STRICTLY PRIVATE AND CONFIDENTIAL

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD

(Company No. 539274-U)

INFORMATION MEMORANDUM

Islamic Medium Term Notes Programme of up to RM2,300.0 million in nominal value under the Shariah principle of Musharakah

and

Redeemable Secured Junior Bonds of up to RM180.0 million in nominal value

PRINCIPAL ADVISER/LEAD ARRANGER/LEAD MANAGER

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

8 November 2013

IMPORTANT NOTICE

THE ISLAMIC MEDIUM TERM NOTES TO BE ISSUED UNDER THE SHARIAH PRINCIPLE OF MUSHARAKAH ("SUKUK MUSHARAKAH") PURSUANT TO AN ISLAMIC MEDIUM TERM NOTES PROGRAMME OF UP TO RM2,300.0 MILLION IN NOMINAL VALUE ("SUKUK PROGRAMME") AND THE REDEEMABLE SECURED JUNIOR BONDS OF UP TO RM180.0 MILLION IN NOMINAL VALUE ("JUNIOR BONDS"), (THE SUKUK MUSHARAKAH AND THE JUNIOR BONDS ARE COLLECTIVELY REFERRED TO AS THE "NOTES") SHALL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY NOR MAY THIS INFORMATION MEMORANDUM AND ITS CONTENTS OR ANY DOCUMENTS OR OTHER MATERIALS IN CONNECTION THEREWITH BE DISTRIBUTED IN MALAYSIA OTHER THAN TO PERSONS FALLING WITHIN THE RELEVANT CATEGORY OF THE PERSONS (1) SPECIFIED IN SCHEDULE 6 OR SECTION 229(1)(b), AND SCHEDULE 7 OR SECTION 230(1)(b), READ TOGETHER WITH SCHEDULE 9 OR SECTION 257(3), OF THE CAPITAL MARKET AND SERVICES ACT 2007 AS AMENDED FROM TIME TO TIME ("CMSA") AT ISSUANCE AND SPECIFIED IN SCHEDLE 6 OR SECTION 229(1)(b), READ TOGETHER WITH SCHEDULE 9 OR SECTION 257(3) OF THE CMSA THEREAFTER AND (2) FALLING WITHIN THE RELEVANT CATEGORY OF THE PERSONS SPECIFIED IN SECTION 4(6) OF THE COMPANIES ACT 1965, AS AMENDED FROM TIME TO TIME ("SELLING RESTRICTIONS").

Responsibility Statements

This Information Memorandum has been approved by the directors of Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (Company No. 539274-U) ("**Issuer**" or "**KESTURI**") and the Issuer accepts full responsibility for the accuracy of the information contained in this Information Memorandum. The Issuer, after having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to the Issuer which is material in the context of issuance of the Notes. The opinions and intentions expressed in this Information Memorandum in relation to the Issuer 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 or the Notes the omission of which would, in the context of the Notes issuance, make any statement in this Information Memorandum misleading in any material respect and all reasonable enquiries have been made by the Issuer 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 or any statement made in this Information Memorandum. The Issuer and its board of directors accept full responsibility for the information contained in this Information Memorandum.

Important Notice and General Statement of Disclaimer

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 Notes.

It is a condition to the issuance of the Notes that the Sukuk Musharakah are assigned, on issue a rating of AA-$_{IS}$ and the Junior Bonds are assigned, on issue, a rating of A- by Malaysian Rating Corporation Berhad. 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 CIMB Investment Bank Berhad as the principal adviser/lead arranger/lead manager for the Notes ("**Principal Adviser/Lead Arranger/Lead Manager**"). Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Principal Adviser/Lead Arranger/Lead Manager 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 Principal Adviser/Lead Arranger/Lead Manager has not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Notes and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

It is to be noted that although the Issuer has sought the advice of the Shariah Adviser with regards to the conformity of the Sukuk Musharakah and the structure and mechanism as described in the Principal Terms and Conditions of the Sukuk Musharakah with Shariah principle (a copy of the pronouncement by the Shariah Adviser is appended as Appendix VIII), no representation, warranty or undertaking, express or implied, is given by the Issuer as to Shariah permissibility of the structure or the issue and trading of the Sukuk Musharakah and the Issuer, the Principal Adviser/Lead Arranger/Lead Manager and/or the Shariah adviser shall not be liable for any consequences of such reliance and/or assumption of any such compliance. Each recipient should perform and is deemed to have consulted its own professional advisers and obtained independent Shariah advice on the Shariah permissibility of the structure or the issue and trading of the Sukuk Musharakah. Any non-compliance with Shariah principle may have legal consequences.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Principal Adviser/Lead Arranger/Lead Manager or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the Notes or any other securities of any kind by any party in any Foreign Jurisdiction.

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.

The distribution or possession of this Information Memorandum in or from certain jurisdictions may be restricted or prohibited by law. Each recipient is required to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the Principal Adviser/Lead Arranger/Lead Manager accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any such Foreign Jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to subscribe for or purchase the Notes under all jurisdictions to which the recipient is subject, (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Notes, (d) the Issuer, the Principal Adviser/Lead Arranger/Lead Manager and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Notes, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Notes is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Notes can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Notes, and is able and is prepared to bear the economic and financial risks of investing in or holding the Notes, (g) it is subscribing or accepting the Notes for its own account, and (h) it is a person to whom an issue, offer or invitation to subscribe or purchase the Notes would constitute persons falling within any one or more of the categories of persons fall within the ambit of Selling Restrictions. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Notes in relation to any recipient who does not fall within item (h) above.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the Notes is not, and should not be construed as, a recommendation by the Issuer and/or the Principal Adviser/Lead Arranger/Lead Manager to subscribe or purchase the Notes. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Notes and all other relevant matters, and each recipient should consult its own professional advisers. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Notes shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Lead Arranger/Lead Manager nor any other advisers to the Notes undertake to review the financial condition or affairs of the Issuer or to advise any investor of the Notes of any information coming to their attention.

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, its 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. 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, its advisers or any other persons that the future events as anticipated by the Issuer 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 and its advisers.

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 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. All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after rounding.

Acknowledgement

The Issuer hereby acknowledges that it has authorised the Principal Adviser/Lead Arranger/Lead Manager to circulate or distribute this Information Memorandum on its behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of, the Notes to prospective investors and that no further evidence of authorisation is required.

Statements of Disclaimer by the Securities Commission

A copy of this Information Memorandum will be deposited with the Securities Commission of Malaysia ("**SC**"), which takes no responsibility for its contents.

The issue, offer or invitation in relation to the Notes in this Information Memorandum or otherwise are subject to the fulfilment of various conditions precedent including without limitation the approval of the SC.

The SC has approved the issuance of the Notes on 25 October 2013 pursuant to the CMSA. Please note that any approval of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes.

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

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 NOTES.

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; and

(ii) all supplements or amendments to this Information Memorandum circulated by the Issuer, 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 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 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 Notes 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 Principal Adviser/Lead Arranger/Lead Manager.

In the event that there is any contravention of this confidentiality, the recipient must return this Information Memorandum and all reproductions whether in whole or in part and any other information in connection therewith to the Principal Adviser/Lead Arranger/Lead Manager promptly upon the Principal Adviser/Lead Arranger/Lead Manager's request.

TABLE OF CONTENTS

APPENDICES

DEFINITIONS

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

Administrative Office	-	The office built for the operation, management and maintenance of the Expressway.
Ancillary Facilities	-	Those facilities described in Appendix S and Appendix S1 of the Concession Agreement which may comprise, among others, rest and service areas, commercial developments on expressway reserve land, laybys and telecommunication facilities.
Available Cash Flow	-	In an annual period, the sum of: (i) all income received by the Issuer under the Concession Agreement including the Government funding (if any) and other project documents and any other receipts of a capital or revenue nature under any contract or agreement; (ii) all distribution, returns and utilized gains received by the Issuer; (iii) all credit balances in the Designated Accounts including accrued profit payments retained by or on behalf of the Issuer and the amount utilised from the Designated Accounts for permitted investments at the beginning of the relevant twelve (12) months period; and (iv) proceeds of Takaful/insurance claims received by the Issuer. <u>Less:</u> (i) the total amount spent on management, administration, operation, maintenance and heavy repairs; (ii) taxes paid or such other contributions paid by the Issuer to the Government; (iii) capital expenditure incurred, except if such capital expenditure is funded by the Sukuk Programme, Junior Bonds or additional equity injection; and (iv) any payments made by the Issuer under the Concession Agreement and other project documents or other contract or agreement, computed based on the Issuer’s latest audited accounts and confirmed by its external auditors acceptable to the Sukuk Trustee.
BNM	-	Bank Negara Malaysia.
Bursa Malaysia	-	Bursa Malaysia Securities Berhad (Company No. 635998-W).
Charge over Junior Bonds FSRA	-	The charge and assignment over the Junior Bonds FSRA executed or to be executed between the Issuer and CIMB Investment Bank Berhad as security agent, pursuant to which the Issuer shall assign and charge the Junior Bonds FSRA as security for the Junior Bonds, and/or supplementals made or entered into from time to time.

CIMB	-	CIMB Investment Bank Berhad (Company No. 18417-M).
Concession	-	The concession relating to the Expressway granted by the Government to KESTURI under the Concession Agreement.
Concession Agreement	-	The concession agreement dated 12 August 2004 entered into between the Government and KESTURI whereby the Government has granted KESTURI the right and authority to undertake the design, construction, operation, management and maintenance of the DUKE Phase-1 for a period of thirty four (34) years and as supplemented by the Supplemental Concession Agreement pursuant to which: (a) the Government has granted KESTURI the right and authority to undertake the design, construction, operation, management and maintenance of DUKE Phase-2; and (b) the concession period is extended from thirty-four (34) years to fifty-four (54) years with the option to be extended for a further period of ten (10) years subject to the terms and conditions of the Supplemental Concession Agreement.
Concession Area	-	All the land obtained by the Government and made available to KESTURI under the Concession Agreement for the purpose of the Concession including the Expressway.
Concession Assets	-	The Concession Agreement and all rights, entitlements (including income) and benefits of KESTURI in relation to its toll expressway business.
Concession Period	-	The period commencing from the Effective Date of DUKE Phase-1 and ending on the fifty fourth (54th) anniversary thereof with the option to be extended for a further period of ten (10) years subject to the terms and conditions of the Supplemental Concession Agreement.
Concession Year	-	The period commencing on the Effective Date of DUKE Phase-1 and ending on 31st December following the Effective Date of DUKE Phase-1 and thereafter each period of one (1) year ending on 31st December but so that the final Concession Year shall end on the Termination Date.
Construction Period	-	The period during which KESTURI is to undertake and complete the Construction Works in accordance with the Construction Programme as set out in the Concession Agreement or such longer period as the Government may approve.
Construction Programme	-	The programme for the undertaking of the Construction Works as agreed between the Government and KESTURI as set out in Appendix D1 of the Concession Agreement or such other longer period the Government may approve.
Construction Works	-	The design, construction, safety, landscaping, maintenance of temporary and permanent construction works, signage works relating to DUKE Phase-2 (including the design, supply, installation and maintenance of tolling or other equipments).
Coupon Payment Amounts	-	In relation to the Junior Bonds, the amount shall be paid on the Coupon Payment Dates subject to the Requisite Conditions except for the final Coupon Payment Amounts which is due upon maturity of the Junior Bonds.

Coupon Payment Date	-	In relation to the Junior Bonds, the last day of a particular Coupon Payment Period.
Coupon Payment Period	-	In relation to the Junior Bonds, six (6) monthly period, starting from the issue date of the Junior Bonds.
Designated Accounts	-	In respect of the Sukuk Programme, the following Shariah-compliant designated accounts to be opened and maintained by the Issuer with a bank to be appointed by the Issuer which is acceptable to the Lead Manager: (a) revenue account; (b) operations account; and (c) finance service reserve account.
DUKE Phase-1	-	the phase 1 of Duta-Ulu Kelang Expressway which is 18 kilometres in length and commences from the New Klang Valley Expressway (NKVE) at Jalan Duta to Hill View at the Middle Ring Road II/Ulu Kelang and from Sentul Pasar to the existing Kuala Lumpur-Karak Highway and ending at Greenwood at the Middle Ring Road II in Batu Caves.
DUKE Phase-2	-	the phase 2 of Duta-Ulu Kelang Expressway which consists of two (2) links, namely: (a) the Sri Damansara Link which commences from Menjalara Interchange at Bandar Menjalara and ends at the Segambut Interchange at Jalan Segambut; and (b) the Tun Razak link which commences from Jalan Tun Razak near Kuala Lumpur Hospital/Institut Jantung Negara and ends at the Sentul Pasar Interchange at Jalan Gombak, both of which are dual-three carriageways (6 lanes) with approximately 7 kilometres and 9 kilometres in length respectively.
EB	-	Ekovest Berhad (Company No. 132493-D).
ECSB	-	Ekovest Construction Sdn Bhd (Company No. 251734-T).
Effective Date of DUKE Phase-1	-	11 August 2005.
Effective Date of DUKE Phase-2	-	The date of the fulfillment of the conditions precedent to the Supplemental Concession Agreement, as confirmed in writing by the Government.
EPC Contract	-	The engineering, procurement and construction contract entered into between KESTURI and EB on 10 May 2013 in relation to the Construction Works.
Exercise Price	-	In respect of a tranche of the Sukuk Musharakah the relevant exercise price due from the Obligor under the Purchase Undertaking on the maturity date.
Expressway	-	The Duta-Ulu Kelang Expressway, comprising DUKE Phase-1 and DUKE Phase-2.

Gazetted Toll	-	The toll payable by any particular class of vehicle at each of the toll plaza as approved and gazetted by the Government in accordance with the Concession Agreement.
Government	-	The Government of Malaysia.
Government Funding	-	The Government's funding in respect of DUKE Phase-1 for the purpose of meeting all costs in relation to the upgrading works for the Section commencing from Kg. Bandar Dalam Interchange and traversing through to Greenwood Interchange, provided that the costs of upgrading works to be borne by the Government: (a) shall have been verified and certified by MHA; and (b) shall not exceed RM77,200,000.00.
ICE	-	The Independent Consulting Engineer, Perunding ZKR Sdn Bhd (Company No. 311835-T).
Initial Unitholder	-	Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (Company No. 539274-U).
Junior Bondholders	-	The holders of the Junior Bonds.
Junior Bonds	-	The redeemable secured junior bonds of up to RM180.0 million in nominal value to be issued by the Issuer.
Junior Bonds FSRA	-	The bank account designated as the "Junior Bonds Finance Service Reserve Account" to be opened and maintained by the Issuer in accordance with the terms of the Charge over Junior Bonds FSRA.
JV Company	-	Nuzen Corporation Sdn Bhd (Company No. 486730-P).
KESTURI/Issuer	-	Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (Company No. 539274-U).
Lead Arranger/Lead Manager	-	CIMB.
Lenders	-	All persons other than the Government for the time being providing, raising or making available, directly or indirectly, finance or refinance (this shall not include amounts subscribed for ordinary share, capital preference shares and loan stocks issued by KESTURI), including providing bank guarantee for the performance of the works, their respective successors in titles and assigns.
Maintenance Bonds	-	The maintenance bond(s) provided or to be provided to the Government by KESTURI under the Concession Agreement as security for the due performance of KESTURI's maintenance and structural overlay obligations in respect of the Expressway.
Maintenance Manual	-	The maintenance manual titled "Expressway Maintenance System (M1)" published by MHA (as may be amended from time to time).
MHA	-	The Malaysian Highway Authority (Lembaga Lebuhraya Malaysia) established under the Highway Authority Malaysia (Incorporation) Act 1980 [Act 231].

MRCB	-	Malaysian Resources Corporation Berhad (Company No. 7994-D).
Notes	-	Collectively, the Sukuk Musharakah and the Junior Bonds.
Obligor	-	Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (Company No. 539274-U).
Operating Period	-	Each of the periods described in the table in Section 5.1.12, provided that the last Operating Period shall end on the Termination Date.
Operating Year	-	each of the following periods: (a) the first Operating Year shall be the period commencing from the date specified in the Gazette authorising the Issuer to commence tolling for DUKE Phase-1pursuant to the Concession Agreement, and ending on 31st December of that year; and (b) each subsequent Operating Year shall be a period of one (1) year commencing on 1st January and ending on 31st December of such year save for the final Operating Year which shall end on the Termination Date.
Performance Bonds	-	The performance bond(s) to be provided to the Government by KESTURI under the Concession Agreement.
Portfolio Units	-	A fraction of the portfolio unit holder's individual shares of the undivided beneficial ownership in a portfolio comprising the Concession Assets.
Project	-	The operation, management and maintenance of DUKE Phase-1 and the design, construction, management and operation and maintenance of DUKE Phase-2.
Project Cost	-	The construction cost of DUKE Phase-2 estimated at RM1,183.0 million.
Purchase Undertaking	-	The purchase undertaking to be executed between the Obligor and the Sukuk Trustee upon issuance of the Sukuk Musharakah, pursuant to which the Obligor undertakes that it will purchase the Sukuk Musharakah Portfolio Units from the Sukukholders upon the terms and subject to the conditions therein contained.
Rating Agency	-	Malaysian Rating Corporation Berhad (Company No. 364803-V).
Requisite Conditions	-	conditions which have to be complied with before payment can be made under the Junior Bonds, as follows: (a) the commencement of DUKE Phase-2 tolling operations; (b) the commencement of the calculation of the Senior FSCR in accordance with the terms of the Transaction Documents; (c) the Senior FSCR being maintained at a minimum of 1.75 times after such payment; and (d) no Event of Default has occurred or is continuing.

Right of Way	-	In relation to the Concession Area, the road reserve for the Expressway.
Ringgit/RM and sen	-	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia.
RPS	-	Redeemable preference shares.
SC	-	Securities Commission Malaysia.
Scheduled Toll	-	The scheduled toll rates payable by any class of vehicle as more particularly described in the table in Section 6.1.12.
Section	-	Sections 1, 2 or 3 of the DUKE Phase-1 as described in the Concession Agreement or the Sri Damansara Link or Tun Razak Link of the DUKE Phase-2, as the case may be.
Senior FSCR	-	Finance service cover ratio, being the ratio of Available Cash Flow to the aggregate of: (a) all principal obligations of the Issuer under the Sukuk Programme due and payable in the next twelve (12) months; plus (b) all principal obligations, coupon, profit payments or interest due and payable paid by the Issuer under any other financings/ borrowings of the Issuer (excluding the Junior Bonds, RPS and Series A RPS) and any other subordinated loans/advances/financing instruments) in the next twelve (12) months; plus (c) all profit payments under the Sukuk Programme due and payable in the next twelve (12) months, each such calculation which shall be duly confirmed by the Issuer's external auditors and based on the latest audited financial statements of the Issuer on an annual basis. The first of such Senior FSCR calculation will commence and be based on the audited financial statements of the Issuer for the financial year immediately following the financial year in which the first commencement date for collection of toll for DUKE Phase-2 fall and shall be performed no later than one hundred and eighty (180) days from such financial year ends. For the avoidance of doubt, any double counting shall be disregarded.
Series A RPS	-	The 1,950 redeemable preference shares of par value of RM1.00 each, issued by the Issuer.
Shariah Adviser	-	CIMB Islamic Bank Berhad (Company No. 671380-H).
Sukukholders	-	The holders of the Sukuk Musharakah.
Sukuk Musharakah	-	The Islamic medium term notes under the Shariah principle of Musharakah which may be issued from time to time pursuant to the Sukuk Programme.
Sukuk Musharakah Portfolio Units	-	The Portfolio Units sold to the Sukukholders.
Sukuk Programme	-	The Islamic medium term notes issuance programme of up to RM 2,300.0 million in nominal value under the Shariah principle of Musharakah pursuant to which KESTURI may issue Sukuk Musharakah.

Sukuk Trustee	-	CIMB Commerce Trustee Berhad (Company No. 313031-A) in its capacity as trustee for the Sukukholders.
Supplemental Concession Agreement	-	The supplemental concession agreement dated 3 December 2012 entered into between the Government and KESTURI.
Termination Date	-	The earlier of: (a) the date of expiry of the Concession Period; or (b) the termination of the Concession Agreement; or (c) the expropriation of the Concession; or (d) the termination of the Concession.
Toll Amounts	-	The amounts paid or payable at any given time by a particular class of vehicle for using a particular Section of the Expressway.
Toll Revenue	-	The toll collection of KESTURI including revenue from Ancillary Facilities and any compensation payable by the Government under the Concession Agreement .
Traffic Consultant	-	Perunding Trafik Klasik Sdn Bhd (Company No. 300560-H).
Transaction Documents	-	The agreements entered or to be entered into by KESTURI relating to the Sukuk Programme and the Junior Bonds.
Ultimate Shareholders	-	Collectively, EB and MRCB.
WKSB	-	Wira Kristal Sdn Bhd (Company No. 254084-X).

SECTION 1.0 INTRODUCTION

1.1 The Issuer

KESTURI was incorporated in Malaysia on 15 February 2001 under the Companies Act, 1965. KESTURI is the wholly owned subsidiary of the JV Company, which is owned by WKSB and MRCB in the shareholding proportion of 70:30 respectively. KESTURI was incorporated for the sole purpose of designing, constructing, managing, operating and maintaining the Expressway pursuant to the Concession Agreement.

1.2 Utilisation of proceeds

(a) The proceeds from the Sukuk Programme shall be utilized for the following Shariah-compliant purposes:

No	Purpose	Amount (Up to RM million)
1	For redemption of the Issuer's existing RM820.0 million nominal value Islamic medium term notes under the Shariah principle of Musharakah ("**Existing Sukuk**");	820.0
2	To fund the initial deposit in the finance service reserve account;	65.0
3	For payment of ancillary fees, costs, deposits and expenses in relation to the redemption of the Existing Sukuk and establishment of the Sukuk Programme; and	200.0
4	To part-finance the construction costs, development costs, financing costs, fees and expenses in relation to DUKE Phase-2 pursuant to the Supplemental Concession Agreement.	Balance
	Total	**2,300.0**

(b) The proceeds of the Junior Bonds shall be utilised for the following:

No	Purpose	Amount (Up to RM million)
1	For early redemption of the Issuer's existing RM50.0 million nominal value redeemable secured junior bonds;	50.0
2	To part finance the construction costs, development costs, financing costs in relation to DUKE Phase-2;	129.0
3	To meet certain costs, fees and expenses related to the establishment of the Junior Bonds; and	1.0
4	For working capital purposes.	Balance
	Total	**180.0**

1.3 Key financial highlights of the Issuer for the financial years ended 31 December 2010 to 31 December 2012

	Financial Year Ended 31 December		
	2010	**2011**	**2012**
	RM	**RM**	**RM**
Income Statement			
Revenue	63,015,299	73,320,583	81,923,387
Loss Before Taxation	(45,898,788)	(43,898,772)	(38,109,794)
Loss of the year	(45,898,788)	(43,898,772)	(38,109,794)
Balance Sheet			
Total Assets	1,177,886,775	1,175,841,952	1,178,384,089
Borrowings*	1,123,915,722	1,160,595,372	1,201,204,014
Paid-up Capital**	50,000,000	50,000,000	50,000,000
Shareholders' Funds	(54,565,861)	(98,464,633)	(136,574,427)

* *Borrowings includes the Series A RPS based on the issue price of RM100,000.00 per Series A RPS.*

** *The paid-up capital figure is as per the audited financial statements. Please note that the paid-up capital in Section 3.3(b) includes the Series A RPS.*

1.4 Description of the Notes

Sukuk Programme

KESTURI proposes to issue Islamic medium term notes pursuant to the Islamic medium term notes issuance programme of up to RM2,300.0 million in nominal value under the Shariah principle of Musharakah. The Sukuk Programme shall have a tenure of twenty (20) years from the date of the first issue under the Sukuk Programme provided always that the first issuance shall be made within two (2) years from the date of the SC approval. The Sukuk Musharakah shall have a tenure of more than one (1) year and up to twenty (20) years provided that the Sukuk Musharakah mature on or prior to the expiry of the Sukuk Programme.

The initial limit of the Sukuk Programme shall be up to RM2,300.0 million. Upon the maturity of each Sukuk Musharakah issued from time to time, the limit of the Sukuk Programme shall be reduced by the same amount accordingly.

For the terms of the Sukuk Programme, please see "Section 2.1 – Principal Terms and Conditions of the Sukuk Programme".

Junior Bonds

KESTURI proposes to issue redeemable secured junior bonds of up to RM180.0 million in nominal value with tenure of twenty-one (21) years from the date of issuance provided always that the issuance shall be made one (1) year from the date of the SC approval.

The Junior Bonds shall rank after the Sukuk Musharakah issued under the Sukuk Programme in respect of payment to the extent that payments under the Junior Bonds are subject to compliance with the Requisite Conditions.

For the terms of the Junior Bonds, please see "Section 2.2 – Principal Terms and Conditions of the Junior Bonds".

1.5 Rating

The Rating Agency has assigned preliminary ratings of $AA-_{IS}$ and A- to the Sukuk Programme and the Junior Bonds respectively.

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SECTION 2.0 PRINCIPAL TERMS AND CONDITIONS

2.1 Principal terms and conditions of the Sukuk Programme

(a) Names of parties involved in the proposal, where applicable

(i)	**Principal Adviser**	:	CIMB Investment Bank Berhad ("**CIMB**").
(ii)	**Lead Arranger**	:	CIMB.
(iii)	**Co-arranger**	:	Not applicable.
(iv)	**Solicitor**	:	Messrs. Zaid Ibrahim & Co.
(v)	**Financial adviser**	:	Not applicable.
(vi)	**Technical adviser**	:	Not applicable.
(vii)	**Sukuk Trustee**	:	CIMB Commerce Trustee Berhad.
(viii)	**Shariah Adviser**	:	CIMB Islamic Bank Berhad.
(ix)	**Guarantor**	:	Not applicable.
(x)	**Valuer**	:	Not applicable.
(xi)	**Facility Agent**	:	CIMB.
(xii)	**Primary Subscriber (under a bought-deal arrangement) and amount subscribed**	:	To be determined prior to issuance.
(xiii)	**Underwriter and amount underwritten**	:	Not applicable.
(xiv)	**Central Depository**	:	Bank Negara Malaysia ("**BNM**").
(xv)	**Paying Agent**	:	BNM.
(xvi)	**Reporting Accountant**	:	Messrs. Mazars.
(xvii)	**Calculation agent**	:	Not applicable.
(xviii)	**Others (please specify)**	:	Independent Consulting Engineer ("**ICE**") Perunding ZKR Sdn Bhd Traffic Consultant Perunding Trafik Klasik Sdn Bhd Independent Insurance Consultant Anika Insurance Brokers Sdn Bhd Lead Manager CIMB

Project and Account Monitoring Agent
CIMB

Security Agent
CIMB

(b) Islamic principles used : Musharakah

(c) Facility description : An Islamic medium term notes issuance programme of up to RM2,300.0 million in nominal value under the Shariah principle of Musharakah ("**Sukuk Programme**"). The Islamic medium term notes to be issued under the Sukuk Programme shall be referred to as "**Sukuk Musharakah**".

Musharakah is a partnership arrangement between two or more parties to finance a business venture whereby the holders of the Sukuk Musharakah issued under the Sukuk Programme ("**Sukukholders**") will contribute capital in the form of cash while Kesturi will provide capital in kind for the purpose of the venture. Any profit derived from the venture will be distributed based on a pre-agreed profit sharing ratio, but a loss will be shared on the basis of capital contribution.

The investors of each tranche of Sukuk Musharakah shall enter into a venture with Kesturi ("**Venture**") and the Venture refers to investments in certain Portfolio Units (as defined below).

"**Portfolio Units**" represent individual shares of the undivided beneficial ownership in a portfolio ("**Portfolio**") comprising the Concession Assets (as defined below).

The "**Concession Assets**" means the Concession Agreement ("**Concession Agreement**") dated 12 August 2004 entered into between Kesturi and the Government of Malaysia ("**Government**") whereby the Government has granted Kesturi the right and authority to undertake the design, construction, operation, management and maintenance of DUKE Phase-1 for a period of 34 years and all rights, entitlements (including income) and benefits of Kesturi in relation to its toll expressway business as supplemented by the "**Supplemental Concession Agreement**" dated 3 December 2012 entered into between Kesturi and the Government for the following:

a) the extension of the expressway namely DUKE Phase-2; and

b) the extension of the concession period from 34 years to 54 years with the option to be extended for a further period of 10 years subject to the terms and conditions of the Supplemental Concession Agreement.

Kesturi (in its capacity as the owner of the Concession Assets) shall declare a trust over the Portfolio in favour of all the unitholders of the trust and acts as the portfolio trustee ("**Portfolio Trustee**"). The Portfolio Trustee shall create the Portfolio Units and, on the date of such creation of the Portfolio Units, Kesturi shall be the first holder ("**Initial Unitholder**") of all the Portfolio Units.

Kesturi (as Initial Unitholder) will transfer, from time to time, certain number of Portfolio Units to the Sukukholders, who will acquire the relevant Portfolio Units via subscription of the Sukuk Musharakah. Kesturi shall retain the remainder of the Portfolio Units, if any. The Portfolio Units sold to the Sukukholders are referred to as the "**Sukuk Musharakah Portfolio Units**". By virtue of Kesturi being a holder of the Portfolio Units, Kesturi shall become a Musharakah partner together with the Sukukholders ("**Musharakah Partners**"). The Sukukholders and Kesturi shall share the profits generated from the Portfolio based on a fixed pre-agreed profit sharing ratio of 80%: 20% respectively.

Kesturi shall issue the Sukuk Musharakah to the Sukukholders and the proceeds from each tranche of Sukuk Musharakah will constitute the capital contribution ("**Musharakah Capital**") of the respective Sukukholders to the Venture related to its particular tranche of Sukuk Musharakah. The Sukuk Musharakah for a particular tranche will therefore represent the Sukukholders' undivided proportionate share of beneficial ownership in the relevant Venture (the quantum of which is evidenced by the respective amount of Sukuk Musharakah held by them in relation to the relevant Sukuk Musharakah tranche). The Sukukholders pertaining to a particular Sukuk Musharakah tranche will be entitled to the income generated from the respective Venture throughout the tenure of the Sukuk Musharakah tranche and/or proceeds from the sale of the Sukuk Musharakah Portfolio Units of the relevant Sukuk Musharakah tranche pursuant to the relevant Purchase Undertaking (as defined below).

The Sukuk Trustee, on behalf of the Sukukholders, shall appoint Kesturi as the manager ("**Manager**") of the Ventures, for which the Manager shall be paid an incentive fee as described below.

The distributable profits generated from the Portfolio (after deducting Kesturi's entitlement to the distribution as mentioned above) shall be shared and distributed to the Sukukholders on the Periodic Payment Dates (as defined below) and the relevant Dissolution Date (as defined below). Musharakah Partners in respect of a tranche of Sukuk Musharakah shall share the profits generated from the Venture related to the particular tranche based on their respective capital contribution to the respective Venture.

The losses from the Portfolio shall be borne amongst the Sukukholders and Kesturi in proportion to their respective interest in the Portfolio and limited to each Sukukholders' and Kesturi's respective capital contribution to the Portfolio.

Whenever an Expected Periodic Payment (as defined below) in relation to each tranche of Sukuk Musharakah is to be paid on a particular scheduled Periodic Payment Date, such payment shall be made from:

(i) distributable profits generated from the respective Venture during the tenure of each tranche of Sukuk Musharakah ("**Periodic Distributions**"); and

(ii) Top-up payments (if any) (as defined below) made during the tenure of each tranche of Sukuk Musharakah.

If the distributable profits generated from a Venture is more than the relevant Expected Periodic Payment to be made in respect of a particular Periodic Payment Date, the excess will be retained by the Manager as incentive fee ("**Incentive Fee**") for managing the Venture.

In the event that the distributable profits generated from a Venture is insufficient to make periodic distributions up to the relevant Expected Periodic Payment due on a particular scheduled Periodic Payment Date, Kesturi in its capacity as the obligor ("**Obligor**") shall make top-up payments ("**Top-up Payments**") equal to such deficiency.

Such Top-up Payments shall be set-off against the Exercise Price (as defined below).

Pursuant to the Purchase Undertakings entered into upon issuance of the Sukuk Musharakah, Kesturi as the Obligor undertakes to acquire the Sukuk Musharakah Portfolio Units from the relevant Sukukholders at the Exercise Price on the earlier of the Maturity Date (as defined below) of the relevant Sukuk Musharakah tranche or the date of declaration of an Event of Default/ Dissolution Event (each defined below) of the relevant Sukuk Musharakah tranche.

Please see attached the diagrammatic illustration of the underlying transaction in Annexure 1.

(d) Identified assets : Certain Portfolio Units in the Portfolio designated as "Sukuk Musharakah Portfolio Unit".

			The Sukuk Musharakah Portfolio Units and the Portfolio shall be endorsed by the Shariah Adviser prior to the issuance of the Sukuk Musharakah. The Sukuk Musharakah Portfolio Units and the Portfolio will be valued based on a suitable valuation method acceptable to the Shariah Adviser.
(e)	**Purchase and selling price/rental (where applicable)**	:	Not applicable
(f)	**Issue/ sukuk programme size**	:	<u>Issue/ Sukuk Programme Size</u> The initial limit of the Sukuk Programme shall be up to RM2,300.0 million. Upon the maturity of each Sukuk Musharakah issued from time to time, the limit of the Sukuk Programme shall be reduced by the same amount accordingly. <u>Issue Price</u> The Sukuk Musharakah may be issued at par or at a discount (but not zero-coupon) as may be agreed between the Issuer and the Lead Manager prior to the issuance and the issue price shall be calculated in accordance with the Participation and Operation Rules for Payment and Securities Services ("**MyClear Rules**") issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") and the Operational Procedures for Securities Services issued by MyClear ("**MyClear Procedures**"), as amended or substituted from time to time or their replacement thereof (collectively the "**MyClear Rules and Procedures**").
(g)	**Tenure of issue/ sukuk programme**	:	<u>Sukuk Programme</u> Twenty (20) years from the date of the first issue under the Sukuk Programme, provided always that the first issuance shall be made within two (2) years from the date of the Securities Commission ("**SC**") approval. <u>Sukuk Musharakah</u> More than one (1) year and up to twenty (20) years as the Issuer may select, provided that the Sukuk Musharakah mature on or prior to the expiry of the Sukuk Programme.
(h)	**Availability period of sukuk programme**	:	The period from the date of compliance with all conditions precedent and other applicable conditions to the satisfaction of the Lead Manager until the maturity date of the Sukuk Programme.
(i)	**Profit/ coupon/ rental rate**	:	<u>Periodic Payment Rate</u> To be determined and agreed between the Issuer and the Lead Manager prior to the issuance.

On any relevant scheduled Periodic Payment Date, "**Expected Periodic Payment**" is calculated at the Periodic Payment Rate on the nominal value of the relevant tranche of Sukuk Musharakah based on the Periodic Payment Basis (as defined below).

(j)	**Profit/ coupon/ rental payment frequency**	:	Six (6) monthly period, starting from the issue date of the relevant tranche of Sukuk Musharakah ("**Periodic Payment Period**"). "**Periodic Payment Date**" means the last day of a particular Periodic Payment Period.
(k)	**Profit/ coupon/ rental payment basis**	:	The Periodic Distributions will be calculated on the basis of a year of 365 days and the actual number of days elapsed (actual/365 days) ("**Periodic Payment Basis**").
(l)	**Security/collateral, where applicable**	:	Including but not limited to: (i) a first ranking debenture incorporating fixed and floating charges on the assets of the Issuer, both present and future other than: (a) the Junior FSRA (as defined below) and the credit balances therein; (b) the cash deposits of up to the aggregate of RM4,000,000 securing the existing bank guarantee facilities of up to the aggregate principal amount of RM4,000,000 obtained by the Issuer for the purpose of the Expressway; (c) cash deposits to be identified from time to time by the Issuer over which the Issuer will grant security to secure bank guarantee facilities taken by the Issuer which are permitted under item (i) under Negative Covenants in paragraph (w) below; (ii) a first ranking assignment of all the Issuer's rights, interest, titles and benefits under (1) the Concession Agreement to demand, collect and retain toll for its own benefit from all vehicles liable to pay toll using the Expressway, and (2) other relevant project documents and proceeds therefrom; (iii) a first ranking assignment of the Issuer's rights, interests, titles and benefits in all performance and/or maintenance bonds in relation to the Expressway and the proceeds therefrom except where such performance and/or maintenance bonds are used or to be used as security for other parties (including the Government) in accordance with the Concession Agreement, in which case the security of

the Sukukholders shall rank second after the security of the Government or such other parties;

(iv) a first ranking assignment of all Designated Accounts (as defined below) and the credit balances therein; and

(v) a first ranking assignment of the Issuer's rights, interests, titles and benefits in all relevant insurance policies/Takaful contracts of the Issuer or in respect of the Expressway, to the extent assignable;

(m) Details on utilisation of proceeds by issuer. If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable : The proceeds from the Sukuk Programme shall be utilised for the following Shariah-compliant purposes:

No	Purpose	Amount (Up to RM million)
1	For redemption of the Issuer's existing RM820.0 million nominal value Islamic medium term notes ("**Existing Sukuk**");	820.0
2	To fund the Initial Deposit (as defined below) in the Finance Service Reserve Account ("**FSRA**");	65.0
3	For payment of ancillary fees, costs, deposits and expenses in relation to the redemption of the Existing Sukuk and establishment of the Sukuk Programme;	200.0
4.	To part-finance the construction costs, development costs, financing costs, fees and expenses in relation to DUKE Phase-2 pursuant to the Supplemental Concession Agreement.	Balance
	Total	**2,300**

Description of DUKE Phase-2

The construction of DUKE Phase-2 consists of two (2) links namely Sri Damansara Link which commences from the Menjalara Interchange at Bandar Menjalara and ends at the Segambut Interchange at Jalan Segambut and Tun Razak Link which commences from Jalan Tun Razak near Kuala Lumpur Hospital/ Institut Jantung Negara and ends at the Sentul Pasar Interchange at Jalan Gombak.

Both the Sri Damansara Link and Tun Razak Link are to be dual-three carriageway (6 lanes) with approximately 7 km and 9 km in length respectively.

The construction is expected to complete within three (3) years and construction cost is estimated at RM1.183 billion.

(n) Sinking fund and designated accounts, where applicable :

Sinking Fund

Not applicable

Designated Accounts

The Issuer shall open and maintain the following Shariah-compliant designated accounts with a bank to be appointed by the Issuer which is acceptable to the Lead Manager:

(i) Revenue Account ("**RA**");

(ii) Operations Account ("**OA**"); and

(iii) FSRA,

(collectively, "**Designated Accounts**")

The RA shall be operated by the Project and Account Monitoring Agent and the Issuer as the joint signatory of the account. The Issuer shall be the sole signatory for the OA whilst the Project and Account Monitoring Agent shall be the sole signatory for the FSRA. Upon the declaration of an Event of Default/ Dissolution Event, the Project and Account Monitoring Agent shall be the sole signatory of all the Designated Accounts.

RA

The RA shall be utilised for the purpose of depositing the following:-

(i) net proceeds raised from the Sukuk Musharakah after the following:

   (a) redemption of the Existing Sukuk;

   (b) deposit of the Initial Deposit into the FSRA; and

   (c) payment of the ancillary fees, costs, deposits and expenses related to the redemption of the Existing Sukuk and the establishment of the Sukuk Programme;

(ii) the net proceeds raised from the RM180.0 million nominal value redeemable secured junior bonds ("**Junior Bonds**") to be issued by Kesturi after the redemption of Kesturi's existing RM50.0 million nominal value redeemable secured junior bonds ("**Existing Junior Bonds**");

(iii) all revenues and proceeds received by the Issuer pursuant to the Concession Agreement and other relevant project agreements;

(iv) the credit balances under the designated accounts of the Existing Sukuk (save for the balances under the existing operating account) and the Junior FSRA under the Existing Junior Bonds which are to be transferred into the RA once the Existing Sukuk and Existing Junior Bonds are redeemed;

(v) monies released from the cost savings escrow account specified under the Supplemental Concession Agreement for purposes as may be agreed by the Government (other than for improvements of the Expressway);

(vi) any compensation sums or monies received by Kesturi from the Government in connection with or pursuant to the Concession Agreement;

(vii) proceeds of Takaful/insurance claims in respect of Takaful/insurance taken and maintained throughout the tenure of the Sukuk Programme;

(viii) any claims received in respect of third party performance bonds, maintenance bonds, guarantees or any other compensation received;

(ix) proceeds from any additional equity injections and/or shareholders loans/ advances as may be made by Kesturi's shareholders at their election or pursuant to the Ultimate Shareholders Undertakings (as defined below) in the event of cost overruns or construction delay of the DUKE-Phase-2;

(x) all other revenues of the Issuer; and

(xi) FSRA amount in excess of the Minimum Required Balance (as defined below) which are being released to the RA.

The balance in the RA shall be applied in accordance with the following priority of cashflow ("**Priority of Cashflow**"):-

(i) for payment of constructions costs, development costs, fees and expenses in respect of DUKE Phase-2 via the OA based on certification from the ICE or such other professional certification or documentary evidence in form and substance acceptable to the Project and Account Monitoring Agent;

(ii) for payment of operating and maintenance costs and expenses, taxes, duties, management and recurring capital expenditures in respect of the Expressway via the OA subject to the Project and Account Monitoring Agent's receipt of the Issuer's operating, capital expenditure/ heavy maintenance budget for DUKE Phase-1 and DUKE Phase-2 (upon commencement of tolling operation) ("**Operating Budget**") and satisfactory documentary evidence for the aforesaid payments;

(iii) for payment of profit payments, fees, commissions and other payments payable under the Sukuk Programme;

(iv) for payment of principal obligations due under the Sukuk Programme pursuant to the Purchase Undertaking;

(v) for compliance with the FSRA requirements;

(vi) for payment under the Junior Bonds subject to:

a) the commencement of DUKE Phase-2 tolling operations;
b) the commencement of the calculation of the Senior FSCR (as defined below) in accordance with the terms of the transaction documents;
c) the Senior FSCR being maintained at a minimum of 1.75 times after such payment; and
d) no Event of Default/ Dissolution Event has occurred or is continuing,

(collectively the "**Requisite Conditions**");

(vii) for compliance of the requirements of the Junior Bonds finance service reserve account ("**Junior FSRA**") to be opened and maintained by the Issuer in accordance with the terms of the Junior Bonds and subject to the Requisite Conditions;

(viii) for repurchase and cancellation of Sukuk Musharakah as provided for under the terms of the Sukuk Programme; and

(ix) for payment of permitted distributions to the shareholders as contemplated under the transaction documents subject to all requisite terms and conditions of the transaction documents being met.

OA

The OA shall be utilised for the purpose of depositing the following:-

(1) credit balance under Kesturi's existing operating account under the Existing Sukuk which is to be transferred to the OA upon redemption of the Existing Sukuk and to be utilised for Kesturi's operating and maintenance costs and expenses, taxes, duties, management and recurring capital expenditures in respect of the Expressway ;

(2) amounts transferred from the RA into the OA in accordance to the Priority of Cashflow stipulated under the RA and for the purposes specified therein; and;

(3) monies released from the cost savings escrow account specified under the Supplemental Concession Agreement for improvements of the Expressway as may be agreed by the Government.

FSRA

The Issuer shall open and maintain a profit bearing FSRA from which the credit balance may be drawn by the Project and Account Monitoring Agent to the extent that funds in the RA in accordance with the above-mentioned Priority of Cashflow are insufficient to fulfil the Issuer's scheduled payment obligations under the Sukuk Programme.

On the first issue date of Sukuk Musharakah under the Sukuk Programme, an amount equivalent to the next six (6) months of finance service ("**Initial Deposit**") will be deposited into the FSRA from the proceeds of the Sukuk Musharakah.

During the tenure of the Sukuk Programme, contributions to the FSRA from the RA after payments referred to under the Priority of Cashflow clause will be credited to the FSRA such that the Issuer will at all times maintain a minimum balance equivalent to the next six (6) months projected finance service for the Sukuk Programme ("**Minimum Required Balance**").

In the event that the balance held in the FSRA is less than or exceeds the Minimum Required Balance, the shortfall or excess shall be topped up from or released to the RA, as the case may be. In the event the Issuer utilises the balance in FSRA, the Issuer shall top up the FSRA within ninety (90) days of such utilisation so as to comply with the Minimum Required Balance provided that such Minimum Required Balance is complied with at least thirty (30) days prior to the forthcoming scheduled Periodic Payment Date or Maturity Date(s) of the Sukuk Musharakah, as the case may be.

			For the avoidance of doubt, non-compliance of the Minimum Required Balance does not by itself constitute an Event of Default/ Dissolution Event. The Issuer and the Project and Account Monitoring Agent shall be permitted from time to time to utilise funds held in the relevant Designated Account to make Permitted Investments (as defined below), provided that such funds utilised for Permitted Investments shall be remitted to the relevant Designated Account no later than three (3) business days before any payment obligations of the Issuer become due and payable.
(o)	**Rating**		
	• **Credit ratings assigned and whether the rating is final or indicative**	:	The Sukuk Musharakah have been assigned an indicative rating of AA-$_{IS}$.
	• **Name of credit rating agencies**	:	Malaysian Rating Corporation Berhad ("**Rating Agency**").
(p)	**Mode of issue**	:	Subject to the agreement of the Issuer and the Lead Manager, the Sukuk Musharakah may be issued on a direct or private placement, book running or bought deal basis, all without prospectus. The Sukuk Musharakah shall be issued in accordance with MyClear Rules and Procedures.
(q)	**Selling restriction, including tradability, i.e. whether tradable or non-tradable**	:	The Sukuk Musharakah are tradable subject to the following restrictions: **<u>Selling Restrictions at Issuance</u>** The Sukuk Musharakah shall not be offered, sold, transferred or otherwise disposed of directly or indirectly other than to persons falling within any of the categories of persons or in the circumstances as specified under Schedule 6 or Section 229(1)(b), and Schedule 7 or Section 230(1)(b), read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act 2007, as amended from time to time ("**CMSA**") and Section 4(6) of the Companies Act 1965, as amended from time to time ("**Companies Act**"). **<u>Selling Restrictions after Issuance</u>** The Sukuk Musharakah shall not be offered, sold, transferred or otherwise disposed of directly or indirectly other than to persons falling within any of the categories of persons or in the circumstances as specified under Schedule 6 or Section 229(1)(b), read together with Schedule 9 or Section 257(3) of the CMSA and Section 4(6) of the Companies Act.
(r)	**Listing status and types of listing, where applicable**	:	The Sukuk Musharakah may be listed under the Exempt Regime of the Main Market on Bursa Malaysia Securities Berhad or any other stock exchange.

(s)	**Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase sukuk, and whether or not obtained**	:	None.
(t)	**Conditions precedent**	:	To include but not limited to the following (all have to be in form and substance acceptable to the Lead Manager or Primary Subscriber, as the case may be):

A **<u>Main Documentation</u>**

(i) The transaction documents and such other documents as may be advised by the Solicitor have been executed and, where applicable, stamped and presented for registration.

(ii) All relevant notices and acknowledgements (where applicable) and consents (where applicable) from the relevant counterparties to the project documents shall have been made or received as the case may be.

B **<u>The Issuer</u>**

(i) Certified true copies of the Certificate of Incorporation, and the Memorandum and Articles of Association, of the Issuer.

(ii) Certified true copies of the latest Forms 24 and 49 of the Issuer.

(iii) A certified true copy of a board resolution of the Issuer or an extract of the board resolution of the Issuer authorising, among others, the execution of the transaction documents.

(iv) A list of the Issuer’s authorised signatories and their respective specimen signatures.

(v) A report of the relevant company search of the Issuer.

(vi) A report of the relevant winding up search or the relevant statutory declaration of the Issuer.

C **<u>Ultimate Shareholders and JV Company</u>**

(i) The documents corresponding to those under B(i) to (vi) above (both inclusive) in respect of Ekovest Berhad and Malaysian Resources Corporation Berhad ("**Ultimate Shareholders**").

(ii) Satisfactory evidence that the Ultimate Shareholders have entered into an agreement to subscribe for RM180.0 million nominal value of Junior Bonds in the proportion of 70% and 30% by Ekovest Berhad and Malaysian Resources Corporation Berhad respectively (“**Agreed Shareholding Proportion**”).

(iii) The Ultimate Shareholders shall undertake to the Sukuk Trustee to promptly provide relevant project equity through the JV Company and/or through shareholders loans/ advances and/or direct equity injection into Kesturi, on a several basis in accordance with the Agreed Shareholding Proportion, as and when required in order for Kesturi to meet any cost overruns or additional financing requirements in the event of construction delay in DUKE Phase-2, up to an amount equivalent to RM60.0 million until the date of commencement of tolling operation for DUKE Phase-2 (“**Ultimate Shareholders Undertakings**”).

D **General**

(i) The approval from the SC.

(ii) Receipt of a written confirmation from the Shariah Adviser that the structure and mechanism together with the relevant transaction documents of the Sukuk Programme are Shariah compliant.

(iii) The Sukuk Programme shall have received a minimum long-term rating of $AA-_{IS}$ from the Rating Agency.

(iv) Evidence that all the transaction fees, costs and expenses will be paid in full on or before issuance date.

(v) Receipt of a report from the Independent Insurance Consultant acceptable to the Lead Manager confirming, among others, that the insurance/Takaful programme for the DUKE Phase-2 is adequate and that the insurance policies/Takaful contracts for the construction of the DUKE Phase-2 are in place.

(vi) Receipt of a report from the Traffic Consultant confirming, among others, the traffic projections and its assumptions thereto.

(vii) Receipt of a report from the ICE acceptable to the Lead Manager, reviewing, amongst others, the technical feasibility of the DUKE Phase-2 and the reasonableness of the DUKE Phase-2 costs, construction schedule and the payment schedules.

(viii) Certified true copy of the Environmental Impact Assessment report approved by the Department of Environment prepared for the DUKE Phase-2.

(ix) Receipt of certified true copies of all relevant duly executed project documents.

(x) Evidence that the Supplemental Concession Agreement has become effective in accordance with the terms and conditions contained therein.

(xi) Evidence that all the Designated Accounts and the Trustees' Reimbursement Account have been opened as per the terms stipulated herein and arrangement have been put in place to transfer the credit balances under the designated accounts of the Existing Sukuk and the Existing Junior Bonds to the relevant Designated Accounts under the Sukuk Programme within seven (7) business days from the full redemption of the Existing Sukuk.

(xii) Confirmation from the trustee of the Existing Sukuk that the holders of the Existing Sukuk have agreed for the Issuer to redeem the Existing Sukuk at an agreed price and undertaking from the security agent of the Existing Sukuk (in form and substance acceptable to the Lead Manager) to release and discharge all security created under the Existing Sukuk and deliver the duly executed release/discharge documents and all original documents relating thereto to the Sukuk Trustee/Security Agent and to transfer the credit balances under the designated accounts of the Existing Sukuk and Existing Junior Bonds to the relevant Designated Accounts under the Sukuk Programme within seven (7) business days from the full redemption of the Existing Sukuk.

(xiii) Confirmation from the Solicitor that all security arrangements under the Sukuk Musharakah are in full force and effect or in respect of security which can only be perfected after the issuance of the Sukuk Musharakah, necessary arrangements have been put in place for the perfection of such security upon the issuance of the Sukuk Musharakah and redemption of the Existing Sukuk.

(xiv) The Lead Manager has received a favourable legal opinion from the Issuer's solicitors addressed to it and the Sukuk Trustee advising with respect to among others, the legality, validity and enforceability of the project documents against the Issuer and the relevant counterparties and confirming to the Lead Manager that all the conditions precedent in relation to the project documents (if applicable) have been fulfilled.

(xv) The Lead Manager has received from the Solicitor a favourable legal opinion addressed to it and the Sukuk Trustee advising with respect to, among others, the legality, validity and enforceability of the transaction documents and a confirmation addressed to the Lead Manager that all the conditions precedent have been fulfilled.

(xvi) The written consent from each of the existing lenders of the Issuer to incur indebtedness and create security interest over its assets.

(xvii) Such other conditions precedent as may be advised by the Solicitor.

(u) Representations and warranties : To include but not limited to the following:

(i) the Issuer 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, and has full beneficial ownership of all the property and assets purported to be owned by it;

(ii) the memorandum and articles of association of the Issuer 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, the Issuer to execute and deliver and perform the transactions contemplated in the transaction documents in accordance with their terms;

(iii) neither the execution and delivery of any of the transaction documents nor the performance of any of the transactions contemplated by the transaction documents did or does as at the date this representation and warranty is made or repeated (a) 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 the Issuer or any of its assets is bound or which is applicable to the Issuer or any of its assets, (b) cause any limitation on the Issuer or 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, license, permit, consent or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's assets;

(iv) each of the transaction documents is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the Issuer enforceable in accordance with its terms; and

(v) any other representations and warranties as advised by the Solicitor.

(v) Events of Default, dissolution event and enforcement event, where applicable : To include but not limited to the following:

(i) **<u>Non-payment</u>:** the Issuer fails to pay any amount due from it under any of the transaction documents on the due date or, if so payable, on demand;

(ii) **<u>Misrepresentation</u>:** any representation or warranty made or given by the Issuer under the transaction documents or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of the Sukuk Programme and/or any of the transaction documents proves to have been incorrect or misleading in any material respect on or as of the date made or given or deemed made or given, and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of fourteen (14) business days after the Issuer became aware or having been notified by the Sukuk Trustee or the Security Agent of the failure;

(iii) **<u>Breach of obligations</u>**: the Issuer fails to observe or perform its obligations under any of the transaction documents or the Sukuk Musharakah or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in paragraph (i) above, and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of fourteen (14) business days after the Issuer became aware or having been notified by the Sukuk Trustee or the Security Agent of the failure;

(iv) **Breach of other obligations**: there has been a breach by the Issuer of any obligation under any of the Issuer's existing contractual obligations which may materially and adversely affect the Issuer's ability to perform its obligations under the transaction documents and, if in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the breach within a period of fourteen (14) business days after the Issuer became aware or having been notified by the Sukuk Trustee or the Security Agent of the breach;

(v) **Cross default**: any indebtedness for borrowed moneys of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged or disputed in good faith by the Issuer in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call, or the Issuer goes into default under, or commits a breach of, any agreement or instrument relating to any such indebtedness, guarantee or other obligations, or any security created to secure such indebtedness becomes enforceable;

(vi) **Appointment of receiver, legal process**: an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or part of the business or assets of the Issuer, or distress, legal process, sequestration or any form of execution is levied or enforced or sued out against the Issuer which may have a Material Adverse Effect, or any security interest which may for the time being affect any of its assets becomes enforceable;

(vii) **Judgment passed**: the Issuer fails to satisfy any judgment passed against it by any court of competent jurisdiction and no appeal against such judgment or no application for a stay of execution has been made to any appropriate appellate court within the time prescribed by law or such appeal or application for a stay of execution has been dismissed;

(viii) **Winding-up**: any step is taken for the winding up, dissolution or liquidation of the Issuer or a resolution is passed for the winding up of the Issuer or a petition for winding up is presented against the Issuer and the Issuer has not taken any action in good faith to set aside such petition within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the Issuer;

(ix) **Composition**: the Issuer convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement 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 any part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any part of its indebtedness or any assignment for the benefit of its creditors (other than for the purposes of and followed by a reconstruction previously approved in writing by the Sukuk Trustee, unless during or following such reconstruction the Issuer becomes or is declared to be insolvent) or where a scheme of arrangement under section 176 of the Companies Act has been instituted against the Issuer;

(x) **Approvals**: where there is a revocation, withholding, invalidation or modification of any license, authorisation, approval or consent which in the opinion of the Sukuk Trustee may materially and adversely impairs or prejudices the ability of the Issuer to comply with the terms and conditions of the Sukuk Musharakah or the transaction documents;

(xi) **Insolvency**: the Issuer is deemed unable to pay any of its debts within section 218(2) of the Companies Act or becomes unable to pay any of its debts as they fall due or suspend or threaten to suspend making payments with respect to all or any class of its debts;

(xii) **Creditor control**: any creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer and such event in the opinion of the Sukuk Trustee may have a Material Adverse Effect (as defined below);

(xiii) **Cessation/ Change of business**: the Issuer changes or threatens to change the nature or scope of a substantial part of its business, or suspends or threatens to suspend or cease or threatens to cease the operation of a substantial part of its business which it now conducts directly or indirectly and such change or suspension or cessation in the opinion of the Sukuk Trustee may have a Material Adverse Effect;

(xiv) **Invalidity**: at any time any of the provisions of the transaction documents is or becomes illegal, void, voidable or unenforceable;

(xv) **Repudiation**: the Issuer repudiates any of the transaction documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the transaction documents;

(xvi) **Assets**: any of the assets, undertakings, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which in the opinion of the Sukuk Trustee may have a Material Adverse Effect;

(xvii) **Termination of project documents**: any of the project documents is terminated (except due to lapse of time) or there has been a breach of any material obligations by the Issuer and/or project counterparties under any of the project documents or any contractual obligations which may materially and adversely affect the Issuer's ability to perform its obligations under the transaction documents and which, if capable of remedy, has not been remedied to the satisfaction of the Sukuk Trustee within thirty (30) days after the Issuer became aware or having been notified of such breach;

(xviii) **Suspension of Work**: suspension of work on the whole or any material part of the DUKE Phase-2 for more than one hundred and eighty (180) days and the Issuer is unable to satisfy the Project and Account Monitoring Agent that relevant action is being undertaken to commence the suspended work;

(xix) **Non-completion**: failure of the Issuer to achieve completion of the DUKE Phase-2 in the manner outlined in the Supplemental Concession Agreement and/or occurrence of an event of default under the Concession Agreement;

(xx) **Material Adverse Events**: any event or events has or have occurred or a situation exists which in the opinion of the Sukuk Trustee may have a Material Adverse Effect, and in the case of the occurrence of such event or situation which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy it within a period of seven (7) days after the Issuer became aware or having been notified by the Sukuk Trustee or the Security Agent of such event or situation; or

(xxi) such other event as may be advised by the Solicitor.

For the purposes of this principal terms and conditions, Material Adverse Effect means any material adverse effect on the business or condition (financial or otherwise) or results of the operations of the Issuer or the ability of the Issuer to perform any of its obligations under any of the transaction documents.

Upon the occurrence of any of the events mentioned above, the Sukuk Trustee may, or shall if directed to do so by a special resolution of the Sukukholders, declare that an Event of Default/ Dissolution Event has occurred and thereby take such proceedings against the Issuer as it may think fit to enforce the transaction documents including the security. The Obligor shall purchase the Sukuk Musharakah Portfolio Units from the Sukukholders and the Exercise Price under the Purchase Undertakings shall become immediately due and payable. Upon the purchase of the Sukuk Musharakah Portfolio Units, the Musharakah Venture shall be dissolved.

(w) Covenants : **Financial Covenants**

Finance Service Cover Ratio (“ **Senior FSCR**”)

The Issuer shall maintain a Senior FSCR of at least 1.75 times.

The Senior FSCR is the ratio of Available Cashflow (as defined below) to the aggregate of:

(i) all principal obligations of the Issuer under the Sukuk Programme due and payable in the next 12 months; plus

(ii) all profit payments under the Sukuk Programme due and payable in the next 12 months; plus

(iii) all principal obligations, coupon, profit payments or interest due and payable paid by the Issuer under any other financings/borrowings of the Issuer (excluding the Junior Bonds, Kesturi RPS (as defined below) and any other subordinated loans/ advances/ financing instruments) in the next 12 months.

The Senior FSCR calculations shall be duly confirmed by the Issuer's external auditors and based on the latest audited accounts of the Issuer on an annual basis. The first of such Senior FSCR calculations will commence and be based on the audited accounts of the Issuer for the financial year immediately following the financial year when tolling operations of DUKE Phase-2 commences and shall be performed no later than one hundred and eighty (180) days from such financial year end. The Issuer shall arrange for the external auditor's confirmation to be forwarded to the Project and Account Monitoring Agent for its distribution to the Sukuk Trustee and the Rating Agency.

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

"**Available Cashflow**" means in an annual period, the sum of:

(i) all income received by the Issuer under the Concession Agreement including the Government funding (if any) and other project documents and any other receipts of a capital or revenue nature under any contract or agreement;

(ii) all distribution, returns and realised gains received by the Issuer;

(iii) all credit balances in the Designated Accounts including accrued profit payments retained by or on behalf of the Issuer and the amount utilised from the Designated Accounts for Permitted Investments at the beginning of the relevant 12 months period; and

(iv) proceeds of Takaful/insurance claims received by the Issuer.

<u>Less:</u>

(i) the total amount spent on management, administration, operation, maintenance and heavy repairs;

(ii) taxes paid or such other contributions paid by the Issuer to the Government;

(iii) capital expenditure incurred, except if such capital expenditure is funded by the Sukuk Programme, Junior Bonds or additional equity injection; and

(iv) any payments made by the Issuer under the Concession Agreement and other project documents or other contract or agreement.

Available Cashflow shall be computed based on the Issuer's latest audited accounts and confirmed by its external auditors acceptable to the Sukuk Trustee.

Information Covenants

To include but not limited to the following:

(i) the Issuer shall provide to the Sukuk Trustee at least on an annual basis, a certificate confirming that it has complied with all its obligations under the transaction documents and the terms and conditions of the Sukuk Musharakah and that there did not exist or had not existed, from the date the Sukuk Musharakah were issued or the date of the last certificate as the case may be, any Event of Default/Dissolution Event, and if such is not the case, to specify the same;

(ii) the Issuer shall deliver/furnish to the Sukuk Trustee the following:

(a) as soon as they become available (and in any event within one hundred and eighty (180) days after the end of each of its financial years) copies of its consolidated financial statements for that year which shall contain the income statements and balance sheets of the Issuer and which are audited and certified without qualification by a firm of independent certified public accountants acceptable to the Sukuk Trustee;

(b) as soon as they become available (and in any event within ninety (90) days after the end of the first half of its financial year) copies of its unaudited half yearly consolidated financial statements for that period which shall contain the income statements and balance sheets of the Issuer which are duly certified by any one of its directors;

(c) promptly, such additional financial or other information relating to the Issuer's business and its operations as the Sukuk Trustee may from time to time reasonably request;

(d) promptly, all notices or other documents received by the Issuer from any of its shareholders or its creditors which contents may materially and adversely affect the interests of the Sukukholders, and a copy of all documents dispatched by the Issuer to its shareholders (or any class of them) in their capacity as shareholders (including accounts, reports, notice, statement or circular issued to shareholders) or its creditors generally at the same time as these documents are dispatched to these shareholders or creditors; and

(e) any information which the Sukuk Trustee may reasonably require in order to discharge its duties and obligations under the trust deed of the Sukuk Musharakah relating to the Issuer's affairs to the extent permitted by law;

(iii) the Issuer shall deliver to the Project and Account Monitoring Agent Operating Budgets (in form and substance to be mutually agreed with the Project and Monitoring Agent) within thirty (30) days from the commencement date of tolling operations under DUKE Phase-2;

(iv) the Issuer shall promptly notify the Sukuk Trustee of any change in its board of directors and/or shareholders;

(v) the Issuer shall promptly notify the Sukuk Trustee of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer before any court or tribunal or administrative agency which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the transaction documents;

(v) the Issuer shall promptly give notice to the Sukuk Trustee of the occurrence of any Event of Default/ Dissolution Event or any event which, upon the giving of notice and/or lapse of time and/or the issue of a certificate and/or the fulfilment of the relevant requirement as contemplated under the relevant transaction document would constitute an Event of Default/Dissolution Event ("**Potential Event of Default/ Dissolution Event**") forthwith upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Sukuk Trustee to remedy and/or mitigate the effect of the Event of

Default/Dissolution Event or the Potential Event of Default/Dissolution Event;

(vi) the Issuer shall inform the Sukuk Trustee in the event that the Issuer becomes aware of the following:-

(a) any circumstance that has occurred that would materially prejudice the Issuer or any security included in or created by the security documents;

(b) any substantial change in the nature of the business of the Issuer;

(c) any change in withholding tax position or taxing jurisdiction of the Issuer;

(d) any change in the utilisation of the proceeds of the Sukuk Musharakah as stated in the transaction documents and the information memorandum relating to the Sukuk Musharakah;

(e) any event that has caused or could cause one or more of the following events: (1) any amount payable under the Sukuk Musharakah to become immediately payable; (2) the Sukuk Musharakah to become immediately enforceable; or (3) any other right or remedy under the terms, provisions or covenants of the Sukuk Musharakah or the transaction documents to become immediately enforceable; and

(f) any other matter that may materially prejudice the interests of the Sukukholders;

(viii) any other covenants as advised by the Solicitor.

Positive Covenants

To include but not limited to the following:

(i) the Issuer 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 are or may become necessary to enable it to own its assets, to carry on its business or for the Issuer to enter into or perform its obligations under the transaction documents or to ensure the validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the financiers under the transaction documents and the Issuer shall comply with the same;

(ii) the Issuer 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;

(iii) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner which shall ensure, among others, that all necessary approvals or relevant licenses are obtained and maintained and in accordance with sound financial and commercial standards and practices;

(iv) the Issuer shall promptly perform and carry out all its obligations under all the transaction documents (including but not limited to redeeming the Sukuk Musharakah on the relevant Maturity Date(s) or any other date on which the Sukuk Musharakah are due and payable) and ensure that it shall immediately notify the Sukuk Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the transaction documents;

(v) the Issuer shall prepare its financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia and those financial statements shall give a true and fair view of the results of the operations of the Issuer for the period to which the financial statements are made up and shall disclose or provide against all liabilities (actual or contingent) of the Issuer;

(vi) the Issuer shall promptly comply with all applicable laws including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by SC from time to time;

(vii) the Issuer shall maintain the Takaful/insurances required by the transaction documents and project documents;

(viii) the Issuer shall open and maintain the Designated Accounts for the purposes stated and make payments from such accounts only as permitted under the transaction documents;

(ix) the Issuer shall promptly pay all amounts received from any party into the relevant Designated Accounts;

(x) the Issuer shall promptly exercise its rights under the project documents so as to procure that the contractors, subcontractors and consultants appointed in connection with any works are properly skilled, qualified and experienced to undertake the awarded contracts and maintenance projects and to ensure that these contractors, subcontractors and consultants promptly perform their respective obligations under these project documents;

(xi) the Issuer shall promptly perform its obligations and exercise its rights under the Concession Agreement;

(xii) the Issuer shall, as soon as practicable, deliver a certified true copy of any material documents related to the Expressway entered into subsequent to the signing of the transaction documents;

(xiii) the Issuer shall maintain a paying agent or its equivalent, who is based in Malaysia and the Issuer shall procure that the paying agent shall notify the Sukuk Trustee, through a facility agent, if the paying agent does not receive payment from the issuer on the due dates as required under the transaction documents and the Sukuk Musharakah;

(xiv) the Issuer shall keep proper books and accounts at all times and to provide the Sukuk Trustee and any person appointed by it access to such books and accounts to the extent permitted by law;

(xv) the Issuer shall ensure that the terms in the trust deed do not contain any matter which is inconsistent with the provisions of the information memorandum relating to the Sukuk Musharakah;

(xvi) in the event Kesturi is required to open an escrow account to deposit any cost savings as may be agreed by the Government, Kesturi shall procure that such account is to be assigned to the Sukukholders as a Designated Account and such proceeds may be utilised to meet Kesturi's financing obligations (including FSRA requirements) as may be required; and

(xvii) such other covenants as may be advised by the Solicitor.

Negative Covenants

To include but not limited to the following:

(i) the Issuer shall not obtain or permit to exist any other borrowings/financings except for (a) the Sukuk Programme; (b) the Junior Bonds and (c) the existing and additional future borrowings/financing taken/to be taken by the Issuer for an aggregate principal amount not exceeding RM10,000,000 in the form of hire purchase, bank guarantee facilities and/or facilities for working capital requirements;

(ii) the Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding:

(1) liens arising in the ordinary course of business by operation of law and not by way of contract;

(2) the security over the Junior FSRA and the credit balances therein, to secure the Junior Bonds;

(3) those security as contemplated under the Sukuk Programme ;

(4) the existing security over cash deposits of up to the aggregate of RM4,000,000 securing the existing bank guarantee facilities of up to the aggregate principal amount of RM4,000,0000 obtained by the Issuer for the purpose of the Expressway;

(5) security over cash deposits to be identified from time to time by the Issuer over which the Issuer will grant security to secure bank guarantee facilities taken by the Issuer which are permitted under item (i) under Negative Covenants above;

(iii) the Issuer shall not provide or permit to exist any guarantee to any party;

(iv) the Issuer shall not dispose any assets in excess of RM5.0 million in any financial year;

(v) the Issuer shall not add, delete, amend or substitute or permit any amendment, supplement or variation to its Memorandum or Articles of Association in a manner which may be materially prejudicial to the interest of the Sukukholders;

(vi) the Issuer shall not reduce or in any way whatsoever alter except increase, 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, or by any other manner except for the purposes of replacing the redeemable preference shares in the Issuer ("**Kesturi RPS**") with ordinary share capital or equity instrument of similar nature as may be contemplated under this term sheet;

(vii) the Issuer shall not declare or pay any dividends or make any distribution whether income or capital in nature to its shareholders or on the Kesturi RPS or make any payments (whether in relation to principal, profit/interest or otherwise) to its shareholders in connection with any subordinated financings/loans or advances from its shareholders, except in relation to the Junior Bonds (which are subject to the Requisite Conditions) if:

(a) the calculation of the Senior FSCR has not commenced;

(b) the Senior FSCR is below 2.25 times after such payment or distribution; or

(c) an Event of Default/ Dissolution Event has occurred or is continuing or if following such payment or distribution, an Event of Default/ Dissolution Event would occur;

(viii) the Issuer shall not repay any maturing Kesturi RPS for as long as there is any Sukuk Musharakah outstanding but may replace such maturing Kesturi RPS with Kesturi ordinary share capital or any equivalent instruments subordinated to the Sukuk Musharakah with maturities falling due after the maturity of the last tranche of the Sukuk Musharakah;

(ix) the Issuer shall not make any payments (whether in relation to principal or interest or otherwise) on the Junior Bonds if the Requisite Conditions are not met;

(x) the Issuer shall not obtain or permit to exist any loans or advances from its shareholders, or associated companies unless these loans/financing and advances are subordinated to the Sukuk Musharakah;

(xi) subject to paragraph (x) above, the Issuer shall not enter into any agreement with its shareholders, subsidiaries or associated companies unless such agreement is entered into:

(a) in the ordinary course of its business and on an arms-length basis and will not have a Material Adverse Effect; or

(b) in relation to the Junior Bonds or Kesturi RPS;

(xii) the Issuer shall not change the utilisation of the proceeds of the Sukuk Musharakah set out in the information memorandum relating to the Sukuk Musharakah and/or the transaction documents;

(xiii) the Issuer shall not lend/advance any money to any party other than to the Issuer's directors, officers or employees as part of their terms of employment;

(xiv) the Issuer shall not do or suffer to be done any act, matter or thing whereby any Takaful/insurance may be rendered void, voidable, unenforceable or incapable of being affected, maintained or renewed;

(xv) the Issuer shall not or shall not agree to amend, vary or terminate (except due to lapse of time), replace or supplement any of the project documents;

(xvi) the Issuer shall not waive or agree to waive any breaches or proposed breaches committed by any counterparty pursuant to any of the project documents;

(xvii) the Issuer shall not amend or agree to amend, waive or agree to waive any breaches in, any of the terms and conditions of the Kesturi RPS;

(xviii) the Issuer shall not open or maintain any accounts other than the Designated Accounts, the Trustees' Reimbursement Account, the Junior FSRA, the trustees' reimbursement account in respect of the Junior Bonds and the escrow account as may be required under the Supplemental Concession Agreement;

(xix) the Issuer shall not take any action or fail to perform any obligation which will or might reasonably be considered likely to cause or lead or contribute to a breach, revocation or termination of any of the project documents; and

(xx) such other covenants as may be advised by the Solicitors.

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

<u>Repurchase and Cancellation</u>

The Issuer or its subsidiary(ies) or agent(s) may at any time purchase the Sukuk Musharakah at any price in the open market or by private treaty. Such Sukuk Musharakah purchased by the Issuer or its subsidiary(ies) or agent(s) shall be cancelled and cannot be reissued or resold. The Sukuk Musharakah purchased by its related corporations (other than its subsidiaries) need not be cancelled but they will not entitle such related corporations to vote at any meeting of the Sukukholders.

<u>Redemption</u>

Unless previously redeemed or purchased and cancelled, the Sukuk Musharakah will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates. The Sukuk Musharakah redeemed by the Issuer shall be cancelled and cannot be reissued or resold.

<u>Early Redemption</u>

Not applicable.

(y) Other principal terms and conditions for the proposal

(i) **Form and denomination** : The Sukuk Musharakah shall be issued in accordance with MyClear Rules and Procedures applicable from time to time. Each tranche of Sukuk Musharakah shall be represented by a global certificate to be deposited with the Central Depository, and is exchanged for definitive bearer form only in certain limited circumstances. The denomination of each Sukuk Musharakah shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

(ii) **Status** : The Sukuk Musharakah will constitute direct, unconditional, senior and secured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law or the transaction documents.

(iii) **Permitted Investments** : The Issuer shall be permitted from time to time to utilise funds held in the Designated Accounts to make Permitted Investments, provided that:

(i) such funds utilised for Permitted Investments shall be remitted to the relevant Designated Accounts, as the case may be, no later than three (3) business days before any payment obligations of the Issuer become due and payable;

(ii) such Permitted Investments are to be held and not traded. However, in the event that such Permitted Investments subsequently fails to meet any of the criteria for Permitted Investments, that Permitted Investment may be disposed of; and

(iii) such Permitted Investments shall comprise investment products approved by the SC's Shariah Advisory Council, BNM's Shariah Council and/or other recognised Shariah authorities. For the purposes of the Sukuk Programme, Permitted Investments are as follows:

a) deposits with licensed Islamic financial institutions in Malaysia;

b) Islamic bankers acceptances, Islamic bills and other Islamic money market instruments by licensed financial institutions with a short term rating of MARC-1 and a minimum long term rating of AA-$_{IS}$ or their equivalent;

c) Islamic treasury bills, Islamic money market instruments, and other Islamic securities or sukuk issued by BNM or the Government;

d) Islamic securities or sukuk issued by quasi government or government related corporations with a short term rating of MARC-1 and a minimum long term rating of AA-$_{IS}$ or their equivalent or Islamic securities or sukuk guaranteed by the Government;

e) Islamic securities or sukuk issued by corporations with a short term rating of MARC-1 and a minimum long term rating of AA-$_{IS}$ or their equivalent, or by financial institutions with a short term rating of MARC-1 or a minimum long term rating of AA-$_{IS}$ or their equivalent;

f) any other Islamic capital market instruments or Islamic investment products which are capital protected by licensed takaful companies in Malaysia with a short term rating of MARC-1 or a minimum long term rating of $AA-_{IS}$ or their equivalent; and/or

g) any Islamic fund approved by the SC which invests in any of the instruments above.

(iv) **Purchase Undertaking** : Pursuant to the Purchase Undertakings entered into upon issuance of the Sukuk Musharakah, Kesturi (in its capacity of Obligor) undertakes to acquire the Sukuk Musharakah Portfolio Units from the Sukukholders.

Kesturi shall purchase the Sukuk Musharakah Portfolio Units at the Exercise Price on the earlier of the:

(i) Maturity Date of the relevant Sukuk Musharakah tranche; or

(ii) date of declaration of an Event of Default/Dissolution Event of the relevant Sukuk Musharakah tranche,

(each referred to as a "**Dissolution Date**")

"**Maturity Date**" of the respective tranche of Sukuk Musharakah shall be at the due date of the respective tranche of Sukuk Musharakah.

Upon purchase of the Sukuk Musharakah Portfolio Units of the relevant Sukuk Musharakah tranche, the Venture of the relevant Sukuk Musharakah tranche shall be dissolved and the Sukuk Musharakah held by the Sukukholders shall be cancelled.

The Exercise Price shall be calculated based on the following formula:

(i) <u>On the Maturity Date</u>

Exercise Price = Musharakah Capital plus Expected Return less aggregate of Periodic Distributions made and received up to the Maturity Date.

Expected Return shall be calculated up to Maturity Date. For the avoidance of doubt, the Exercise Price shall be adjusted to be equivalent to the nominal value of the relevant tranche of Sukuk Musharakah plus accrued but unpaid Expected Periodic Payments (if any) up to the Maturity Date and shall be in accordance with the MyClear Rules and Procedures.

(ii) <u>On the Date of declaration of an Event of Default/ Dissolution Event</u>

(a) Discounted Sukuk Musharakah

Exercise Price = Musharakah Capital plus Expected Return less aggregate of Periodic Distributions made and received up to the declaration of an Event of Default/ Dissolution Event.

Expected Return shall be calculated up to the declaration of an Event of Default/ Dissolution Event. For avoidance of doubt, the Exercise Price shall be adjusted to be equivalent to the accreted value of the relevant tranche of Sukuk Musharakah plus accrued but unpaid Expected Periodic Payments (if any) up to the declaration of an Event of Default/ Dissolution Event and shall be in accordance with the MyClear Rules and Procedures.

(b) Par Sukuk Musharakah

Exercise Price = Musharakah Capital plus Expected Return less aggregate of Periodic Distributions made and received up to the declaration of an Event of Default/ Dissolution Event.

Expected Return shall be calculated up to the declaration of an Event of Default/ Dissolution Event. For avoidance of doubt, the Exercise Price shall be adjusted to be equivalent to the nominal value of the relevant tranche of Sukuk Musharakah plus accrued but unpaid Expected Periodic Payment (if any) up to the declaration of an Event of Default/ Dissolution Event and shall be in accordance with the MyClear Rules and Procedures.

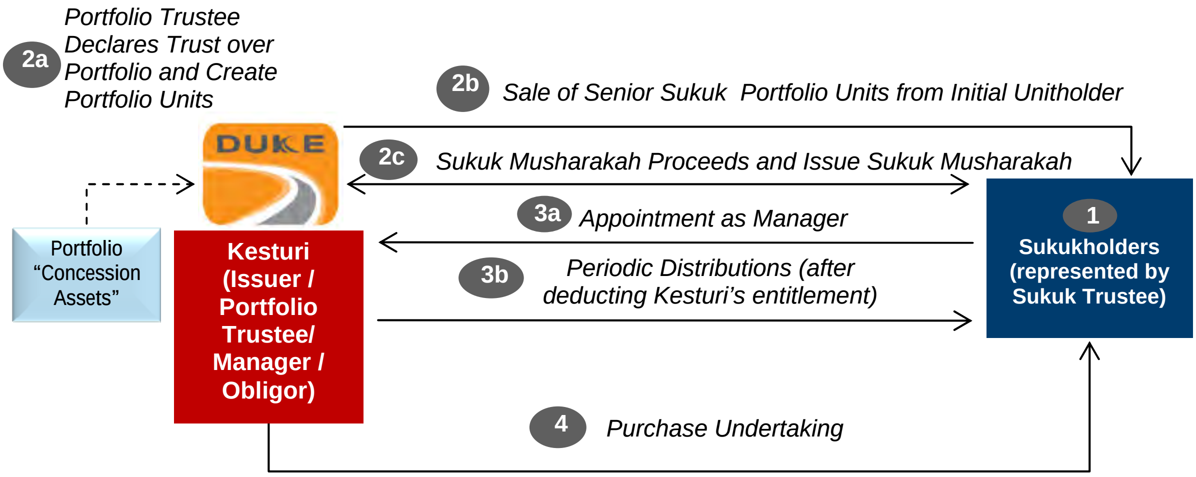
"**Expected Return**" means an amount calculated based on the yield to maturity of the relevant tranche of Sukuk Musharakah at the point of issuance of the Sukuk Musharakah tranche calculated up to the Maturity Date or the date of declaration of an Event of Default/ Dissolution Event, as the case may be.

Where the Obligor has made Top-up Payments, the Obligor will be entitled to deduct the aggregate of such Top-up Payments from the Exercise Price.

(v)	**Compensation (Ta'widh)**	:	In the event of overdue payments of the Exercise Price under any of the Purchase Undertakings or the Issuer/Obligor fails to distribute the realised profit to the Sukukholders on the Periodic Payment Date, Kesturi shall pay compensation ("Ta'widh") on such overdue amounts at the rate and manner prescribed by SC's Shariah Advisory Council from time to time.
(vi)	**Taxation**	:	All payments by the Issuer 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.
(vii)	**Governing Laws**	:	Laws of Malaysia.
(viii)	**Jurisdiction**	:	The Issuer shall unconditionally and irrevocably submit to the non-exclusive jurisdictions of the courts of Malaysia.
(ix)	**Other Conditions**	:	The Sukuk Musharakah shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and MyClear having jurisdiction over matters pertaining to the Sukuk Musharakah.
(x)	**Other Expenses**	:	All costs, charges and expenses including trustee and security agent fees, legal and other professional fees, abortive fees, rating fees, stamp duties (if any), penalties, BNM and SC fees, and other incidental costs, charges and expenses shall be borne by the Issuer, even if the issuance of the Sukuk Musharakah are subsequently aborted for any reason whatsoever.
(xi)	**Trustees' Reimbursement Account**	:	The Issuer shall open and maintain an account designated as "Trustees' Reimbursement Account for Sukukholders' Actions" (as required under the Trust Deeds Guidelines), in which a sum of RM30,000.00 from the monies received by the Issuer when the Sukuk Musharakah are issued, are to be deposited ("**Trustees' Reimbursement Account**"). The Trustees' Reimbursement Account shall be operated by the Sukuk Trustee and the monies shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of events of default or enforcement events which are provided in the trust deed. The sum of RM30,000.00 in the Trustees' Reimbursement Account shall be maintained at all times throughout the tenure of the Sukuk Programme.

Annexure 1

MUSHARAKAH DIAGRAM



Step 1	The Sukuk Musharakah shall be issued under the Shariah principle of Musharakah whereby the holders of the Sukuk Musharakah issued under the Sukuk Programme ("**Sukukholders**") will contribute capital in the form of cash while Kesturi will provide capital in kind for the purpose of the venture. The investors of each tranche of the Sukuk Musharakah shall enter into a venture with Kesturi ("**Venture**") and the Venture refers to investments in certain Portfolio Units which represent individual shares of the undivided beneficial ownership in a portfolio ("**Portfolio**") comprising the Concession Assets.
Step 2	a. Kesturi (in its capacity as the owner of the Concession Assets) shall declare a trust over the Portfolio in favour of all the unitholders of the trust and acts as the portfolio trustee ("**Portfolio Trustee**"). The Portfolio Trustee shall create the Portfolio Units and, on the date of such creation of the Portfolio Units, Kesturi shall be the first holder ("**Initial Unitholder**") of all the Portfolio Units. b. Kesturi (as Initial Unitholder) will transfer, from time to time, certain number of Portfolio Units to the Sukukholders, who will acquire the relevant Portfolio Units via subscription of the Sukuk Musharakah. Kesturi shall retain the remainder of the Portfolio Units, if any. The Portfolio Units sold to the Sukukholders are referred to as the "Sukuk Musharakah Portfolio Units". By virtue of Kesturi being a holder of the Portfolio Units, Kesturi shall become a Musharakah partner together with the Sukukholders ("**Musharakah Partners**"). The Sukukholders and Kesturi shall share the profits generated from the Portfolio based on a fixed pre-agreed profit sharing ratio of 80%:20% respectively. c. Kesturi shall issue the Sukuk Musharakah to the Sukukholders and the proceeds from each tranche of Sukuk Musharakah will constitute the capital contribution ("**Musharakah Capital**") of the respective Sukukholders to the Venture related to its particular tranche of Sukuk Musharakah. The Sukuk Musharakah for a particular tranche will therefore represent the Sukukholders' undivided proportionate share of beneficial ownership in the relevant Venture (the quantum of which is evidenced by the respective amount of Sukuk Musharakah held by them in relation to the relevant Sukuk Musharakah tranche). The Sukukholders pertaining to a particular Sukuk Musharakah tranche will be entitled to the income generated from the respective Venture throughout the tenure of the Sukuk Musharakah tranche and/or proceeds from the sale of the Sukuk Musharakah Portfolio Units of the relevant Sukuk Musharakah tranche pursuant to the relevant Purchase Undertaking.

Step 3	a. The Sukuk Trustee, on behalf of the Sukukholders, shall appoint Kesturi as the manager ("**Manager**") of the Ventures, for which the Manager shall be paid an incentive fee as described below. b. The distributable profits generated from the Portfolio (after deducting Kesturi's entitlement to the distribution as mentioned above) shall be shared and distributed to the Sukukholders on the Periodic Payment Dates and the relevant Dissolution Date. Musharakah Partners in respect of a tranche of the Sukuk Musharakah shall share the profits generated from the Venture related to that particular tranche based on their respective capital contribution to the respective Venture. The losses from the Portfolio shall be borne amongst the Sukukholders and Kesturi in proportion to their respective interest in the Portfolio and limited to each Sukukholders' and Kesturi's respective capital contribution to the Portfolio. Whenever an "Expected Periodic Payment" in relation to each tranche of the Sukuk Musharakah is to be paid on a particular scheduled Periodic Payment Date, such payment shall be made from: i) distributable profits generated from the respective Venture during the tenure of each tranche of the Sukuk Musharakah ("**Periodic Distributions**"); and ii) Top-up payments (if any) (as defined below) made during the tenure of each tranche of the Sukuk Musharakah. If the distributable profits generated from a Venture is more than the relevant Expected Periodic Payment to be made in respect of a particular Periodic Payment Date, the excess will be retained by the Manager as incentive fee ("**Incentive Fee**") for managing the Venture. In the event that the distributable profits generated from a Venture is insufficient to make periodic distributions up to the relevant Expected Periodic Payment due on a particular scheduled Periodic Payment Date, Kesturi in its capacity as the Obligor shall make top-up payments ("**Top-up Payments**") equal to such deficiency.
Step 4	Pursuant to the Purchase Undertakings entered into upon issuance of the Sukuk Musharakah, Kesturi as the Obligor undertakes to acquire the Sukuk Musharakah Portfolio Units from the relevant Sukukholders at the Exercise Price on the earlier of the Maturity Date or date of declaration of an Event of Default/ Dissolution Event of the relevant Sukuk Musharakah tranche.

2.2 Principal terms and conditions of the Junior Bonds

(a) Names of parties involved in the proposal, where applicable

(i)	**Principal adviser**	:	CIMB Investment Bank Berhad ("**CIMB**").
(ii)	**Lead arranger**	:	CIMB.
(iii)	**Co-arranger**	:	Not applicable.
(iv)	**Solicitor**	:	Messrs. Zaid Ibrahim & Co.
(v)	**Financial adviser**	:	Not applicable.
(vi)	**Technical adviser**	:	Not applicable.
(vii)	**Bond Trustee**	:	CIMB Commerce Trustee Berhad.
(viii)	**Guarantor**	:	Not applicable.
(ix)	**Valuer**	:	Not applicable.
(x)	**Facility agent**	:	CIMB.
(xi)	**Primary Subscriber (under a bought-deal arrangement) and amount subscribed**	:	To be determined prior to issuance.
(xii)	**Underwriter and amount underwritten**	:	Not applicable.
(xiii)	**Central depository**	:	Bank Negara Malaysia ("**BNM**").
(xiv)	**Paying agent**	:	BNM.
(xv)	**Reporting accountant**	:	Messrs. Mazars.
(xvi)	**Calculation agent**	:	Not applicable.
(xvii)	**Others (please specify)**	:	Independent Consulting Engineer ("**ICE**") Perunding ZKR Sdn Bhd Traffic Consultant Perunding Trafik Klasik Sdn Bhd Independent Insurance Consultant Anika Insurance Brokers Sdn Bhd Lead Manager CIMB Project and Account Monitoring Agent CIMB Security Agent CIMB.

(b)	**Facility description**	:	Issuance of redeemable secured junior bonds of up to RM180.0 million in nominal value ("**Junior Bonds**").
(c)	**Issue/ debt programme size**	:	**<u>Issue Size</u>** Up to RM180.0 million in nominal value. **<u>Issue Price</u>** The Junior Bonds are to be issued in one lump sum at par. The issue price shall be calculated in accordance with the Participation and Operation Rules for Payment and Securities Services ("**MyClear Rules**") issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") and the Operational Procedures for Securities Services issued by MyClear ("**MyClear Procedures**"), as amended or substituted from time to time or their replacement thereof (collectively the "**MyClear Rules and Procedures**")
(d)	**Tenure of issue/debt programme**	:	Twenty one (21) years from the date of issuance provided always that the issuance shall be made one (1) year from the date of the Securities Commission ("**SC**") approval.
(e)	**Availability period of debt programme**	:	Not applicable.
(f)	**Interest/coupon rate**	:	The coupon shall be calculated at rate of 11.5% per annum ("**Coupon Payment Rate**"). On any relevant scheduled Coupon Payment Date (as defined below), the coupon payment amount ("**Coupon Payment Amount**") is calculated at the Coupon Payment Rate on the nominal value of the Junior Bonds based on the Coupon Payment Basis (as defined below). On any relevant scheduled Coupon Payment Date, "**Cumulative Coupon Payment**" means the aggregate of (i) the Coupon Payment Amount due on that Coupon Payment Date; and (ii) cumulative aggregate of any Coupon Payments Amounts (wholly or partly) not paid during the previous Coupon Payment Dates. Coupon Payment Amounts or partial Coupon Payment Amounts or Cumulative Coupon Payment or partial Cumulative Coupon Payment shall be paid on the scheduled Coupon Payment Dates, subject to (a) the commencement of DUKE Phase-2 tolling operations; (b) the commencement of the calculation of the Senior FSCR in accordance with the terms of the Sukuk Programme (as defined below); (c) the Senior FSCR being at least 1.75 times after such distribution; and (d) no Event of Default has occurred or is continuing (collectively "Requisite Conditions") except for the final Coupon Payment Amounts or Cumulative Coupon Payment which is due upon maturity of the Junior Bonds.

For the avoidance of doubt, any outstanding Cumulative Coupon Payment is to be made on the earlier of:

(i) maturity date of the Junior Bonds; or

(ii) Early Redemption Date (as defined below); or

(iii) the date of declaration of an Event of Default.

The Senior FSCR means the ratio of Available Cashflow (as defined below) to the aggregate of:

(i) all principal obligations of the Issuer under the Islamic medium term notes ("**Sukuk Musharakah**") issued pursuant to the Islamic medium term notes issuance programme of up to RM2,300.0 million in nominal value under the Shariah principle of Musharakah ("**Sukuk Programme**") due and payable in the next 12 months; plus

(ii) all profit payments under the Sukuk Programme due and payable in the next 12 months; plus

(iii) all principal obligations, coupon, profit payments or interest due and payable by the Issuer under any other financings/borrowings of the Issuer (excluding the Junior Bonds, Kesturi RPS (as defined below) and any other subordinated loans/ advances/ financing instruments) in the next 12 months.

The Senior FSCR calculations shall be duly confirmed by the Issuer's external auditors and based on the latest audited accounts of the Issuer on an annual basis. The first of such Senior FSCR calculations will commence and be based on the audited accounts of the Issuer for the financial year immediately following the financial year when tolling operations of Duke Phase-2 commences and shall be performed no later than one hundred and eighty (180) days from such financial year end. The Issuer shall arrange for the external auditor's confirmation to be forwarded to the Project and Account Monitoring Agent of the Sukuk Programme for its distribution to the Bond Trustee and the Rating Agency (as defined below).

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

"**Available Cashflow**" means in an annual period, the sum of:

(i) all income received by the Issuer under the Concession Agreement (as defined below) including the Government (as defined below) funding (if any) and other project documents and any other receipts of a capital or revenue nature under any contract or agreement;

(ii) all distribution, returns and realised gains received by the Issuer;

(iii) all credit balances in the designated accounts in respect of the Sukuk Programme including accrued profit payments retained by or on behalf of the Issuer and the amount utilised from such designated accounts for permitted investments at the beginning of the relevant 12 months period; and

(iv) proceeds of takaful/insurance claims received by the Issuer.

<u>Less:</u>

(i) the total amount spent on management, administration, operation, maintenance and heavy repairs;

(ii) taxes paid or such other contributions paid by the Issuer to the Government; and

(iii) capital expenditure incurred, except if such capital expenditure is funded by the Sukuk Programme, Junior Bonds or additional equity injection; and

(iv) any payments made by the Issuer under the concession agreement dated 12 August 2004 entered into between the Government of Malaysia ("**Government**") and the Issuer as supplemented by the "**Supplemental Concession Agreement**" dated 3 December 2012 (collectively the "**Concession Agreement**") and other project documents or other contract or agreement.

Available Cashflow shall be computed based on the Issuer's latest audited accounts and confirmed by its external auditors acceptable to the Bond Trustee.

(g)	**Interest/ coupon payment frequency**	:	Six (6) monthly period, starting from the issue date of the Junior Bonds ("**Coupon Payment Period**"). "**Coupon Payment Date**" means the last day of a particular Coupon Payment Period.
(h)	**Interest/ coupon payment basis**	:	The coupon payment will be calculated on the basis of a year of 365 days and the actual number of days elapsed (actual/365 days) ("**Coupon Payment Basis**").
(i)	**Security/collateral, where applicable**	:	The Junior Bonds are secured by a first ranking charge and assignment of the Junior FSRA (as defined below) and the credit balances therein. All assets of Kesturi (other than the Junior FSRA and the credit balances therein) are charged to the holders of Sukuk Musharakah under the Sukuk Programme.

(j) Details on utilisation of proceeds by issuer. If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable :

The proceeds of the Junior Bonds shall be utilised for the following:

No	Purpose	Amount (Up to RM million)
1	For early redemption of the Issuer's existing RM50.0 million nominal value redeemable secured junior bonds ("**Existing Junior Bonds**");	50.0
2	To part finance the construction costs, development costs, financing costs in relation to DUKE Phase-2;	129.0
3	To meet certain costs, fees and expenses related to the establishment of the Junior Bonds; and	1.0
4	For working capital purposes.	Balance
	Total	180.0

Description of DUKE Phase-2

The construction of DUKE Phase-2 consists of two (2) links namely Sri Damansara Link which commences from the Menjalara Interchange at Bandar Menjalara and ends at the Segambut Interchange at Jalan Segambut and Tun Razak Link which commences from Jalan Tun Razak near Kuala Lumpur Hospital/ Institut Jantung Negara and ends at the Sentul Pasar Interchange at Jalan Gombak.

Both the Sri Damansara Link and Tun Razak Link are to be dual-three carriageway (6 lanes) with approximately 7 km and 9 km in length respectively.

The construction is expected to complete within three (3) years and construction cost is estimated at RM1.183 billion.

(k) Sinking fund and designated accounts, where applicable :

Sinking Fund
Not applicable

Junior FSRA
The Issuer shall open and maintain a Junior Bonds Finance Service Reserve Account ("Junior FSRA") to deposit proceeds from the Revenue Account in respect of the Sukuk Programme ("RA") equivalent to the next six (6) months of Junior Bonds debt service, the first of which is to be deposited no later than thirty (30) days from the date that Senior FSCR is first calculated ("**Initial Deposit**").

			Thereafter, a minimum balance equivalent to the Initial Deposit must be maintained throughout the tenure of the Junior Bonds ("Junior Bonds Minimum Required Balance"). If the balance held in the Junior FSRA is less than the Junior Bonds Minimum Required Balance, the shortfall shall be topped up from the RA by no later than thirty (30) days prior to the next scheduled Coupon Payment Date. The balance in the Junior FSRA may be withdrawn to make payments under the Junior Bonds if the amounts available for such payment from the cashflows is insufficient to meet Junior Bonds debt service. The operation of this Junior FSRA including the deposit of Initial Deposit, maintenance of the Junior Bonds Minimum Required Balance from the RA shall be subject always to the prior payment of all obligations due under the Sukuk Programme and the Requisite Conditions. The Junior FSRA will be operated solely by the Security Agent. For the avoidance of doubt, non-compliance with the Junior Bonds Minimum Required Balance in the Junior FSRA shall not by itself constitute an Event of Default. The Issuer and the Security Agent shall be permitted from time to time to utilise funds held in the Junior FSRA to make Permitted Investments (as defined below), provided that such funds utilised for Permitted Investments shall be remitted to the Junior FSRA no later than three (3) business days before any payment obligations of the Issuer become due and payable.
(l)	**Rating**		
	• **Credit ratings assigned and whether the rating is final or indicative**	:	The Junior Bonds have been assigned an indicative rating of A-.
	• **Name of credit rating agencies**	:	Malaysian Rating Corporation Berhad ("**Rating Agency**").
(m)	**Mode of issue**	:	Private placement via direct placement on a best effort basis or bought deal basis or book running on a best effort basis.
(n)	**Selling restriction, including tradability, i.e. tradable or non-tradable**	:	The Junior Bonds are tradable subject to the selling restrictions stated below. **<u>Selling Restrictions at Issuance</u>** The Junior Bonds shall not be offered, sold, transferred or otherwise disposed of directly or indirectly other than to persons falling within any of the categories of persons or in the circumstances as specified under Schedule 6 or Section 229(1)(b), and Schedule 7 or Section 230(1)(b), read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act 2007, as amended from time to time ("**CMSA**") and

Section 4(6) of the Companies Act 1965, as amended from time to time ("**Companies Act**").

Selling Restrictions after Issuance
The Junior Bonds shall not be offered, sold, transferred or otherwise disposed of directly or indirectly other than to persons falling within any of the categories of persons or in the circumstances as specified under Schedule 6 or Section 229(1)(b), read together with Schedule 9 or Section 257(3), of the CMSA and Section 4(6) of the Companies Act.

(o)	**Listing status and types of listing, where applicable**	:	The Junior Bonds will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.
(p)	**Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase PDS, and whether or not obtained**	:	None.
(q)	**Conditions precedent**	:	To include but not limited to the following (all have to be in form and substance acceptable to the Lead Manager):

A **Main Documentation**

(i) The transaction documents and such other documents as may be advised by the Solicitor, have been executed and, where applicable, stamped and presented for registration.

(ii) All relevant notices and acknowledgements (where applicable) and consents (where applicable) from the relevant counterparties to the project documents shall have been made or received as the case may be.

B **The Issuer**

(i) Certified true copies of the Certificate of Incorporation, and the Memorandum and Articles of Association of the Issuer.

(ii) Certified true copies of the latest Forms 24 and 49 of the Issuer.

(iii) A certified true copy of a board resolution of the Issuer or an extract of the board resolution of the Issuer authorising, among others, the execution of the transaction documents.

(iv) A list of the Issuer's authorised signatories and their respective specimen signatures.

(v) A report of the relevant company search of the Issuer.

(vi) A report of the relevant winding up search or the relevant statutory declaration of the Issuer.

C **General**

(i) The approval from the SC.

(ii) The Junior Bonds shall have received a minimum long-term rating of A- from the Rating Agency.

(iii) Evidence that all transaction fees, costs and expenses will be paid in full on or before issuance date.

(iv) Receipt of a report from the Independent Insurance Consultant acceptable to the Lead Manager confirming, among others, that the insurance programme for the DUKE Phase-2 is adequate and that the insurance policies for the construction of the DUKE Phase-2 are in place.

(v) Receipt of a report from the Traffic Consultant confirming, among others, the traffic projections and its assumptions thereto.

(vi) Receipt of a report from the ICE acceptable to the Lead Manager, reviewing, amongst others, the technical feasibility of the DUKE Phase-2 and the reasonableness of the DUKE Phase-2 costs, construction schedule and the payment schedules.

(vii) Certified true copy of the Environmental Impact Assessment report approved by the Department of Environment prepared for the DUKE Phase-2.

(viii) Receipt of certified true copies of all relevant duly executed project documents.

(ix) Evidence that the Supplemental Concession Agreement has become effective in accordance with the terms and conditions contained therein.

(x) Certified true copies of all necessary consents as may be required for the Issuer to issue the Junior Bonds and enter into the transaction documents pursuant to the terms of the Concession Agreement;

(xi) Evidence that the Junior FSRA and the Trustees' Reimbursement Account (as defined below) have been opened as per the terms stipulated herein;

(xii) Confirmation from the trustee of the Existing Junior Bonds that the holders of the Existing Junior Bonds have agreed to the redemption of their holdings of Existing Junior Bonds and to subscribe for an equivalent amount of Junior Bonds.

(xiii) The Lead Manager has received a favourable legal opinion from the Issuer's solicitors addressed to it and the Bond Trustee advising with respect to among others, the legality, validity and enforceability of the project documents against the Issuer and the relevant counterparties and confirming to the Lead Manager that all the conditions precedent in relation to the project documents (if applicable) have been fulfilled.

(xiv) The Lead Manager has received from the Solicitor a favourable legal opinion addressed to it and the Bond Trustee advising with respect to, among others, the legality, validity and enforceability of the transaction documents and a confirmation addressed to the Lead Manager that all the conditions precedent have been fulfilled.

(xv) The written consent from each of the existing lenders of the Issuer to incur indebtedness and create security interest over its assets.

(xvi) Such other conditions precedent as advised by the Solicitor.

(r) Representations and warranties : To include but not limited to the following:

(i) the Issuer 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, and has full beneficial ownership of all the property and assets purported to be owned by it;

(ii) the memorandum and articles of association of the Issuer 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, the Issuer to execute and deliver and perform the transactions contemplated in the transaction documents in accordance with their terms;

(iii) neither the execution and delivery of any of the transaction documents nor the performance of any of the transactions contemplated by the transaction documents did or does as at the date this representation and warranty is made or repeated (a) 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 the Issuer or any of its assets is bound or which is applicable to the Issuer or any of its assets, (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its memorandum and articles of association or in any agreement, instrument, law, in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment, licence, permit or consent or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's assets;

(iv) each of the transaction documents is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the Issuer enforceable in accordance with its terms; and

(v) any other representations and warranties as advised by the Solicitor.

(s) Events of default and enforcement event, where applicable : To include but not limited to the following:

(i) **<u>Non-payment</u>**: the Issuer fails to pay any amount due (save and except for non- payment of the Coupon Payments Amounts (wholly or partly) or Cumulative Coupon Payment (wholly or partly) due to the Requisite Conditions not being met other than on the final Coupon Payment Date) from it under any of the transaction documents on the due date or, if so payable, on demand;

(ii) **<u>Misrepresentation</u>**: any representation or warranty made or given by the Issuer under the transaction documents or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of the Junior Bonds and/or any of the transaction documents proves to have been incorrect or misleading in any material respect on or as of the date made or given or deemed made or given, and in the case of a failure which in the opinion of the Bond Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of fourteen (14) business days after the Issuer became aware or having been notified by the Bond Trustee or the Security Agent of the failure;

(iii) **<u>Breach of obligations</u>**: the Issuer fails to observe or perform its obligations under any of the transaction documents or the Junior Bonds or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in paragraph (i) above, and in the case of a failure which in the opinion of the Bond Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of fourteen (14) business days after the Issuer became aware or having been notified by the Bond Trustee or the Security Agent of the failure;

(iv) **Breach of other obligations**: there has been a breach by the Issuer of any obligation under any of the Issuer's existing contractual obligations which may materially and adversely affect the Issuer's ability to perform its obligations under the transaction documents and, if in the opinion of the Bond Trustee is capable of being remedied, the Issuer does not remedy the breach within a period of fourteen (14) business days after the Issuer became aware or having been notified by the Bond Trustee or the Security Agent of the breach;

(v) **Cross default**: any indebtedness for borrowed moneys of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged or disputed in good faith by the Issuer in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call, or the Issuer goes into default under, or commits a breach of, any agreement or instrument relating to any such indebtedness, guarantee or other obligations, or any security created to secure such indebtedness becomes enforceable;

(vi) **Appointment of receiver, legal process**: an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or part of the business or assets of the Issuer, or distress, legal process, sequestration or any form of execution is levied or enforced or sued out against the Issuer which may have a Material Adverse Effect (as defined below), or any security interest which may for the time being affect any of its assets becomes enforceable;

(vii) **Judgment passed**: the Issuer fails to satisfy any judgment passed against it by any court of competent jurisdiction and no appeal against such judgment or no application for a stay of execution has been made to any appropriate appellate court within the time prescribed by law or such appeal or application for a stay of execution has been dismissed;

(viii) **Winding-up**: any step is taken for the winding up, dissolution or liquidation of the Issuer or a resolution is passed for the winding up of the Issuer or a petition for winding up is presented against the Issuer and the Issuer has not taken any action in good faith to set aside such petition within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the Issuer;

(ix) **Composition**: the Issuer convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement 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 any part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any part of its indebtedness or any assignment for the benefit of its creditors (other than for the purposes of and followed by a reconstruction previously approved in writing by the Bond Trustee, unless during or following such reconstruction the Issuer becomes or is declared to be insolvent) or where a scheme of arrangement under section 176 of the Companies Act has been instituted against the Issuer;

(x) **Approvals**: where there is a revocation, withholding, invalidation or modification of any license, authorisation, approval or consent which in the opinion of the Bond Trustee may materially and adversely impairs or prejudices the ability of the Issuer to comply with the terms and conditions of the Junior Bonds or the transaction documents;

(xi) **Insolvency**: the Issuer is deemed unable to pay any of its debts within section 218(2) of the Companies Act or becomes unable to pay any of its debts as they fall due or suspend or threaten to suspend making payments with respect to all or any class of its debts;

(xii) **Creditor control**: any creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer and such event in the opinion of the Bond Trustee may have a Material Adverse Effect;

(xiii) **Cessation/ Change of business**: the Issuer changes or threatens to change the nature or scope of a substantial part of its business, or suspends or threatens to suspend or cease or threatens to cease the operation of a substantial part of its business which it now conducts directly or indirectly and such change or suspension or cessation in the opinion of the Bond Trustee may have a Material Adverse Effect;

(xiv) **Invalidity**: at any time any of the provisions of the transaction documents is or becomes illegal, void, voidable or unenforceable;

(xv) **Repudiation**: the Issuer repudiates any of the transaction documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the transaction documents;

(xvi) **Assets**: any of the assets, undertakings, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which in the opinion of the Bond Trustee may have a Material Adverse Effect;

(xvii) **Termination of project documents**: any of the project documents is terminated (except due to lapse of time) or there has been a breach of any material obligations by the Issuer and/or project counterparties under any of the project documents or any contractual obligations which may materially and adversely affect the Issuer's ability to perform its obligations under the transaction documents and which, if capable of remedy, has not been remedied to the satisfaction of the Bond Trustee within thirty (30) days after the Issuer became aware or having been notified of such breach;

(xviii) **Suspension of Work**: suspension of work on the whole or any material part of the DUKE Phase-2 for more than one hundred and eighty (180) days and the Issuer is unable to satisfy the Project and Account Monitoring Agent that relevant action is being undertaken to commence the suspended work;

(xix) **Non-completion**: failure of the Issuer to achieve completion of the DUKE Phase-2 in the manner outlined in the Supplemental Concession Agreement and/or occurrence of an event of default under the Concession Agreement;

(xx) **Material Adverse Events**: any event or events has or have occurred or a situation exists which in the opinion of the Bond Trustee may have a Material Adverse Effect, and in the case of the occurrence of such event or situation which in the opinion of the Bond Trustee is capable of being remedied, the Issuer does not remedy it within a period of seven (7) days after the Issuer became aware or having been notified by the Bond Trustee or the Security Agent of such event or situation; or

(xxi) such other event as may be advised by the Solicitor.

For the purposes of this principal terms and conditions, Material Adverse Effect means any material adverse effect on the business or condition (financial or otherwise) or results of the operations of the Issuer or the ability of the Issuer to perform any of its obligations under any of the transaction documents.

Upon the occurrence of any of the events of default mentioned above, the Bond Trustee may, or shall if directed to do so by a special resolution of the holders of the Junior Bonds ("**Bondholders**"), declare that an Event of Default has occurred whereby the Junior Bonds shall become immediately due and payable, and thereby take such proceedings against the Issuer as it may think fit to enforce the transaction documents including the security.

However, if there is any amount outstanding under the Sukuk Programme, the Bondholders are not entitled to declare an Event of Default unless an event of default has been declared under the Sukuk Programme.

(t) Covenants

Financial Covenants

The Issuer shall maintain a Junior Finance Service Cover Ratio ("**Junior FSCR**") of at least 1.25 times.

In the event the Junior Available Cashflow (as defined below) is inadequate to fully service the Junior Bonds obligations, non-compliance of the Junior FSCR shall not constitute an Event of Default.

The Junior FSCR is the ratio of Junior Available Cashflow to the aggregate of all principal amounts and Coupon Payment Amounts and/or Cumulative Coupon Payments due under the Junior Bonds in the next 12 months.

The Junior FSCR calculations shall be duly confirmed by the Issuer's external auditor and based on the latest audited financial statements of the Issuer on an annual basis. The first of such Junior FSCR calculations will commence and be based on the audited accounts of the Issuer for the financial year immediately following the financial year when the tolling operations of DUKE Phase-2 commences and shall be performed no later than one hundred and eighty (180) days from such financial year end. The Issuer shall arrange for the external auditor's confirmation to be forwarded to the Bond Trustee and Facility Agent.

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

"**Junior Available Cashflow**" means in any annual period the sum of:

(i) all income received by the Issuer under the Concession Agreement including the Government (if any) funding and other project documents and any other receipts of a capital or revenue nature under any contract or agreement;

(ii) all distribution, returns and realised gains received by the Issuer;

(iii) all credit balances in the Junior FSRA and the amount utilised from the Junior FSRA for permitted investments; and

(iv) proceeds of takaful/insurance claims received by the Issuer.

Less:

(i) the total amount spent on management, administration, operation, maintenance and heavy repairs;

(ii) taxes paid or such other contributions paid by the Issuer to the Government;

(iii) capital expenditure incurred, except if such capital expenditure is funded by the Sukuk Programme, the Junior Bonds or additional equity injection;

(iv) all amounts paid under the Sukuk Programme; and

(v) any payments made by the Issuer under the Concession Agreement and other project documents or other contract or agreement.

Junior Available Cashflow shall be computed based on the Issuer's latest audited accounts and confirmed by its external auditors acceptable to the Bond Trustee.

Information Covenants

To include but not limited to the following:

(i) the Issuer shall provide to the Bond Trustee at least on an annual basis, a certificate confirming that it has complied with all its obligations under the transaction documents and the terms and conditions of the Junior Bonds and that there did not exist or had not existed, from the date the Junior Bonds were issued or the date of the last certificate, as the case may be, any Event of Default, and if such is not the case, to specify the same;

(ii) the Issuer shall deliver to the Bond Trustee the following:

   (a) as soon as they become available (and in any event within one hundred and eighty (180) days after the end of each of its financial years) copies of its consolidated financial statements for that year which shall contain the income statements and balance sheets of the Issuer and which are audited and certified without qualification by a firm of independent certified public accountants acceptable to the Bond Trustee;

   (b) as soon as they become available (and in any event within ninety (90) days after the end of the first half of its financial year) copies of its unaudited half yearly consolidated financial statements for that period which shall contain the income statements and balance sheets of the Issuer which are duly certified by any one of its directors;

(c) promptly, such additional financial or other information relating to the Issuer's business and its operations as the Bond Trustee may from time to time reasonably request;

(d) promptly, all notices or other documents received by the Issuer from any of its shareholders or its creditors which contents may materially and adversely affect the interests of the Bondholders, and a copy of all documents dispatched by the Issuer to its shareholders (or any class of them) in their capacity as shareholders (including accounts, reports, notice, statement or circular issued to the shareholders) or its creditors generally at the same time as these documents are dispatched to these shareholders or creditors; and

(e) all information which the Bond Trustee may reasonably require in order to discharge its duties and oblligations under the trust deed of the Junior Bonds relating to the Issuer's affairs to the extent permitted by law;

(iii) the Issuer shall deliver to the Project and Account Monitoring Agent general and detailed operating budgets updated for both DUKE Phase-1 and DUKE Phase-2 (in form and substance to be mutually agreed with the Project and Monitoring Agent) within 30 days from the commencement date of tolling operations under DUKE Phase-2;

(iv) the Issuer shall promptly notify the Bond Trustee of any change in its board of directors and/or shareholders;

(v) the Issuer shall promptly notify the Bond Trustee of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer before any court or tribunal or administrative agency which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the transaction documents;

(vi) the Issuer shall promptly give notice to the Bond Trustee of the occurrence of any Event of Default or any event which, upon the giving of notice and/or lapse of time and/or the issue of a certificate and/or the fulfilment of the relevant requirement as contemplated under the relevant transaction document would constitute an Event of Default ("**Potential Event of Default**") forthwith upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Bond Trustee to remedy and/or mitigate the effect of the Event of Default or the Potential Event of Default;

(vii) the Issuer shall inform the Bond Trustee in the event that the Issuer becomes aware of the following:

(a) any circumstance that has occurred that would materially prejudice the Issuer or any security included in or created by the security documents;

(b) any substantial change in the nature of the business of the Issuer;

(c) any change in withholding tax position or taxing jurisdiction of the Issuer;

(d) any change in the utilisation of the proceeds of the Junior Bonds as stated in the transaction documents and the information memorandum relating to the Junior Bonds;

(e) any event that has caused or could cause one or more of the following events: (1) any amount payable under the Junior Bonds to become immediately payable; (2) the Junior Bonds to become immediately enforceable; or (3) any other right or remedy under the terms, provisions or covenants of the Junior Bonds or the transaction documents to become immediately enforceable; and

(f) any other matter that may materially prejudice the interests of the Bondholders;

(viii) any other covenants as advised by the Solicitor.

Positive Covenants

To include but not limited to the following:

(i) the Issuer 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 are or may become necessary to enable it to own its assets, to carry on its business or for the Issuer to enter into or perform its obligations under the transaction documents or to ensure the validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the financiers under the transaction documents and the Issuer shall comply with the same;

(ii) the Issuer 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;

(iii) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner which shall ensure, among others, that all necessary approvals or relevant licences are obtained and maintained and in accordance with sound financial and commercial standards and practices;

(iv) the Issuer shall promptly perform and carry out all its obligations under all the transaction documents (including but not limited to redeeming the Junior Bonds on the relevant maturity date(s) or any other date on which the Junior Bonds are due and payable) and ensure that it shall immediately notify the Bond Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the transaction documents;

(v) the Issuer shall prepare its financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia and those financial statements shall give a true and fair view of the results of the operations of the Issuer for the period to which the financial statements are made up and shall disclose or provide against all liabilities (actual or contingent) of the Issuer;

(vi) the Issuer shall promptly comply with all applicable laws including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by SC from time to time;

(vii) the Issuer shall promptly perform its obligations and exercise its rights under the Concession Agreement;

(viii) the Issuer shall, as soon as practicable, deliver a certified true copy of any material documents related to the Expressway entered into subsequent to the signing of the transaction documents;

(ix) the Issuer shall maintain a paying agent or its equivalent, who is based in Malaysia and the Issuer shall procure that the paying agent shall notify the Bond Trustee, through a facility agent, if the paying agent does not receive payment from the issuer on the due dates as required under the transaction documents and the Junior Bonds;

(x) the Issuer shall keep proper books and accounts at all times and to provide the Bond Trustee and any person appointed by it access to such books and accounts to the extent permitted by law;

(xi) the Issuer shall ensure that the terms in the trust deed do not contain any matter which is inconsistent with the provisions of the information memorandum relating to the Junior Bonds;

(xii) in the event Kesturi is required to open an escrow account to deposit any cost savings as may be agreed with the government, Kesturi shall procure that such account is to be assigned to the holders of the Sukuk Musharakah as a designated account and such proceeds may be utilised to meet Kesturi's financing obligations (including FSRA requirements) as may be required; and

(xiii) such other covenants as may be advised by the Solicitor.

Negative Covenants

To include but not limited to the following:

(i) the Issuer shall not obtain or permit to exist any other borrowings/financings except for (a) the Sukuk Programme; (b) the Junior Bonds; and (c) the existing and additional future borrowings/financing taken/to be taken by the Issuer for an aggregate principal amount not exceeding RM10,000,000 in the form of hire purchase, bank guarantee facilities and/or facilities for working capital requirements;

(ii) the Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding:

(1) liens arising in the ordinary course of business by operation of law and not by way of contract;

(2) those security as contemplated under the Junior Bonds and the Sukuk Programme;

(3) the existing security over cash deposits of up to the aggregate of RM4,000,000 securing the existing bank guarantee facilities of up to the aggregate principal amount of RM4,000,000 obtained by the Issuer for the purpose of the Expressway;

(4) security over cash deposits to be identified from time to time by the Issuer over which the Issuer will grant security to secure bank guarantee facilities taken by the Issuer which are permitted under item (i) under the Negative Covenants above;

(iii) the Issuer shall not provide or permit to exist any guarantee to any party;

(iv) the Issuer shall not dispose any assets in excess of RM5.0 million in any financial year;

(v) the Issuer shall not add, delete, amend or substitute or permit any amendment, supplement or variation to its Memorandum or Articles of Association in a manner which may be materially prejudicial to the interest of the Bondholders;

(vi) the Issuer shall not reduce or in any way whatsoever alter except increase, 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, or by any other manner except for the purposes of replacing the redeemable preference shares in the Issuer ("**Kesturi RPS**") with ordinary share capital or equity instrument of similar nature as may be contemplated under this term sheet;

(vii) the Issuer shall not declare or pay any dividends or make any distribution whether income or capital in nature to its shareholders or on the Kesturi RPS or make any payments (whether in relation to principal, profit/interest or otherwise) to its shareholders in connection with any financings/loans or advances from its shareholders, except in relation to the Junior Bond (which are subject to the Requisite Conditions) if:

(a) the calculation of the Senior FSCR has not commenced;

(b) the Senior FSCR is below 2.25 times after such payment or distribution; or

(c) an Event of Default has occurred or is continuing or if following such payment or distribution, an Event of Default would occur;

(viii) the Issuer shall not make any payments (whether in relation to principal, interest/ coupon or otherwise) on the Junior Bonds if the Requisite Conditions are not met;

(ix) the Issuer shall not obtain or permit to exist any loans or advances from its shareholders, subsidiaries or associated companies unless these loans/financings and advances are subordinated to the Junior Bonds;

(x) subject to paragraph (ix) above, the Issuer shall not enter into any agreement with its shareholders, subsidiaries or associated companies unless such agreement is entered into:

(a) in the ordinary course of its business and on an arms-length basis and will not have a Material Adverse Effect ; or

(b) in relation to the Junior Bonds or Kesturi RPS;

(xi) the Issuer shall not change the utilisation of the proceeds of the Junior Bonds set out in the information memorandum relating to the Junior Bonds and/or transaction documents;

(xii) the Issuer shall not lend/advance any money to any party other than to the Issuer's directors, officers or employees as part of their terms of employment;

(xiii) the Issuer shall not do or suffer to be done any act, matter or thing whereby any takaful/insurance may be rendered void, voidable, unenforceable or incapable of being effected, maintained or renewed;

(xiv) the Issuer shall not or shall not agree to amend, vary or terminate (except due to lapse of time), replace or supplement any of the project documents;

(xv) the Issuer shall not waive or agree to waive any breaches or proposed breaches committed by any counterparty pursuant to any of the project documents;

(xvi) the Issuer shall not take any action or fail to perform any obligation which will or might reasonably be considered likely to cause or lead or contribute to a breach, revocation or termination of any of the project documents; and

(xvii) such other covenants as may be advised by the Solicitor.

(u)	**Provisions on buy-back and early redemption of PDS**	:	**<u>Repurchase and Cancellation</u>** The Issuer or its subsidiary(ies) or agent(s) may at any time purchase the Junior Bonds at any price in the open market or by private treaty. The Junior Bonds purchased by the Issuer shall be cancelled and cannot be reissued or resold. Such Junior Bonds purchased by its related corporations (other than its subsidiaries) need not be cancelled but they will not entitle the related corporations to vote at any meeting of the Bondholders. **<u>Redemption</u>** Unless previously redeemed or purchased and cancelled, the Junior Bonds will be redeemed by the Issuer at 100% of their nominal value on their maturity date. The Junior Bonds redeemed by the Issuer shall be cancelled and cannot be reissued or resold. **<u>Early Redemption</u>** The Issuer may, at its option, redeem in whole, but not in part, the Junior Bonds for the time being issued and outstanding on any date falling on or after the fifth (5th) anniversary from the issue date ("**Early Redemption Date**") subject to advance written notice prior to such redemption and the satisfaction of the Redemption Condition (as defined below). "**Redemption Condition**" means the issuance of the Replacement Capital (as defined below) on or before the date of redemption which raises net proceeds of at least equivalent to the nominal value of the Junior Bonds and accrued Coupon Payment Amount or Cumulative Coupon Payment payable upon the Early Redemption Date. "**Replacement Capital**" means any securities constituting obligations that rank pari passu with or subordinated to the Junior Bonds, issued for the purpose of funding the redemption of the Junior Bonds.

(v) Other principal terms and conditions for the proposal

(i) Form and denomination	:	The Junior Bonds shall be issued in accordance with MyClear Rules and Procedures applicable from time to time. The Junior Bonds shall be represented by a global certificate to be deposited with the Central Depository, and is exchanged for definitive bearer form only in certain limited circumstances. The denomination of the Junior Bonds shall be RM1,000 or in multiples of RM1,000 at the time of issuance.
(ii) Status	:	The Junior Bonds will constitute direct, unconditional and secured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer (other than those preferred by law or the transaction documents).

The Junior Bonds rank after the Sukuk Musharakah issued under the Sukuk Programme in respect of payment to the extent that payments of under the Junior Bonds are subject to compliance with the Requisite Conditions.

(iii) Permitted Investments : The Issuer shall be permitted from time to time to utilise funds held in the Junior FSRA to make Permitted Investments, provided that:

(i) such funds utilised for Permitted Investments shall be remitted to the Junior FSRA, no later than three (3) business days before any payment obligations of the Issuer become due and payable;

(ii) such Permitted Investments are to be held and not traded. However, in the event that such Permitted Investments subsequently fails to meet any of the criteria for Permitted Investments, that Permitted Investment may be disposed of; and

(iii) such Permitted Investments shall comprise investment products approved by the SC and/or BNM. For the purposes of the Junior Bonds, Permitted Investments are as follows:

a) deposits with licensed financial institutions in Malaysia;

b) bankers acceptances, bills and other money market instruments by licensed financial institutions with a short term rating of MARC-1 and a minimum long term rating of AA- $_{IS}$ or their equivalent;

c) treasury bills, money market instruments, and other securities issued by BNM or the Government;

d) securities issued by quasi government or government related corporations with a short term rating of MARC-1 and a minimum long term rating of AA-$_{IS}$ or their equivalent or securities guaranteed by the Government;

e) securities issued by corporations with a short term rating of MARC-1 and a minimum long term rating of AA-$_{IS}$ or their equivalent, or by financial institutions with a short term rating of MARC-1 or a minimum long term rating of AA-$_{IS}$ or their equivalent;

f) any other capital market instruments or investment products which are capital protected by licensed insurance companies in Malaysia with a short term rating of MARC-1 or a minimum long term rating of AA-$_{IS}$ or their equivalent; and/or

g) any fund approved by the SC which invests in any of the instruments above.

(iv) Default Interest	:	Interest on overdue and payable amounts shall be payable at 1% per annum plus the prescribed coupon rate of the Junior Bonds from and including the relevant due date to but excluding the date of actual payment, calculated based on the actual number of days elapsed and a year of 365 days.
(v) Taxation	:	All payments by the Issuer 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 to that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made.
(vi) Governing Laws	:	Laws of Malaysia.
(vii) Jurisdiction	:	The Issuer shall unconditionally and irrevocably submit to the non-exclusive jurisdictions of the courts of Malaysia.
(viii) Other Conditions	:	The Junior Bonds shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and MyClear having jurisdiction over matters pertaining to the Junior Bonds.
(ix) Other Expenses	:	All costs, charges and expenses including trustee and security agent fees, legal and other professional fees, abortive fees, rating fees, stamp duties (if any), penalties, BNM and SC fees, and other incidental costs, charges and expenses shall be borne by the Issuer, even if the issuance of the Junior Bonds are subsequently aborted for any reason whatsoever.
(x) Trustees' Reimbursement Account	:	The Issuer shall open and maintain an account designated as "Trustees' Reimbursement Account for Bondholders' Actions" (as required under the Trust Deeds Guidelines), in which a sum of RM30,000.00 from the monies received by the Issuer when the Junior Bonds are issued, are to be deposited ("**Trustees' Reimbursement Account**"). The Trustees' Reimbursement Account shall be operated by the Bond Trustee and the monies shall only be used strictly by the Bond Trustee in carrying out its duties in relation to the occurrence of events of default or enforcement events which are provided in the trust deed. The sum of RM30,000.00 in the Trustees' Reimbursement Account shall be maintained at all times throughout the tenure of the Junior Bonds.

SECTION 3.0 CORPORATE INFORMATION OF THE ISSUER

3.1 Corporate history

KESTURI was incorporated in Malaysia on 15 February 2001 under the Companies Act, 1965. Its registered office is located at 1-2-1, Jalan 2/50, Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur.

3.2 Principal activities

KESTURI was incorporated for the sole purpose of designing, constructing, operating, managing and maintaining the Expressway pursuant to the Concession Agreement.

On 12 August 2004, KESTURI was awarded with a concession to design, construct, operate, manage and maintain DUKE Phase-1 for a period of thirty four (34) years until 11 August 2039. The construction of DUKE Phase-1 was completed at development cost of RM1.108 billion and was fully opened to the public on 30 April 2009.

On 3 December 2012, the Issuer entered into the Supplemental Concession Agreement for the design, construction, operation, management and maintenance of DUKE Phase-2 being extension to DUKE Phase-1, which comprise dual three-lane carriageways, namely the Sri Damansara Link and the Tun Razak Link. The construction of DUKE Phase-2 is expected to commence upon the issuance of the Sukuk Musharakah and the Junior Bonds, for a period of three (3) years, at the estimated costs of RM1.183 billion. Under the Supplemental Concession Agreement, the concession period is extended from thirty four (34) years to fifty four (54) years ending August 2059, with the possibility of a further ten (10) years extension subject to the terms and conditions of the Supplemental Concession Agreement.

3.3 Share capital

The authorised and issued and paid-up share capital of KESTURI as at 15 September 2013 are as follows:

(a) Authorised share capital

Type of shares	No. of shares	Par Value (RM)	Total (RM)
Ordinary shares	5,000,000	1.00	5,000,000
RPS	45,000,000	1.00	45,000,000
Series A RPS	1,950	1.00	1,950
Total authorised share capital			**50,001,950**

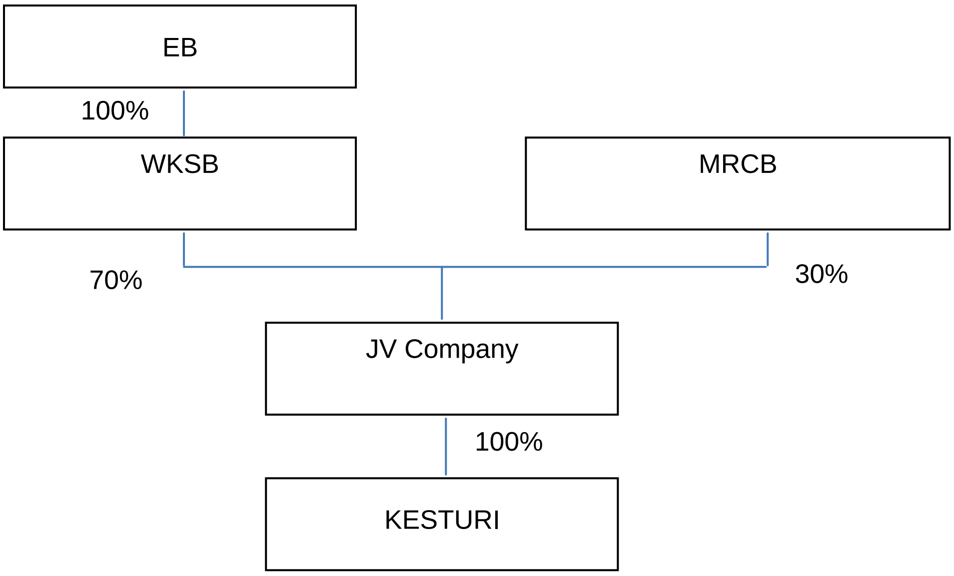
(b) Issued and paid-up share capital

Type of shares	No. of shares	Par Value (RM)	Total (RM)
Ordinary shares	5,000,000	1.00	5,000,000
RPS	45,000,000	1.00	45,000,000
Series A RPS	1,950	1.00	1,950
Total issued and paid up share capital			**50,001,950**

3.4 Shareholding structure

KESTURI is a wholly-owned subsidiary of Nuzen Corporation Sdn Bhd, a joint venture company between WKSB and MRCB in the proportion of 70:30 respectively. KESTURI has no subsidiary company or associate company.

The shareholding structure of KESTURI as at 15 September 2013 is as follows:



Please refer to section 3.7 (Shareholders' Information).

3.5 Board of Directors

As at 15 September 2013, the board of directors of KESTURI and their respective profiles are as follows:

Name	Designation
Dato' Haris Onn bin Hussein	Managing Director
Tan Sri Dato' Lim Kang Hoo	Director
Lim Keng Cheng	Director
Ir. Chua Soo Kok	Director
Bu Teng Cheng[1]	Director
Shaharuddin bin Mohamed	Director

Dato' Haris Onn bin Hussein

Dato' Haris Onn bin Hussein, aged 47, graduated from Cambridge University, United Kingdom, with a Bachelor of Arts Degree in Economics. He started his working career with Touche Ross & Co, an accounting firm in London in 1989.

In 1992, he returned to Malaysia to work with DCB Sakura Merchant Bankers Berhad and he subsequently joined Rohas Sdn Bhd as a General Manager from 1993 to

[1] Bu Teng Cheng has resigned from his position as Chief Operating Officer of MRCB and his position as Director of the JV Company and KESTURI effective 14 October 2013.

1995. Rohas Sdn Bhd is an investment holding company involved in various industries such as property, manufacturing, trading, advertising, education and infrastructure. He was an Executive Director of Bell & Order Berhad (now known as Scomi Engineering Berhad) from 1996 to 1998.

Presently, he is a major shareholder and Managing Director of several private companies involved in property development, security printing and in oil & gas. He is also an independent non-executive director of Shangri-la Hotels (Malaysia) Berhad.

Tan Sri Dato' Lim Kang Hoo

Tan Sri Dato' Lim Kang Hoo, aged 58, is the co-founder and Chairman of EB and has been on the board of director of EB since 30 March 1988. Tan Sri Dato' Lim is a businessman with over thirty-five (35) years of experience in the construction industry. He started his involvement in the construction industry soon after completing his secondary education, assisting the family construction business. Later he teamed up with Mr Khoo Nang Seng @ Khoo Nam Seng to form a civil engineering and construction partnership which grew to become what EB is today. At present, he is an Executive Director of Knusford Berhad, Non-Executive Director of PLS Plantations Berhad and Executive Vice Chairman of Tebrau Teguh Berhad which are public companies listed on the Bursa Malaysia and also a Director of several other private limited companies. His vast experience in the construction industry had been instrumental to the growth and development of the EB Group.

Lim Keng Cheng

Mr Lim Keng Cheng, aged 51, has more than 30 years' experience in diverse range of industries which includes building, civil, design and build turnkey construction projects, machinery trading and property development, having started his career immediately after his high school education.

He began his career as a director in a private limited infrastructure company and was responsible behind the success of the infrastructure works in Felda Sahabat, Sabah which is twice the size of Singapore. He also steered the construction of the Labuan Financial Park, a world-class offshore financial haven.

Soon after, Mr Lim oversaw several design and build projects namely Universiti Malaysia Sabah (UMS) and Universiti Tun Hussein Onn in Batu Pahat, Johor whereby both projects were completed in time despite the technical and social challenges faced. He also led the design and build project of the Iskandar Coastal Highway, a high profile infrastructure project in Iskandar Malaysia, Johor.

With his vast experience in infrastructure projects, Mr Lim also contributed significantly to the success of the Duta-Ulu Kelang Expressway (DUKE) and was instrumental in the supplemental concession agreement for the extension of the DUKE.

Presently, he is the Managing Director of EB and is the driving force behind Ekovest group role as the project delivery partner for the River of Life project. He is also a strong advocate of the government current push for the Greater Kuala Lumpur to be the country's engine of growth.

He was formerly an Executive Director of Tebrau Teguh Berhad, a public listed investment holding company with its principal activities in property development, construction and property management services, and was also the former Executive Director cum Chief Executive Officer of Knusford Berhad, a public listed company principally engaged in machinery trading.

Mr Lim also holds directorship in several private limited companies which includes amongst others, Iskandar Waterfront Holdings Sdn Bhd.

Ir. Chua Soo Kok

Mr Chua Soo Kok, 61, a Malaysian, was appointed to the board of Kesturi on 31 January 2008. He holds a Bachelor of Science (Hons) from University of Strathclyde and is a member of the Member of Institution of Engineers (Malaysia), Member of Institution of Civil Engineers (UK) and Member of Association of Consulting Engineers (Malaysia).

Mr Chua has over thirty-six (36) years of experience in the field of engineering. He is currently the Senior Project Director in charge of the River of Life (ROL) – River Cleaning, Beautification and City Redevelopment project for the Government. He is also designated as Project Director for the construction of DUKE Phase-2.

Bu Teng Cheng[2]

Mr Bu Teng Cheng, aged 54, is the Chief Operating Officer of MRCB. He holds a Bachelor of Science in Civil Engineering from Louisiana State University, United States of America.

He has more than twenty (20) years of experience in the construction and property development industries. His involvement in major design and build projects, both in infrastructures and buildings, covers project conceptualization, proposal submissions, tenders, negotiation and implementation.

He is the Chief Operating Officer for MRCB in Construction and Engineering Division.

Prior to joining MRCB, he was with Putrajaya Perdana Berhad for 15 years. Before joining Putrajaya Perdana Berhad, he was attached with local public listed construction and development companies in Malaysia.

He was one of the core founding group members of Malaysia Green Building Confederation ("**MGBC**"). He was the board member of MGBC in 2010 and treasurer of MGBC in 2011.

Shaharuddin bin Mohamed

Encik Shaharuddin bin Mohamed, aged 49, graduated from University of Missouri, Columbia, Missouri, United States of America with a Bachelor of Science in Civil Engineering in 1986. He has been registered with the Board of Engineer, Malaysia since 21 February 1989.

Encik Shaharuddin started his career in 1987 and since then, has more than twenty-five (25) years of working experience in various housing project developments and infrastructure works. He was also involved in township developments which including 6,800 acres of Lembah Beringin Township Development and a 500-acre integrated township development located near Seremban Town and privatization projects which including the privatization of 69 acres Rawang Town; a RM900 million-privatization project and a RM977 million-highway privatization project in Johor Bahru.

Currently, he is the Vice President of Infrastructure, Concession and Environment division under MRCB Group. Prior to joining MRCB, he was attached with several local private and public listed construction and development companies in Malaysia.

[2] Bu Teng Cheng has resigned from his position as Chief Operating Officer of MRCB and his position as Director of the JV Company and KESTURI effective 14 October 2013.

3.6 Key Management

As at 15 September 2013, the key personnel in the management team of KESTURI and their respective profiles are as follows:

Name	Designation
Mr. Ong Chee Keong	General Manager
Ms. Audrey Huang	Senior Manager, Corporate
Ms. Shannie Ngai	Manager, Finance & Admin
Mr. Chen Peng Fang	Manager, Human Resource
Encik Wan Mohd Rizwan Wan Idris	Manager, Concession Monitoring
Encik Mohd Johari Ghazali	Manager, Engineering, Maintenance & Traffic Management
Encik Mohd Hasrul Nizam Hanipah	Manager, Toll Operations, Management Information System & Public Relations

Ong Chee Keong

Mr Ong Chee Keong, is the General Manager for KESTURI. He graduated with Bachelor of Science in Civil Engineering from University of Aberdeen, Scotland, United Kingdom. Mr Ong started his career with the Felda Holdings Berhad's ("**Felda**") group of companies in 1981 as a Regional Engineer and was subsequently promoted to head two divisions in Felda's Environmental Coordination Unit in 1990 and Felda's Agricultural Road & Infrastructure Sabah Unit in 1992. In 1994, Mr Ong joined the EB's group of companies as Project Manager for several road and infrastructure projects and was later promoted to Deputy Project Director for Coastal Highway in Johor Baharu in 2009.

Audrey Huang

Ms Audrey Huang, is the Corporate Senior Manager for KESTURI. She graduated with Bachelor of Commerce Degree from the University of Newcastle, Australia. Ms Audrey started her career in 1989 as an Executive Officer in Real Estate Loans Department, Hong Leong Finance Berhad and was later promoted as Senior Executive in Corporate Loans Divisions in Hong Leong Bank Berhad. In 1994, she joined AmBank Berhad as Assistant Manager in Corporate Banking, Syndicated Loans and Trade Finance Division. In 1997, she left the banking sector to join Bell and Order Berhad (now known as Scomi Engineering Berhad) as Corporate Manager. In 1999, she joined KESTURI as Senior Corporate Manager in charge of corporate matters and financing requirements of the company.

Shannie Ngai

Shannie Ngai, is the Finance and Admin Manager for KESTURI. She graduated with a Bachelor of Art (Honours) Degree in Accounting and Finance from University of Essex, United Kingdom in 2003. She joined KESTURI in July 2005 as Finance and Admin Executive and promoted to the current position in February 2009. She is in charge of the finance and administration of KESTURI. She is responsible for establishing and implementing the company's accounting and operating policies and procedures. She plans and monitors the budget and cash flow of the company. She has gained exposure in the field of corporate finance as well during her employment in Messrs Ernst & Young before joining KESTURI.

Chen Peng Fang

Mr. Chen Peng Fang, Malaysian, joined KESTURI as a Human Resources Manager on 9 July 2012. He holds a Master Degree in Business Administration from The University of Newcastle, Australia (1999), Post Graduate Diploma in Business Administration from University of Wales, United Kingdom in 1998 and a Professional Diploma in Marketing (CIM), United Kingdom in 1993. He has over 10 years of working experience in the fields of human resources and administration with several public listed companies and private limited companies. Prior to his current appointment, he was the Human Resources Manager in Stanson Marketing Sdn Bhd, a wholly owned subsidiary of Silver Bird Group Berhad, which is engaged in the sales and distribution of bakery goods and telecommunication products.

Wan Mohd Rizwan Wan Idris

Encik Wan Mohd Rizwan Wan Idris, is the Manager of Concession Monitoring Division for KESTURI. He graduated with a Degree in Civil Engineering (Honours) from University Sains Malaysia in 1996. He started his career with the Gamuda Berhad's group of companies as a Site Engineer for Lebuhraya Damansara Puchong, Litrak and Sprint highways. In 2003, he joined Kaseh Lebuhraya Sdn Bhd as a Project Engineer for the Kajang Seremban Highway. In 2006, he joined KESTURI as Manager for Project Coordination Department, involved in liaison works and handling the land matter during construction period, and after Highway completed he was transfer to operation as Manager for Concession Monitoring Department.

Mohd Johari bin Ghazali

Encik Mohd Johari bin Ghazali, is the Manager of Engineering, Maintenance and Traffic Management ("**EMT**") Division for KESTURI. He graduated with a Degree in Civil Engineering from University Teknologi Malaysia, Johor. He started his career in 1999 as a Site Engineer for the Ampang Elevated Highway project. From 2003 to 2006, he joined Gerbang Perdana Sdn Bhd as a Project Engineer in the Integrated Customs, Immigration and Quarantine Complex. In 2006, he joined KESTURI as a Project Engineer for the construction of the Expressway (Section 1) and after completion in year 2009, he was promoted as a Manager to head the EMT Division.

Mohd Hasrul Nizam Hanipah

Encik Mohd Hasrul Nizam bin Hanipah, is the Manager for KESTURI in the Toll Operations, Management Information System & Public Relations Division. He graduated in 2003 with a Degree in Communications and Media Studies from the Universiti Teknologi Mara. He started his career in 2003 as Customer Service Officer in TM Net Sdn Bhd. From 2004 to 2008, he joined the Malaysian Highway Authority as an Administration Officer in various divisions such as Public Relations, Toll and Regulatory Maintenance Department.

3.7 Shareholders' Information

Below are brief background information of KESTURI's shareholders:

Nuzen Corporation Sdn Bhd (JV Company)

Nuzen Corporation Sdn Bhd was incorporated with limited liability under the Companies Act 1965 on 24 June 1999. Its registered office is located at 1-2-1, Jalan 2/50, Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur. Its principal business activity is investment holding. Its current authorised and issued and paid-up share capital is RM50,000,000.00 divided into 5,000,000 shares of RM1.00 each and 45,000,000 RPS of RM1.00 each. The directors of the JV Company are Dato' Haris

Onn bin Hussein, Tan Sri Dato' Lim Kang Hoo, Lim Keng Cheng, Chua Soo Kok, Bu Teng Cheng[3] and Shaharuddin Bin Mohamed.

Nuzen Corporation Sdn Bhd was established pursuant to a joint venture and shareholders' agreement dated 24 October 2002 entered into between WKSB and MRCB in the shareholding proportion of 70:30 respectively.

Wira Kristal Sdn Bhd (WKSB)

WKSB was incorporated with limited liability under the Companies Act 1965 on 14 December 1992. WKSB's registered office is located at 1-2-1, Jalan 2/50, Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur. Its principal business activity is investment holding. Its current authorised and issued and paid-up share capital is RM1,000,028.00 divided into 1,000,000 shares of RM1.00 each and 28 RPS of RM1.00 each.

The directors of WKSB are Dato' Haris Onn bin Hussein, Tan Sri Dato' Lim Kang Hoo and Lim Keng Cheng. Following the completion of the share exchange between EB and the then WKSB's shareholders, namely Dato' Haris Onn Bin Hussein and Tan Sri Dato' Lim Kang Hoo, on 9 May 2013, EB now holds 100% equity interest in WKSB representing 1,000,000 ordinary shares of RM1.00 each. ECSB also holds 28 RPS of RM1.00 each in WKSB.

Malaysian Resources Corporation Berhad (MRCB)

MRCB was incorporated on 21 August 1968 in Malaysia as a private limited company under the Companies Act 1965. The Company was converted to a public company on 28 June 1969. Subsequently, MRCB was listed on the Main Board of Bursa Malaysia on 22 March 1971.MRCB's registered office is located at Level 21, 1 Sentral, Jalan Travers Kuala Lumpur Sentral, 50470 Kuala Lumpur. Its current authorised share capital is RM5,000,000,000 divided into 5,000,000,000 shares of RM1.00 each, of which RM1,651,310,934 have been issued and fully paid up.

MRCB is principally an investment holding company. MRCB also engages in construction related activities, infrastructure, property development and investment, and provision of management services to its subsidiary companies. MRCB's subsidiaries and associated companies and jointly controlled companies are principally involved in property development and investment, buildings services, environmental engineering, infrastructure and engineering and construction related activities.

Ekovest Berhad (EB)

EB was incorporated with limited liability under the Companies Act 1965 on 2 January 1985. EB's registered office is located at Ground Floor Wisma Ekovest, No. 118 Jalan Gombak, Kuala Lumpur, Wilayah Persekutuan. Its principal business activity is investment holding and it also involves in civil engineering and building works. Its current authorised share capital is RM1,000,000,000 divided into 1,000,000,000 shares of RM1.00 each, of which RM305,517,450.00 have been issued and fully paid up.

EB is one of the leading construction companies involved in major civil engineering and building works such as turnkey, design and build projects and project management.

[3] Bu Teng Cheng has resigned from his position as Chief Operating Officer of MRCB and his position as Director of the JV Company and KESTURI effective 14 October 2013.

SECTION 4.0 BUSINESS OVERVIEW

4.1 Overview of the Expressway

The Expressway currently comprises DUKE Phase-1 which was opened to the public on 30 April 2009 with full tolling operation commenced on 1 May 2009.

On 3 December 2012, the Supplemental Concession Agreement was entered into between the Government and KESTURI for DUKE Phase-2.

4.2 Description of the Expressway

4.2.1 DUKE Phase-1

DUKE Phase-1 is a dual three carriageway (6 lanes) with the exception of the stretch between Jalan Duta Interchange and Jalan Kuching Interchange where it is a dual four carriageway (8 lanes). DUKE Phase-1 is approximately 18 kilometres in total length with three (3) toll plazas. The design speed on DUKE Phase-1 is generally 90 kilometre per hour.

DUKE Phase-1 traverse between the east and west of the northern corridor of Kuala Lumpur. It effectively links the New Klang Valley Expressway ("**NKVE**") on the west side of Kuala Lumpur to the Kuala Lumpur – Karak Highway on the north and Middle Ring Road II at Jalan Ulu Kelang on the east.

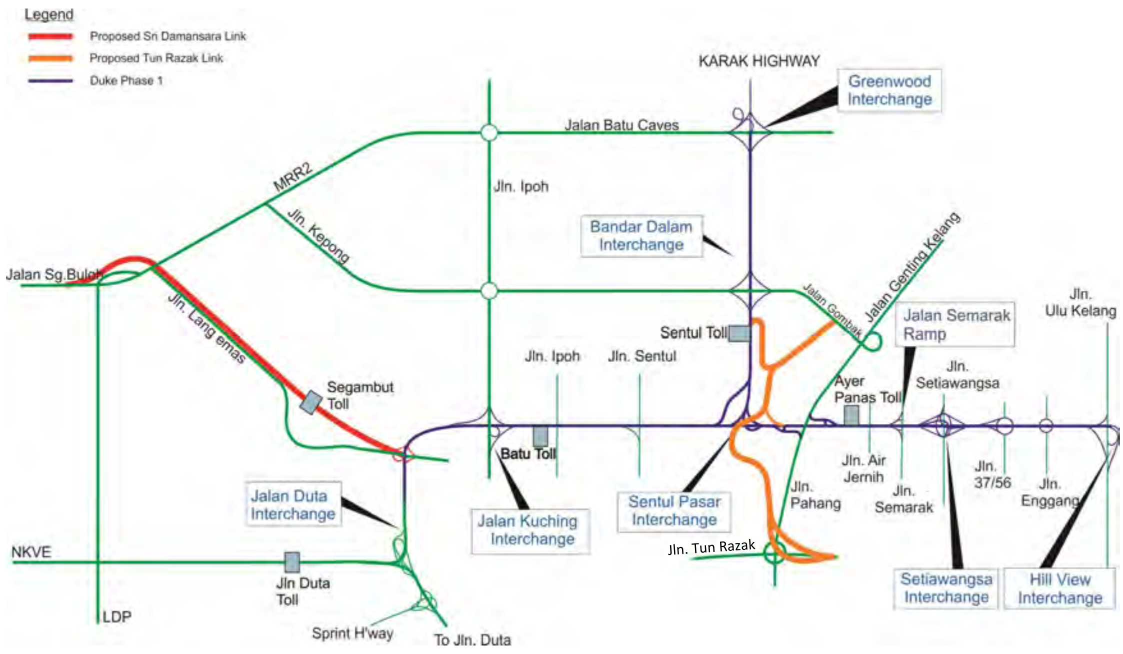
4.2.2 DUKE Phase-2

On 3 December 2012, the Supplemental Concession Agreement was entered into between the Government and KESTURI for DUKE Phase-2, which is an extension of DUKE Phase-1. The construction of DUKE Phase-2 consists of two (2) links namely Sri Damansara Link which commences from the Menjalara Interchange at Bandar Menjalara and ends at the Segambut Interchange at Jalan Segambut and Tun Razak Link which commences from Jalan Tun Razak near Kuala Lumpur Hospital/ Institut Jantung Negara and ends at the Sentul Pasar Interchange at Jalan Gombak.

Both the Sri Damansara Link and Tun Razak Link are to be dual-three carriageways (6 lanes) with approximately 7 kilometres and 9 kilometres in length respectively. The construction is expected to complete within three (3) years and construction cost is estimated at RM1.183 billion. The design speed on Duke Phase 2 will generally be 90 kilometre per hour.

The construction and development costs of DUKE Phase-2 will be part financed through the proceeds from the issuance of the Sukuk Musharakah and Junior Bonds with remaining costs to be funded by internally generated funds.

The alignment of the Expressway is highlighted in the diagram below



4.3 Operation of the Expressway

4.3.1 Toll System and Toll Collection

KESTURI uses an “open” system of toll collection for the Expressway. In an “open” system, a fixed toll, which varies according to the class of vehicle, is collected at the toll plazas along the Expressway. Upon paying the toll, the vehicle is free to exit the Expressway at any interchange or off ramp or to continue its journey to the end of the Expressway. This type of system is suitable for urban or semi-urban roads with numerous intersections and access/exit points for traffic making short journeys.

DUKE Phase 1 currently has 3 toll plazas which are located at Ayer Panas, Sentul Pasar and Kg. Batu. In respect of DUKE Phase-2, an 18-lane two-directional toll plaza will be constructed at the Sri Damansara Link and the existing Sentul Pasar toll plaza will be extended by an additional six (6) lanes to accommodate the increased traffic from Tun Razak Link.

Each toll plaza is on (i) a mixed mode system (i.e. manual toll collection system as well as Touch n' Go facilities), (ii) Touch n’ Go system or (iii) Smart Tag system, to ensure that the Expressway users will be able to pass through the toll booths quickly.

4.3.2 Operating and Capital Expenditure

The expenditure incurred or to be incurred by KESTURI in operating the Expressway will consist of the operation expenditure and administrative and general expenditure, whereby:

(i) Operation expenditure comprise the following:

- (a) salaries and employment costs for operation staff;
- (b) routine maintenance expenditures;
- (c) toll collection expenses; and
- (d) operations-related insurance premium.

(ii) Administrative and general expenditures comprise the following:

- (a) salaries and employment costs for administration staff;
- (b) consultancy and advisory fees, advertising and marketing and general administrative costs;
- (c) office costs including upkeep and rental; and
- (d) utilities charges and miscellaneous admin office expenses.

(iii) Capital expenditure comprises:

- (a) expenditure on property, plant and equipment; and
- (b) heavy repairs which involve the making good of defects found on the Expressway in order to maintain its serviceability.

4.3.3 Traffic Management and Safety

KESTURI provides a 24-hour patrol service for vehicle breakdown and accident, which is free of charge to the Expressway users. This service is available throughout operation of the concession relating to the Expressway. The purpose of this service is to prevent secondary accidents, re-direct traffic and warn other drivers of breakdowns or accidents.

KESTURI also operates a 24-hour call centre that will connect users to KESTURI's traffic monitoring centre in Kuala Lumpur. The call centre will enable the Expressway users to seek assistance in the event of breakdowns, report traffic accidents and other incidents, provide feedback on services and facilities or make enquiries. Complaints and suggestions are to be forwarded to the relevant KESTURI department heads for their follow-up. In the event of a breakdown or accident along the Expressway, the vehicle breakdown and accident service will be despatched to the breakdown or accident site.

In order to safeguard KESTURI's assets and operation personnel, a security services company has been engaged to provide guard services. Closed circuit television systems have been installed at all toll plazas and strategic locations along the Expressway to provide additional surveillance.

4.4 Traffic Performance

The year traffic volume for DUKE Phase-1 has increased over the last five years since commencement of full tolling operation on 1 May 2009. The increased use of DUKE Phase-1 is demonstrated by the annual average daily traffic ("**AADT**") growth rate, set out in the table below:

Year	AADT	Growth (%)
2009	64,463	-
2010	87,983	36.5
2011	102,204	16.2
2012	113,689	11.2

Source: *Traffic Consultant's Report dated June 2013.*

4.5 Traffic Projections

Please refer to Appendix III for a copy of the Traffic Consultant's Report for traffic projections for the Expressway.

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SECTION 5.0 PROJECT COUNTERPARTIES IN RESPECT OF DUKE PHASE-2

5.1 EPC Contractor

EB has been appointed as the main contractor for the DUKE Phase-2. Under the EPC Contract, EB is required to design, construct and complete the DUKE Phase-2 within thirty-six (36) months from the date of possession. The completion date for the construction of DUKE Phase-2 is projected to be in September 2016. Should EB fail to complete the works by the completion date or any extended time allowable, EB is required to compensate KESTURI in the form of liquidated damages payment for RM10,000/day.

The experience of EB and its subsidiaries ("**Group**") in building construction and civil engineering works dates back from 1988. Among the major projects completed by the Group are:

	Client	**Contract Sum (RM million)**
Construction of central terminal area roads and structure at KLIA	Kuala Lumpur International Airport	113.8
Fitting works for Petronas Twin Towers, podium and below grade spaces (in joint ventures with Necso Entrecanales Cubiertas)	Petroliam Nasional Berhad	471.5
Design and construction of KL Sentral and related infrastructure (in joint venture with Dragages Malaysia Berhad)	Kuala Lumpur Sentral Sdn Bhd	713.1
Design and construction of building works for University Malaysia Sabah	Jabatan Kerja Raya Malaysia	599.7
Design and construction of Labuan Financial Park	Financial Park (Labuan) Sdn Bhd	356.5
Design and construction of the DUKE Phase-1	KESTURI	915.3
Design and construction of building works for Universiti Teknologi Tun Hussein Onn	Jabatan Kerja Raya Malaysia	529.6
Construction of the main building for the Institute Biotechnology Research and Multimedia Center for University Malaysia Sabah	Jabatan Kerja Raya Malaysia	183.6

5.2 Independent Consulting Engineer

Under the EPC Contract, an independent consulting engineer is to be appointed to review and monitor the construction progress of the DUKE Phase-2 on behalf of KESTURI and its financier within their scope of services. In this respect, Perunding ZKR Sdn Bhd ("**ZKR**") has been appointed as the independent consulting engineering for DUKE Phase-2. Since June 1995, ZKR has undertaken conceptual and detailed engineering design works for several major highway projects, mainly in Kuala Lumpur and Selangor. Among the highway projects are the upgrading and widening of Jalan Sungai Besi (BESRAYA), Section 3 of Lebuhraya Damansara-Puchong (LDP), New Pantai Expressway (NPE) and Western Kuala Lumpur Traffic Dispersal Scheme (SPRINT). ZKR also is a lead consultant for Guthrie Corridor Expressway (GCE), Besraya Eastern Extension and South Klang Valley Expressway (SKVE). Apart from engineering design works, ZKR was also appointed and successfully completed as the Independent Consulting Engineer for DUKE Phase 1. ZKR is registered with Kementerian Kewangan Malaysia and Lembaga Jurutera Malaysia.

ZKR will act to review and monitor that the works are executed in general compliance with the EPC Contract, the budget and the timeline. In this instance, ZKR will provide quarterly progress reports on the review of the construction budget and the comment on any variances.

Please refer to Appendix IV for a copy of the Independent Consulting Engineer's Report.

5.3 Traffic Consultant

Perunding Trafik Klasik Sdn Bhd ("**PTK**"), a transportation planning and traffic management consultancy company with a 20-year history, was commissioned by KESTURI, to undertake an independent traffic study for the privatisation of the Expressway.

PTK carried out several data gathering exercises to determine the existing traffic patterns within the study area which will be used as the foundation for future traffic forecast for the Expressway. Apart from relying on primary data through the conduct of surveys, secondary traffic data is also obtained to give a more comprehensive view.

Please refer to Appendix III for a copy of the Traffic Consultant's Report on the Expressway.

5.4 Independent Insurance Consultant

Anika Insurance Brokers Sdn Bhd has been appointed to review and to confirm amongst others, that the insurance/Takaful programme for the DUKE Phase-2 is adequate and that the insurance policies/ Takaful contracts for the construction of the DUKE Phase-2 are in place.

Please refer to Appendix V for a copy of the Insurance Consultant's Report on the Expressway.

5.5 Other Consulting Firms

Under the EPC Contract, the following consultant firms have been appointed for their respective roles in the DUKE Phase-2:

(a) Civil and Structural Engineering Consultant for Sri Damansara Link-- Zaidun Leeng Sdn Bhd;

(b) Civil and Structural Engineering Consultant for Tun Razak Link – MMSB Consult Sdn Bhd; and

(c) Traffic Management Consultant – Pakatan Trafik Sdn Bhd.

The Mechanical and Electrical Engineering Consultant for toll plaza will be appointed in due course.

SECTION 6.0 THE CONCESSION AGREEMENT AND THE EPC CONTRACT

6.1 Salient Terms of the Concession Agreement

6.1.1 THE CONCESSION AGREEMENT

The Government entered into a concession agreement with KESTURI on 12 August 2004 which was supplemented by the Supplemental Concession Agreement. The Concession Agreement granted KESTURI the right to, amongst others, design, construct, operate, manage and maintain the Expressway, i.e. DUKE Phase-1 and DUKE Phase-2 during the Concession Period.

Under the terms of the Concession Agreement, KESTURI has been granted the right and authority to undertake and enjoy the Concession as follows:

(a) to design and construct the Expressway comprising DUKE Phase-1 (Completed) and DUKE Phase-2;

(b) to supply and install tolling and other equipments (including telecommunication equipment) on the Expressway and to operate, manage and maintain these equipments;

(c) to collect and retain the Toll Amounts for KESTURI's benefit from vehicles using the Expressway;

(d) to design, construct, operate, manage and maintain the Ancillary Facilities (if any) and to retain the income received or receivable therefrom;

(e) to operate and maintain the Expressway;

(f) to design, construct, operate, manage and maintain Administrative Office forming part of the Expressway and all other activities incidental to the performance of the works referred to in all of the above; and

(g) to propose new development plans within the Expressway's Right of Way.

The Government agreed:

(a) to grant to KESTURI the right and license to enter and to occupy all land required in relation to the Concession for the duration of the Concession Period. Ownership of the land required for the Concession and of the Expressway themselves remains with the Government;

(b) to authorise KESTURI to collect and retain Toll Amounts and revenue from the Ancillary Facilities (collectively, "**Toll Revenue**") from users of the Expressway for the duration of the Concession Period; and

(c) to provide the Government Funding for a maximum of RM77.2 million for upgrading works of DUKE Phase-1 from Kg Bandar Dalam Interchange and traversing through to Greenwood Interchange in one lump sum upon the completion of such works at the end of fourth (4^{th}) Concession Year or year 2007[4].

The Supplemental Concession Agreement is conditional upon fulfillment of the conditions precedent whereby KESTURI shall prove to the satisfaction of the Government the following:

(a) KESTURI has the capacity to finance the Construction Works;

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[4] The Government Funding has been received by KESTURI.

(b) KESTURI has issued and paid-up capital of at least Ringgit Fifty Million (RM 50,000,000.00);

(c) a public opinion survey has been carried out and the report has been prepared and submitted for the Government's consideration;

(d) neither KESTURI nor any of its directors has committed any corrupt practices, unlawful or illegal activities for the purpose of securing the Government's approval for the Concession;

(e) all information and documents given by KESTURI to the Government are true and correct; and

(f) none of the directors of KESTURI has been as undischarged bankrupt and has not committed any offences under the Companies Act 1965. The condition precedents to the Supplemental Concession Agreement is to be fulfilled by 2 December 2013.

6.1.2 Concession Period

The tenure of the initial Concession is thirty-four (34) years from 11 August 2005. Under the Supplemental Concession Agreement, the Concession Period is extended from thirty-four (34) years to fifty-four (54) years ending 11 August 2059, with the possibility of a further ten (10) years extension subject to the terms of the Supplemental Concession Agreement if KESTURI is able to demonstrate to the government that the actual internal rate of return ("**IRR**") of the Project (based on the formula set out in the Supplemental Concession Agreement) is less than the agreed IRR as stipulated in the Concession Agreement.

6.1.3 Expiry of the Concession

Upon expiry of the Concession Period, KESTURI will cease to operate and maintain the Expressway and will have to remove all its workmen, employees, servants, agents and contractors and vacate the Expressway. KESTURI is further obliged, upon such date, to hand over the Expressway in a well-maintained condition. All rights and entitlements of KESTURI in respect of the Concession shall then revert to, vest in or remain vested in the Government without any cost to the Government.

6.1.4 Ancillary Facilities

In addition to the Expressway, under the Concession Agreement, KESTURI may design, construct or operate, manage and maintain the Ancillary Facilities with the assistance of agents, contractors and suppliers selected by KESTURI. KESTURI may enter into licensing, franchise or other contractual arrangements as it deems appropriate for the design, construction, management, operation and maintenance of the Ancillary Facilities. In return, KESTURI may retain all income received or receivable in relation to the Ancillary Facilities.

6.1.5 Cost Savings

The Concession Agreement provides that should there be any cost savings to the costs of the Construction Works and finance cost for DUKE Phase-2, KESTURI shall deposit those savings into an escrow account jointly controlled by the Government and KESTURI. The cost savings will be utilized for making improvements to the Expressway and to any other purposes as may be agreed by the parties.

6.1.6 Land Costs

The Government shall bear all land costs in respect of DUKE Phase-2 up to the limit of RM350.0 million only. Any land cost exceeding this amount shall be borne by KESTURI.

6.1.7 Traffic Management Programme (During Construction of DUKE Phase-2)

KESTURI shall submit to the Government a traffic management programme detailing the proposals relating to the traffic management in respect of roads and other surrounding areas which will be affected by the Construction Works. If KESTURI fails or neglect to comply with the traffic management programme, KESTURI shall pay the Government RM10,000.00 per day as compensation and the Government is entitled to issue a stop work order. The stop work order shall not entitle KESTURI to claim an extension of time for the Construction Works. This risk is passed to the main contractor under Clause 2.12 of the EPC Contract.

6.1.8 Termination

The Concession Agreement gives KESTURI the right to terminate the Concession if the Government, without reasonable cause, fails to perform or fulfil any of its obligations, which adversely affects KESTURI's right in carrying construction or the right to collect and retain Toll Amounts. KESTURI may give a six (6) months' notice to the Government for the purpose of termination but the period will be mutually extended if requested by the Government.

During the Concession Period, the Government similarly has a right to terminate the Concession if KESTURI assigns the Concession Agreement in breach of the terms of the Concession Agreement or as a result of the liquidation of KESTURI. For termination events and the payment consequences of termination of the Concession, please refer to Section 6.2.9 of this Information Memorandum.

6.1.9 Force majeure

Neither the Government nor KESTURI will be in breach of its obligations under the Concession Agreement if it is unable to perform any of those obligations as a result of the occurrence of an event of force majeure. In such event, the Concession Period may be extended as agreed by both parties, or in the absence of agreement, as shall be resolved by arbitration, unless the parties agree for the matter to be determined by an independent expert.

If the event of force majeure is considered by the party affected by it to be of such severity or continuing for a period of more than six (6) months, the Concession Agreement may be mutually terminated. In the event that the Government and KESTURI agree that the Concession should be continued, then in any case where the Expressway (or any part of it) has been destroyed, KESTURI must restore the Expressway (or any part of it) at its own expense to the condition it was immediately before the occurrence of that event of force majeure. If KESTURI incurs substantial restoration costs affecting the Concession, KESTURI may apply to the Government to recover the costs and recovery may include the Government extending the Concession Period.

6.1.10 Maintenance

Under the Concession Agreement, KESTURI is required to maintain the Expressway in good repair and condition, which includes providing routine maintenance and heavy repairs in accordance with the Maintenance Manual.

In addition, KESTURI is also obliged to carry out additional bituminous structural overlays to the Expressway based on a detailed programme to be submitted to and approved by the Government, which is approved by the Government.

6.1.11 Level of Service & Key Performance Indicator (KPI) for Maintenance

KESTURI shall at all times maintain the specified level of service of the Expressway and comply with the KPI for the maintenance works based on the Expressway Maintenance System Civil Works, Guidelines and Manuals and the Maintenance Standards as provided for in the Concession Agreement. Penalties will be imposed on KESTURI in the event of failure to meet the KPIs.

6.1.12 Toll rates

The toll rates which KESTURI charges for different classes of vehicles are subject to the Concession Agreement. The Scheduled Toll is the toll specified for each class of vehicle using the Expressway for the relevant Operating Periods of the Concession. There are 8 Operating Periods during the Concession and for the first Operating Period, KESTURI is allowed to charge the Scheduled Toll.

For the subsequent Operating Periods, before tolls can be increased based on the Scheduled Toll for the relevant Operating Period, KESTURI will have to demonstrate to the Government that the actual cumulative Toll Revenue is less than or equal to the projected Toll Revenue for the corresponding period. However, if the actual cumulative Toll Revenue is more than the projected Toll Revenue, then the agreed toll will be determined in accordance with a certain formula in the Concession Agreement. By applying this formula, the agreed toll may be less than the Scheduled Toll for the relevant Operating Period, but in any case cannot be lower than the prevailing toll that has already been gazetted. KESTURI may however submit an application for the Scheduled Toll to be applied if after eighteen (18) months, it can demonstrate that the actual cumulative Toll Revenue is less than the projected Toll Revenue.

The Scheduled Toll established under the Concession Agreement is shown below:

(a) Scheduled Toll

The Scheduled Toll for the Expressway are as follows:

Operating Period	**Vehicle Classification**				
	Class 1	**Class 2**	**Class 3**	**Class 4**	**Class 5**
1st (2009- 2013)	2.00	3.00	4.00	1.00	1.30*
2nd (2014- 2018)	2.50	3.80	5.00	1.30	1.70
3rd (2019- 2023)	3.30	5.00	6.60	1.70	2.20
4th (2024- 2028)	4.20	6.30	8.40	2.10	2.80
5th (2029- 2038)	5.40	8.10	10.80	2.70	3.60
6th (2039- 2048)	7.30	10.90	14.50	3.60	4.80
7th (2049- 2058)	9.80	14.70	19.50	4.80	6.50
8th (2059- 2069)	13.20	19.80	26.20	6.50	8.70

* *The gazetted toll rates for Class 5 vehicles from 9 February 2009 until 14 January 2011 was RM0.70 and was reinstated to RM1.30 from 15 January 2011 onwards.*

(b) Flexible Tolling

KESTURI shall implement flexible tolling for all classes of vehicles if the level of service (LOS) of the Expressway drops below the requirement under the Concession Agreement. The rate for the flexible tolling shall be approved by the Government. This will form part of the new toll structure for the Concession until the end of the Concession Period and KESTURI shall not claim any losses in the toll revenue from the Government.

Scheduled Toll Rate For The Flexible Tolling

Peak Period	Toll Rate
a) 6.30am – 9.30am b) 4.30pm-7.00pm	As per Scheduled Toll As per Scheduled Toll

Off Peak	Toll Rate
a) 9.31am-4.29pm b) 7.01pm-6.29am	Minimum 10% lower than agreed toll in Concession Agreement

If the LOS of the Expressway further deteriorates after the implementation of the flexible tolling, KESTURI shall upgrade the toll plaza or the affected interchanges at their own cost. KESTURI shall submit an application to the Government for approval to revert the toll rate back to the agreed toll structure as in the Concession Agreement if the upgrading work carried out by KESTURI has improved the LOS.

6.1.13 Contribution to Highway Research, Training and Development

KESTURI shall contribute to the MHA, the following yearly sums for the purpose of highway research, training and development:

(i) the sum of RM110,000.00 for first four (4) years commencing from the Effective Date of DUKE Phase-2; and

(ii) thereafter, the sum equal to zero point three per centum (0.3%) of the actual yearly revenue until the expiry of the Concession Period.

If KESTURI fails to make such contributions within the stipulated time frame under the Concession Agreement, KESTURI shall be liable to pay interest of ten per centum (10%) per annum on any outstanding amount.

6.1.14 Utilisation of Excess and Sharing Of Revenue (Toll Revenue and Ancillary Income)

In the event that the Toll Revenue collected by KESTURI during each Operating Year exceeds the projected cumulative toll revenue specified in the Concession Agreement ("**Excess Revenue**"), then the Excess Revenue may be utilized by KESTURI for the purpose of repayment or prepayment of all and any indebtedness (including principal, interest and accumulated interest) arising out or in connection with all loans, advances and facilities obtained by KESTURI to the Lenders of the Expressway. As soon as the indebtedness has been fully repaid as evidenced by the financial records and statements or on the twentieth (20th) year after the first Operating Period of DUKE Phase 1 (whichever is earlier) the Government will share in the Excess Revenue in the following proportion:

(a) the Government : 30%

(b) KESTURI : 70%

6.2 Salient terms of the EPC Contract

Under the EPC Contract, KESTURI has appointed EB as its master contractor for the design, construction and completion of the DUKE Phase-2 for the sum of RM1,183,233,717.00 only. The Construction Period is thirty-six (36) months from the date of possession of site based on the Construction Programme. Some of the key features of the EPC Contract are as follows:

(a) the EPC contract requires EB to absolutely guarantee KESTURI independent of fault that the design, materials and workmanship for the Construction Works are suitable for the known requirements of KESTURI;

(b) the construction of the DUKE Phase-2 is divided into 2 Sections of the Expressway, namely the Sri Damansara Link and the Tun Razak Link;

(c) if EB fails to complete the Construction Works by the completion date i.e. within the Construction Period, or any extended time that is allowed under the EPC Contract, EB is required to pay liquidated and ascertained damages at the rate of RM10,000.00 per day;

(d) EB is required to procure a performance bond for an amount equal to five per centum (5%) of the EPC Contract sum, which can be utilised by KESTURI if there is a breach of EB's obligations under the EPC Contract or for the purpose of recovering the liquidated and ascertained damages;

(e) extension of time is allowed if the delay is caused by the following events:

  (i) a force majeure event has occurred;

  (ii) disputes with neighbouring owners which are not due to any negligence of EB;

  (iii) loss or damage occasioned by excepted risks e.g. occupation by the Government, their agents or other contractors of any part of the permanent works, contamination by radioactivity from any nuclear fuel, pressure waves caused by aircraft and any forces of nature as an experienced contractor could not foresee;

  (iv) KESTURI’s instructions on the matters including any discrepancies to be resolved by KESTURI, to undertake certain tests, antiquities found, variation works either requested by the Government or KESTURI and postponement of any Construction Works;

  (v) if there is a delay in receiving necessary instructions from KESTURI which KESTURI is obliged to provide for and which EB has applied in writing on any extension of time;

  (vi) delay in receiving necessary permission or approval from any statutory body which EB has taken all practicable steps to avoid;

  (vii) delay in site possession;

  (viii) delay by other parties engaged by KESTURI in executing works not forming part of the EPC Contract; or

  (ix) by EB’s inability for reasons beyond its control to secure goods or materials that are essential to the Construction Works.

(f) KESTURI shall issue a certificate of delay and extension of time if EB has used its best endeavours to prevent any delay. EB shall be entitled to claim for direct loss or expense incurred if delays are caused by subparagraphs (i), (ii), (iv), (v), (vii) and (viii). EB is not liable for loss or damage caused by the events mentioned in subparagraph (iii) above;

(g) variations are allowed if in the opinion of the Project Management Company ("**PMC**"), are necessary for the purpose of suitability, functionality and/or safety of the Construction Works or any variation requested by the Government . Any variation for the purpose of suitability, functionality and/or safety of the Construction Works shall be borne by EB. If the variation arises from any amendments to the approved design and/or additional works requested by the Government, EB shall be compensated for the additional costs involved. If such variation is necessitated by EB's default, then the extra cost shall be borne by EB.

The valuation of additional or substituted works shall be finalized by the PMC on behalf of KESTURI after evaluation by the MHA and shall be consistent with the values of work of similar character set out in the contract sum analysis or contract schedule of rates making due allowance for any change in the conditions under which the work is carried out and/or any significant change in the quantity of the work so set out. Where compensation for variation is allowed, any valuation of work shall include allowance for any necessary addition to or reduction of the site administration, site facilities and temporary works. Where an appropriate basis of a fair valuation or additional or substituted work is daywork, the valuation shall comprise the prime cost of such work plus fifteen per centum (15%) which shall include for the provision of site administration, site facilities and temporary works and for profit. The effect of such valuation shall be an adjustment of the contract sum.

(h) the Construction Works are insured against any loss or damage (except damage or loss arising from any of the excepted risks) during the Construction Period and until the end of the defects liability period under the contractors' all risk insurance. The excepted risks are:

(i) the use or occupation by the Government, KESTURI, their agents, servants or other master contractors (not being employed by the EPC Contractor) of any part of the permanent works;

(ii) riot, war, invasion, act of foreign enemies or hostilities (whether war be declared or not);

(iii) civil war, rebellion, revolution, insurrection or military or usurped power;

(iv) ionizing radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel, radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof;

(v) pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds; and

(vi) any such operation of the forces of nature as an experienced master contractor could not foresee or reasonable make provision for or insure against.

SECTION 7.0 INVESTMENT CONSIDERATIONS

Investment in the Notes involves certain risks. Each of the Notes carry different risks and all potential investors are strongly encouraged to evaluate each issue of the Notes on its own merit.

This section provides a summary of certain risk factors, each of which, among others, may materially and adversely affect the ability of the Issuer to make payment under any Notes in full at or before the maturity date for such Notes. This section is not intended to be exhaustive. Prospective purchasers of the Notes should read and carefully consider, among other things, the following factors in connection with the purchase of the Notes and undertake their own investigations and analysis on the Issuer, its business and risks associated with the Notes.

7.1 During Construction Period of DUKE Phase-2

7.1.1 Cost overrun risk

The Project Cost for the DUKE Phase-2 has been estimated at RM1.183 billion and the Construction Works are expected to be completed over a period of three (3) years. The Project Cost may be subject to potential cost overruns.

If there is any cost overrun that is due to a request or instruction by the Government for a change in the agreed scope of work or the approved design or additional construction work, the additional costs that may be incurred pursuant to such request or instruction will be borne by the Government, unless the additional works requested:

(a) do not increase the scope or work for KESTURI; or

(b) do not result in the overall costs of Construction Works exceeding the original construction cost; or

(c) are required due to the soil conditions,

based on the terms of the Concession Agreement. In addition, the Government may from time to time during the Construction period request the Company to undertake or carry out any additional works subject to the terms and conditions to be mutually agreed between the parties. The risk of any cost overruns is mitigated by the fact that KESTURI's detailed design has been completed and scope of work for the DUKE Phase-2 has been agreed with the Government and that the EPC Contract has been structured on the basis of fixed sum and fixed date.

However, in the event the final Project Cost exceeds the above-said estimated Project Cost arising from, inter alia, engineering requirement, adverse site condition and construction difficulties, such additional costs shall be borne by KESTURI. In this regard, emphasis is being put into soil and site investigation works, design optimisation and construction planning to mitigate the above potential cost overrun. In addition, each of the Ultimate Shareholders will undertake to KESTURI (on a several basis in accordance with the proportion to their shareholding) under the deed of undertaking that they will make contributions through the JV Company in equity and/or through shareholders loans/advances and/or direct equity injection into KESTURI as and when required to meet any cost overruns or additional financing requirements in the event of construction delay in DUKE Phase-2, up to an amount equivalent to RM60.0 million of the Project Cost during the Construction Period.

7.1.2 Delay in land acquisition and increase in Land Costs

The Government is obliged to make available the land required for the DUKE Phase-2 to KESTURI. The period within which the land has to be made available ranges between six (6) to twelve (12) months after submission of the accepted land acquisition plans, depending on whether the land has to be compulsorily acquired and whether there are any encumbrances. There could however be delays attributed to e.g. any amendment to the accepted land acquisition plans, which would then allow the Government a further period of up to six (6) months to make the land available. The delay risk is however mitigated in the following manner or by the following factors:

(a) approximately 83% of the land is owned by the Government and therefore, the period within which the land can be made available is shorter. Further, more than fifty per centum (50%) of such land owned by the Government is unencumbered and available for vacant possession, and KESTURI would be able to commence the Construction Works once the land is gazetted under Section 8 of the Land Acquisition Act 1960; and

(b) if the delay is more than eighteen (18) months after submission of the accepted land acquisition plans, the Government may either extend the Concession Period or provide KESTURI with other remedy or relief to be mutually agreed. However, there is no compensation if the delay by the Government does not affect the completion of the DUKE Phase-2.

In the event that there is an increase in land costs in respect of DUKE Phase-2, the Government shall bear all land costs up to the limit of RM350.0 million. Any land cost exceeding this amount shall be borne by KESTURI.

7.1.3 Construction risk/ Completion Delay

There are certain risks inherent in design and construction of large project such as the DUKE Phase-2. These include factors such as shortages of construction materials, unavailability and inefficiency of equipment and labour, price increases, labour disputes, the non-performance or unsatisfactory performance of contractors and subcontractors, inclement weather, natural disasters, accidents, changes in Government policies or adverse economic, business and credit conditions, failure or postponement in the issuance or grant of licences, permits and approvals and unforeseen engineering and environmental problems. Any delay in completion of the DUKE Phase-2 may increase the risk of cost overruns and may affect the commencement of DUKE Phase-2.

No assurance can be given that KESTURI will not encounter significant construction difficulties and delays. However, the terms of the EPC Contract would allow KESTURI to have recourse against EB, such as under the provision for the performance bond and liquidated and ascertained damages for any delay that may be caused by EB other than certain circumstances, such as force majeure and antiquities found at the construction site. In addition, construction risk is expected to be manageable given EB’s extensive experience in infrastructure and building works.

Further, pursuant to the Concession Agreement, KESTURI is required to effect and maintain or cause to be effected and maintained the following insurance:

(i) contractor’s all risk policy for the value of the Construction Work;

(ii) a policy against any liability including third party liability up to a limit of RM1 million; and

(iii) workmen’s compensation.

This requirement is the responsibility of the EPC Contractor (for detailed description of the EPC Contract, please refer to Section 6.2) pursuant to the EPC Contract.

Further, the appointment of the ICE and the supervising consultants is expected to strengthen the construction surveillance process by ensuring that the Construction Works will be executed in strict accordance with the budget and timeline.

7.2 During Operation Period

7.2.1 Traffic volume

KESTURI derives almost all of its revenues from the operation of the tolling of the Expressway and its revenue growth, in turn depends on the number of vehicles using the Expressway and the toll rates that it can charge for such journeys.

The number of vehicles using the Expressway is to a large extent dependent on factors which are outside KESTURI's control. The factors that could potentially affect traffic volume on the Expressway include, but are not limited to, the following:

(a) the population growth in the Klang Valley;

(b) the employment growth in the Klang Valley;

(c) the vehicle growth in the Klang Valley;

(d) the gross domestic product growth of the country;

(e) future major developments in the Expressway's catchment areas;

(f) the price of petrol and other transportation fuel;

(g) affordability of automobiles in Malaysia;

(h) per capita ownership of automobiles in Malaysia;

(i) the development of alternative, competing roads or expressways;

(j) unhindered access to the Expressway via feeder roads and adjoining highways that are not operated by KESTURI;

(k) KESTURI's ability to maintain the Expressway;

(l) the risk of bypass; and

(m) the prevailing level of toll rates and the sensitivity of users of the Expressway to the prevailing level of toll rates.

Adverse trends affecting any of the above factors could have a material effect on traffic volumes, and in turn on KESTURI, its business, operations, financial condition and prospects. However, it is expected that traffic volume for an urban expressway may not necessarily be severely affected by these factors due to high catchments areas, high vehicle growth in the Klang Valley, higher public acceptance level of tolled roads and higher income population group.

Further, the bypass risk mentioned above is also alleviated by virtue of the Concession Agreement, whereby if an access road is connected to the Expressway, KESTURI has to be adequately compensated or indemnified by the third party seeking such access for any loss or damage, including loss of toll revenue, if the access adversely affects the traffic flow on the Expressway.

7.2.2 Competition

The Concession Agreement does not prevent the Government from awarding concessions for new roads, which may compete with the Expressway when it is completed. There are a number of road schemes that are either completed, already under construction, committed and well into the planning stage or proposed as privatised project, that could lead to traffic being diverted away from the Expressway.

Under the terms of the Concession Agreement, the Government may issue a written order to KESTURI to allow access road or other form of connection, which shall include underpass or overpass to the concession area to any parties for the purpose of connecting their developments to the Expressway. Prior to the Government's issuance of a written order to allow access road or other form of connection to the Expressway, the Government shall consult KESTURI and if it is demonstrated by KESTURI that such access road or other form of connection would adversely affect the traffic flow on the Expressway and consequently affect the toll revenue of KESTURI, the Government shall as a condition of any order ensure that:

(a) KESTURI is adequately compensated or indemnified by such other party seeking the access for or against any loss, damage, cost or expenses (including but not limited to loss of KESTURI's toll revenue) which may be suffered or incurred by KESTURI as consequence of such order; and

(b) any access road connection and any crossing structures or related facilities shall be constructed and maintained at the sole cost and expense of the other party seeking access.

7.2.3 Toll rates

Toll rates set in respect of the Expressway are outside KESTURI's control. The Concession Agreement establishes the Scheduled Toll for each Operating Period. The agreed toll rates for each Operating Period will also be gazetted - The Federal Roads (Private Management) (Collection of Tolls) (Duta-Ulu Kelang Expressway) (Amendment) Order 2009 stipulates the toll rates on the Expressway from 9 February 2009 until 10 August 2039.

The Concession Agreement provides for the revision in the toll rates for the second to eighth Operating Periods. Submission to the Government to determine the agreed toll rates for the subsequent period must be done not later than five (5) months before each review date which falls on the first day of each of the second to eighth Operating Periods. The submission must be accompanied with a report detailing the actual cumulative Toll Revenue for each Operating Period up to six (6) months prior to the relevant date of review vis-a-vis the projected cumulative Toll Revenue relevant to the Operating Period, an audited Toll Revenue report for four (4) Operating Years and an audit report from the operation auditors (comprising the Government auditor and KESTURI's auditor) and any other relevant information.

If KESTURI is able to prove to the Government's satisfaction that the actual cumulative Toll Revenue is less than or equal to the projected cumulative Toll Revenue, then the agreed toll will follow the Scheduled Toll in the Concession Agreement. On the other hand, should the actual cumulative Toll Revenue is proven to be more than the projected cumulative Toll Revenue for the corresponding period up to six (6) months before the review date, the agreed toll for each class of vehicle for the succeeding Operating Period shall be calculated according to the following formula:

ATR = T – [E/A X D]

Where:

ATR	:	agreed toll derived for a particular class of vehicle at the relevant Operating Period;
T	:	the average of the prevailing Gazetted Toll and the next applicable Scheduled Toll as stipulated in the Concession Agreement;
D	:	the difference between the then prevailing Gazetted Toll and the next applicable Scheduled Toll as stipulated in the Concession Agreement;
E	:	A – P;

A : the actual cumulative Toll Revenue;
P : the projected cumulative Toll Revenue.

Notwithstanding the above formula, if the agreed toll derived from the formula is lower than the prevailing Gazetted Toll, the prevailing Gazetted Toll shall continue to be the toll rate. After eighteen (18) months of implementation, if the actual toll revenue is less than the projected toll revenue, KESTURI is allowed to submit an application to the Government requesting for the applicable Scheduled Toll to be the agreed toll. If upon reviewing the accompanying documents submitted by KESTURI, the Government is satisfied with the application, the applicable Scheduled Toll as the agreed toll within three (3) months from the date of its application.

In the event the Gazetted Toll is lower than the agreed toll or if the Government decides to implement a toll rate, for any class of vehicle in respect of any Operating Year which is lower than the agreed rate during the first Operating Period or lower than the applicable agreed toll rate which is either based on the Scheduled Toll or toll formula during any of the Operating Period, the Government shall then compensate KESTURI for any reductions in the toll collections. The Government shall continue compensating KESTURI until such time KESTURI is allowed to collect the then prevailing agreed toll rate. The compensation amount to be paid by the Government shall be calculated in the following manner:

Compensation Amount (CA) = ∑ [AT x TV] - [TA + AI]

Where:

CA	:	the amount of compensation payable in respect of the relevant Operating Year;
∑	:	summation for all classes of vehicles;
TV	:	the actual traffic volume for particular class of vehicle for the relevant Operating Year or the projected traffic volume for the relevant Operating Year, whichever is lower;
AT	:	the agreed toll which should have applied for the relevant Operating Year for each class of vehicle;
TA	:	the aggregate toll collected by KESTURI for the relevant Operating Year;
AI	:	the net ancillary income for the relevant Operating Year (for the avoidance of doubt, if KESTURI incurs a loss from the operations of the Ancillary Facilities, then the same shall not be calculated into the computation of the formula herein).

7.2.4 Toll receipts

The level of revenue that will be derived by KESTURI from toll receipts may be reduced by the following factors:

(a) "leakage" through fraud or non-payment. If the process of toll collection is not properly monitored and controlled, leakage will reduce KESTURI's toll revenue; and

(b) technical problems in toll collection systems, although such technical problems may not necessarily interrupt the actual toll collection process.

KESTURI has introduced electronic toll collection ("**ETC**") system to increase its efficiency in collecting tolls and to control leakage. The toll collection operations via ETC are dependent on the continued application of technology. If KESTURI:

(a) experiences system failure or shut down with respect to the ETC system or any of its monitoring or database systems; or

(b) is forced by the withdrawal of technology by the suppliers to procure alternative technology,

it may hinder its ability to collect tolls efficiently and control leakage. Any such problems could result in loss of revenue and an increase in operating cost due to operational inefficiencies.

Further, for the Expressway's collection system design, KESTURI has incorporated several counter-fraud measures in terms of hardware detection and reconciliation of traffic vehicles with the collection of toll. These measures are capable of capturing fraudulent cases and hence reducing leakages. There will also be continual technical support from system integrator and internal maintenance crew support to minimise toll operation interruptions.

With regard to the ETC system, the Government has enforced the standardisation of single class Touch 'N Go and Smart Tag system for all toll concessions. The issue of alternative technology will not arise.

With regards to system failure, there are back-ups in terms of data storage and the system itself so that minimal interruption is allowed and efficiency level is maintained.

7.2.5 Operation, maintenance and related expenditure

Operating costs and capital expenditure relating to the operation and maintenance of the Expressway may increase due to factors beyond KESTURI's control. Increases may arise from:

(a) the standard of maintenance or road safety applicable to the Expressway prescribed by the MHA and other regulatory authorities from time to time becoming more onerous; or
(b) KESTURI having to restore the Expressway should any landslides or other natural disasters occur; or
(c) higher axle loading, traffic volume or environmental stress leading to more extensive or more frequent heavy repairs or maintenance costs; or
(d) increases in cost of materials and supplies.

Environmental factors may require repairs to be carried out more frequently or cause costs to be higher than expected. The cost involved in any such major repairs may be substantial and such repairs may adversely affect traffic flows but normally would be done during off peak hours unless it is emergency repair works.

KESTURI has taken insurance policies to cover the risk of material damage to its assets, and have also taken loss of anticipated toll revenue as a direct result of physical loss or damage due to insured perils, public liability, fidelity guarantee, employer's liability, Director's and officer's liability.

KESTURI may be requested to undertake other types of construction that may increase its capital and operating expenditure. However, the Concession Agreement has set out specific responsibilities of KESTURI, which only relates to the Expressway.

7.2.6 Dependence on key personnel

KESTURI's success will depend to a large extent upon the abilities and continuing efforts of its existing board of director, senior management and its senior technical staff. KESTURI's management team oversees all the day to day operations of KESTURI. The loss of any of these members may adversely affect KESTURI's ability to maintain its competitive edge. Further, KESTURI's future success will also depend upon its ability to attract new skilled personnel. KESTURI is expected to be able to source experienced personnel in the similar industry in which it operates.

7.2.7 Unforeseen events may disrupt the use of Expressways and KESTURI's insurance policies may not be sufficient

The use of the Expressway may be interrupted or otherwise affected by a variety of events, including serious traffic accidents, natural disasters, defective design and constructions, slope failure, bridge collapse, road subsidence, labour disputes and other unforeseen circumstances and incidents. If the use of the Expressway is interrupted in whole or in part for any period as a result of any such events, this may reduce KESTURI's toll revenue, increase the cost of maintenance or restoration as well as reduce overall public confidence in the Expressway.

There can be no assurance that KESTURI's insurance policies would cover losses arising from the design, construction, maintenance or operation of the Expressway, lost toll revenues or increased expenses resulting from damage to the Expressway. KESTURI's insurance arrangements include an insurance limit of up to RM 1.0 million for third party liabilities per incident, which may not be sufficient to cover the claims/costs resulting from any single incident. Should the loss in excess of the insured limits occur, KESTURI could lose future revenue and may be required to fund the repair or replacement of any asset damaged or lost. Any such loss could adversely affect the results of operations and financial conditions of KESTURI.

7.2.8 KESTURI is subject to force majeure risks

Although KESTURI would not be in breach of its obligations under the Concession Agreement if it is unable to perform its obligations as a result of the occurrence of a force majeure event such as war, strike, riot, act of terrorism or natural catastrophe, KESTURI is required to repair, at its own expense, any destruction or substantial damage to the Expressway resulting from any such force majeure event, if the Concession Agreement is not terminated. The occurrence of a force majeure event does not entitle KESTURI to terminate the Concession Agreement, unless the force majeure event is considered by the party affected by it to be of such severity or continuing for a period of more than six (6) months, in which case the Concession Agreement may be mutually terminated.

In addition, the occurrence of a force majeure event may not be covered by insurance and may result in KESTURI incurring substantial costs to repair or replace sections of the Expressway. However, if as a result of such restoration KESTURI is able to demonstrate that it has incurred substantial costs affecting the Concession, KESTURI may apply to the Government for such remedies to enable KESTURI to recover such costs of such restoration, and such remedy may include an extension of the Concession Period.

7.2.9 Termination of the Concession Agreement

The Concession Agreement can be terminated by the Government or KESTURI, arising from the default of either party.

(a) Default by KESTURI

Pursuant to the terms of the Concession Agreement, the default by KESTURI is divided into three (3) categories, namely:

(a) default prior to commencement of physical works;
(b) default during the Construction Period; and
(c) default during the Concession Period,

with different events of default and different consequences.

The events of default prior to commencement of physical works are failure to commence physical construction in accordance with the Construction Programme or within a longer period approved by the Government or if KESTURI is in breach of its material obligations or fails to comply with the provisions of the Concession Agreement. In such a case, if KESTURI fails to remedy the default within three (3) months from the date the notice is given for KESTURI to remedy the default, the Government may terminate the Concession Agreement.

As a consequence of such termination, the Government will be entitled to complete the Construction Works or appoint a third party to take over and complete the same and call on the Performance Bonds, if any. KESTURI is also required to vacate the DUKE Phase-2 area within thirty (30) days of termination and will not be entitled to any compensation.

The event of default during the Construction Period relate to the Construction Works which are suspension or abandonment, failure to complete, failure to show satisfactory progress; failure to carry out the Construction Works in accordance with the approved design or breach of KESTURI’s material obligations or failure to comply with the provisions of the Concession Agreement. In such a case, if KESTURI fails to remedy the default within three (3) months from the date notice is given for KESTURI to remedy the default, the Government may terminate the Concession Agreement.

The consequences of such termination are similar to the above in that Government will be entitled to complete the Construction Works or appoint a third party to take over or complete the same and call on the Performance Bonds. KESTURI is also required to vacate the DUKE Phase-2 area within thirty (30) days of termination. However, in addition to the foregoing, KESTURI is required, amongst others, to cease the Construction Works and operation (if any) and pay all amounts owing to the Government (“**Amount Owing**”) and the additional costs incurred by the Government in completing the Construction Works, in excess of what would have been incurred by KESTURI (“**Excess**”). The value of completed works will be deducted from this amount, but if the value of completed works is higher than the amount, the Government will pay the difference to KESTURI. However, in calculating the value of the completed works, a sum of equivalent to five per centum (5%) of the contract value of the total Construction Works or RM50,000,000 whichever is lower, (“**Penalty**”) will be deducted. There can be no assurance that the value of works that have been completed will always be more to cover the Amount Owing, the Excess or the Penalty or all of them, in which case, KESTURI may be indebted to the Government. The risk of this occurring depends on what stage the construction is. The risk is less when Project is nearing completion.

For the purpose of Section 7.2.9(a) and Section 7.2.9(b), “**Value of Completed Works**” means the amount jointly certified by the auditors of the Government and KESTURI to be the aggregate as at the Termination Date of:

(i) the value of the Construction Works (less operation and maintenance cost) completed up to and at the Termination Date as certified by the consulting engineers appointed by KESTURI under the Concession Agreement;

(ii) all amounts incurred by KESTURI in maintaining the DUKE Phase-2 from the DUKE Phase-2 completion date up to the date of publication of the gazette notification authorising KESTURI to collect toll;

(iii) all management and consulting costs and fees for professional services incurred by KESTURI in relation to the DUKE Phase-2;

(iv) all capitalised interest and other financing costs and expenses reasonably and properly incurred by KESTURI in connection with the financing of the DUKE Phase-2 during the Construction Period up to the DUKE Phase-2 complete date; and

(v) the certified value of any additional capital investment in respect of the DUKE Phase-2 incurred by KESTURI, if any;

and less:

(i) any depreciation or amortisation charged and taken to the profit and loss account of KESTURI up to the Termination Date calculated in accordance with internationally recognised accounting standards; and

(ii) any cost and expenses incurred by the Government for the Construction Works.

The event of default during the Concession Period relate, inter alia, to unauthorised assignment of the Concession Agreement, insolvency and liquidation whereby termination will be done forthwith. If the termination occurs prior to commencement of physical works, or during the Construction Period, then the consequences relating to such termination as explained above apply. However, if the termination occurs after completion of the Construction Works but before the expiry of the Concession Period, then the Government will call on the Maintenance Bonds and pay to KESTURI the Value of Completed Works where it exceeds all Amount Owing by KESTURI to the Government. However and as in the case above, in calculating the Value of Completed Works, the Penalty will be deducted. Although there can be no assurance that the Value of Completed Works will always be more to cover the Amount Owing, the Excess or the Penalty or all of them, in which case, KESTURI may be indebted to the Government, this is unlikely to be the case as the DUKE Phase-2 would have been completed by this stage.

(b) Default by the Government

If the Government without reasonable cause fails to perform or fulfil any of its obligations which adversely affect the right and authority of KESTURI to demand, collect and retain toll for its own benefit, then KESTURI may give notice to the Government of its intention to terminate the Concession Agreement by giving six (6) months' notice to the Government.

Notwithstanding KESTURI's right to give such notice, the Government may request for an extension of time to rectify its default or remedy such breach thereof, in which case KESTURI shall grant such reasonable extension for a period to be mutually agreed by the KESTURI and the Government.

If the Government fails to remedy the relevant event of default within the period of six (6) months or within such other period as may be agreed by the parties, KESTURI may, for so long as the relevant default or event is continuing, terminate the Concession Agreement at any time thereafter by giving notice to that effect to the Government.

In the event that the Concession Agreement is terminated by KESTURI, then Government shall pay to KESTURI not later than six (6) months after the Termination Date:

(a) the amount by which the Value of Completed Works exceeds all amounts which may be owing by KESTURI to the Government at the Termination Date; and

(b) an amount equal to –

  (i) the amount of interest which would have been accrued on the subscription moneys paid to KESTURI in respect of its paid up share capital as if interest had accrued on such amounts from the relevant dates the payment becomes due to the date of actual payment is made by the Government at an annual rate equal to the weighted average of the bank deposit rate for each relevant Concession Year;

  less:

  (ii) any net dividends received by the shareholders of KESTURI.

If KESTURI does not terminate the Concession Agreement, KESTURI shall notify the Government in writing of the same whereupon the Concession Period shall be extended for such period as may be necessary to compensate KESTURI for all losses, damage, costs or expenses suffered or incurred by KESTURI as a consequence of such matter or event giving rise to the right to terminate the Concession Agreement or such other form of relief as mutually agreed by both parties.

7.2.10 Step in rights of the Government

In the event of default by KESTURI referred to in Section 7.2.9(a) above during the Concession Period, the Government has the right to assume the operational responsibility of KESTURI in order to continue the activities under the Concession. If this occurs and the Government operates the Concession, the moneys collected during the period of operation will be utilised in the following manner:

(i) firstly, towards the operational cost of operating and maintaining the Concession including the Government's cost;

(ii) secondly, towards the discharge of the payment obligations of KESTURI to its Lenders; and

(iii) thirdly, any surplus shall be paid to KESTURI or if retained by the Government, shall be held on account of and for the benefit of KESTURI.

The Government's obligation to make the above payment to the extent of all moneys actually received by the Government and that any such payment cannot be construed as an assumption of liability of KESTURI by the Government. There can be no assurance that the amount received will be sufficient for the purpose of the above utilization. KESTURI's Lenders will also be required to acknowledge this step in rights of the Government in its financing documents.

On the other hand, in the event of such default, the Government shall terminate the Concession Agreement forthwith. Therefore, the exercise of the step in rights appears unlikely to materialise and in the event of such termination, the consequences of such termination will be as described in Section 7.2.9(a) above.

7.3 Risk relating to the Industry

7.3.1 Regulatory Framework

KESTURI's operations will be subject to the jurisdiction of numerous governmental agencies with respect to regulatory matters such as the Federal Road (Private Management) Act 1984 and the rules and regulations of the MHA. These regulations and requirements may limit KESTURI's activities or result in high compliance costs. Any failure by KESTURI to comply with such regulations could result in material penalties being imposed on KESTURI. No assurance can be given that any future changes to present regulation or any introduction of new regulation, or laws, by relevant authorities will not have a material adverse impact on KESTURI's business.

7.3.2 Political, economic 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 KESTURI. 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 KESTURI 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 KESTURI.

7.3.3 Forward looking statements

This Information Memorandum contains cashflow and forecasts of KESTURI, based on assumptions made by KESTURI and considered by KESTURI to be reasonable at the time of the issuance of the Information Memorandum but which are nevertheless subject to numerous uncertainties and contingencies. There can be no assurance that the forecasts contained herein will be realised due to the subjectivity of judgments and inherent uncertainties of forecasts. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the projections contained in this Information Memorandum.

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 or its advisers or the Lead Arranger/Lead Manager that the plans and objectives of the Issuer will be achieved.

7.4 Risk relating to the Sukuk Musharakah

7.4.1 Rating of the Sukuk Musharakah

The Sukuk Musharakah will be assigned an indicative rating of $AA-_{IS}$, by the Rating Agency. A rating is not a recommendation to purchase, hold or sell the Sukuk Musharakah as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the Rating Agency in the future, if, in its judgment, circumstances in the future so warrant. Further, such a rating is not a guarantee of payment or that there will be no default by the Issuer under the Sukuk Programme. In the event that the rating initially assigned to the Sukuk Musharakah is subsequently reduced, suspended or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Sukuk Musharakah. Any reduction, suspension or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Sukuk Musharakah.

7.4.2 No prior market for the Sukuk Musharakah

The Sukuk Musharakah comprises a new issue of securities for which there is currently no public market. There can be no assurance that any such market for the Sukuk Musharakah will develop or, if it does develop, that it will provide the Sukukholders with the liquidity of investments or will continue for the tenure of the Sukuk Musharakah. If a market develops, the market value of the Sukuk Musharakah may fluctuate. Any sale of the Sukuk Musharakah by the Sukukholders in any secondary market which may develop may be at a discount from the original issue price of the Sukuk Musharakah.

7.4.3 Issuer's ability to meet its obligations under the Sukuk Musharakah

The Sukuk Musharakah are direct and unsecured obligations of the Issuer payable out of the Issuer’s own funds. The Sukuk Musharakah will not be the obligations or responsibilities of any other person other than the Issuer. In particular, the Sukuk Musharakah will not be the obligations or responsibilities of the Lead Arranger or any other person involved or interested in the Sukuk Musharakah.

7.4.4 Risk relating to the Concession Assets

The Sukuk Musharakah issue represents a fraction of undivided interest in the Sukuk Musharakah Portfolio Units that ultimately represent a proportionate undivided interest in the specific portfolio of Concession Assets related to that issue. In order to mitigate the investment risk or uncertainty of income, the Sukukholders rely on the Purchase Undertaking provided by the Obligor. As such, the transaction will carry the full credit and faith of the Sukuk Musharakah which has been accorded a credit rating of AA-$_{IS}$, by the Rating Agency.

Following the declaration of an event of default pursuant to the terms of the Sukuk Programme, the rights of each of the Sukuk Trustee and the Sukukholders of the relevant Sukuk Musharakah will be against the Obligor to pay the Exercise Price. The Obligor's obligations are also secured by all assets of the Issuer except the following:

(i) the Junior Bonds FSRA and the credit balances therein;

(ii) the cash deposits of up to RM4,000,000 securing the existing bank guarantee facilities of up to the aggregate principal amount of RM4,000,000 obtained by the Issuer for the purpose of the Expressway; and

(iii) cash deposits to be identified from time to time by the Issuer over which the Issuer will grant security to secure bank guarantee facilities taken by the Issuer for an aggregate principal amount not exceeding RM10,000,000 in the form of hire purchase, bank guarantee facilities and/or facilities for working capital requirements.

In respect of item (ii) and (iii) above, upon full settlement of the respective bank guarantee facilities secured by such cash deposit, such cash deposits will form part of the assets of the Issuer secured by the debenture securing the Sukuk Programme.

7.5 Risk relating to the Junior Bonds

7.5.1 Subordination

The Junior Bonds rank after the Sukuk Musharakah in respect of payment to the extent that payments of Coupon Payment Amounts are subject to compliance with the Requisite Conditions.

Further, so long as any of the Sukuk Musharakah is outstanding under the Sukuk Programme, the Junior Bondholders are not entitled to declare an event of default if the Sukukholders have not declared an event of default.

7.5.2 Rating of the Junior Bonds

The Junior Bonds has been assigned an indicative rating of A-, by the Rating Agency. A rating is not a recommendation to purchase, hold or sell the Junior Bonds as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the Rating Agency in the future, if, in its judgment, circumstances in the future so warrant. Further, such a rating is not a guarantee of repayment or that there will be no default by the Issuer under the Junior Bonds. In the event that the rating initially assigned to the Junior Bonds is subsequently reduced, suspended or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Junior Bonds. Any reduction, suspension or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Junior Bonds.

7.5.3 No prior market for the Junior Bonds

The Junior Bonds comprises a new issue of securities for which there is currently no public market. There can be no assurance that any such market for the Junior Bonds will develop or, if it does develop, that it will provide the Junior Bondholders with the liquidity of investments or will continue for the tenure of the Junior Bonds. If a market develops, the market value of the Junior Bonds may fluctuate. Any sale of the Junior Bonds by the Junior Bondholders in any secondary market which may develop may be at a discount from the original issue price of the Junior Bonds.

7.5.4 Issuer's ability to meet its obligations under the Junior Bonds

The Junior Bonds are direct and unsecured obligations of the Issuer payable out of the Issuer's own funds. The Junior Bonds will not be the obligations or responsibilities of any other person other than the Issuer. In particular, the Junior Bonds will not be the obligations or responsibilities of the Lead Arranger or any other person involved or interested in the Junior Bonds.

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SECTION 8.0 OVERVIEW OF THE ECONOMY

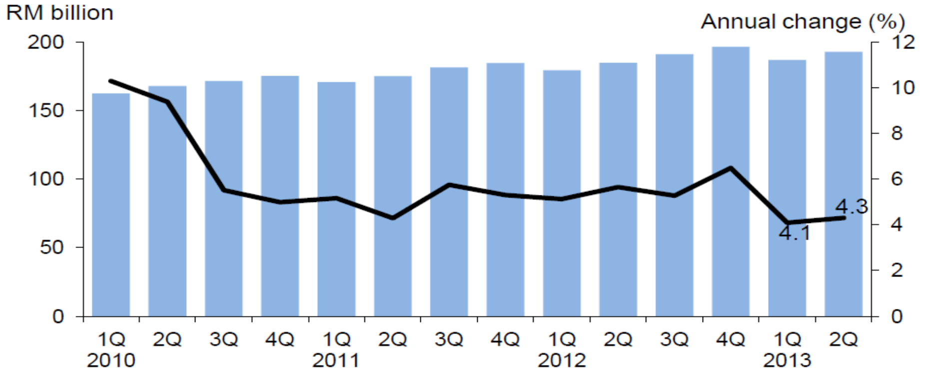
8.1 Malaysian Economy

Firm domestic demand continued to support growth amid weaker external demand

The global economy continued to experience modest growth in the second quarter of 2013. The US economy expanded at a moderate pace, while economic activity in the euro area remained weak amid austerity measures and ongoing sovereign debt concerns. In Asia, growth of several economies moderated in the second quarter, as the prolonged weakness in the external environment had begun to affect domestic economic activity, particularly in the more open economies. While domestic demand in the Malaysian economy has remained strong, the overall growth performance was affected by the weak external sector. In the second quarter, the Malaysian economy expanded by 4.3% (1Q 2013: 4.1%). While domestic demand remained firm, growing by 7.3% (1Q 2013: 8.2%), exports registered a larger decline, amid weakness across most export products. On the supply side, the major economic sectors expanded further in the second quarter, supported by the continued strength in domestic demand.

On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.4% (1Q 2013: -0.4%).

The economy expanded in the second quarter
(at constant 2005 prices)



Source: Department of Statistics, Malaysia

Private consumption expanded by 7.2%, supported by stable employment conditions and sustained wage growth in the domestic oriented sectors. Public consumption growth improved to 11.1% (1Q 2013: 0.1%), reflecting mainly higher Government spending on supplies and services, and sustained spending on emoluments.

Gross fixed capital formation continued to expand 6%; (1Q 2013: 13.1%), reinforced by private sector capital spending. Private investment grew by 12.7%, supported by capital spending in the consumer related services sub-sectors, the ongoing implementation of infrastructure projects and capacity expansion in the oil and gas sector. Meanwhile, public investment declined by 6.4% (1Q 2013: 17.3%). Continued expansion in capital spending by public enterprises, particularly in the oil and gas, telecommunications and utilities sectors, was outweighed by lower Federal Government development expenditure.

On the supply side, the services and manufacturing sectors continued to expand, driven largely by sub-sectors catering to the domestic market. Growth of the mining sector rebounded following higher production of both natural gas and crude oil. However, the agriculture sector moderated, weighed down by a sharp reduction in natural rubber output and slower growth in crude palm oil production. In the construction sector, growth remained firm, led by the civil engineering and residential sub-sectors.

The headline inflation rate, as measured by the annual change in the Consumer Price Index, was higher at 1.8% in the second quarter (1Q 2013: 1.5%), attributable mainly to price increases in the food and non-alcoholic beverages and housing, water, electricity, gas, and other fuels categories.

In the external sector, the current account amounted to RM2.6 billion in the second quarter to RM2.6 billion, equivalent to 1.1% of GNI, due to a lower goods surplus, as well as sustained services deficit and outflows in the income accounts. The financial account recorded a net inflow of RM5.2 billion (1Q 2013: RM1 billion), largely reflecting banking inflows amid sustained direct investment by foreign multinational corporations. During the quarter, Malaysian residents continued to build direct investment and portfolio assets abroad. The overall balance of payments registered a surplus of RM1.5 billion (1Q 2013: RM4 billion).

The international reserves of Bank Negara Malaysia amounted to RM432.8 billion (equivalent to USD136.1 billion) as at 28 June 2013. This reserves level has taken into account the quarterly adjustment for foreign exchange revaluation changes. As at 31 July 2013, the reserves position amounted to RM438.3 billion (equivalent to USD137.8 billion), sufficient to finance 9.7 months of retained imports and is 3.8 times the short-term external debt.

Interest rates remained stable

The Overnight Policy Rate ("**OPR**") was maintained at 3.0% during the second quarter. At the prevailing level of the OPR, monetary conditions remain supportive of economic activity.

Reflecting the unchanged OPR, the average interbank rate of all maturities was relatively stable. In terms of retail interest rates, the average quoted fixed deposit rates of commercial banks were relatively unchanged. The average base lending rate of commercial banks remained unchanged at 6.53%, while the weighted average lending rate on loans outstanding continued its gradual moderating trend (end-June 2013: 5.42%; end-March 2013: 5.50%).

Total gross financing raised by the private sector through the banking system and the capital market amounted to RM250.6 billion in the second quarter (1Q 2013: RM244.8 billion).

Banking system loans outstanding expanded at an annual growth rate of 9.1% as at end-June (end-March 2013: 10.6%), while net funds raised in the capital market had moderated to RM13.9 billion in the second quarter (1Q 2013: RM16.7 billion).

The monetary aggregates continued to experience positive growth during the second quarter. M1,or narrow money, increased by RM4.9 billion. On an annual basis, M1 expanded by 12.5% as at end-June (end- March: 12.7%). M3, or broad money, increased by RM23.3 billion on a quarter-on-quarter basis to record an annual growth rate of 8.5% as at end-June (end-March: 9.1%). The expansion of M3 was mainly on account of net disbursements of loans by the banking system to the private sector.

The ringgit strengthened against most regional and major currencies earlier in the quarter as the announcement of further monetary easing in Japan led to increased investor interest towards regional financial assets and contributed to the strengthening of regional currencies. The ringgit also strengthened following the conclusion of the General Elections in Malaysia. Nevertheless, the discussions on the possible scale back of the quantitative easing ("**QE**") in the US and the concerns over PR China's growth trajectory in the latter part of the quarter led to a reversal in the flow of funds in the regional financial markets. During the quarter, the ringgit depreciated by 2.8% against the US dollar. The ringgit also depreciated against the euro (-4.6%) and pound sterling (-3.2%), but appreciated against the Japanese yen (2.0%). The ringgit had a mixed performance against regional currencies.

Between 1 July and 20 August 2013, the ringgit further depreciated against the US dollar by 3.7%. The ringgit also depreciated against the pound sterling (-6.0%), euro (-5.7%) and Japanese yen (-4.9%). Against regional currencies, the ringgit strengthened against the Indonesian rupiah (1.9%), but depreciated against other currencies by between -2.1% and -5.5%.

Financial stability continued to be Preserved

The domestic financial system remained resilient throughout the second quarter amid episodes of higher volatility in the global and domestic financial markets. Domestic financial intermediation continued to be well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

The banking system remained well-capitalised, with the common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio remaining well above the Basel III requirements at 11.7%, 12.6% and 13.8%, respectively. Similarly, the capital adequacy ratio of the insurance sector remained strong at 220.8% (1Q 2013: 221.6%), with an excess capital buffer of more than RM20 billion.

Domestic demand will continue to be supportive of growth

Going forward, the global economy continues to face downside risks, emanating from developments in several major economies. Policy uncertainty surrounding the QE programme in the US and European sovereign debt concerns are expected to weigh on market sentiment and growth prospects. While overall growth performance in most emerging economies, including in Asia, will be affected by these developments, domestic demand will continue to support the overall growth performance. The growth prospects are also being augmented by targeted policy measures.

For the Malaysian economy, the prolonged weakness in the external environment has affected the overall growth performance of the economy going forward. While domestic demand is expected to remain firm, supported by sustained private consumption, capital spending in the domestic-oriented industries and the ongoing implementation of infrastructure projects, the weak external sector in the first half of this year will affect our overall growth performance for the year. The overall growth of the economy for this year has now been revised to 4.5 - 5.0%. Going forward, domestic demand is expected to remain on its steady growth trajectory and will continue to be supported by an accommodative monetary policy.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2013, BNM)

Prospects for 2013

The Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5% - 5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners. Domestic demand is expected to maintain its strong momentum driven by robust private investment and strong private consumption. Private sector activity will be supported by an accommodative monetary policy in an environment of low inflation coupled with a robust financial sector. Recovery in the external sector, particularly increasing external demand from regional economies and major trading partners will further provide the impetus for a private-led growth. The overall public expenditure is expected to increase, led by higher non-financial public enterprises' capital investment which will further augment growth. Thus, nominal gross national income per capita is expected to increase 6.4% to RM32,947 (2012: 4.4%; RM30,956). In terms of purchasing power parity, per capita income is expected to grow 4.4% to reach USD16, 368 (2012: 3.2%; USD15,676).

Given that domestic economic activity is expected to strengthen further in 2013, inflation is estimated to increase moderately, partly mitigated by further capacity expansion in the economy. The key supply side factors that will influence inflation, namely prices of energy and food commodities are expected to ease during the first half of 2013, but are likely to trend up during the second half on the assumption that global growth continues to pick up pace. Hence, for 2013, the average inflation rate is estimated to be between 2% to 3%.

During the first half of 2012, the services sector grew 5.8% (January- June 2011: 7.1%) largely driven by sustained domestic demand and travel related activities. Growth of the services sector is anticipated to remain resilient in 2012, expanding 5.5% (2011: 7%) and contributing 3 percentage points (2011: 3.7 percentage points) to the overall gross domestic product growth. The intermediate services group is expected to expand 5.8% (2011: 6.2%) spurred by the finance and insurance, and real estate and business services subsectors. In addition, the final services group is expected to increase 5.4% in 2012 (2011: 6%) largely supported by the wholesale and retail trade, and accommodation and restaurant subsectors.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

Following the strong performance in 2012, domestic demand is expected to grow at the pace of 8.1% in 2013. Domestic demand is expected to remain the major contributor and driver of economic growth, supported mainly by private sector investment and consumption. Public sector spending, while remaining supportive of growth, is expected to increase at a more moderate rate in view of the Government's ongoing fiscal consolidation. Capital expansion by the public enterprises will also provide support to public investment growth amid sustained Government development spending.

Private investment is expected to expand at a double-digit growth of 15.6% in 2013. Private investment will be underpinned by domestic consumption, the gradual recovery in external demand and the continued improvement in the investment climate. These favourable business conditions will continue to support the ongoing implementation of projects with long gestation periods. As observed in 2012, capital spending is again expected to be broad-based across sectors and regions.

The services sector remained the largest growth contributor (3.5 percentage points of overall gross domestic product growth), as sub-sectors catering to the domestic market, namely retail and telecommunications, benefited from strong consumer spending. The finance and insurance sub-sector recorded higher growth, reflecting continued financing, particularly to businesses, coupled with higher fee-based income and stronger growth of earnings from insurance premiums. Trade-related services, particularly the wholesale and transportation sub-sectors, moderated in tandem with slower external trade activities.

(Source: Bank Negara Malaysia Annual Report 2012)

8.2 Expressways

In the land transport segment, traffic volume on tolled highways rose 7.5% to 413 million vehicles (Q1 2013: 5.3%; 396.9 million) attributed to higher usage during the school holidays. Meanwhile, growing ridership on urban rail services in the Klang Valley saw the total number of passengers increasing 11.9% to 53.5 million (Q1 2013: 14.5%; 51.5 million).

(Source: Malaysian Economy Second Quarter 2013, Ministry of Finance Malaysia)

Outlook

In line with the objective to improve trade efficiency and enhance logistics systems, a multimodal transportation network will be further developed. About RM2.7 billion will be invested to build roads and rail leading to key ports and airports while logistic management will be improved to enhance efficiency of transportation of cargo through rail, ports and airports. The East-Coast Highway from Kuantan to Kuala Terengganu will be completed in 2012, which coupled with the expansion of Kuantan Port, will provide basic infrastructure for trade activities and cargo movement along the east coast corridor of Peninsular Malaysia. The completion of the Penang Second Bridge, which links the mainland of island of Pulau Pinang will provide better connectivity and accessibility of Penang International Airport, boosting economic growth in Pulau Pinang. Similarly, the South Klang Valley Expressway, which is expected to be completed in 2012 will provide a second access to Westport of Port Klang.

(*Source: Tenth Malaysia Plan, 2011-2015)*

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SECTION 9.0 OTHER INFORMATION

9.1 Financing/Borrowings

In addition to the Sukuk Programme and the Junior Bonds, KESTURI has in place the following borrowings:

(a) the existing Bank Guarantee-i Facility of RM3,000,000.00 from CIMB Islamic Bank Berhad;

(b) the existing Al-Kafalah Bank Guarantee Facility of RM1,000,000.00 from Bank Muamalat Malaysia Berhad; and

(c) the various existing hire purchase facilities amounting to RM953,000.00, of which the amount outstanding as at 30 August 2013 is RM171,044.19,

(collectively, "**Existing Facilities**").

Further, KESTURI is permitted to incur any additional future borrowings/financing for an aggregate principal amount not exceeding RM10,000,000.00 (including the Existing Facilities) in the form of hire purchase, bank guarantee facilities and/or facilities for working capital.

9.2 Material litigation

Save as disclosed below, as at 15 September 2013, KESTURI is not engaged in any litigation or arbitration which has a material adverse effect on the financial position of KESTURI and the directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of KESTURI:

(i) Kuala Lumpur Sessions Court Summon Number: B52-441-06/2013
Chan Han Sin and the others (collectively known as "Plaintiff") and the others v KESTURI

The Plaintiff has filed an action against KESTURI in relation to the negligent damage or destruction of the Plaintiff's house located at No. 25, Jalan Tembaga, Setapak, Kuala Lumpur by a crane on 18 June 2007.

The Plaintiff filed a suit in the Sessions Court and the summons was served on KESTURI on 20 June 2013. However, the summons was not served at KESTURI's registered address and a judgment in default was entered but the sealed copy of the order has yet to be extracted.

KESTURI has filed an application for extension of time to file statement of defence on the grounds that, all summons are to be served at the registered address of the company.

KESTURI's application for an extension of time has been approved by the Court and the judgment in default has been set aside. KESTURI has filed in their statement of defence on 6 November 2013.

There is no fixed amount claimed for this case and it will be assessed by the court at the relevant time.

9.3 Material contracts outside the ordinary course of business

As at 15 September 2013, 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 KESTURI.

9.4 Related party transactions

As at 15 September 2013, the directors of KESTURI are not aware of any material related party transactions entered into by KESTURI for the last two years, save for the purchase of motor vehicle from Segi Tiara Sdn Bhd for a purchase consideration of RM78,000 in financial year 2012. Segi Tiara Sdn Bhd is a wholly-owned subsidiary of Knusford Berhad, a company in which Tan Sri Dato' Lim Kang Hoo has interests.

9.5 Material contingent liabilities and material capital commitments

As at 15 September 2013, save for the EPC Contract, the directors of KESTURI are not aware of any material contingent liabilities and material capital commitments, which upon becoming enforceable, may have a substantial impact on the financial position and/or the business of KESTURI.

9.6 Conflict of Interest situations and appropriate mitigating measures

A. <u>CIMB Investment Bank Berhad</u>

CIMB group of companies within its ordinary course of business is at this juncture one of the holders of the existing RM820.0 million nominal value Islamic medium term notes under the Shariah principle of Musharakah ("**Existing Sukuk**") which will be redeemed from part of the proceeds raised from the proposed Sukuk Programme and in view of this, there may be potential conflict of interest situations arising from CIMB's roles as the Principal Adviser/Lead Arranger/Lead Manager ("**PA/LA/LM**") for the Sukuk Programme.

However, CIMB has considered the factors involved and it believes that its objectivity and independence, in carrying out its roles as the PA/LA/LM for the Sukuk Programme, have been and will be maintained at all times for the following reasons:-

(i) CIMB is a licensed investment bank and its appointment as PA/LA/LM for the Sukuk Programme is in its ordinary course of business;

(ii) the roles of CIMB will be governed by the relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of CIMB in its capacity as PA/LA/LM for the Sukuk Programme; and

(iii) The conduct of CIMB is regulated strictly by the Financial Services Act 2013, Capital Markets and Services Act 2007 and by its own internal controls and checks.

In order to further mitigate or address the potential conflict of interest situations described above, the following measures have been taken:-

(a) the situations have been brought to the attention of the Issuer's board of directors ("**Board**") and it is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Issuer's Board is agreeable to proceed with the implementation of the Sukuk Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Sukuk Programme has been undertaken by professional and independent advisers.

B. <u>CIMB Commerce Trustee Berhad</u>

As at the date hereof and after making enquiries as were reasonable in the circumstances, CIMB Commerce Trustee Berhad confirms that, to the best of its knowledge and belief, there is no existing potential conflict of interest in its capacity as trustee in relation to both the Sukuk Programme and Junior Bonds.

C. <u>Messrs Zaid Ibrahim & Co.</u>

As at the date hereof and after making enquiries as were reasonable in the circumstances, Messrs Zaid Ibrahim & Co confirms that, to the best of its knowledge and belief, there is no existing or potential conflict of interest in its capacity as the Solicitor to the Principal Adviser/Lead Arranger/Lead Manager in relation to both the Sukuk Programme and Junior Bonds.

D. <u>Messrs Mazars</u>

As at the date hereof and after making enquiries as were reasonable in the circumstances, Messrs Mazars confirms that, to the best of its knowledge and belief, there is no existing or potential conflict of interest in its capacity as the Reporting Accountant in relation to both the Sukuk Programme and Junior Bonds.

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APPENDIX I

Audited Financial Statements of the Issuer for the Financial Year Ended 31 December 2012

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2012

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

Contents **Page**

Directors' report

The directors present their report together with the audited financial statements of Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd for the financial year ended 31 December 2012.

Principal activities

In accordance with the terms of the Concession Agreement dated 12 August 2004, the principal activities of the Company are to design, construct, operate, manage and maintain the Duta-Ulu Kelang Expressway ("Expressway or DUKE project"). The Expressway commences from the Jalan Duta Interchange to Hill View Interchange and the Karak Link from Sentul Pasar Interchange to Greenwood Interchange. Under the Concession, the Company also takes over and maintains certain existing routes. There have been no significant changes in the nature of these activities during the financial year.

Financial results

	RM
Loss for the year	38,109,794

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The directors of the Company do not recommend any dividend for the current financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Haris Onn Bin Tun Hussein	
Tan Sri Dato' Lim Kang Hoo	
Lim Keng Cheng	
Chua Soo Kok	
Shaharuddin Bin Mohamed	(Appointed on 18 September 2012)
Shaharuddin Bin Mohamed	(Ceased on 18 August 2012)
(Alternate director to Datuk Mohamed Razeek Bin Md Hussain Maricar)	
Bu Teng Cheng	(Appointed on 18 September 2012)
Datuk Mohamed Razeek Bin Md Hussain Maricar	(Resigned on 18 August 2012)
Hussin Bin Mohd Ali	(Resigned on 18 September 2012)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 each			
	1.1.2012	**Acquired**	**Sold**	**31.12.2012**
Ultimate Holding Company				
- Wira Kristal Sdn Bhd				
Direct Interest:				
Dato' Haris Onn Bin Tun Hussein	600,000	-	-	600,000
Tan Sri Dato' Lim Kang Hoo	400,000	-	-	400,000

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

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

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance has been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of allowance for doubtful debts inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Company misleading.

Other statutory information (continued)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets and liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) (i) As at 31 December 2012, the Company incurred losses of RM38,109,794 and its equity shortfall as of that date amounted to RM136,574,427. In the opinion of the directors, the Company will not be able to meet its obligations when they fall due without the continued financial support from its shareholders; and

(ii) In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the Company for the financial year in which this report is made.

Holding companies

The directors regard Nuzen Corporation Sdn Bhd, Wira Kristal Sdn Bhd and Ekovest Berhad, as the immediate, penultimate and ultimate holding companies respectively, all of which are incorporated in Malaysia.

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated

11 June 2013

Dato' Haris Onn Bin Tun Hussein

Lim Keng Cheng

Kuala Lumpur, Malaysia

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Haris Onn Bin Tun Hussein and Lim Keng Cheng, being two of the directors of Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 60 are drawn up in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 June 2013

Dato' Haris Onn Bin Tun Hussein

Lim Keng Cheng

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Dato' Haris Onn Bin Tun Hussein, being the director primarily responsible for the financial management of Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 60 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Dato' Haris Onn bin Tun Hussein at Kuala Lumpur in the Federal Territory on 11 June 2013

Dato' Haris Onn Bin Tun Hussein

Before me,

PESURUHJAYA SUMPAH
W 550
ARSHAD BIN ABDULLAH
MALAYSIA

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

MAZARS

AF: 1954

Company No.: 539274-U

Independent auditors' report to the members of KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd, which comprise the statement of financial position as at 31 December 2012 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 60.

The financial statements of the Company as at 31 December 2011 were audited by another firm of chartered accountants, whose report dated 1 June 2012, expressed an unqualified opinion on those statements.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

Wisma Selangor Dredging - 7th Flr, South Blk, 142-A - Jalan Ampang - 50450 Kuala Lumpur - Malaysia
Tel: +603 - 2161 5222 - Fax: +603 - 2161 3909 - contact@mazars.my - www.mazars.my

Chartered Accountants

MAZARS

Company No.: 539274-U

Independent auditors' report to the members of
KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and Companies Act, 1965 in Malaysia so as to give true and fair view of the financial position of the Company as at 31 December 2012 and of the financial performance and cash flow for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

1. The Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. This report is made solely to members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MAZARS
No. AF: 1954
Chartered Accountants

YAP CHING SHIN
No. 2022/03/14 (J)
Chartered Accountant

Kuala Lumpur, Malaysia

11 JUN 2013

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Revenue	5	81,923,387	73,320,583
Cost of sales		(17,716,910)	(16,328,842)
Gross profit		64,206,477	56,991,741
Other income	6	4,779,662	4,253,495
Administrative expenses		(4,196,962)	(3,970,986)
Operating profit		64,789,177	57,274,250
Finance costs	7	(102,898,971)	(101,173,022)
Loss before tax	8	(38,109,794)	(43,898,772)
Income tax expense	10	-	-
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		(38,109,794)	(43,898,772)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Assets			
Non-current assets			
Concession intangible assets	11	1,080,292,987	1,089,049,671
Property, plant and equipment	12	1,705,945	2,019,549
		1,081,998,932	1,091,069,220
Current assets			
Toll compensation due from government	14	-	-
Trade and other receivables	15	1,181,923	1,256,694
Amounts due from related parties	18	891,693	907,948
Amount due from immediate holding company	18	60,500	49,500
Cash and cash equivalents	16	94,251,041	82,558,590
		96,385,157	84,772,732
Total assets		1,178,384,089	1,175,841,952

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (continued)

	Note	2012 RM	2011 RM
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	50,000,000	50,000,000
Accumulated losses		(186,574,427)	(148,464,633)
Total equity		(136,574,427)	(98,464,633)
Non-current liabilities			
Hire purchase and finance lease liabilities	19	89,832	328,845
Islamic Medium Term Notes ("IMTNs")	20	784,189,959	782,062,630
Redeemable Secured Junior Bonds	23	49,352,474	49,314,007
Series A Redeemable Preference Shares ("Series A RPS")	24	367,332,736	328,638,360
Deferred income	25	83,205,824	75,895,662
Provision for heavy repairs	26	2,979,096	2,066,388
Amount due to a related party	18	-	23,670,521
		1,287,149,921	1,261,976,413
Current liabilities			
Trade and other payables	17	11,779,640	12,046,626
Amounts due to related parties	18	15,789,942	32,016
Hire purchase and finance lease liabilities	19	239,013	251,530
		27,808,595	12,330,172
Total liabilities		1,314,958,516	1,274,306,585
Total equity and liabilities		1,178,384,089	1,175,841,952

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital RM	Accumulated losses RM	Total equity RM
At 1 January 2011			
As previously stated	50,000,000	(72,568,310)	(22,568,310)
Prior year adjustments (Note 27)	-	(30,766,546)	(30,766,546)
Effects of adopting IC Interpretation 12	-	(1,231,005)	(1,231,005)
At 1 January 2011 (restated)	50,000,000	(104,565,861)	(54,565,861)
Total comprehensive loss for the year	-	(43,898,772)	(43,898,772)
At 31 December 2011	50,000,000	(148,464,633)	(98,464,633)
At 1 January 2012	50,000,000	(148,464,633)	(98,464,633)
Total comprehensive loss for the year	-	(38,109,794)	(38,109,794)
At 31 December 2012	50,000,000	(186,574,427)	(136,574,427)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 RM	2011 RM
Cash flows from operating activities		
Loss before tax	(38,109,794)	(43,898,772)
Adjustments for:		
Amortisation of concession intangible assets	9,060,760	8,389,250
Amortisation of deferred income	(689,838)	(581,926)
Gain on disposal of property, plant and equipment	(11,000)	-
Depreciation of property, plant and equipment	519,272	541,542
Interest expense arising from fair value adjustment of financial liabilities	-	2,572,487
Provision for heavy repairs	718,932	712,508
Unwinding of discount from provision for heavy repairs	193,776	122,875
Profit element expensed on Islamic Medium Term Notes/Redeemable Secured Junior Bonds	63,820,752	63,652,297
Dividend on Series A Redeemable Preference Shares ("RPS")	38,694,376	34,618,360
Interest income	(2,845,723)	(2,486,690)
Interest expense on hire purchase	27,067	44,003
Loss on property, plant and equipment written off	-	90,315
Operating profit before working capital changes	71,378,580	63,776,249
Changes in working capital:		
Decrease in receivables	95,733	135,985
Increase/ (decrease) in payables	(98,530)	(321,726)
Decrease in related parties	(7,896,340)	(188,730)
Increase in immediate holding company	(11,000)	(9,000)
Cash generated from operations	63,468,443	63,392,778
Interest on hire purchase paid	(27,067)	(44,003)
Net cash generated from operating activities	63,441,376	63,348,775
Cash flows from investing activities		
Purchase of property, plant and equipment (note(a))	(205,668)	(245,799)
Proceeds from disposal of property, plant and equipment	11,000	-
Payments for concession intangible assets	(304,076)	(433,447)
Interest received	2,845,723	2,486,690
Net cash generated from investing activities	2,346,979	1,807,444

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

	2012 RM	2011 RM
Cash flows from financing activities		
Proceeds from government grant	8,000,000	2,328,076
Repayments of hire purchase	(272,492)	(356,189)
Payments on profit element of Islamic Medium Term Notes	(61,823,412)	(60,981,131)
Net cash used in financing activities	(54,095,904)	(59,009,244)
Net increase in cash and cash equivalents	11,692,451	6,146,975
Cash and cash equivalents at beginning of the year	82,558,590	76,411,615
Cash and cash equivalents at end of the year (Note 16)	94,251,041	82,558,590

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

	2012 RM	2011 RM
Purchase of property, plant and equipment	205,668	472,799
Financed by finance lease arrangements	-	(227,000)
Cash payments on purchase of property, plant and equipment	205,668	245,799

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.: 539274-U

KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 8-1-1, Jalan 3/50, Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur. The principal place of business of the Company is located at, Wisma Ekovest, No. 118, Jalan Gombak, 53000 Kuala Lumpur.

The immediate, penultimate and ultimate holding companies of the Company are Nuzen Corporation Sdn Bhd ("Nuzen") and Wira Kristal Sdn Bhd ("Wira Kristal") and Ekovest Berhad respectively, all of which are incorporated in Malaysia.

In accordance with the terms of the Concession Agreement ("CA") dated 12 August 2004, the principal activities of the Company are to design, construct, operate, manage and maintain the Duta Ulu-Kelang Expressway ("Expressway or DUKE project"). The Expressway commences from the Jalan Duta Interchange to Hill View Interchange and the Karak Link from Sentul Pasar Interchange to Greenwood Interchange. Under the Concession, the Company also takes over and maintains certain existing routes. There have been no significant changes in the nature of this activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 11 June 2013.

2. AWARD OF CONCESSION

The Concession Period is for a period of 34 years which commenced from 11 August 2005.

CA may be terminated by either the Government or the Company if either party fails to remedy its default within the period specified in the CA. The Government may terminate the CA or the Company by giving notice within the specific period in the CA. Upon expiry of the Concession Period, the Company shall hand over the Concession Area to the Government in a well-maintained condition and make good any defects at the Company's own expenses within twelve (12) months after the date of handing over.

The Expressway project is being financed in the following manners:

(i) RM195 million raised via the issuance of 1,950 Redeemable Preference Share ("RPS") of RM1 each by the Company at an issue price of RM100,000 each.

2. AWARD OF CONCESSION (continued)

(ii) Issuance of RM40 million shares in the Company to Nuzen. Nuzen in turn issued RM40 million shares in Nuzen which were subscribed by Wira Kristal and MRCB in the proportion of 70:30 respectively.

(iii) Wira Kristal subscribed its portion of RM28 million shares in Nuzen as mentioned in Note (ii) above via the issuance of 28 RPS of RM1 each at an issue price of RM1 million each ("Wira Kristal RPS").

(iv) Funding by the Government of Malaysia ("Government") of up to RM77.2 million, after completing the construction for the section commencing from Kampong Dalam Interchange and transversing through Greenwood Interchange.

(v) Issuance of Redeemable Secured Serial Sukuk Istisna' ("Sukuk Istisna") by the Company with a net proceeds of RM780 million. In 2010, the Company replaces its Sukuk Istisna with the issuance of Islamic Medium Term Notes ("IMTNs").

(vi) Issuance of IMTNs with a nominal value of RM820 million and RM50 million Redeemable Secured Junior Bonds on 28 October 2010.

3. TOLL COMPENSATION AND TOLL SHARE ARRANGEMENTS

In the event that the Government imposes a toll rate which is lower than the agreed toll rates stated in the CA, for any Concession Year, the agreement provides that the Company shall be compensated for any reduction in toll collections by it in respect of the relevant operating year in which the reduction is implemented, and for each operating year thereafter during which the decision of the Government continues to apply, until such time the Company is allowed to collect the then prevailing agreed toll rate.

Based on the terms of the CA, the Government is entitled to 30% share of toll revenue on the excess of actual toll revenue against the average projected toll revenue, subject to the Company's full settlement of all loans or on the 19th year of the Concession Period, whichever earlier.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

As at 31 December 2012, the Company incurred losses of RM38,109,794 and as of that date, the equity shortfall of the Company amounted to RM136,574,427. The ability of the Company to continue as going concern is dependent on the continued financial support from its shareholders to enable it to meet its obligations and liabilities as and when they fall due. Consequently, the financial statements have been prepared on a going concern basis and do not include any adjustments that would result from a failure to obtain such financial support.

4.2 Summary of significant accounting policies

(a) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Furniture and fittings	10%
Office equipment	10%
Motor vehicles	20%
Computer equipment	33%
Tools and equipment	20%
Renovation	10%
Signboard	10%