TNB since 1982 in various capacities such as Assistant District Engineer, District Manager, Senior District Manager, Manager Media and Customer Relation, Marketing Manager, Head (Network and Services), Business Operation Manager, Head (Planning and Construction), Deputy Chief Engineer as well as General Manager. Subsequently, he was appointed as Senior General Manager (Asset Maintenance) for Transmission Division prior to his appointment as Vice President (Distribution) of TNB.

Since holding several senior managerial posts in TNB, he has been known as a result oriented leader who can drive organizational change. Several accolades awarded to him can be an example of his attributes.

DATIN ROSLINA BINTI ZAINAL

(49 years of age)

Datin Roslina Binti Zainal is the Vice President (Planning) of TNB. She holds a degree in Electrical Engineering from Lakehead University, Canada and a Masters in Business Administration (MBA) from University of New England, Australia. Datin Roslina has been working for the National Electricity Board and TNB for 25 years in various capacities in Distribution, Transmission and Planning. She was also seconded as the Assistant Director (Energy) at the Energy Section of the Economic Planning Unit for 2 years.

As the Vice President (Planning), her responsibilities include energy and load forecasting, long term transmission and generation development planning, strategic planning and procurement of energy from IPPs and inter-utility transactions. She represents TNB in various forums and national committees such as the formulation of the energy policy, coal committee and re-negotiation of the power purchase agreements. She is also the Council member for the Malaysian Gas Association (“MGA”), Chairman of the Technical Committee of AESIAEP, a member of the National Steering Committee for Nuclear development and Board member of TNB Fuel Services Sdn Bhd.

DATO’ MUHAMMAD RAZIF BIN ABDUL RAHMAN

(49 years of age)

Dato’ Muhammad Razif bin Abdul Rahman is currently the Vice President (Human Resources) of TNB. He has devoted almost 27 years of his life in the National Electricity Board and TNB. Born in Besut, Terengganu, Dato’ Muhammad Razif pursued his tertiary education in Electrical Engineering at Brighton Technical College and University of Liverpool. He has extensive field experience having served in many different positions within TNB. On 24th September 2008, he took a leap in his career when he was appointed as the Vice President of Human Resources of TNB.

Dato’ Muhammad Razif is the backbone to the success of TNB as one of the most admired companies to work with in Malaysia. He is responsible for developing capacity building strategies towards propelling TNB to achieve its vision and mission. Under his leadership, TNB has received various awards at national and international level. Among the notable achievements in 2010 are:

- Most Admired ASEAN Enterprise in Employment Category 2010 – ASEAN Business & Investment Summit 2010
- Asia Best Employer Brand Award 2010 & HR Leadership Award

During his tenure, Dato' Muhammad Razif plays an important role towards the well being of Human Resource Community in ASEAN in his capacity as the Chairman of the Head of ASEAN Power Utility/Authority (HAPUA) Working Group on Human Resource from 2009 until now.

DATO' RAZALI BIN AWANG

(56 years of age)

Dato' Razali Bin Awang is currently the Chief Information Officer of TNB. He was appointed to his current position in 2005 and is responsible for providing total ICT solution required to support TNB business and decision making.

Dato' Razali started his career in TNB and the National Electricity Board in 1979. Throughout his career, he had served in various business areas of the company including Distribution, Transmission, Human Resources, Business Development and ICT.

IR. NOR AZMI BIN RAMLI

(53 years of age)

Ir. Norazmi Bin Ramli graduated in 1981 with a Bachelor of Science degree in Electrical and Electronics Engineering from the University of Brighton, UK. He also holds Master degree in Business Administration from the Ohio University, USA and Master of Science degree in Logistic and Supply Chain Management from the University of Bolton, UK.

He has served TNB for 30 years in various positions in areas of operation, maintenance and management in the Distribution Division, Generation Division and Procurement Division. His last 8 years of service with TNB has been in the area of procurement. He was the Head of Procurement for Generation Division and currently he is the Chief Procurement Officer for TNB.

He is certified as a Competent Engineer 66KV, Steam Engineer Grade 2 and Internal Combustion Engineer Grade 2. He is also a member of the Institution of Engineers Malaysia, Institution of Certified Engineers Malaysia and the Chartered Institute of Purchasing and Supply.

MD. JAILANI BIN ABAS

(55 years of age)

Encik Md. Jailani Bin Abas started his career in TNB since 1980. He has served the National Electricity Board and TNB in various capacities and stations in Kuala Lumpur, Southern and Eastern Regions prior to his appointment as Senior General Manager of Corporate Services in January 2008. Encik Md. Jailani is a member of the Group Executive Committee.

Encik Md. Jailani holds a Bachelor of Engineering (Electrical) from University of Portsmouth, England.

ADELINA BINTI ISKANDAR

(50 years of age)

Puan Adelina Binti Iskandar is currently Vice President (Corporate Affairs) of TNB. Her division covers all aspects of Corporate Communications, Regulatory Relations and Management, CSR and also the Yayasan Tenaga Foundation.

She was previously with SYABAS as General Manager, Customer Service Division (PUSPEL). At SYABAS, Puan Adelina was a member of the CSR, Business Ethics and Sexual Harassment committees.

Puan Adelina had also served as Director, Corporate Communications with the Malaysian Communications and Multimedia Commission where she was responsible for all matters pertaining to media, government and public relations as well as overall strategy of the branding and image building of the commission.

Prior to that she was attached with the Association of Chartered Certified Accountants where she was responsible for members' relations as well as corporate communications. Puan Adelina was also in the education field for 10 years as Director of the University Preparatory Programme with an American twinning programme here.

Puan Adelina has close to 30 years' experience in public relations and training. She holds a Degree in Humanities and a Masters in Linguistics.

LUCY WONG KAM YANG

(47 years of age)

Lucy Wong Kam Yang was appointed as the Chief Internal Auditor of TNB on 3 March 2005.

Lucy Wong is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom. She is a Certified Internal Auditor and a member of the Malaysian Institute of Accountants. She also holds a Masters in Business Administration from Charles Stuart University (Australia).

Prior to joining TNB, she has served several companies, in operations and also providing internal audit services. The companies are Projek Lebuhraya Utara – Selatan Berhad, Metramac Corporation Sdn. Bhd., Metacorp Berhad, HBN Management Services Sdn. Bhd (Renong Group) and UEM Group Management Sdn. Bhd. She was the General Manager in charge of Group Internal Audit at HBN Management Sdn. Berhad and UEM Group Management Sdn. Bhd.

6.6 Business Overview of the Guarantor**6.6.1 TNB's Core Business****(a) Generation Division**Divisional Goals

The Generation Division is entrusted to operate and maintain six (6) thermal power stations and three (3) major hydro electric power generating schemes in Peninsular Malaysia as well as to develop and build new power stations for TNB. It also supports the operations and maintenance of (3) three IPPs, namely the TNB wholly-owned Sultan Azlan Shah Power Station and TNB Liberty Power Limited of Pakistan, and the majority-owned Sultan Salahuddin Abdul Aziz Shah Power Station.

REMACO, a business unit of the Generation Division, provides repair and maintenance services as well as operations services to TNB's fleet of generating plants (including the three (3) IPPs) and other external customers including in oil and gas sector. REMACO is also entrusted to expand its business in energy related business to external and overseas market in support of TNB's aspiration for global expansion. To date REMACO has serve customers in Pakistan, Saudi Arabia, Indonesia, Singapore and Yemen.

The Generation Division also takes the lead in providing technical expertise in energy related projects for TNB's overseas ventures.

Operational Summary

The system peak demand for Peninsular Malaysia increased from 15,072 MW to 15,476 MW between May 2010 to May 2011, an increase of 2.7%.

The total installed capacity for TNB Generation Division is 9,110 MW, comprising of 7,199 MW thermal plants and 1,911 MW hydro plants^{1,2}

Due to unplanned outages at Sultan Azlan Shah Power Station, Manjung, Perak and Tuanku Jaafar Power Station, Port Dickson in 11M FY 2011, TNB's Generation market share decreased to 38.5%, a reduction of 3.4 percentage point compared to FY 2010.

Sultan Azlan Shah Power Station, Manjung, Perak and Tuanku Jaafar Power Station, Port Dickson continue to be the major contributors of electrical energy, generating 32.7% and 21.7% of the total energy generated by TNB, respectively.

Generation from gas fuel contributed 47.4% of the total energy generated by TNB generation for 11M FY2011, followed by coal at 32.7% and hydro at 16.0%. TNB plants' generation fuel mix for the period under review has seen higher energy generated from hydro power stations. The higher contribution from the hydro plants was due to gas curtailment by Petronas Gas Berhad.

Major Projects

Two new major hydroelectric projects are now under various stages of procurement and site preparatory works. They are the 250 MW Hulu Terengganu Hydroelectric Project in the state of Terengganu and the 372 MW Ulu Jelai Hydroelectric Project in the state of Pahang. Both of these hydroelectric projects will be developed in parallel.

- **Hulu Terengganu Hydroelectric Project (250 MW)**

Construction of the Hulu Terengganu Hydroelectric Project consists of four (4) work packages namely the preliminary civil works, the main civil and associated works, the electrical and mechanical plant and the high voltage switchyard. SNC Lavalin of Canada in consortium with local consultants is the engineering consultant for this project.

The target commercial operation date for the first unit of the project is September 2015 for the first unit.

¹ Based on Generation Security Standard (June 2011) by Energy Procurement Department, TNB

² Including Sultan Azlan Shah Power Station, Manjung, Perak only.

- Ulu Jelai Hydroelectric Project (372 MW)

SMEC of Canada in consortium with a local consultant is the engineering consultant for this project. The target commercial operation date for the project is December 2015.

Joint Venture Projects

- 300 MW Gas Fired Combined Cycle IPP in Lahad Datu, Sabah

TNB together with PETRONAS and the Sabah State Government have recently been awarded the concession to build, operate and own a 300 MW Combined Cycle Power Plant in Lahad Datu, Sabah in the equity ratio of 50:30:20 respectively. The site of the proposed IPP Project has been identified at POIC Lahad Datu Phase 3, approximately 8 km from Lahad Datu town. A project vehicle company, Eastern Sabah Power Consortium Sdn Bhd is presently being formed to implement the project on behalf of the consortium. Preliminary Environment Impact Assessment Study for the site and Geotechnical investigation work will commence in October with award of EPC targeted for January 2013. The first combined cycle block is expected to be commissioned in October 2015.

- 10 MW Jengka Biomass Power Plant in Pahang

FTJ Biopower Sdn Bhd, the joint venture company that was formed between TNB and Felda Palm Industries Sdn Bhd ("**FPI**") will develop a 10 MW Jengka Biomass Power Plant in Pahang under the Small Renewable Energy Power Programme ("**SREP**"). SREP was launched by the Government to promote the utilisation of renewable energy in power generation in line with the Government's Fifth Fuel Policy and to reduce emission of greenhouse gases. The plant shall utilise the waste empty fruit bunch ("**EFB**") of oil palm as its major source of fuel for firing its boiler. The EFB will be supplied from neighbouring FELDA palm oil mills within a 70 km radius from the Jengka 9 Site.

The procurement for the engineering, procurement and construction ("**EPC**") contractor has been ongoing with a new commercial operation date target revised to December 2012. The project is also expected to apply for the carbon emission reduction and sell it to appropriate parties at the reasonable market rate agreeable between buyer and seller.

REMACO

REMACO, a business unit of Generation Division, continued to expand its market share in the national as well as global energy related industries. For financial year 2010, REMACO achieved a revenue of RM333,475,000, an increase of 52.0% from the revenue of RM219,926,348 in financial year 2009.

During financial year 2010, REMACO was awarded a five (5) year operation and maintenance contract by HUBCO Narowal, Pakistan for a 225 MW diesel combined cycle plant. REMACO signed a long term service agreement for five (5) years with CUF Petronas for maintenance of Frame 6 gas turbine and its auxiliaries, as well as a long term parts management for three (3) years with Mitsubishi Heavy Industries ("**MHI**"). It also signed a maintenance service agreement with Sabah Electricity Sdn Bhd and a

service level agreement with TNBJ. In financial year 2011, REMACO was awarded a five (5) years operation and maintenance contract for an 84 MW hydro power plant located in Azad Jammu Kashmir by Laraib Power, Pakistan.

Challenges and prospects

During the financial year 2010, the Generation Division actively participated in overseas generation business ventures especially in Gulf Community Country (GCC) Region through the business development department under group finance division. The Generation Division has undertaken technical support and project management roles in those activities. In line with TNB's global expansion business initiative, the Generation Division is continuously developing its personnel and workforce expertise to take up future challenges in global power generation business related industry.

Generation Division continues to focus its attention in maintaining its world class performance. The continuous improvement initiatives being implemented have contributed tremendously as evident in TNB's maintaining better than world class Equivalent Unplanned Outage Factor ("EUOF") figures for the fifth consecutive financial year, as well as the continued upward trend in TNB's thermal efficiency for the past five (5) years.

REMACO will continue to be a major player in TNB's global expansion programme. It will enhance its marketing initiatives to secure more external contracts. For the five (5) year period until financial year 2015, REMACO has targeted revenue in excess of RM3.0 billion.

(b) Transmission Division

Operational and Technical Performance

The Transmission Division's primary responsibility is to ensure high reliability and security of the national grid system. The transmission division also ensures that all transmission equipment is in good working conditions.

The Transmission Division manages and operates the 132kV, 275kV and 500kV transmission network of TNB known as the national grid ("**National Grid**"). Some of the main activities of the Transmission Division include control operation, asset maintenance, project management, engineering and procurement.

The National Grid is interconnected to Thailand's transmission system operated by Electricity Generating Authority of Thailand ("**EGAT**") in the north via a HVDC interconnection with a transmission capacity of 300 MW and a 132kV HVAC overhead line with maximum transmission capacity of 80 MW. The National Grid is also connected to Singapore's transmission system at Senoko in the south via two 230kV submarine cables with a firm transmission capacity of 200 MW.

The Transmission Division has embarked on four (4) major initiatives, namely Zero Tripping Action Plan ("**ZTAP**"), Project Completion on Time and Within Budget, Strategic Defect Management ("**SDM**") and Critical Installation Maintenance ("**CRIM**") with the main objective being the enhancement of the National Grid's reliability.

With the implementation of ZTAP initiative, the division was able to reduce system minutes from 6.56 minute in financial year 2007/2008 to 1.01 minute in financial year 2010/2011. Besides the reduction in system

minutes, the division also managed to reduce the numbers of tripping with load loss incidents from twenty six (26) in financial year 2008/2009 and to only fifteen (15) in financial year 2010/2011.

For 500 kV and 275 kV systems, the division achieved a zero load loss tripping incident for three (3) consecutive financial years.

For the Project Completion On Time and Within Budget Initiative, the division successfully reduced the projects monthly delay index from 3.37 months in the financial year 2008/2009 to 1.96 months in financial year 2010/2011.

A total of 65 projects were fully completed and commissioned in financial year 2010/2011. The completion of these projects contributed to an additional 2,940 MVA transformer capacities, 308.5 circuit km of transmission line and 19 circuit km of underground cable in the system.

For the sixth consecutive financial year, the division maintained its zero major disturbance index with system availability of 99.67%.

The whole National grid Network is continuously being monitored and controlled by a group of engineers stationed at the National Load Dispatch Centre (“**NLDC**”) building. This is the heart of the Grid System. They are responsible to monitor and control the flow of power within the grid in real-time, and ensures the supply meets the ever growing demand in the most secured, optimal, and safe manner.

In December 2009, a state-of-the-art SCADA/EMS computer system at the NLDC was successfully commissioned. This new system has equipped NLDC with the latest technology in grid system operations and has further enhanced NLDC’s capability to be more effective in operating TNB’s transmission grid. NLDC’s SCADA/EMS system is amongst the best in the Asian/Pacific region and is comparable in features to those at major utilities in North America.

Enhancements and additions, especially to the advanced power system applications software have increased the capability of NLDC operators to despatch generation and to operate the system in a safe, secure, reliable and economical manner. A large screen wall display, together with enhanced user interface and alarm features has brought a new dimension to operator’s situation awareness and alertness. This special feature has enhanced NLDC’s capability to effectively take appropriate corrective and preventive measures to avert any supply interruption and to be more effective during system restoration. Operator effectiveness has also been enhanced via an upgraded dispatcher training simulator.

NLDC’s SCADA/EMS has also been designed to incorporate relevant North American Electric Reliability Corporation (NERC) compliant cyber security recommendations. All critical equipments are redundant and the control centre itself is supported by comprehensive disaster recovery capabilities at a remote backup control centre site. In addition, to enhance SCADA communications reliability, NLDC has leveraged on TNB’s extensive fibre optic network by distributing the substation data communications to several redundant sites.

In financial year 2010/2011, the Transmission Division has completed Phase 1 and Phase 2 of Transmission Operations, Monitoring & Analysing System (“**TOMAS**”) project, a centralised information system consisting of work process management and dashboard monitoring system. In the course of establishing TOMAS, Transmission Division made major

improvement to the existing database by improving the accuracy and adequacy of asset data. Furthermore, the establishment of TOMAS would provide the Transmission Division with an overall information system capable of making rigorous and consistent technical and financial decision based on asset-level data.

Prospects

In addition to the four initiatives, the division is also focusing on enhancing and building up human capital and competency by providing trainings in engineering, management and information system for the division's personnel.

The division is also working closely with the local authorities to demolish illegal structures, such as storage buildings erected under TNB's existing wayleave corridor reserves which may endanger the existing transmission lines. Regular patrolling of TNB's wayleave corridor reserves will be increased to reduce the encroachment of TNB's wayleave reserves.

The division remains committed to ensure excellence in its products and services for challenging years ahead. The division is determined and remain steadfast to ensure that it will be the leading transmission entity and grid system operator in ASEAN and amongst the best in the world.

(c) Distribution Division

Operational Summary

Distribution Division supplies electricity to TNB's customers by connecting them to TNB's distribution network at voltages of 33 kV, 22 kV, 11 kV and 415V. Electricity supply to these distribution networks is from the National Grid under TNB's Transmission Network at 275 kV and 132 kV. During financial year 2009/10, the Distribution Division has signed up 252,053 new customers to increase TNB's total Peninsular Malaysia customer base to 7.4 million customers. During the same period, Peninsular sales of electricity (in units) grew by 8.8% to 89.5 TWh.

To improve TNB's service delivery to its ever growing customer base, the Distribution Division has upgraded three (3) area offices namely Nibong Tebal, Jasin and Kuala Selangor during the year under review bringing total TNB area offices to 45 while maintaining the number of Kedai Tenaga outlets at 135. TNB also enhanced its communication channels with its customers, by upgrading its Call Management Centre (CareLine 15454) and launching the first phase of new One-Stop Enquiry Centre (1-300-88-5454) to serve Klang Valley Customers.

Positioning TNB for Global Competitiveness

MIDA is the government's principal agency for the promotion of the manufacturing and services sectors in Malaysia. MIDA assists companies which intend to invest in the manufacturing and services sectors, as well as facilitates the implementation of their projects. To further enhance MIDA's role in assisting investors, Distribution Division through its senior representative is involved to advise investors on TNB policies and procedures with regards to electricity supply requirements. Other government representatives include officials from the Department of Labour, Immigration Department, Royal Malaysian Customs, Department of Environment, and Telekom Malaysia Berhad.

In line with the government's move to a new economic model, the emphasis will be to attract quality investments in knowledge and technology intensive projects. Green technology including renewable energy has been identified as a growth area by the government. Efforts will also be intensified to target and attract industries in which Malaysia has a strong foundation and in well as new growth areas such as automotive, aerospace, renewable energy, machinery and equipment and medical equipment.

To sustain the levels of investment inflows into the manufacturing as well as the services sectors, the Government would continue to respond to local and global challenges to maintain the country's competitiveness. In this regard, the government will ensure that the investment environment remains conducive and competitive particularly in terms of delivery system, cost of doing business, infrastructure, provision of tax incentives as well as availability of skilled and knowledge workforce.

Tariff

The Government has approved for the natural gas price to the power sector be increased from RM10.70/mmBTU to RM13.70/mmBTU effective from 1 June 2011. As a result of the gas price increase, the government has approved for TNB to increase the electricity tariff to cover for the additional cost.

The average tariff increase of 7.12% is to cater for the upward revision of natural gas price to the power sector from RM10.70/mmBTU to RM13.70/mmBTU and to partly recover for the increased costs of electricity supply since June 2006 due to the following:

- Consumer Price Index (CPI) increase of 14.0% from the period 2006 to 2011;
- Increase in capital expenditure;
- Increase in maintenance cost of about 19.0% in the same period; and
- Increase in cost of raw materials for electrical supply equipment.

6.6.2 TNB's Subsidiaries

TNB is also engaged, through its subsidiaries, in engineering, project management, operation and management, repair and maintenance, fuel procurement and services, to manufacturing of transformers, high voltage switchgears, cables, property developments, research and development and education. The activities of these subsidiaries accounted in the aggregate for net revenue of RM1,425.7 million as at 31 May 2011. The book value of TNB's investment in these subsidiaries as of 31 May 2011 was RM3,388.7 million.

The following are the subsidiary companies of TNB as at 31 August 2011:

Subsidiaries	Equity interest held %	Principal activities	Country of Incorporation
TNB Janamanjung Sdn Bhd	100	Generate and deliver electricity and generating capacity to TNB	Malaysia
TNB Power Daharki Ltd	100	Investment holding company	Mauritius

Subsidiaries	Equity interest held %	Principal activities	Country of Incorporation
TNB Fuel Services Sdn Bhd	100	Supplying fuel and coal for power generation	Malaysia
TNB Energy Services Sdn Bhd	100	Generating, distributing, supplying, dealing, selling of different kinds of energy sources and related technical services	Malaysia
TNB Research Sdn Bhd	100	Research and development, consultancy and other services	Malaysia
TNB Ventures Sdn Bhd	100	Investment holding company	Malaysia
TNB Engineering Corporation Sdn Bhd	100	Principally engaged as turnkey contractors, energy project development specialising in district cooling system and co-generation including operation and maintenance works	Malaysia
TNB Repair and Maintenance Sdn Bhd	100	Providing repair and maintenance services to heavy industries and other related services	Malaysia
TNB Engineers Sdn Bhd	100	Dormant	Malaysia
TNB Capital (L) Ltd	100	Investment holding company	Malaysia
Universiti Tenaga Nasional Sdn Bhd	100	Providing higher education	Malaysia
Malaysia Transformer Manufacturing Sdn Bhd	100	Principally engaged in the manufacturing, selling and repairing distribution, power and earthing transformers	Malaysia
TNB Coal International Ltd	100	Dormant	Mauritius
Power and Energy International (Mauritius) Ltd	100	Investment holding company	Mauritius
Orion Mission Sdn Bhd	100	Investment holding company	Malaysia
Sabah Electricity Sdn Bhd	83	Business of generation, transmission, distribution, and sale of electricity and services in Sabah	Malaysia
Tenaga Switchgear Sdn	60	Principally engaged in the business of assembling and	Malaysia

Subsidiaries	Equity interest held %	Principal activities	Country of Incorporation
Bhd		manufacturing of high voltage switchgears and contracting of turnkey transmission substations	
Kapar Energy Ventures Sdn Bhd	60	Generate and deliver electricity energy and generating capacity to TNB	Malaysia
TNB Integrated Learning Solution Sdn Bhd	100	Providing training and courses	Malaysia
TNB Generation Sdn Bhd	100	Dormant	Malaysia
TNB Transmission Network Sdn Bhd	100	Dormant	Malaysia
TNB Distribution Sdn Bhd	100	Dormant	Malaysia
TNB Risk Management Sdn Bhd	100	Dormant	Malaysia
TNB Logistics Sdn Bhd	100	Dormant	Malaysia
TNB – IT Sdn Bhd	100	Dormant	Malaysia
TNB Workshop Services Sdn Bhd	100	Dormant	Malaysia
TNB Metering Services Sdn Bhd	100	Dormant	Malaysia
TNB Hidro Sdn Bhd	100	Dormant	Malaysia
TNB Prai Sdn Bhd	100	Dormant	Malaysia
TNB Properties Sdn Bhd	100	Providing property management services	Malaysia
TNB International Sdn Bhd (formerly known as TNB Kulim Generation Sdn Bhd)	100	Dormant	Malaysia

Subsidiaries	Equity interest held %	Principal activities	Country of Incorporation
Sepang Power Sdn Bhd	70	Dormant	Malaysia
Subsidiaries of TNB Engineering Corporation Sdn Bhd			
Bangsar Energy Systems Sdn Bhd	100	Operating an integrated district cooling system for air conditioning systems of office building	Malaysia
TNEC Construction Sdn Bhd	100	Principally engaged as construction contractors	Malaysia
Airport Cooling Energy Supply Sdn Bhd	100	To develop, design, procure, construct, finance and undertaking the comprehensive operation and maintenance of DCS projects in the airport sector	Malaysia
Subsidiary of Power and Energy International (Mauritius) Ltd			
Independent Power International Ltd	100	Investment holding company	Mauritius
Subsidiaries of Bangsar Energy Systems Sdn Bhd			
Selesa Energy Systems Sdn Bhd	70	Operation and maintenance of cooling plant	Malaysia
TNEC Operations and Maintenance Sdn Bhd	100	Operation and maintenance of cooling plant	Malaysia
Subsidiary of TNEC Operations and Maintenance Sdn Bhd			
Tomest Energy Management Sdn Bhd	51	Operating an integrated district cooling system for air conditioning systems of office buildings	Malaysia
Subsidiary of TNB Power Daharki Ltd			
TNB Liberty Power Ltd	100	Operation of power plant and generation of electricity	Pakistan
Subsidiary of TNB Properties Sdn Bhd			
TNP Construction	100	Dormant	Malaysia

Subsidiaries	Equity interest held %	Principal activities	Country of Incorporation
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Sdn Bhd

Subsidiary of University Tenaga Nasional Sdn Bhd

UNITEN R&D Sdn Bhd	100	Providing research and development in areas related to engineering, information technology, business, accountancy, liberal studies and other services	Malaysia
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Subsidiaries of TNB Repair and Maintenance Sdn Bhd

Trichy Power Ltd	100	Dormant	India
Trichy Energy Ltd	100	Dormant	India
TNB Operations and Maintenance International Ltd	100	Investment holding company	Mauritius
TNB Remaco Pakistan (Private) Limited	100	Providing repair and maintenance services to power generation facility	Pakistan

Subsidiary of TNB Operations and Maintenance International Ltd

Oasis Parade Sdn Bhd	100	Investment holding company	Malaysia
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Subsidiary of TNB Ventures Sdn Bhd

Tenaga Cable Industries Sdn Bhd	76	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia
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Subsidiary of TNB Coal International Ltd

Dynamic Acres Sdn Bhd	100	Dormant	Malaysia
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Subsidiary of Orion Mission Sdn Bhd

Lahad Datu Holdings Sdn Bhd	100	Investment holding	Malaysia
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Subsidiary of Lahad Datu Holdings Sdn Bhd

Subsidiaries	Equity interest held %	Principal activities	Country of Incorporation
Lahad Datu Energy Sdn Bhd	100	Dormant	Malaysia

6.6.3 20-Year Strategic Plan

TNB has embarked on the 2011-2015 phase of its 20-Year Strategic Plan which calls for geographical expansion. Recognising the limited opportunities for business growth in Malaysia, TNB has, over these past many years been actively exploring partnership and collaboration opportunities with its international utility services counterparts particularly in the Middle East and North Africa (“**MENA**”) and South East Asia (“**SEA**”) regions. However, due to the current political turmoil in MENA, TNB shifted its focus to SEA opportunities while closely monitoring the development in MENA and other emerging regions, both Greenfield and mergers and acquisition projects.

To date, TNB has made investment in the Liberty Power Ltd IPP project in Pakistan and the Shuaibah III IWPP project in the Kingdom of Saudi Arabia while subsidiaries like TNB Engineering Corporation Sdn Bhd and REMACO are fulfilling contracts in Abu Dhabi and Pakistan respectively.

Through diversifying its earnings base via asset or service opportunities, TNB has been able to spread its business risk across the region and create new sources of income.

TNB’s new five-year strategic plan has been developed by cross-divisional teams who have laid out the strategic objectives, key initiatives and key action plans that TNB needs to achieve under the geographical expansion phase. The plan involves these four strategic themes:

- **Grow Profitable Business**

TNB will seek to build a sustainable business by optimising the costs of the electricity business in Peninsular Malaysia and Sabah. In addition, TNB will also capitalise on overseas business opportunities.
- **Delight Customers**

TNB will strive to further improve communication and engagement with its customers and other stakeholders. TNB will also strive to be the primary driver of green energy in Malaysia.
- **Enhance Operational Excellence**

TNB will continue to sustain its world-class status in power supply reliability and security whilst enhancing its operational excellence encompassing all aspects of its business operations. TNB will also deploy the latest proven technologies such as smart grids.
- **Enhance Human Capital Development and Productivity**

TNB will aim to enhance its human capital competencies and capabilities so its workforce is equipped to support its geographical expansion objectives and face future challenges. TNB will also endeavour to increase manpower productivity by benchmarking itself against industry best practices.

Even as TNB undertakes continuous improvements in operational efficiency and geographical expansion, TNB will focus its efforts on expanding its operations beyond Malaysian shores specifically in the provision of operating and maintenance services over the next five years. To this end, under the arm of TNB International, TNB and its subsidiaries will continue to offer its services across the regions and enhance its market presence to secure more external contracts. Going forward, TNB will continue to explore opportunities in North Africa, the Middle East and Southeast Asia.

6.6.4 Relationship with the Government

TNB enjoys a good industrial relationship with KeTTHA, EC and other stakeholders such as Federation of Malaysian Manufacturers. TNB seeks to maintain an inclusive approach with regard to stakeholder management, cross-cutting through common objectives of relevant Ministries and Government agencies and consistent with the transformation policy of the Government as well as other national agenda. To attain stakeholders' value, TNB seeks the best business modus operandi and acceptable operational regime for the sake of its 7.9 million customers and stakeholders.

On relationship nurturing, TNB constantly embarks on government relationship programs undertaken by Regulatory Relations and Management Department and Corporate Affairs Division. Similarly other divisions and departments that deal with stakeholders especially Government regulators and legislators (member of parliaments) also carry out relationship and networking programs on counterpart and peer basis at working level.

6.6.5 Regulatory Risks

As a licensee under section 9 of the ESA, TNB's powers to fix and levy tariffs on its consumers are strictly governed by the provisions of the ESA. Section 26 of the ESA in particular prescribes that the levying of tariffs in relation to the service of supplying electricity will require the written approval of the Minister of Energy, Green Technology and Water. Prior to fixing the tariffs, a tariff review proposal is submitted by TNB to the tariff evaluation taskforce/committee headed by KeTTHA and EC after which, KeTTHA will forward their recommendation on the tariff review for Cabinet approval.

There are also a number of imminent changes in the electricity supply industry that are expected to affect TNB as well as other licensees under the ESA. These changes would include:

(a) Amendments to the ESA.

TNB have recently been informed of the Government's intent to amend the ESA. Consultations with KeTTHA and the EC are presently being carried out in relation to the proposed amendments.

(b) The Renewable Energy Act 2011 ("**RE Act**") (expected to be fully in force by 1 December 2011)

The RE Act will require TNB to purchase renewable energy generated by plants fuelled by renewable resources, namely biogas, biomass, small hydropower and solar photovoltaic ("**Renewable Energy Installations**").

This purchase will be carried out through renewable energy power purchase agreements and will stand in priority over TNB's purchase of electricity generated from resources other than renewable resources. The premium rates at which renewable energy is purchased has been pre-determined under the RE Act and are called feed-in tariff rates.

To provide for this purchase of renewable energy, the RE Act has created a Renewable Energy Fund ("**RE Fund**"). TNB has a statutory right to claim from the RE Fund the difference between feed-in tariff rates paid and the cost which it would have otherwise incurred to generate the same amount of electricity that has been generated by Renewable Energy Installations. The RE Act also provides that the Sustainable Energy Development Authority, as the authority responsible in administering and implementing the feed-in tariff system, shall give due consideration to the amount of moneys available in the RE Fund from time to time.

6.7 Key Financial Highlights of the Guarantor

Summary of the Guarantor's Group Balance Sheet

FYE RM' Million	Unaudited Nine (9) months ended 31 May 2011	Audited		
		2010	2009	2008
Total assets	73,088.3	74,081.1	71,363.0	69,841.9
Total borrowings	19,251.6	21,263.6	22,616.0	22,740.4
Total liabilities	44,011.1	45,266.6	45,316.7	44,080.0
Share Capital	5,451.7	4,352.7	4,337.0	4,334.5
Shareholder's equity	29,015.0	28,778.9	26,006.1	25,657.2

Summary of the Guarantor's Group Income Statement

FYE RM' Million	Unaudited Nine (9) months ended 31 May 2011	Audited		
		2010	2009	2008
Revenue	22,998.0	30,320.1	28,785.6	25,750.6
Operating profit	1,316.2	4,182.7	3,698.9	4,042.0
Profit/(loss) before taxation and zakat	1,118.5	4,022.1	1,543.1	3,025.2
Profit/(loss) after tax	887.9	3,197.3	853.0	2,600.4

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SECTION 7.0

INVESTMENT CONSIDERATIONS

Investment in the Islamic Securities involves certain risks. This section provides a summary of certain risk factors, each of which, among others, may materially and adversely affect the ability of the Issuer, the Obligor or the Guarantor to make payment under any transaction documents relating to the Islamic Securities to which it is a party on a timely basis. This section is not intended to be exhaustive. Prospective purchasers of the Islamic Securities should read and carefully consider, among other things, the following factors in connection with the purchase of the Islamic Securities and undertake their own investigations and analyses on the Issuer, the Obligor, the Guarantor, their business and risks associated with the Islamic Securities. Investors should also note that each Islamic Securities issuance under the Islamic Securities Programme will carry different risks and all investors should evaluate each Islamic Securities on their respective merits.

7.1 Considerations Relating to the Islamic Securities Programme

7.1.1 Performance of Contractual Obligations

The ability of the Issuer to make payments in respect of the Islamic Securities shall depend upon due performance by the other parties to the transaction documents and their obligations thereunder.

7.1.2 Rating of the Islamic Securities

Series 1 of the Islamic Securities Programme has been assigned an indicative rating of AAA and Series 2 of the Islamic Securities Programme has been assigned an indicative rating of AAA(s) by RAM Rating Services Berhad. The indicative rating reflects the likelihood of full and timely payment of periodic distribution and redemption amounts by the Issuer to the Sukukholders. A rating is not a recommendation to purchase, hold or sell the Islamic Securities as such ratings do not comment on the market price of the Islamic Securities or its suitability for a particular investor. Further, such a rating is not a guarantee of payment or that there will be no default by the Issuer, the Obligor or the Guarantor under the Islamic Securities. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be downgraded, suspended or withdrawn entirely by an assigning rating organisation in the future, if, in its judgment and circumstances in the future so warrant. In such circumstances, the liquidity and market price of the Islamic Securities may be adversely affected and no person or entity will be obliged to provide any additional credit enhancement in respect thereof. Any downgrading, suspension or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Islamic Securities.

7.1.3 No prior market for the Islamic Securities

The Islamic Securities comprise of new issue of securities for which there is no current public market prior to its issuance. There can be no assurance that any such market for the Islamic Securities will develop or, if it does develop, it will provide the holders of the Islamic Securities with the liquidity or it will continue for the entire tenure of the Islamic Securities. If a market for the Islamic Securities develops, there can be no assurance as to the ability of the holders to sell their Islamic Securities or the prices at which the holders would sell their Islamic Securities.

7.1.4 Market risk

Other than the operating results and/or the financial conditions of the Obligor and the Guarantor, the price of the Islamic Securities in the secondary market may be influenced by numerous factors, including but not limited to, the political, economic, and any other factors that can affect the capital markets, the industry, and the Issuer in general. Adverse economic and financial developments could have a material adverse effect on the market value of the Islamic Securities.

7.1.5 Interest rate risk

Sukukholders may suffer unforeseen losses due to fluctuations in interest rates. Although the Islamic Securities are Islamic securities which do not pay interest, they are similar to fixed income securities and may therefore see their price fluctuate due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices. The Islamic Securities may be similarly affected resulting in a capital loss for Sukukholders. Conversely, when interest rates fall, bond prices and the prices at which the Islamic Securities are traded may rise. Sukukholders may enjoy a capital gain but profit received may be reinvested for lower returns.

7.1.6 Suitability of investments

The Islamic Securities issued under the Islamic Securities Programme may not be a suitable investment for all investors. Each potential investor in the Islamic Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Islamic Securities, the merits and risks of investing in the Islamic Securities and the information contained in this Information Memorandum;
- (b) have access to , and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Islamic Securities and the impact of the Islamic Securities will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Islamic Securities, including where the currency of payment is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Islamic Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

7.1.7 Total loss

The Islamic Securities are issued under the Ijarah principle based on the sale and leaseback of certain Shariah compliant leasable assets. Under the transaction documents, upon occurrence of a Total Loss Event, in respect of a particular Ijarah Agreement, TNBJ shall notify by written notice to the Trustee and the Issuer in accordance with the provisions of the Islamic Securities Trust Deed and/or Servicing Agency Agreement, following which upon receipt of the notice in writing by the Trustee, a Mandatory Redemption Event shall have occurred in relation to the relevant tranche of the Islamic Securities relating to the relevant Lease Assets in a particular Ijarah Agreement. In such event, the relevant Islamic Securities will be redeemed using the proceeds of takaful/insurance. If the takaful/insurance proceeds are insufficient to cover the nominal value of the relevant outstanding Islamic Securities of that affected tranche and all accrued and unpaid periodic distribution amount thereon, the Servicing Agent shall irrevocably and unconditionally undertake to make good the difference, for not taking full takaful/insurance coverage on the relevant Lease Assets pursuant to the terms of the Servicing Agency Agreement and shall immediately make the requisite payment to the Issuer if sufficient proceeds of takaful/insurance have not been received within thirty (30) days after the occurrence of a Mandatory Redemption

Event. Any excess from the takaful/insurance proceeds shall be paid to the Servicing Agent as an incentive fee.

As the Total Loss Event is defined as the total loss or destruction of, or damage to the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement or any event or occurrence that renders the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical, it is proposed that the land upon which the Existing Power Plant and the New Power Plant are erected on will be demarcated and subdivided into smaller plots and to be included as part of the Lease Assets for each tranche so as to mitigate the risk of a Total Loss Event. However, note that this risk is not mitigated in relation to tranches maturing more than 18 years from the date of first issue of the Islamic Securities if:

- (a) the New Power Plant land is transferred from TNBJ to TNB on the expiry of PPA1 as contemplated in PPA1; and
- (b) TNBJ does not substitute the New Power Plant land for such tranches with other lands.

Note that under the draft supplemental agreement to the PPA1, it is proposed that the New Power Plant land will remain with TNBJ on expiry of PPA1.

7.1.8 Transfer of Lease Assets to TNBJ

It is intended that the Lease Assets for tranches maturing up to and including eighteen (18) years from the date of first issue of the Islamic Securities shall consist of specific portions of land and specific leasable components of the plant and machinery assets of the Existing Power Plant and any other Shariah compliant leasable assets approved by the Shariah Advisers to be identified for each tranche.

It is intended that the Lease Assets for tranches maturing more than eighteen (18) years from the date of first issue of the Islamic Securities shall consist of specific leasable components of the plant and machinery assets of the Existing Power Plant, specific portions of land of the New Power Plant and/or any other Shariah compliant leasable assets approved by the Joint Shariah Advisers to be identified for each tranche.

Under the terms of the PPA1 between TNB and TNBJ, the land and the plant and machinery assets of the Existing Power Plant and the land of the New Power Plant are to be transferred to TNB upon expiry of PPA1 on 31 August 2030 ("**Affected Assets**") unless otherwise agreed by TNB and TNBJ.

In respect of those tranches maturing more than 18 years from the date of first issue of the Islamic Securities ("**Said Tranches**") TNBJ will be obliged, pursuant to a mandatory substitution ("**Mandatory Substitution**"), from the commercial operation date of the New Power Plant ("**COD**") but no later than sixty (60) days prior to the expiry of PPA1 ("**Mandatory Substitution Period**"), to substitute the Affected Assets with specific leasable components of the plant and machinery assets of the New Power Plant and/or any other Shariah compliant leasable assets of equal or greater value than the Affected Assets subject to compliance with the SC Shariah Advisory Council asset pricing guidelines under the Islamic Securities Guidelines, approved by the Joint Shariah Advisers ("**Mandatory Substitute Lease Assets**"). Following such substitution, the lease under the relevant Ijarah Agreement of the Said Tranches shall continue with the Mandatory Substitute Lease Assets based on the existing terms of the relevant Ijarah Agreement. For avoidance of doubt, in the event the land of the New Power Plant is not transferred to TNB upon expiry of PPA1, the land of the New Power Plant shall continue to be part of the Lease Assets of the Said Tranches until maturity. Failure by TNBJ to

substitute the Affected Assets within the Mandatory Substitution Period shall be a Dissolution Event, pursuant to which the Purchase Undertaking shall be exercised unless the failure is remedied within 30 days after TNBJ becomes aware or having been notified by the Trustee/Security Agent in writing of the failure to comply.

7.1.9 Recourse to the Obligor and the Lease Assets

Following a dissolution event/event of default pursuant to the terms of the Islamic Securities Programme, the rights of each of the Trustee, Security Agent and the Sukukholders of the relevant series of the Islamic Securities will be against the Obligor to pay the Exercise Price for the purchase of the Lease Assets pursuant to exercise of the Purchase Undertaking. As the Lease Assets are not intended to be part of the security for the Islamic Securities and the Obligor's obligations are not secured by the Lease Assets, the Sukukholders shall have no recourse to the Lease Assets in a dissolution event/event of default. However, the Sukukholders for Series 1 will have recourse to the Security and the Sukukholders for Series 2 shall have recourse to the TNB Guarantee.

7.1.10 No cross collateralisation

The Security will not cross collateralise and shall be ring-fenced solely for the Sukukholders for Series 1. Series 2 and Subsequent Series will be unsecured and will not have the benefit of the Security.

7.1.11 Dependence on TNB for Series 2

TNB, as guarantor for Series 2 of the Islamic Securities is also the sole off taker under the PPA1 and PPA2 to purchase all of the Existing Power Plant and the New Power Plant's available capacity and any electrical output despatched. TNBJ is therefore dependent on the credit quality of TNB. Should there be any material adverse effect on the business or condition (financial or otherwise) of TNB, Series 2 of the Islamic Securities will be affected as the value of the guarantee is not independent.

7.2 Risk relating to the Issuer

The Issuer is a special purpose vehicle and has no significant operating history. The Issuer will not engage in any business activity other than the issuance of the Islamic Securities under the Islamic Securities Programme, the acquisition of the Lease Assets by way of transfer of the beneficial ownership, and other activities incidental or related to the foregoing as required under the Transaction Documents. The Issuer will have no material assets other than the Ijarah Trust Assets.

The ability of the Issuer to pay amounts due on the Islamic Securities will primarily be dependent upon receipt by the Issuer from TNBJ of any Rental, Exercise Price and all amounts due under the Servicing Agency Agreement (which in aggregate may not be sufficient to meet all claims under the Islamic Securities and the Transaction Documents).

7.3 Risk related to TNB and TNBJ's business and the electricity industry in Malaysia

7.3.1 TNB and TNBJ requires significant capital for its business

TNB and TNBJ incur substantial capital expenditure relating to new projects as well as the replacement of operating assets and infrastructure. The capital expenditures are expected to be funded through a combination of internally generated cash flow and other external financing sources. If TNB and TNBJ are unable to fund capital expenditures from internally generated cash flow or obtain funds from external sources on acceptable terms or in timely manner, or at all, the capital expenditures

would have to be deferred. This may restrict TNB and TNBJ's ability to grow and, over time, may reduce the quality and reliability of the service it provides as well as adversely affect future profitability.

7.3.2 Future restructuring of the electricity industry in Malaysia may have an adverse effect on TNB and TNBJ's business and operations

The Government of Malaysia may consider a reform of the Malaysian Electricity Supply Industry in the future in order to enhance transparency and efficiency of the industry. There is no assurance that can be made as to the form and scope of any final restructuring plan that will be adopted by the Government, if any. Nevertheless any efforts on industry restructuring must ensure that all the prerequisites such as fuel subsidy, fuel cost pass through, tariff cross subsidy etc must be addressed and resolved before moving ahead. There can be no assurance that any industry restructuring will not have an adverse effect on TNB and TNBJ's business and operations.

7.3.3 The business of electricity generation, transmission and distribution involves many operating risks

The operation of electricity generation, transmission and distribution facilities involves many operating risks. TNB and TNBJ have experienced or may experience breakdown or failure of electricity generation equipment, transmission lines, distribution lines or drops, pipelines or other equipment or processes, inability to obtain adequate fuel supplies and performance below expected levels of output or efficiency (whether due to misuse, unexpected degradation or design or manufacturing defects), failure to keep on hand adequate supplies of spare parts, operation error, labour disputes, thefts, catastrophic events such as fires, floods, earthquakes and other similar events and the need to comply with the directions of relevant government authorities. The occurrence of any of these events could increase the cost of operating TNB and TNBJ's facilities or otherwise materially and adversely affect TNB and TNBJ's financial condition and results of operations. Although insurance is maintained by TNB and TNBJ to protect against certain of these operating risks, the proceeds of such insurance may not be adequate to cover lost revenues or increased expenses.

7.3.4 Fluctuations in the supply of certain energy sources could have a negative impact on TNB and TNBJ's operational performance and profitability

Fluctuations in the fuel supply to the electricity industry may require TNB to rely to a greater extent on other more expensive fuel sources for generating electricity. Furthermore, under the existing power purchase agreements between TNB and the IPPs, any increase in fuel costs to those IPPs may be passed through to TNB. TNB's results for the third quarter of FY2011 were adversely affected by the increase in fuel costs as a result of a shortage in the supply of natural gas by Petronas Gas Berhad. The gas allocation to the power sector has decreased significantly since January 2010, below the requirement level of 1,250 mmscfd. The situation has deteriorated further in December 2010 when one of the gas facilities caught fire and has to be on long outages for repair works. Since then, the average gas supply to power sector has consistently been below 1,250 mmscfd. Although existing coal plants have been maximised during this period, the shortfall in gas volume has also been replaced by utilising more oil and distillates, which are more expensive. There can be no assurance that such shortages or fluctuations in the supply of energy sources will not continue in the future, which may adversely affect TNB's performance and profitability.

As for TNBJ, the supply of coal is regulated by the Coal Supply and Transportation Agreement which ensures adequate and reliable coal supply to the Facility. Furthermore, fluctuations in gas supply, i.e. the next main fuel source used for generation of electricity, will have very little impact on TNBJ as the gas price is

expected to be increased to market price by 2015 and also the fact that TNBJ is a base-load plant.

7.3.5 TNB and TNBJ are subject to many environmental laws

TNB and TNBJ's operations are subject to various environmental laws relating to water, air and noise pollution and the disposal of hazardous materials. Although TNB and TNBJ believe that they are in compliance in all material aspects of these environmental laws, some risk of environmental costs and liabilities is inherent in their operations and there can be no assurance that material costs and liabilities will not be incurred in the future in this regard. Compliance with environmental laws and regulations may also result in delays in the expansion and development of TNB and TNBJ's generation plants, transmission and distribution systems.

7.3.6 Foreign Exchange Risk

TNBJ faces foreign exchange risk as some of the engineering, procurement and construction costs are denominated in foreign currencies, such as USD and EUR. The following steps will be taken by TNB on behalf of TNBJ to mitigate the foreign exchange risk:

(a) Forward exchange contracts

TNB purchases currencies more than two (2) days before settlement date provided firm amount and value date are known earlier to avoid speculative hedging as stipulated under BNM rules and regulations. This mechanism will enable TNB to lock-in the forward currency rates upfront to protect TNBJ from adverse currency fluctuation.

(b) Floats in USD and EUR

TNB will carry out an opportunistic spot buying of USD and EUR whenever MYR strengthens against the currencies. The floats will act as natural hedge and any USD and EUR payments will be settled via foreign currency accounts. TNB may purchase the additional amount of USD and EUR to top up the floats should the amounts decrease due to utilisation whenever necessary.

7.4 Project Risk

7.4.1 Pre-Completion Risk

(a) Cost Overrun

TNBJ has entered into a lump sum EPCC for the Project. TNBJ therefore bears a significant amount of cost overrun risk, especially because the EPCC provides for adjustments to the contract price only in certain limited and well-defined circumstances. These are if the EPC Contractor suffers and/or incurs cost:

- (i) pursuant to sub-clause 1.13 (Compliance with Laws), as a result of a failure by TNBJ to obtain the permits under the development order and the IPP licence as set out in Schedule J(i); and/or the failure of TNBJ to make timely payment of all customs and excise duties and all related charges payable for importing the plant;
- (ii) pursuant to sub-clause 2.1 (Right of Access to and Possession of the Site), as a result of a failure by TNBJ to give any such right or possession within such time provided under the EPCC;

- (iii) pursuant to sub-clause 4.7 (Setting Out), from executing work which was necessitated by an error in those items of reference for which the EPC Contractor is not responsible;
- (iv) if and to the extent that the EPC Contractor encounters physical conditions which are unforeseeable pursuant to sub-clause 4.12 (Unforeseeable Physical Conditions);
- (v) from complying with the engineer's instructions for dealing with any finding of fossils, coins, articles of value or antiquity, structures and other remains or items of geology or archaeological interest on the site pursuant to sub-clause 4.24 (Fossils);
- (vi) as a result of a failure by the engineer to respond within 28 days (calculated from the date on which the engineer receives the EPC Contractor's document and the EPC Contractor's notice) pursuant to sub-clause 5.2 (Contractor's Documents);
- (vii) from any failure of the engineer or TNB to comply with the time period set out in sub-clause 5.2B (Off-taker Approvals) or TNB unreasonably withhold its approval of the capability curves, relay types and relay settings for the electrical generators and transformers;
- (viii) from complying with instructions in relation to sub-clause 7.4 (Testing) or as a result of a delay for which TNBJ is responsible;
- (ix) from complying with the engineer's instructions to suspend progress of part or all of the works and/or from resuming the work pursuant to sub-clause 8.9 (Consequences of Suspension);
- (x) pursuant to sub-clause 10.3 (Interference with Tests on Completion), as a result of delay in carrying out the tests on completion;
- (xi) from complying with the engineer's instructions to suspend the tests on completion and/or to resume the tests on completion as provided under sub-clause 10.3 (Interference with Tests on Completion);
- (xii) as a result of changes in Law or in such interpretations, made after the base date, or any changes to the Grid Code that come into effect after 22 January 2011 as provided under sub-clause 13.7 (Adjustments for Changes in Legislation);
- (xiii) as a result of suspending work (or reducing the rate of work) in accordance with sub-clause 16.1 (Contractor's Entitlement to Suspend Work);
- (xiv) from rectifying the loss or damage resulting from TNBJ's risk as set out under sub-clause 17.3 (Employer's Risks);
- (xv) if the EPC Contractor is prevented from performing any of his obligations under the contract by force majeure of which notice has been given in accordance with the contract, and suffers delay and/or incurs cost from rectifying loss or damage to the works, goods (excluding EPC Contractor's equipment) or EPC Contractor's documents by reason of such force majeure.

The works under the EPCC will be carried out over 48 months.

(b) Technology

The use of supercritical technology is new to TNB and Malaysia. TNBJ will need to enter into a technical services agreement with an experienced utility operator to obtain training as well as operational and maintenance support during the commissioning, performance testing and for at least the first two (2) years of the initial operation of the New Power Plant.

However, the design of the New Power Plant is based on proven technology. There has been extensive use of large supercritical thermal power plants in developed countries such as Germany, Japan, USA and more recently, China over the last 50-60 years with capacities ranging from 1,000 MW to approximately 1,350 MW.

(c) Essential Risk for Site

The essential risk for the Manjung site is that the Project is situated on a reclaimed island. In respect of the Existing Power Plant, this risk was managed by careful selection of the foundation design and the use of bored piles of considerable depth (in some cases 60 metres or more). In addition, much effort was spent on the up-front geotechnical investigations and monitoring and supervision of the actual piling works.

TNBJ will need to ensure that the same level of effort is implemented with regard to the New Power Plant to mitigate all of the risks related to the Project site.

(d) Completion Delay

The EPC Contractor has guaranteed to complete the whole of the works under the EPCC within 1,461 days from the commencement date (which was 31 March 2011), namely by 31 March 2015. However, this date does not coincide with the scheduled commercial operation date under the PPA2. The PPA2 instead provides for a scheduled commercial operation date of 1 March 2015 which is consistent with the date stipulated by the EC when awarding the Project to TNBJ in August 2010.

The mismatch between the date for the completion of works under the EPCC and the scheduled commercial operation date under the PPA2 means there is considerable risk of delay under the PPA2, which may lead to liquidated damages of Ringgit Malaysia six hundred thousand (RM600,000.00) being imposed upon TNBJ for each day of delay.

In this connection, TNBJ is presently appealing to the EC for a revision of the scheduled commercial operation date from 1 March 2015 to 31 March 2015 and a response from the EC is forthcoming.

It is worth noting that if the EPC Contractor fails to complete the works within the completion period under the EPCC, liquidated damages would be payable by the EPC Contractor to TNBJ as follows:

- (i) Ringgit Malaysia two million and five hundred thousand (RM2,500,000.00) per day of delay beyond 31 March 2015 for the first 120 days; and
- (ii) Ringgit Malaysia three million and five hundred thousand (RM3,500,000.00) for each subsequent day.

Late completion liquidated damages are capped at fifteen per cent (15.0%) of the Accepted Contract Amount which is approximately Ringgit Malaysia seven hundred and sixty-five million (RM765,000,000.00).

Thus apart from the mismatch issue, the amount of liquidated damages payable by the EPC Contractor under the EPCC would have been sufficient to reimburse TNBJ for the amount of liquidated damages for delay payable by TNBJ under the PPA2. However, TNBJ can give no assurance on the performance of the EPC Contractor under the EPCC.

(e) Other Completion Delays

Other delays in achieving the commercial operation date could arise due to:

- (i) the failure by TNB to energise the interconnection facilities by 1 November 2013. However, in such event, TNBJ will be entitled to declare the commercial operation date on the scheduled commercial operation date but it will need to be able to meet the requirements of the PPA2 to make that declaration notwithstanding such delay caused by TNB;
- (ii) the failure by TNB to complete the transmission lines by 1 August 2014. However, in such event, TNBJ will be deemed to achieve the commercial operation date on the scheduled commercial operation date.
- (ii) the grid system operator exercising its right to delay the initial operation date. If the grid system operator delays the initial operation date by fifteen (15) days, TNBJ remains obliged to meet the scheduled commercial operation date. However, if the grid system operator delays the initial operation date for more than fifteen (15) days, the scheduled commercial operation date is extended by one (1) day for each day beyond the initial fifteen (15) days delay.

(f) Plant Performance

The EPC Contractor has guaranteed certain performance targets at completion, which include:

- (i) dependable capacity of 1,013.38 MW ("**Guaranteed Dependable Capacity**"); and
- (ii) weighted net plant heat rate of 9,113.95 kJ/kWh ("**Guaranteed Heat Rate**").

If the EPC Contractor fails to achieve the above guarantees, liquidated damages are payable as follows:

- (i) where the tests on completion show that the dependable capacity of the plant is between 980 MW and 1,013.38 MW, the liquidated damages is RM10,000.00 per kW below the Guaranteed Dependable Capacity. However, this is subject to a cap of 10.0% of the Contract Price ("**Cap on Non-Performance Damages**");
- (ii) where the tests on completion show that the dependable capacity of the plant is below 980 MW, the liquidated damages is RM20,000.00 per kW below 980 MW. However, this is subject to a

cap of 30.0% of the contract price ("**Cap on Serious Non-Performance Damages**");

- (iii) RM1,235,550.00 per KJ per kWh above the Guaranteed Heat Rate;

Under the terms of the PPA2, if the dependable capacity of the plant is below the nominal capacity of 1,010 MW, TNBJ is liable to pay one time liquidated damages calculated at RM5,000.00 per kW of the shortfall in the capacity.

Although there would be no further liquidated damages payable by TNBJ under the PPA2, the lower dependable capacity will impinge on the available capacity payments to be received in future.

(g) Start-up and Commissioning

Under the EPCC, TNBJ is obligated to ensure that they complete the following obligations for start-up and commissioning:

- (i) to provide raw water at tie-in point no later than 853 days from 31 March 2011; and
- (ii) to provide temporary power no later than 884 days from 31 March 2011.

TNB has agreed under the PPA2 to provide temporary supply from 1 August 2013 and starting from the commercial operation date, TNB may upon TNBJ's request, provide the New Power Plant with a supply of back-up and start-up electricity.

(h) Force Majeure During Construction

If the EPC Contractor is prevented from performing any of their obligations under the EPCC by force majeure event of which notice has been given in accordance with the EPCC, the EPC Contractor shall be entitled to:

- (i) an extension of time, and
- (ii) in circumstances where the force majeure event is caused by acts of war or public disorders and the like, the EPC Contractor is entitled (subject to claim procedures set out in sub-clause 20.1 of the EPCC) to the cost incurred in rectifying the loss or damage to the works, goods (excluding the EPC Contractor's equipment) or the EPC Contractor's documents caused by the force majeure event; such cost, shall be included in the contract price.

Under the terms of the PPA2, a force majeure event under the EPCC is accepted as a force majeure event for purposes of the PPA2. Consequently, the scheduled commercial operation date will be extended in the event of any extension of time given to the EPC Contractor under the EPCC.

If the force majeure event delays the occurrence of the commercial operation date beyond the scheduled commercial operation date, TNB will pay the costs of servicing the debt (drawdown and expended by TNBJ in accordance with the financing documents) and any unavoidable costs (to the extent not covered by insurance policies). However, the total unavoidable costs that TNBJ is entitled to claim from TNB are limited to an

amount equal to the fixed operating rate portion of the fixed availability payment.

(i) Change-in-law

It has been agreed between the parties to the EPCC that the contract price of the EPCC shall be adjusted to take into account any increase or decrease in cost resulting from a change in the laws of Malaysia or in the judicial or official governmental interpretation of such laws, made after the base date (i.e. 5 November 2010), and any changes to the Grid Code that come into effect after 22 January 2011, which affects the EPC Contractor in the performance of their obligations under the EPCC.

If the EPC Contractor suffers (or will suffer) delay and/or incurs (or will incur) additional cost as a result of these changes, the Contractor shall give notice to the engineer and shall be entitled, subject to claim procedures set out in sub-clause 20.1:

(i) to an extension of time for any such delay, if completion is or will be delayed; and

(ii) payment of such cost, which shall be included in the contract price.

To the extent the change in law occurs after the effective date of the PPA2, the additional costs incurred by TNBJ under the EPCC may be recoverable under the PPA2. However, this recovery is limited as under the terms of the PPA2, TNBJ will need to bear up to RM10,000,000.00 of costs for any material capital improvement or other material modification to the New Power Plant necessitated by a change in law. Only costs in excess of the RM10,000,000.00 threshold will be recoverable by way of an extension of the term of the PPA2 or an adjustment to the capacity rate financial.

(j) New license for TNBJ

A new licence is required under section 9 of the ESA for the generation and supply of electricity from the New Power Plant. In this connection, TNBJ has on 25 August 2011 submitted an application to the EC for a new generating licence. The issuance of a new licence for the New Power Plant is therefore pending.

Furthermore, there are specific covenants under the transaction documents pertaining to the Islamic Securities Programme for TNBJ to procure the said license.

(k) The Engineer under the EPCC

Under the EPCC, the Engineer (being Tokyo Electric Power Services Co. Ltd. and Minconsult Sdn. Bhd. Joint Venture) is deemed to act for TNBJ whenever carrying out his duties or exercising the authority specified in or implied by the EPCC. The specific approval of TNBJ is only required when the Engineer is initiating a variation or consenting to sub-letting any work or change in sub-contractor or supplier for major equipment. The EPCC further provides that whenever, the Engineer exercises a specified authority for which TNBJ's approval is required, TNBJ shall be deemed to have given approval. Moreover, it is the Engineer and not TNBJ who has the right to grant extensions of time and adjustment of cost.

The only agreement which binds the Engineer is an agreement executed between TNB and the Engineer ("**Engineer Contract**") for the Engineer to provide consultancy services under the EPCC. Since TNBJ is not a party to

the said Engineer Contract, TNBJ would have no contractual recourse against the Engineer if the Engineer breaches any of his obligations under the EPCC. While there would be contractual recourse available for TNB, TNBJ may only avail itself to common law recourse (if any). TNB and TNBJ intend to enter into a novation agreement with the Engineer to enable TNBJ to assume the rights and obligations of TNB under the Engineer Contract.

7.4.2 PPA2 Post-Completion Risk

(a) Despatch Risk

Under the PPA2, TNB will be required to make available capacity payments to TNBJ to the extent the New Power Plant makes capacity available to TNB. The available capacity payments will be based on capacity rate financial rates of RM53.60 kW/month in the first seventeen (17) years of commercial operation (Tier 1) and RM24.70 kW/month in the remainder of the term (Tier 2). This portion of the New Power Plant's revenue is not subject to despatch risk and TNBJ will be entitled to the full amount provided that the New Power Plant does not exceed unplanned outage limits and meets specified availability targets.

On the other hand, energy payments to be made by TNB to TNBJ are exposed to despatch risk as these payments would not be due to TNBJ if the New Power Plant is not requested by TNB to generate electricity.

However, this risk is expected to be low in view of the relatively favourable position of coal-fired power plants in the merit order leading to their regular base load operation. It is expected that the New Power Plant would be listed in the same manner in the merit order, if not better in view of the projected higher efficiency of supercritical technology.

(b) Operations and Maintenance Risk

There are a number of operational factors that can lead to reduced revenue, penalties and/or increased costs to TNBJ. These include unexpected and extended breakdowns leading to breaches of unplanned outage limits, failures to achieve availability targets and higher than anticipated heat rates. The PPA2 provides an unplanned outage limit of 6.0% which a prudent operator may reasonably be expected to meet. If unexpected breakdowns do not exceed this 6.0% limit, available capacity payments would remain unaffected. But if this 6.0% limit is exceeded, every full loss of availability in a day would mean a loss of revenue of approximately Ringgit Malaysia one hundred and forty thousand (RM140,000.00) in Tier 1 and Ringgit Malaysia seventy-five thousand (RM75,000.00) in Tier 2. In the event MW loss continues beyond an 8.0% limit, additional liquidated damages would be payable by TNBJ to TNB amounting to Ringgit Malaysia one hundred and eighty thousand (RM180,000.00) in Tier 1 and Ringgit Malaysia ninety-five thousand (RM95,000.00) in Tier 2.

On the other hand, if availability targets are unmet, TNBJ will be required to pay liquidated damages to TNB calculated based on the shortfall between an availability target of 91.0% and the average availability target achieved by the New Power Plant in a block of three (3) or four (4) contract years.

Finally, if actual fuel consumption exceeds that anticipated under the tested and applicable heat rates, the New Power Plant would suffer increased

costs as there would be no equal reimbursement from fuel payments made by TNB.

To address the abovementioned risks, TNBJ will be establishing a maintenance reserve in the sum of not less than RM24,000,000.00 to fund the maintenance expenses of the New Power Plant. The maintenance reserve shall be used exclusively to pay for maintenance expenses for the New Power Plant to ensure that it will continue to be operated in accordance with prudent utility practices, design limits and the conditions of the PPA2.

(c) Force Majeure Risk

If either party is rendered unable by reason of force majeure to perform, wholly or in part, any obligation set out in the PPA2, those obligations shall be suspended or excused to the extent their performance is affected by such event.

The scheduled commercial operation date shall be extended by one (1) day for each day the commercial operation date is delayed by a force majeure event and TNBJ would not be liable for delay. Moreover, the term of the PPA2 will also be extended by one (1) day for each day the New Power Plant is unavailable after commercial operation due to a force majeure event affecting the New Power Plant and when TNBJ is not entitled to receive insurance proceeds for available capacity payments not received.

If a force majeure event affects TNB before the commercial operation date, TNB shall pay TNBJ its costs of servicing debt and any unavoidable costs incurred to the extent TNBJ does not receive insurance proceeds. On the other hand, if a force majeure event affects TNB after the commercial operation date, TNB's obligations to make available capacity payments will continue but only to the extent the New Power Plant is made available. Should these amounts be insufficient to cover debt service and TNBJ's unavoidable costs, TNB shall pay such amounts necessary to do so but unavoidable costs are capped to a sum equal to the fixed operating rate portion of the fixed availability payment.

On the other hand, if a force majeure event affects TNBJ after the commercial operation date, TNB shall make available capacity payments only to the extent the New Power Plant is available.

(d) Industry Restructuring Risk

If industry restructuring (such as the introduction of a power pool or other market system) is implemented, and TNB and TNBJ are unable to reach agreement on amendments to the PPA2 to reflect such industry restructuring within a period of six (6) months, then TNB is entitled to terminate the PPA2 immediately. TNB shall then purchase the New Power Plant at a pre-agreed formula which includes payment of all outstanding indebtedness, an agreed level of shareholders' return and the cost of transferring the New Power Plant to TNB.

(e) Shared Facilities

The SFA1 and SFA2 to be entered into between TNBJ and TNB address the risk arising from the transfer of either the Existing Power Plant or the New Power Plant from TNBJ to TNB pursuant to the provisions of the PPA1 or the PPA2. This is particularly when the PPA1 expires or either the

PPA1 or the PPA2 is terminated early and the Shared Facilities continue to be required and used.

Under the shared facilities agreement in favour of TNBJ, (i.e. the SFA2), TNB agrees up-front that when the Existing Power Plant is transferred to TNB under the PPA1, TNB shall grant TNBJ an irrevocable licence to use the Shared Facilities and specified easement rights over the land on which the Existing Power Plant is located. This agreement by TNB however is subject to the payment by TNBJ of fees for the use of the Shared Facilities.

Under the shared facilities agreement in favour of TNB (i.e. the SFA1) on the other hand, TNBJ immediately grants to TNB an irrevocable licence to use the Shared Facilities and agrees up-front that in the event of a transfer of the New Power Plant to TNB pursuant to the PPA2, TNBJ would grant to TNB specified easement rights over the land on which the Existing Power Plant is located. This arrangement is also subject to the payment of fees for the use of the Shared Facilities which are in this case to be paid by TNB to TNBJ.

(f) Coal Supply

The supply of coal for the New Power Plant will need to be procured exclusively from TFS under the CSTA2. While TFS has identified some suppliers of coal, these producers or mines are not dedicated suppliers and TFS may supply coal wholly or partially from other suppliers or sources.

TNBJ will provide TFS with monthly nominations of quantities of coal for delivery. TFS is required to prepare remedial plans in the event of delays and TNBJ shall be entitled to purchase coal on its own if such remedial plans are unacceptable to TNBJ or not implemented. Additional costs incurred by TNBJ for such purchase will be reimbursed by TFS.

In the event of supply interruptions, TNBJ shall be able to avail of its minimum stockpile of 317,340 tonnes, but such stockpile is only sufficient for the full operation of the New Power Plant over a period of 30 days.

(g) Coal Quality

All coal delivered by TFS shall meet quality specifications stipulated in the CSTA and be substantially free from impurities. TNBJ may reject any individual shipment of coal that exceeds any of the quality rejection limits, or if discharging the coal would cause damage to the discharge port or the New Power Plant.

The price of coal delivered to TNBJ shall be adjusted and determined taking into account gross calorific value, moisture, ash content, sulphur content and size and further adjustments based on the results of analysis by an inspection company.

(h) Coal Price

The coal price (including insurance, transportation charges and taxes) is a pass-through to TNB in the form of energy payments payable under the PPA2 based on an agreed-upon partial heat rate table and subsequently tested heat rates. However, higher than anticipated heat rates will cause the New Power Plant to bear increased costs as explained in paragraph 7.4.2(b) above.

(i) Environmental Requirements

Any emission or release of gas and foreign objects from the chimney of the New Power Plant to the air will need to be in compliance with the limits set out in Appendix 1 of the DEIA approval.

7.5 Risk of the Existing Power Plant

7.5.1 PPA1 Post-Completion Risk

(a) Early expiry of Generation Licence

The Generation Licence was issued to TNBJ under section 9 of the ESA. The Generation Licence was and continues to be a prerequisite to the operation of the Existing Power Plant and the supply of electricity to TNB. Notwithstanding the requirement for the Generation Licence to subsist throughout the operation of the Existing Power Plant, the Generation License is presently scheduled to expire earlier than the expiry of the PPA1 and prior to the maturity of the Islamic Securities.

In response to this mismatch, TNBJ had on 20 July 2011 applied to the EC for an extension to the Generation Licence and a response from the EC is currently pending.

(b) Despatch Risk

Under the PPA1, TNB is required to make available capacity payments to the extent the Existing Power Plant makes capacity available to TNBJ. The available capacity payments will be based on capacity rate financial rates of RM29.00 kW/month in the first seventeen (17) years of commercial operation under the PPA1 (Tier 1) and RM11.00 kW/month in the remainder of the term (Tier 2). This portion of the Existing Power Plant's revenue is not subject to despatch risk and TNBJ will be entitled to the full amount as long as the Existing Power Plant does not exceed unplanned outage limits and meets specified availability targets.

On the other hand, energy payments to be made by TNB for energy generated by the Existing Power Plant are exposed to despatch risk but this risk is low as the Existing Power Plant is favourably positioned in the merit order and consequently operates in base load.

(c) Operations and Maintenance Risk

There are a number of operational factors that can lead to reduced revenue, penalties and/or increased costs to TNBJ. These include unexpected and extended breakdowns leading to breaches of unplanned outage limits, failures to achieve availability targets and higher than anticipated heat rates. The PPA1 provides an unplanned outage limit of 6.0% which a prudent operator may reasonably be expected to meet. If unexpected breakdowns do not exceed this 6.0% limit, available capacity would remain unaffected. But if this 6.0% limit is exceeded, every full loss of availability in a day would mean a loss of revenue of approximately Ringgit Malaysia one hundred and sixty-five thousand (RM165,000.00) in Tier 1 and Ringgit Malaysia eighty-five thousand (RM85,000.00) in Tier 2. In the event MW loss continues beyond an 8.0% limit, additional liquidated damages would be payable by TNBJ to TNB amounting to Ringgit Malaysia two hundred and ten thousand (RM210,000.00) per day in Tier 1 and Ringgit Malaysia one hundred and ten thousand (RM110,000.00) per day in Tier 2.

On the other hand, if availability targets are unmet, TNBJ will be required to pay liquidated damages to TNB calculated based on the shortfall between an

availability target of 91.0% and the average availability target achieved by the Existing Power Plant in a block of contract years. These contract year blocks comprise of five (5) contract years for the first (1st) contract year block, one (1) contract year in the seventh (7th) and last contract year block and four (4) contract years for the intervening contract year blocks.

Finally, if actual fuel consumption exceeds that anticipated under the heat rates, the Existing Power Plant would suffer increased costs as there would be no equal reimbursement from fuel payments made by TNB.

(d) Force Majeure Risk

If either party is rendered unable by reason of force majeure to perform, wholly or in part, any obligation set out in the PPA1, those obligations shall be suspended or excused to the extent their performance is affected by such event.

The term of the PPA1 will be extended by one (1) day for each day the Existing Power Plant is unavailable after commercial operation due to a force majeure event affecting the Existing Power Plant and when TNBJ is not entitled to receive insurance proceeds for available capacity payments not received.

On the other hand, if a force majeure event affects TNB after the commercial operation date, TNB's obligations to make available capacity payments will continue but only to the extent the Existing Power Plant is made available. Should these amounts be insufficient to cover debt service and TNBJ's unavoidable costs, TNB shall pay such amounts necessary to do so but unavoidable costs are capped to a sum equal to the fixed operating rate portion of the fixed availability payment. On the other hand, if a force majeure event affects TNBJ after the commercial operation date, TNB shall make available capacity payments but only to the extent the Existing Power Plant is available.

(e) Industry Restructuring Risk

If industry restructuring (such as the introduction of a power pool or other market system) is implemented, and TNB and TNBJ are unable to reach agreement on amendments to the PPA1 to reflect such industry restructuring within a period of six (6) months, then TNB is entitled to terminate the PPA1 immediately. TNB shall then purchase the Existing Power Plant at a pre-agreed formula which includes payment of all outstanding indebtedness, an agreed level of shareholders' return and the cost of transferring the Existing Power Plant to TNB.

(f) Shared Facilities

(Please see paragraph 7.4.2(e) above)

(g) Coal Supply

The supply of coal for the Existing Power Plant needs to be procured exclusively from TFS under a Coal Supply Agreement unless procurement from other sources is permitted thereunder. TFS has coal purchase contracts with coal producers for the supply of coal and is also entitled to enter into spot, short term or other contracts for the purchase of other coals to meet TNBJ's requirements.

TNBJ will provide TFS with monthly nominations of quantities of coal for delivery. TFS is required to prepare remedial plans in the event of delays and TNBJ shall be entitled to purchase coal on its own if such remedial plans are unacceptable to TNBJ or not implemented. Additional costs incurred by TNBJ for such purchase will be reimbursed by TFS.

In the event of supply interruptions, TNBJ shall be able to avail of its minimum stockpile of 540,000 tonnes.

(h) Coal Quality

All coal delivered by TFS shall meet quality specifications stipulated in the CSTA and be substantially free from impurities. TNBJ may reject any individual shipment of coal that exceeds any of the quality rejection limits, or if discharging the coal would cause damage to the discharge port or the Existing Power Plant.

The price of coal delivered to TNBJ shall be adjusted and determined taking into account gross calorific value, moisture, ash content, sulphur content and liquidated damages based on the results of analysis by an inspection company.

(i) Coal Price

The coal price (including insurance, transportation charges and certain taxes) is a pass-through to TNB in the form of energy payments payable under the PPA1 based on an agreed-upon partial heat rate table. However, higher than anticipated heat rates will cause the New Power Plant to bear increased costs as explained in paragraph 7.5.1(c) above.

7.6 General Consideration

7.6.1 Forward Looking Statements

Certain statements, information, estimates and reports in this Information Memorandum are based on historical data, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the Issuer, the Obligor and the Guarantor and although each of the Board of Directors of the Issuer, the Obligor and the Guarantor believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer, the Obligor, the Guarantor or its advisers or arrangers, and there can be no assurance that the plans and objectives will be achieved. A deterioration in the financial condition of the Issuer, the Obligor or the Guarantor could adversely affect the market value of the Islamic Securities and the ability of the Issuer, the Obligor or the Guarantor to make payments under transaction documents relating to the Islamic Securities to which it is a party when due, if at all.

7.6.2 Political, Economy and Regulatory Considerations

Adverse developments in the political and economic conditions in Malaysia and other countries in the region could materially affect the financial prospects of the Issuer, the Obligor and the Guarantor. Political and economic uncertainties include risks of war, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation and currency exchange controls.

Investors should note that whilst the Issuer, the Obligor and the Guarantor strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there can be no assurance that adverse political

and economic factors will not materially affect the Issuer, the Obligor and the Guarantor.

7.6.3 Change in law

The issue of the Islamic Securities is based on Malaysian law, tax and administrative practices in effect at the date hereof and have due regard to the expected tax treatment of all relevant statutes under such law and practice. No assurance can be given that Malaysian law, tax or administrative practice will not change after the closing or that such changes will not adversely impact the structure of the transaction and the treatment of the Islamic Securities.

7.6.4 Inherent regulatory risk

Regulatory risk is an inherent feature for IPPs such as TNBJ. Events such as the imposition of an annual windfall profit levy on IPPs in Peninsular Malaysia and Sabah in 2008 – which had subsequently been abolished – and the Government's sporadic attempts to renegotiate PPAs over the years highlight that the power industry, being a concession-based sector, remains vulnerable to regulatory risk.

7.6.5 Rating

The Islamic Securities Programme is partially rated with Series 1 being assigned with a rating of AAA and Series 2 being assigned with a rating of AAA(s). Each subsequent series shall be rated as and when the Issuer proposes to make any issuance under the Islamic Securities Programme. It is a condition precedent to the issuance of each subsequent series under the Islamic Securities Programme that such subsequent series has received a rating of AAA.

7.6.6 Draft agreements in relation to the New Power Plant

Apart from the EPCC, neither PPA2 nor any of the other project documents relating to the New Power Plant have been executed as at the date of this Information Memorandum. The execution of the other project documents (other than JTUA2) is conditions precedent to the issuance of the Islamic Securities under the Islamic Securities Programme. There is no assurance that those documents will be signed in the form described in Section 5.2 and elsewhere in this Information Memorandum, although TNBJ expects that the executed documents will not be materially different from the current drafts. As for the JTUA2, this agreement is only required to be in place prior to COD, and it is a term of the Islamic Securities Programme that TNBJ shall ensure that this agreement is executed no later than 6 months after financial close or such other extended period as the Trustee may agree acting reasonably.

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SECTION 8.0

INDUSTRY OVERVIEW AND GENERAL OVERVIEW OF THE MALAYSIAN ECONOMY

8.1 Overview of the Economy

Overview

Growth moderated in the second quarter

The pace of growth of the Malaysian economy moderated in the second quarter (4.0%; 1Q 11: 4.9%) following a weaker external environment. The overall weakness in the advanced economies and the disruptions in the global manufacturing supply chain stemming from the disaster in Japan, were reflected in the slowdown in the manufacturing sector. Nevertheless, overall growth continued to be underpinned by the sustained expansion of private domestic demand. This was further supported by the strong exports of commodities and resource-based products given the favourable regional demand and high commodity prices.

Domestic demand increased by 5.2% (1Q 11: 6.9%), supported mainly by sustained growth in private sector spending. Private consumption increased by 6.4% (1Q 11: 6.7%). Sustained expenditure on emoluments and supplies and services supported the growth in public consumption (4.0%; 1Q 11: 8.9%). Growth in gross fixed capital formation moderated to 3.2% (1Q 11: 6.5%), due mainly to lower public investment. Private capital spending, however, was sustained by expansion in production capacity and investment in new growth areas in the manufacturing sector as well as exploration and development activity in the oil and gas sector. During the quarter, Federal Government development expenditure was lower, and was focused on the education, transportation and trade and industry sectors.

On the supply side, growth in most economic sectors moderated during the quarter. The manufacturing sector slowed to 2.1% (1Q 11: 5.5%) due mainly to the weaker global environment and the production disruptions following the disaster in Japan in March. Nevertheless, the services sector was sustained at 6.3% (1Q 11: 6.4%), supported by continued domestic private sector spending. The agriculture sector turned around to expand by 6.9% (1Q 11: -0.2%), due mainly to higher output of both crude palm oil and natural rubber following an improvement in weather conditions. Meanwhile, growth in the construction sector moderated to 0.6% (1Q 11: 3.8%) due to delays in the implementation of infrastructure projects. The mining sector continued to contract (-9.2%; 1Q 11: -4.2%), reflecting the lower production of crude oil following the shutdown of production facilities for maintenance.

The headline inflation rate, as measured by the change in the Consumer Price Index (CPI), rose to 3.3% on an annual basis during the quarter (1Q 11: 2.8%), driven by supply factors. The increase in consumer prices was reflected mainly in the food and non-alcoholic beverages category, which rose by 4.7% (1Q 11: 4.3%). Prices in the transport category also registered an increase of 5.7% (1Q 11: 4.4%), due to the upward adjustments in the price of RON97 petrol in April and May following higher global crude oil prices.

The external sector recorded a trade surplus of RM27.1 billion in the second quarter (1Q 11: RM31.8 billion). Gross exports expanded by 8.3%, while import growth moderated to 7.1% (1Q 11: 4.8% and 12.4% respectively). Export growth was supported by the continued expansion in the exports of commodities and non-E&E products, due mainly to the firm commodity prices and robust regional demand.

Meanwhile, exports of E&E registered a contraction as exports of computer and parts remained weak. Growth in gross imports was weighed down by lower imports of intermediate goods, which were affected by the global supply disruptions. The import of capital goods moderated due mainly to lower imports of machineries, while the import of consumption goods continued to expand.

On a cash basis, both gross and net inflows of foreign direct investment (excludes retained earnings) were higher at RM13.4 billion and RM6.2 billion respectively (1Q 11: +RM7.6 billion and +RM4 billion respectively). The inflows were broad-based and channeled mainly into the finance, insurance and business services sub-sector, manufacturing and oil and gas sectors. Direct investment abroad by Malaysian companies recorded a larger net outflow of RM9.4 billion (1Q 11: -RM3.7 billion). These investments were largely undertaken by companies in the finance and insurance, business services and communications subsectors. Net inflows of portfolio investment also increased to RM37.6 billion (1Q 11: +RM8.1 billion), reflecting the strong foreign interests in the domestic capital market, particularly the debt securities markets.

The international reserves of Bank Negara Malaysia amounted to RM406.3 billion (equivalent to USD134.3 billion) as at 30 June 2011. The reserves level has taken into account the quarterly adjustment for foreign exchange revaluation. As at 29 July 2011, the reserves position amounted to RM409.6 billion (equivalent to USD135.4 billion), sufficient to finance 9.6 months of retained imports and is 4.4 times the short-term external debt.

Monetary policy is supportive of economic activity

On 5 May 2011, the Monetary Policy Committee (MPC) raised the Overnight Policy Rate (“OPR”) by 25 basis points to 3.00%. The degree of monetary accommodation was adjusted as a pre-emptive move to prevent a build-up of financial imbalances. At the July meeting, the MPC decided to pause the normalization and leave the OPR unchanged due to the heightened uncertainties arising from global developments which had created greater downside risks to growth.

Following the increase in the OPR in May, the average overnight interbank rate traded higher and interbank rates of other maturities rose accordingly. In terms of the commercial banks’ lending rates, both the average base lending rate and the average lending rate were revised upwards. The average fixed deposit (“FD”) rate also increased in tandem.

Financing conditions remained supportive of economic activity during the quarter, with financing continuing to remain available to all segments of the economy. Total gross financing raised by the private sector through the banking system and the capital market increased to RM225.6 billion (1Q 11: RM202 billion). On a net basis, banking system loans and private debt securities (“PDS”) outstanding rose by an annual rate of 12.9% as at end-June (end-March 11: 12.1%). The major loan indicators also remained strong in the second quarter.

Net funds raised in the capital market amounted to RM20.8 billion (1Q 11: RM29.7 billion), of which, 83%, or RM17.3 billion was raised by the private sector, mainly via PDS. Meanwhile, net funds raised by the public sector amounted to RM3.5 billion during the quarter.

Private sector liquidity, as measured by broad money (“M3”), expanded at a higher annual rate of 12.4% as at end-June (end-March 11: 8.0%), reflecting the higher extension of credit to the private sector by the banking system and increased non-resident inflows. The ringgit’s appreciating trend against the US dollar in the first quarter of 2011 continued into the beginning of the second quarter, as the favourable growth outlook in Asia relative to the advanced economies continued to attract investors towards the regional financial markets. For the quarter as a whole, the ringgit appreciated marginally by 0.2% against the US dollar. Against other major currencies, the ringgit appreciated against the pound sterling (0.1%), but depreciated against the euro (-2.4%) and the Japanese yen (-2.5%). Against the regional currencies, the ringgit strengthened against the Thai baht (1.7%), but depreciated against the Chinese renminbi (-1.2%), Indonesian rupiah (-1.2%), Singapore dollar (-2.4%) and Korean won (-2.8%). The ringgit remained unchanged against the Philippine peso. During the period between 1 July and 15 August 2011, the ringgit appreciated against the US dollar (1.2%), euro (2.7%) and pound sterling (0.1%), but depreciated against the Japanese yen (-3.4%). Against regional currencies, the ringgit

strengthened against the Korean won (2.2%), Indonesian rupiah (0.6%) and Chinese renminbi (0.1%) but depreciated against the Singapore dollar (-0.6%), Philippine peso (-0.9%) and Thai baht (-1.5%).

Financial stability remained intact

Domestic financial system stability was maintained, underpinned by sound financial system and institutions and orderly financial markets which continue to support efficient financial intermediation and sustained public confidence in the financial system. The level of risk exposures of the financial sector continued to be manageable during the quarter. The resilience of the financial sector was evident in the sound capitalisation, firm profitability and stable quality of assets. Core capital ratio and risk-weighted capital ratio remained strong at 12.3% and 13.9% respectively. As for the insurance and Takaful sector, the capital position remained strong with capital adequacy ratio of 224.1% and excess capital of RM19.5 billion.

Liquidity remained ample to meet the demand for deposit withdrawals and other liquidity obligations.

Growth of the domestic economy to improve in the second half

While the moderation in the global growth in the second quarter was mainly due to temporary factors arising from global supply chain disruptions and high commodity prices, fiscal and debt conditions in several of the advanced economies had also contributed to increased uncertainties and heightened financial market volatilities which affected overall confidence.

Going forward, global growth is expected to remain positive, supported by economic activity in most of the emerging economies and the improvement in the global supply chain. The overall global recovery, however, will continue to be constrained by the structural weakness in the advanced economies. In addition, prolonged uncertainty in the financial markets could also weigh down on real economic activity.

In Malaysia, while the global supply disruptions affected production and trade in the second quarter, the underlying strength of the domestic economy remained intact as domestic demand continued to support growth. Going forward, the downside risks to external demand have increased following heightened uncertainties in the external environment. Nevertheless, domestic demand is expected to remain resilient and support growth amidst sustained private consumption, strong private investment and faster pace of implementation of public sector projects in the second half of the year.

(Source: Bank Negara Malaysia Quarterly Bulletin (Second Quarter 2011))

Outlook

The Malaysian economy is projected to expand between 5.0% to 6.0% in 2011 (2010: 7%), mainly driven by domestic demand and supported by a favourable external sector. The strong economic fundamentals will continue to propel the growth momentum of domestic demand. Private investment activity, which turned positive in 2010, is envisaged to contribute significantly to economic growth. This is in line with the expected commencement of 52 Private Finance Initiatives (“**PFI**s”) over the 10MP period as well as the implementation of private sector projects under the National Key Economic Areas (“**NKEA**s”). Private consumption is expected to strengthen in view of low unemployment and increasing disposable household income. Growth prospects are also premised on firm prices of major commodities which will spur rural household spending in 2011. With the private sector spearheading growth, public expenditure is expected to moderate, reflecting the Government’s commitment towards prudent fiscal management.

On the supply side, growth is expected to be broad-based with positive contribution from all sectors in the economy, with the services sector remaining the major contributor to gross domestic product (“GDP”). The manufacturing sector is expected to expand in line with strong investment and consumption activities. The agriculture sector is projected to increase, supported by higher output and firm prices of commodities. In addition, the mining sector is envisaged to grow, on account of higher natural gas production. The construction sector is also expected to grow stronger with the expansion of non-residential properties and the revival of residential construction activities as well as acceleration of major civil engineering projects.

Hence nominal gross national income (“GNI”) per capita is expected to rise 6.1% to RM27,950 (2010: 10.5%, RM26,355). In terms of purchasing power parity (“PPP”), per capita income is expected to increase 13.7% to reach USD16,028 (2010: 19.7%. USD14,102).

(Source: Economic Report 2010/2011, Ministry of Finance, Malaysia)

8.2 Overview of the Utilities Sector

The 2010 Budget with the theme “1Malaysia, Together We Prosper” focused on three main strategies, namely driving the nation towards a high-income economy, ensuring holistic and sustainable development and focusing on the well-being of the rakyat.

As uninterrupted electricity supply is necessary for smooth business operations, as of July 2010, TNB expended RM4.0 billion on projects to implement electricity generation, transmission, distribution and support services. These include expenditure on preliminary works for the hydroelectric projects in Ulu Jelai, Pahang and Hulu Terengganu, which are expected to be completed by end-2015. Meanwhile, Sabah Electricity Sendirian Berhad has taken several measures to increase electricity generation capacity as well as to strengthen the delivery and distribution system in Sabah. These efforts helped to reduce the System Average Interruption Duration Index to 552 minutes as at July 2010 (July 2009: 1, 362 minutes). In Sarawak, several projects were identified to enhance the development of the energy sector. In this regards, the Bakun Dam is expected to be operational by end-2010. The Murum Dam in Kapit is expected to commence operations in 2013, while preliminary work on Baram and Limbang hydroelectric projects is underway.

The utilities sub-sector is estimated to grow 8.5% in 2010 (2009: 0.4%), due to rising demand for electricity, particularly from the manufacturing sector. During the first seven months of 2010, electricity generation rose 11.7%, while sales increased 12.6% (January – July 2009: -3.9%; -4.3%). The industrial segment accounted for 43.3% of total electricity consumption, followed by the commercial (33.7%) and household (21.4%) segments. During the period, maximum demand for electricity peaked at 15,072 MW in May 2010 (January – July 2009: 14,029 MW in June).

(Source: Economic Report 2010/2011, Ministry of Finance Malaysia)

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SECTION 9.0 OTHER INFORMATION

9.1 Material Contracts

As at 31 August 2011, there are no contracts which are or may be material, not being contracts entered into in the ordinary course of business, which have been entered into by the Issuer, TNBJ or TNB.

9.2 Material Litigation

Save as disclosed below, neither the Issuer, TNBJ or TNB is engaged in any litigation or arbitration, either as plaintiff or defendant and the directors of the respective companies have no knowledge of any proceedings pending or threatened, against the Issuer, TNBJ or TNB, or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Issuer, TNBJ or TNB.

Kuala Lumpur High Court Suit No. D-22NCC-183-2009

Irham Niaga Sdn Bhd and Irham Logistics Sdn Bhd (the “**Plaintiffs**”) filed a suit to seek to enforce as against TNB an arbitration award obtained against TNB Transmission Network Sdn Bhd (a TNB subsidiary).

TNB filed an application to strike out the suit at the High Court. This was dismissed by the High Court. TNB's appeal to the Court of Appeal against that decision was allowed on 21 April 2010. Therefore the suit was ordered to be struck off. The Plaintiff's then obtained leave to appeal to the Federal Court on 2 December 2010. At the hearing of the Federal Court appeal on 4 April 2011, the Court remitted the matter to trial at the Kuala Lumpur High Court before a different judge without going into the merits of the questions in which leave was granted.

Total amount claimed against TNB is RM112,991,421.84 with accrued interest on the final award at the rate of 8% per annum from 19 April 2004.

Trial is currently on-going.

Solicitors to TNB are of the view that based on the principles of law, TNB appears to have a good Defence to the Claim. At the same time, the solicitors wish to point out that this would be also dependant on the factual evidence that would be presented and the trial Judge's findings on the evidence so led. In the event the Plaintiffs succeed at the trial, TNB may be exposed to the full extent of the liabilities stated above.

9.3 Contingent Liabilities

The Issuer is a newly incorporated special purpose vehicle and therefore does not have any contingent liabilities. As at 31 August 2011, the directors of TNBJ and TNB are not aware of any material contingent liabilities other than as disclosed in the audited financial statements of the respective companies.

9.4 Potential Conflict of Interest Situations

Each of the Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager, Trustee and Messrs Zaid Ibrahim & Co., solicitors for the Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers are not aware of any circumstances that would give rise to a conflict of interest arising from or in relation to their respective roles in the Islamic Securities Programme.

9.5 Conviction and offences

The Issuer and its board members have not been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the last five years prior to the date of this Information Memorandum.

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APPENDIX I
AUDITED FINANCIAL STATEMENTS OF THE OBLIGOR FOR THE FINANCIAL YEARS ENDED
2009 AND 2010

APPENDIX II
AUDITED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE FINANCIAL YEARS
ENDED 2009 AND 2010

APPENDIX III
CASHFLOW PROJECTIONS

APPENDIX IV
INDEPENDENT CONSULTANT ENGINEER'S LETTER

APPENDIX V
PROJECT SITE LOCATION

ISSUER

Manjung Island Energy Berhad
(Company No. 960686-V)
Tingkat 2, Urusetia Lembaga Pengarah,
Ibu Pejabat Tenaga Nasional Berhad,
No. 129, Jalan Bangsar,
59200 Kuala Lumpur

Obligor

TNB Janamanjung Sdn Bhd
(Company No. 398456-H)
No.129, Jalan Bangsar,
59200 Kuala Lumpur.

Guarantor for Series 2

Tenaga Nasional Berhad
(Company No. 200866-W)
No.129, Jalan Bangsar,
59200 Kuala Lumpur.

Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers

Bank Islam Malaysia Berhad
(Company No. 98127-X)
Suite 20-01, Level 20, GTower,
199, Jalan Tun Razak
50400 Kuala Lumpur

CIMB Investment Bank Berhad
(Company No. 18417-M)
5th Floor, Bangunan CIMB,
Jalan Semantan, Damansara Heights
50490 Kuala Lumpur

Joint Shariah Advisers

Bank Islam Malaysia Berhad
(Company No. 98127-X)
Suite 20-01, Level 20, GTower
199, Jalan Tun Razak
50400 Kuala Lumpur

CIMB Islamic Bank Berhad
(Company No. 671380-H)
5th Floor, Bangunan CIMB,
Jalan Semantan, Damansara Heights
50490 Kuala Lumpur

Facility Agent

CIMB Investment Bank
Berhad
(Company No. 18417-M)
5th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights
50490 Kuala Lumpur

Trustee

Malaysian Trustees
Berhad
(Company No. 21666-V)
Level 3, Menara
Prudential,
No. 10, Jalan Sultan Ismail
50250 Kuala Lumpur

Security Agent

CIMB Investment Bank
Berhad
(Company No. 18417-M)
5th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights
50490 Kuala Lumpur

Solicitors to the Joint Principal Advisers/Joint Lead Arrangers/ Joint Lead Managers

Messrs. Zaid Ibrahim & Co.
Level 19 Menara Milenium
Pusat Bandar Damansara
50490 Kuala Lumpur

Solicitors to the Obligor and Guarantor

Messrs. Zul Rafique & partners
D-3-8 Solaris Dutamas
No.1 Jalan Dutamas 1
50480 Kuala Lumpur