FINAL INFORMATION MEMORANDUM

MUKAH POWER GENERATION SDN BHD

(formerly known as Sarawak Power Services Sdn Bhd)

(Company No. 468044-U)

PROPOSED ISSUANCES OF:

- **SENIOR SUKUK MUDHARABAH OF UP TO RM665.0 MILLION NOMINAL VALUE**
- **JUNIOR SUKUK MUDHARABAH OF UP TO RM285.0 MILLION NOMINAL VALUE**

Lead Arranger

RHB ISLAMIC Bank

RHB ISLAMIC Bank Berhad (680329-V)

20 December 2006

RESPONSIBILITY STATEMENT

This Information Memorandum has been read, understood and approved by the Directors of Mukah Power Generation Sdn Bhd ("**MPG**") and they collectively and individually accept full responsibility for the accuracy and reliability of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other material facts, of which any omission might make any statement herein misleading and there are no material omission in this Information Memorandum.

IMPORTANT NOTICE

The issue, offer or invitation in relation to the MPG Sukuk Programme of up to RM950.0 million ("**the MPG Sukuk Programme**" and the Sukuk Mudharabah issued thereunder "**the MPG Sukuk**") in this Information Memorandum or otherwise are subject to the fulfilment of various conditions precedent including without limitation the applicable approval from the Securities Commission ("**SC**") under the Securities Commission Act 1993 ("**SCA**").

The MPG Sukuk Programme has received the final approval of the SC. The approval of the SC is not an indication that the SC recommends the MPG Sukuk Programme nor that the SC assumes any responsibility or liabilities for any non-disclosure of information or the accuracy of statements made or opinion expressed in this Information Memorandum.

INTRODUCTION

RHB ISLAMIC Bank Berhad has been mandated by MPG as the Lead Arranger, to arrange on its behalf the MPG Sukuk Programme, under which, the MPG Sukuk of up to RM950.0 million are to be issued, and the Lead Arranger has been authorised by MPG to distribute this Information Memorandum on behalf of MPG to potential investors of the MPG Sukuk.

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RESTRICTIONS

The MPG Sukuk shall not be offered or sold or disposed of, directly or indirectly, nor may any document or other materials in connection therewith be distributed in Malaysia or anywhere else, other than to persons ("**Qualified Persons**") specified under Section 4(6) of the Companies Act 1965 (as amended) of Malaysia and Schedule 2 of the SCA subject to any law, order, regulation or official directive of Bank Negara Malaysia, SC and / or any other regulatory authority from time to time. Potential investors are to satisfy themselves of their eligibility to subscribe or purchase the MPG Sukuk.

This Information Memorandum is being provided on a confidential basis to potential investors who are Qualified Persons for the sole purpose of deciding whether to subscribe for the MPG Sukuk under the MPG Sukuk Programme.

In the event the recipient is not a Qualified Person, 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 Lead Arranger promptly.

This Information Memorandum may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior written consent of MPG or as required under Malaysian laws, regulations or guidelines.

REPRESENTATIONS

The information in this Information Memorandum has been provided by MPG. MPG, having made all reasonable enquiries, confirms to the best of their knowledge and belief that:

a. this Information Memorandum contains all information with respect to MPG and its respective subsidiaries (if any) which is material in the context of the purposes for which this Information Memorandum is issued;
b. the information and data contained in this Information Memorandum are true, accurate and not misleading in all material respects; and
c. there is no material omission of any other information and data, which would make any part of this Information Memorandum incorrect or misleading.

The Lead Arranger does not make any representation or warranty, expressed or implied, in respect of the authenticity, origin, validity, accuracy, adequacy, reasonableness or completeness of this Information Memorandum or of any information, contents, statements, forecasts, opinions or comments contained in this Information Memorandum. Further, the Lead Arranger does not represent or warrant that any information contained herein will remain unchanged subsequent to the date shown in this Information Memorandum.

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 MPG, the Lead Arranger or any other person.

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.

TERMS OF DELIVERY OF INFORMATION MEMORANDUM

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 MPG Sukuk under all jurisdictions to which the recipient is subject;
c. the recipient has complied or will comply with all applicable laws in connection with the subscription or acceptance of the MPG Sukuk;
d. MPG, the Lead Arranger and their respective directors, officers, employees and professional advisers are not and will not be in breach of any laws of any jurisdiction to which the recipient is subject as a result of the subscription or acceptance of the MPG Sukuk and they shall not have any responsibility or liability in the event that the subscription or acceptance of the MPG Sukuk is or shall become unlawful, unenforceable, voidable or void;
e. it is aware that the MPG Sukuk 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 MPG Sukuk and is able and is prepared to bear the economic and financial risks of investing in or holding the MPG Sukuk;
g. it is subscribing or accepting the MPG Sukuk for its own account;
h. it is a Qualified Person. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws to which it is subject to; and
i. it shall return this Information Memorandum whether in whole or in part and any other information in connection therewith to the Lead Arranger promptly upon request.

FOREIGN JURISDICTION

This Information Memorandum has not been and will not be made to comply with the laws of any country (including its territories, all jurisdiction within that country and any possession areas subject to its 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 or offer of, or an invitation to apply for, shares, the MPG Sukuk or any other securities of any kind by any party in any foreign jurisdiction.

The distribution or possession of this Information Memorandum in or from certain Foreign Jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes into are required by the Lead Arranger to inform themselves about and to observe any such restrictions. MPG and the Lead Arranger do not accept any liability to any person in relation to the distribution or possession of this Information Memorandum in or from any Foreign Jurisdiction.

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 MPG Sukuk to any person other than a Qualified Person.

CAUTION

This Information Memorandum is not, and should not be construed as, a recommendation by MPG, the Lead Arranger or any party to the recipient to subscribe for or purchase or accept the MPG Sukuk. 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 MPG, the MPG Sukuk Programme and all relevant matters, and each recipient should consult its own professional advisers. Each recipient should be aware that each MPG Sukuk issue will carry different risks and all potential investors are strongly encouraged to evaluate each MPG Sukuk issue at its own merit. The Lead Arranger shall not be liable for any consequences of reliance on any of the information or date in this Information Memorandum.

This Information Memorandum includes certain historical information, estimates and projections or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, utility sector and certain other matters. Such information, estimates and projections or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and projection or report thereon derived from such other sources and other third party sources.

This Information Memorandum includes "**forward looking statements**". These statements include, among other things, discussions of MPG's business strategy and expectation concerning its respective position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All these statements are based on estimates and assumptions made by MPG and third party consultants that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of MPG to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward looking statement in this Information Memorandum should not be regarded as a representation or warranty by MPG or any other person that the plans and objectives of MPG will be achieved.

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.

The delivery of this Information Memorandum does not imply that the information contained herein is correct at any time subsequent to the date hereof. Prospective investors should also refer to applicable Supplemental Memorandum (if any) for each particular issue of MPG Sukuk, which may describe additional information associated with such MPG Sukuk.

The Lead Arranger expressly does not undertake to review the financial condition or affairs of MPG during the life of the MPG Sukuk Programme or to advise any investor in the MPG Sukuk of any information coming to their attention. The recipient of this Information Memorandum or the potential investor should review, inter-alia, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any MPG Sukuk.

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On 17 March 2006, RHB ISLAMIC Bank Berhad extended a bridge finance facility of up to RM150.0 million (for purposes of this paragraph, "**the Credit Facility**") to SECB (as defined below), the holding company of MPG, for its Project (as defined below) until the financing of the Project is in place. SECB subsequently advanced the Credit Facility to MPG (as defined below) who had been identified to undertake the Project. The MPG Sukuk Programme is implemented for MPG to finance the Project. Hence, the proceeds from the MPG Sukuk issuance will ultimately be used to repay the Credit Facility provided by RHB ISLAMIC Bank Berhad.

A letter from MPG dated 21 August 2006 acknowledging the nature of the conflict of interest for RHB ISLAMIC Bank Berhad to act as the Principal Adviser / Lead Arranger, Primary Subscriber, Facility Agent and Syariah Adviser for the MPG Sukuk Programme is attached as Appendix IV.

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GLOSSARY OF TERMS AND ABBREVIATIONS

Except where the context otherwise requires, the following words and abbreviations shall have the following meanings:

Act	:	Companies Act, 1965 (Act 125) and includes any modification or re-enactment thereof in force.
Additional MPG Junior Sukuk	:	An additional RM75.0 million nominal value MPG Junior Sukuk which may be issued by MPG prior to the Commercial Operations Date, (1) to meet its funding requirements in the event of Project cost overrun due to variation order, and (2) pay Liquidated and Ascertained Damages under the Istisna' Purchase Agreement in the event of Project completion delay as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (f) (*Tenure of the facility / issue*).
BNM	:	Bank Negara Malaysia.
BOC	:	Bank of China Limited.
Bursa Securities	:	Bursa Malaysia Securities Berhad.
Capacity Payment	:	The payment to be made by SESCO to MPG for Dependable Capacity available to SESCO.
CMEC	:	China National Machinery & Equipment Import & Export Corporation.
CMS	:	Cahya Mata Sarawak Berhad (Company No. 21076-T).
Coal Supplier	:	Sarawak Coal Resources.
Coal Supply Agreement or **CSA**	:	The Coal Supply Agreement dated 28 August 2006 entered into between MPG and Sarawak Coal Resources.
Collection Period	:	The collection period more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (z)(9) (*Collection Period*).

Commercial Operations Date of the First Unit	:	The date as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (z)(6) (*Commercial Operations Date of the First Unit*), and Section 7.0 *(Project Documents)* Item 7.1 (*Power Purchase Agreement*).
Commercial Operations Date of the Second Unit	:	The date as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (z)(7) (*Commercial Operations Date of the Second Unit*), and Section 7.0 *(Project Documents)* Item 7.1 (*Power Purchase Agreement*).
Credit Facility	:	Bridge finance facility of up to RM150.0 million extended by RHB ISLAMIC on 17 March 2006 to SECB, the holding company of MPG, that was subsequently advanced to MPG until the financing of the Project is in place.
Cumulative Available Cashflow	:	As more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (z)(22) (Senior *Sukuk Service Cover Ratio*) and Item (z)(23) (*Junior Sukuk Service Cover Ratio*).
Dependable Capacity	:	The dependable capacity of the Mukah Power Plant to be made available by MPG dispatched to SESCO under the terms of the PPA.
Designated Accounts	:	Collectively, the PIPA, MBA, SPA OA and MRA and "**Designated Account**" means any one of them.
Distribution Scheme	:	The profit distribution scheme more particularly described in Section 2.0 *(Principal Terms and Conditions)* Item (z)(10) *(Distribution Scheme)*.
DOE	:	The Department of Environment, Malaysia.
EAF	:	Equivalent Availability Factor.
Electricity Ordinance	:	The Electricity Ordinance of Sarawak (Chapter 50), which was first enacted in 1952 as Ordinance No. 17 of 1952 with the last revision in 2002 pursuant to the Revision of Laws Ordinance 1992 of Sarawak and includes any modification or re-enactment thereof in force.
Energy Payment	:	The payment to be made by SESCO to MPG for electrical energy despatched to SESCO.

EPC Contract	:	The Engineering, Procurement and Commissioning Contract dated 29 March 2006 entered into between SECB and the EPC Contractor, and has been subsequently novated by SECB to MPG via a letter dated 28 November 2006 issued by SECB and duly acknowledged / to be duly acknowledged by the EPC Contractor and MPG.
EPC Contractor	:	CMEC.
EQA	:	The Environmental Quality Act 1974 (Act 127).
Event of Default	:	The event or events more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (x) (*Events of Default*).
Expected Profit	:	As more particularly described in Section 2.0 (*Principal Terms and Condition*) Item (g) (*Coupon / profit or equivalent rate (%) (please specify)).*
Facility Agent	:	RHB ISLAMIC.
FAST	:	Fully Automated System for Issuing / Tendering.
FAST Rules	:	The rules published by BNM relating to FAST, as amended from time to time and as determined by BNM or any other relevant authorities, as the same may be amended, modified, or supplemented from time to time.
First Unit	:	The first unit of the Mukah Power Plant.
FY	:	Financial Year.
FYE	:	Financial Year Ended.
GDP	:	Gross Domestic Product.
GWh	:	Gigawatt-hour(s).
Independent Checking Engineer	:	KTA Tenaga.
Insurance Consultant	:	Insurepro.
Insurepro	:	Insurepro Sdn Bhd (Company No. 84938-X).

Investor 1	:	The Senior Sukukholders.
Investor 2	:	The Junior Sukukholders.
Investors	:	Investor 1 and Investor 2.
IPBM Code	:	Code of Conduct and Market Practices for the Malaysian Corporate Bond Market issued by the Institut Peniaga Bon Malaysia and approved by BNM.
Istisna' Profit	:	The difference between the Istisna' Sale Payments and the Istisna' Purchase Payments, to be earned by Investor 1. Please refer to Section 2.0 (*Principal Terms and Conditions)* Item (c) (*Facility Description*) and Item (g) (*Coupon / profit or equivalent rate (%)*).
Istisna' Profit Notes	:	The non-tradable profit notes to be issued by MPG to Investor 1 as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (c) (*Facility Description*).
Istisna' Profit Schedule	:	As more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (z) (3).
Istisna' Purchase Agreement	:	The agreement to be entered into between MPG and Investor 1 for the construction and delivery by MPG of the Mukah Power Plant to Investor 1. Please refer to Section 2.0 (*Principal Terms and Conditions)* Item (c) (*Facility Description*).
Istisna' Purchase Price	:	The purchase price under the Istisna' Purchase Agreement. Please refer to Section 2.0 (*Principal Terms and Conditions)* Item (c) (*Facility Description*).
Istisna' Sale Agreement	:	The agreement to be entered into between MPG and Investor 1 for the delivery of the Mukah Power Plant by Investor 1 to MPG. Please refer to Section 2.0 (*Principal Terms and Conditions)* Item (c) (*Facility Description*).
Istisna' Sale Price	:	The sale price under the Istisna' Sale Agreement. Please refer to Section 2.0 (*Principal Terms and Conditions)* Item (c) (*Facility Description*).
IPP	:	Independent Power Producer.

Junior SSCR	:	The ratio of Cumulative Available Cashflow for the Junior Sukukholders to the aggregate amount expected to be paid under the MPG Junior Sukuk for the next six (6) months. Please refer to Section 2.0 (*Principal Terms & Conditions*) Item (z)(23) (*Junior Sukuk Service Cover Ratio*).
Junior SSCR Start Date	:	The computation of the SSCR, which shall commence six (6) months prior to the first (1st) profit payment date of the MPG Junior Sukuk as more particularly described in Section 2.0 (*Principal Terms & Conditions*) Item (z)(23) (*Junior Sukuk Service Cover Ratio*).
Junior Sukukholders	:	The holders of the MPG Junior Sukuk.
kcal	:	Kilocalorie(s).
kg	:	Kilogram(s).
km	:	Kilometre(s).
KTA Tenaga	:	KTA Tenaga Sdn Bhd (Company No. 239199-V).
kV	:	Kilovolt(s).
kW	:	Kilowatt(s).
kWh	:	Kilowatt-hour(s).
Lead Arranger	:	RHB ISLAMIC.
Lead Solicitor	:	Messrs Jeff Leong, Poon & Wong.
Licence for the Generation of Electricity or **Licence**	:	The licence dated 20 September 2006 awarded to MPG to generate, transmit and supply up to 2X135 MW of electricity to SESCO.
Liquidated Ascertained Damages under the Istisna' Purchase Agreement	:	The liquidated and ascertained damages as more particularly described in Section 2.0 (*Principle Terms & Conditions*) Item (z)(4).
Local Solicitor	:	Messrs Ee & Lim.

Maintenance Reserve	:	The maintenance reserve provided at RM4.0 million and used exclusively to pay all maintenance expenses in accordance with the terms of the PPA. Please refer to Section 2.0 (*Principal Terms and Conditions) Item (z)(17)(v) (Maintenance Reserve Account)* and Section 7.0 *(Project Documents)* Item 7.1 (*Power Purchase Agreement*).
MBA	:	The Mudharabah Business Account opened by MPG, operated jointly by MPG and the Trustee and charged to the Trustee. Please refer to Section 2.0 (*Principal Terms and Conditions)* Item (z)(17)(ii) (*Mudharabah Business Account*).
Minimum SPA Balance	:	Minimum cash balance equivalent to the next six (6) months' Redemption Amount and Expected Profit (both) in respect of the MPG Senior Sukuk. Please see Section 2.0 (*Principal Terms and Conditions)* Item (z)(17)(iii) (*Sukuk Payment Account*).
MPG or **the Issuer**	:	Mukah Power Generation Sdn Bhd (formerly known as Sarawak Power Services Sdn Bhd) (Company No. 468044-U).
MPG Junior Sukuk	:	The Serial Junior Sukuk Mudharabah issued under the MPG Sukuk Programme.
MPG Junior Sukuk Indicative Tranches	:	The indicative tranches provided to the Lead Arranger with a scheduled total issuance size of RM210.0 million in relation to the MPG Junior Sukuk more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (f) (*Tenure of the facility / issue*).
MPG Junior Sukuk Programme	:	The Junior Sukuk Mudharabah issuance programme of up to RM285.0 million.
MPG Junior Sukuk Redemption Amount	:	The redemption amount in respect of the MPG Junior Sukuk. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (f) (*Tenure of the facility / issue*).
MPG Junior Sukuk Redemption Schedule	:	The redemption schedule of the MPG Junior Sukuk. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (f) (*Tenure of the facility / issue*).
MPG Junior Sukuk Tenure	:	The tenure of the MPG Junior Sukuk Programme which shall be up to twenty five (25) years from the date of first issuance of the MPG Junior Sukuk.

MPG Senior Sukuk	The Serial Senior Sukuk Mudharabah issued under the MPG Senior Sukuk Programme.
MPG Senior Sukuk Indicative Tranches	The indicative tranches provided to the Lead Arranger in relation to the MPG Senior Sukuk as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (f) (*Tenure of the facility / issue*).
MPG Senior Sukuk Programme	The Senior Sukuk Mudharabah issuance programme of up to RM665.0 million.
MPG Senior Sukuk Tenure	The tenure of the MPG Senior Sukuk Programme which shall be up to fifteen (15) years from the date of first issuance of the MPG Senior Sukuk.
MPG Senior Sukuk Redemption Amount	The redemption amount in respect of MPG Senior Sukuk. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (f) (*Tenure of the facility / issue*).
MPG Senior Sukuk Redemption Schedule	The redemption schedule of the MPG Senior Sukuk. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (f)(*Tenure of the facility / issue*).
MPG Sukuk	The MPG Senior Sukuk and MPG Junior Sukuk.
MPG Sukuk Programme	The Sukuk Mudharabah issuance programme of up to RM950.0 million.
MRA	The Maintenance Reserve Account opened by MPG, operated solely by MPG and charged to the Trustee. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (z)(17)(v)).
Mudharib	MPG as the mudharib under the MV.
Mukah Power Plant	The 2x135MW total installed capacity coal-fired power plant, comprising two boiler-turbine-generator units, each unit with a nominal 135 MW capacity (including all related facilities and ancillary infrastructure and the installations set out in the Licence for the Generation of Electricity), in Mukah, Sarawak.

Mukah Power Plant Land	:	The piece of land on which the Mukah Power Plant is located as described under "Approved Plan" Plan no. 10D(SPA/SP/7-05) A and registered under SPA Approval No. P/10D/849-05. Please refer to Section 4.2 (*Location*)
Mukah Power Plant Project or **Project**	:	The construction, operation and maintenance of the Mukah Power Plant as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (c) (*Facility Description*).
MV	:	The Mudharabah Venture as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (z)(2) (*Mudharabah Venture*).
MV Commencement Date	:	The MPG Junior Sukuk first issue date. Please see Section 2.0 *(Principal Terms and Conditions)* Item (z)(2) *(Mudharabah Venture).*
MW	:	Megawatt(s).
Non-Plant Zone Contractor	:	PPES Works.
Non-Plant Zone EPC Contract	:	The Non-Plant Zone Engineering, Procurement and Commissioning Contract dated 29 March 2006 entered into between SECB and the Non-Plant Zone Contractor, which has been subsequently novated by SECB to MPG via letter dated 5 October 2006 issued by SECB and duly acknowledged / to be duly acknowledged by the Non-Plant Zone Contractor and PPES Works.
Novation Letter (EPC Contract)	:	The novation letter issued by SECB and acknowledged by the EPC Contractor and MPG in relation to the novation of the EPC Contract;
Novation Letter (Non-Plant Zone EPC Contract)	:	The novation letter issued by SECB and acknowledged by the Non-Plant Zone EPC Contractor and MPG in relation to the novation of the Non-Plant Zone EPC Contract;
NRMEO	:	Natural Resources and the Management of Environment Ordinance of Sarawak 1949 (Chapter 84) as amended by the Natural Resources (Amendment) Ordinance 1993 and includes any modification or re-enactment thereof in force.

OA	:	The Operations Account opened by MPG, operated solely by MPG and charged to the Trustee. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (z)(17)(iv) (*Operations Account*).
O & M	:	Operation and Maintenance.
O & M Operator	:	MPG / SECB group in-house team.
PIPA	:	The Proceeds and Istisna' Payment Account opened by MPG, operated jointly by MPG and the Trustee and charged to the Trustee. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (z)(17)(i) (*Proceeds and Istisna' Payment Account*).
Power Purchase Agreement or **PPA**	:	The Power Purchase Agreement dated 9 October 2006 entered into between MPG and SESCO.
PPES Works	:	PPES Works (Sarawak) Sdn Bhd (Company No. 209892-K).
Primary Subscriber	:	RHB ISLAMIC.
Project Completion Date	:	Scheduled full completion and delivery date under the Istisna' Sale Agreement and Istisna' Purchase Agreement.
Project Cost	:	The costs incurred or arising from the Project as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (v) (*Conditions Precedent*) (*C. General).*
PPLS	:	PPLS Power Generation Sdn Bhd (Company No. 591673-M)
Project Documents	:	Includes the Licence for the Generation of Electricity, Power Purchase Agreement, CSA, EPC Contract, Non-Plant Zone EPC Contract, permits and insurance policies as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (j) (*Security / Collateral (if any)*).
Rabb al-mal or **Investors**	:	The investors to the MV comprising Investor 1 and Investor 2 as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (c)(*Facility Description*).
RAM	:	Rating Agency Malaysia Berhad (Company No. 208095-U).

Realised Sum	:	The proceeds from the enforcement of security upon an Event of Default, net of all costs and expenses. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (x) (*Events of Default*).
RENTAS	:	Real Time Electronic Transfer of Funds and Securities System.
RENTAS Rules	:	Rules on the Scripless Securities under the Real Time Electronic Transfer of Funds and Securities (RENTAS) System.
Reporting Accountant	:	Messrs Ernst & Young (AF 0039).
RHB ISLAMIC	:	RHB ISLAMIC Bank Berhad (Company No. 680329-V).
RM	:	Ringgit Malaysia.
RMB	:	Renminbi.
Sarawak Coal Resources	:	Sarawak Coal Resources Sdn Bhd (Company No. 708793-D).
Sarawak Electricity Supply Corporation	:	Sarawak Electricity Supply Corporation, being the predecessor to SESCO.
SC	:	Securities Commission.
SCA	:	Securities Commission Act 1993 as amended from time to time.
SECB	:	Sarawak Enterprise Corporation Berhad (Company No. 007199-D).
SECB Group	:	SECB, its subsidiaries and associates.
Second Unit	:	The second unit of the Mukah Power Plant.
Sejingkat Power Plant	:	The 2X50 MW (Phase 1) and 2X55 MW (Phase 2) coal-fired power plant in Sejingkat, Kuching, Sarawak, with a total installed capacity of 210 MW.
Senior SSCR	:	The ratio of Cumulative Available Cashflow for the Senior Sukukholders to the aggregate amount expected to be paid under the MPG Senior Sukuk for the next six (6) months. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (z)(22) (*Senior Sukuk Service Cover Ratio*).

Senior SSCR Start Date	:	The computation of the Senior SSCR, which shall commence six (6) months prior to the first (1st) profit payment date of the MPG Senior Sukuk as more particularly described in Section 2.0 (*Principal Terms and Conditions*) Item (z)(22) (*Senior Sukuk Service Cover Ratio*).
Senior Sukukholders	:	The holders of the MPG Senior Sukuk. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (x) (*Event of Default*).
SESCO	:	Syarikat SESCO Berhad (Company No. 672931-A), being the successor company to Sarawak Electricity Supply Corporation pursuant to the Successor Ordinance.
SESCO Licence	:	The licence dated 15 November 1992 awarded to Sarawak Electricity Supply Corporation by Yang Di-Pertua Negeri Sarawak. This licence has been transferred to and vested in SESCO on 1 July 2005.
SFS	:	State Financial Secretary of Sarawak.
SPA	:	The Sukuk Payment Account opened or to be opened by MPG, operated jointly by MPG and the Facility Agent and charged to the Trustee. Please refer to Section 2.0 (*Principal Terms and Conditions*) Item (z)(17)(iii) (*Sukuk Payment Account*).
SPC	:	Sejingkat Power Corporation Sdn Bhd (Company No. 277222-W).
SPG	:	Sarawak Power Generation Sdn Bhd (Company No. 305106-D).
SPG Sukuk	:	The Sukuk Musyarakah issued under the SPG Sukuk Programme.
SPG Sukuk Programme	:	The Sukuk Musyarakah issuance programme of up to RM215.0 million.
SPG's Bintulu Power Plant	:	The 220 MW total installed capacity gas-fired open-cycled gas turbine power plant comprising two generator units, each unit with a nominal 110 MW capacity (including all related facilities) and ancilliary infrastructure constructed in Tanjung Kidurong, Bintulu, Sarawak, and including any modification thereto.
SSG	:	Sarawak State Government.

Successor Ordinance	:	Sarawak Electricity Supply Corporation (Successor Company) Ordinance 2004 of Sarawak.
Sukukholders	:	The holders of the MPG Sukuk.
Syariah Adviser	:	Syariah Committee, RHB ISLAMIC.
Tranche	:	Each tranche issued or to be issued under the MPG Sukuk Programme.
Trustee	:	Amanah Raya Berhad (Company No. 344986-V).
USD	:	United States Dollars.
YTM	:	The expected yield-to-maturity of each series of the MPG Sukuk.

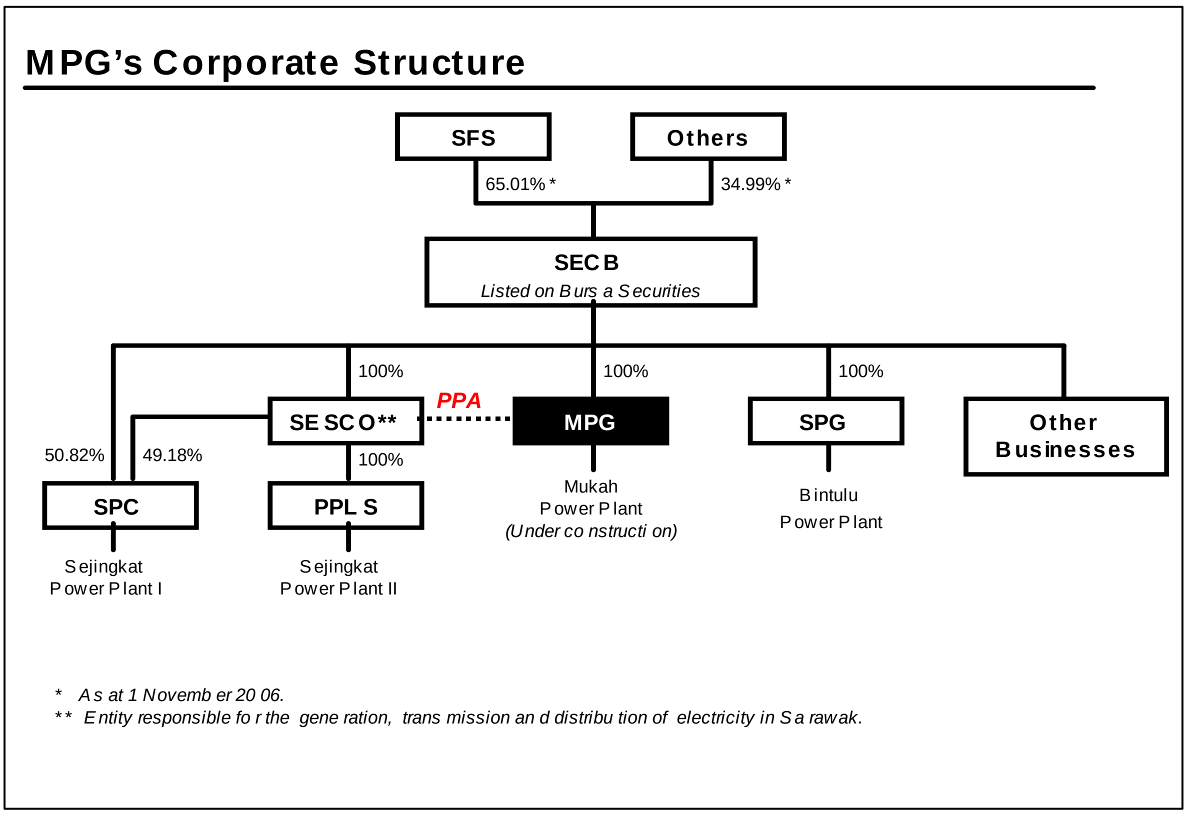
EXECUTIVE SUMMARY

The information contained in this section is qualified by, and must be read together with other information contained in this Information Memorandum.

Brief Summary of MPG

MPG was incorporated on 27 August 1998 under the name of Sarawak Power Services Sdn Bhd. It assumed its present name on 24 March 2006. MPG has been designated by SECB, the parent company of MPG, as the special purpose vehicle to undertake the development of a 2X135 MW total installed capacity coal-fired power plant in Mukah, Sarawak, for the purpose of generating electricity for sale to SESCO pursuant to the PPA.

The corporate structure of MPG is illustrated below:



Brief Summary of the Mukah Power Plant

Specifications

Total installed capacity	270 MW (2X135.0 MW)
Dependable capacity	243 MW (2X121.5 MW)
Fuel	Coal, with distillate as start-up fuel
Site	A piece of land measuring about 865-acre located at approximately 2.5km east of the road junction where the Sibu-Mukah Road intersects the Balingian-Mukah Road.
Transmission	132kV transmission line to SESCO's statewide 275kV transmission grid.

Parties to the Project

Power purchaser	SESCO
EPC Contractor	CMEC
Non-Plant Zone Contractor	PPES Works
Coal Supplier	Sarawak Coal Resources (80% owned by State Financial Secretary Incorporated and 20% owned by SESCO)
O & M operator	MPG / SECB group in-house team
Independent Checking Engineer	KTA Tenaga
Insurance Consultant	Insurepro

Project Economics

Total project cost	RM903.4 million, inclusive of estimated financing cost during construction of RM103.4 million
Construction period	35 months
Concession period	25 years, from the Commercial Operation Date of the First Unit.
Scheduled Commercial Operations Date	First Unit: 1 November 2008 Second Unit: 1 April 2009
Capacity payment	Capacity rate: RM38.0 / kW / month (or RM110.80 million / year) .
Energy payment	Minimum energy offtake: 1,400 GWh per year Energy tariff: 8.7 sen / kWh
Coal price	RM81.0 per tonne for coal of gross calorific value of 5400 kcal / kg (air dried basis)

Senior : Junior[1]	76% : 24%

Licence for the Generation of Electricity

Type	Licence for the Generation of Electricity
Term	28 years from 20 September 2006 inclusive of the construction period in respect of the Mukah Power Plant.
Awarded by	Yang Di-Pertua Negeri Sarawak.

The Project Finance

Uses of funds (RM'million)		Sources of funds (RM'million)	
Construction Period			
Estimated project cost	728.6	Ordinary shares	2.0
Estimated project cost -		MPG Senior Sukuk	665.0
contingencies	16.2	MPG Junior Sukuk	210.0
Istisna' profit	103.4	Investment Income during construction period	0.1
Issuance expenses	1.8		
Initial funding of Minimum			
SDA Balance	27.1		
Sub total	***877.1***	***Sub total***	***877.1***
Post- Construction Period			
Remaining project cost (*)	55.2	Revenue post-Commercial Operations Date of the Second Unit	55.2
Sub total	***55.2***	***Sub total***	***55.2***
Contingencies (**)	75.0	MPG Junior Sukuk	*75.0*
Sub total	***75.0***	***Sub total***	***75.0***
Total	***1007.3***	***Total***	***1007.3***

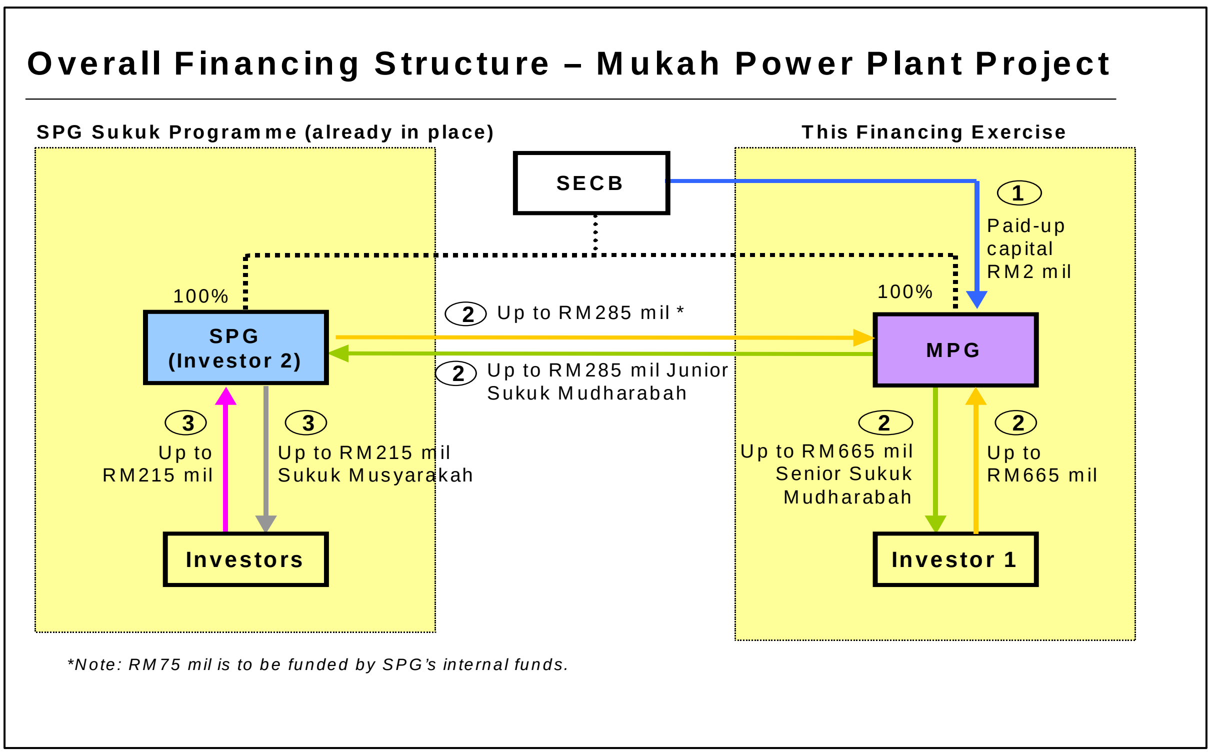
Note: (*) The remaining project cost of RM55.2 million represents the project EPC retention sum to be disbursed only after the Commercial Operations Date of the Second Unit; (**) Additional buffer created to meet MPG's funding requirements in the event of Project cost overrun and payment of the Liquidated and Ascertained Damages under the Istisna' Purchase Agreement in the event of Project completion delay.

[1] Based on projected project development cost of RM800 million excluding buffer, and with MPG Junior Sukuk and ordinary shares as quasi equity and equity respectively.

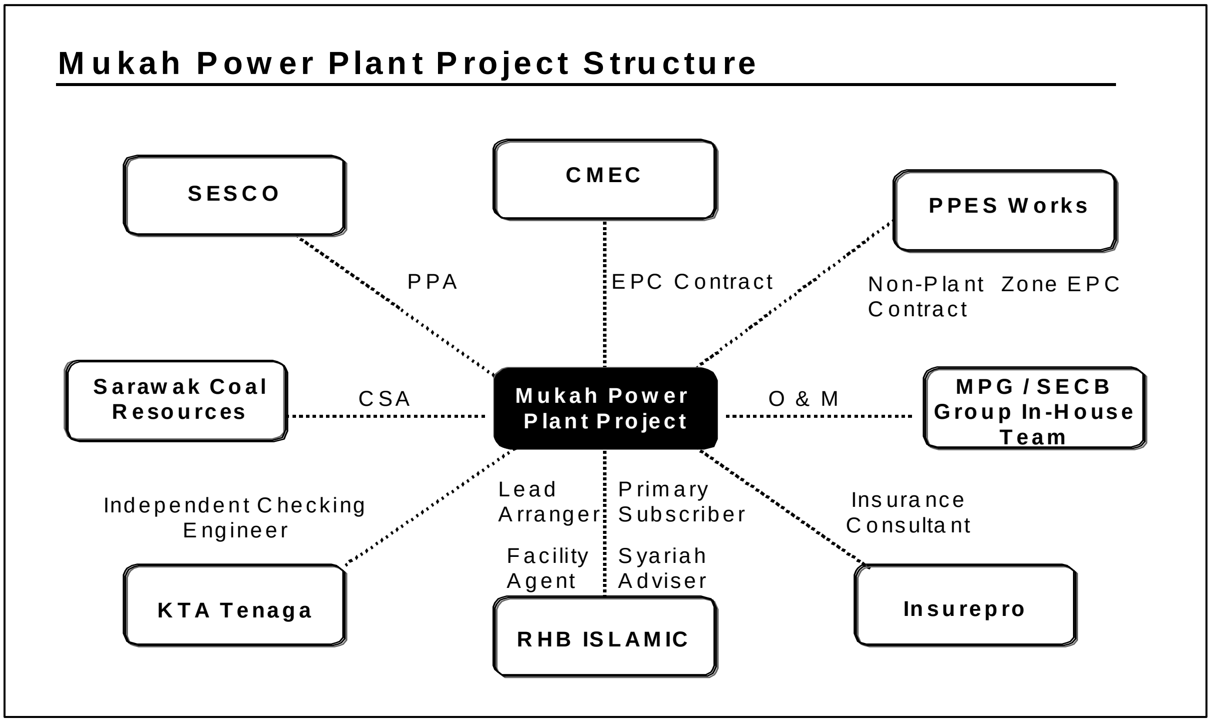
The MPG Senior Sukuk will be issued to investors while the MPG Junior Sukuk will be issued to SPG, a wholly owned subsidiary of SECB.

Funds for the MPG Junior Sukuk subscription have been put in place via the SPG Sukuk Programme. MPG Junior Sukuk will be issued prior to the issuance of MPG Senior Sukuk and will be fully issued over a period of twelve (12) months. Meanwhile, the MPG Senior Sukuk shall be issued in five (5) tranches over a period of twenty-four (24) months. The MPG Senior Sukuk first issue date is expected to be on or before 29 December 2006. Funds for the additional MPG Junior Sukuk subscription of up to RM75.0 million will also be made available to meet MPG's contingent requirements in the event of Project cost overrun due to variation order and payment of Liquidated and Ascertained Damages under the Istisna' Purchase Agreement in the event of Project completion delay, via the build-up of internally-generated funds by SPG over a two (2)-year period.

The following diagram depicts the overall financing structure of the Project and its relation to the SPG Sukuk Programme.



The following diagram summarises the Mukah Power Plant Project structure:



Description of the MPG Sukuk Programme

The Senior MPG Sukuk and Junior MPG Sukuk shall be issued under the serial MPG Sukuk Programme.

One of the salient terms of the MPG Sukuk Programme is that the MPG Senior Sukuk are issued with an Istisna' facility, whereby the Senior Sukukholders shall be entitled to the Istisna' Profit payable by MPG within the construction period up to the Commercial Operations Date of the Second Unit or 2.5 years from the date of inception of the Istisna' Sale Agreement and Istisna' Purchase Agreement, whichever is the earlier. The Istisna' Profit under the Istisna' transaction shall be evidenced by Istisna' Profit Notes, which are not tradable.

Salient features of the MPG Senior Sukuk and MPG Junior Sukuk are summarised as follows:

MPG Senior Sukuk

Issue Size : Up to RM665.0 million.

Purpose :
(i) Part repay shareholder's advances which has been utilised to pay site acquisition cost and other project related expenses in relation to the development, design and construction of the Mukah Power Plant prior to the initial issuance of the MPG Junior Sukuk;
(ii) Part finance all costs associated with the site acquisition, development, design, construction, start-up and initial operations of the Mukah Power Plant;
(iii) Pay all the MPG Sukuk Programme-related expenses incurred prior to the Commercial Operations Date of the Second Unit; and
(iv) Deposit into the SPA to meet the initial funding requirement of the Minimum SPA Balance.

Rating : RAM had on 7 November 2006 assigned a rating of AA3 to the MPG Sukuk Programme.

Target Issuance :

Tranche	**Target Issuance**	**Total Issuance Size (Up to RM' million)**	**Expected Profit Rate (% p.a.)**
1	December 2006	195.0	8.10% - 8.60%
2	June 2007	325.0	7.55% - 8.65%
3	December 2007	30.0	7.80% - 7.90%
4	June 2008	45.0	7.85% - 8.05%
5	December 2008	70.0	7.60% - 7.90%

Tenure / Maturity : 15 years from the date of the first issue / 4.0 - 15.0 years (for Tranche 1 to Tranche 4), 2.0 – 3.0 years (for Tranche 5).

Security :
(i) Assignment of all rights, benefits and titles of MPG under its project documents, including but not limited to the Licence for the Generation of Electricity, the PPA, the CSA, the EPC Contract, and the Non-Plant Zone EPC Contract, (collectively referred to as "**the Project Documents**");

(ii) Memorandum of Charge to be signed in escrow over the the Mukah Power Plant Land;

(iii) Pending the issuance of the individual document of title, (a) Letter of Undertaking from MPG to procure the issuance of the individual document of title over the Mukah Power Plant Land; and (b) Assignment of its rights to the alienation of, and issuance of lease(s) or provisional lease(s) or separate individual document of title of, the Mukah Power Plant Land in MPG's favour

(iv) Memorandum of First Legal Charge over the Designated Accounts and assignment of MPG's rights, benefits and titles over the credit balances in the Designated Accounts; and

(v) First ranking debenture creating fixed and floating charge over MPG's present and future assets.

MPG Junior Sukuk

Issue Size	:	Up to RM285.0 million.
Purpose	:	(i) Part repay shareholder's advances which has been utilised to pay site acquisition cost and other project related expenses in relation to the development, design and construction of the Mukah Power Plant prior to the initial issuance of the MPG Junior Sukuk; (ii) Part finance all costs associated with the site acquisition, development, design, construction, start-up and initial operations of the Mukah Power Plant; (iii) Meet its obligations under the Istisna' Sale Agreement i.e. to pay Istisna' Profit during the Project construction period; and (iv) Meet its contingent requirements in the event of Project cost overrun due to variation order and payment of the Liquidated and Ascertained Damages under the Istisna' Purchase Agreement.
Rating	:	RAM had on 7 November 2006 assigned a rating of A2 to the MPG Junior Sukuk Programme.

Target Issuance :

Tranche	Target Issuance	Total Issuance Size (Up to RM' million)	Expected Profit Rate (% p.a.)	Profit Payments to Commence in n^{th} Month from Issuance of MPG Junior Sukuk
1	December 2006	100.0	58.50%-168.50%	174th
2	June 2007	55.0	12.35%-50.85%	48th
3	December 2007	55.0	12.00%-12.50%	42nd

Tenure / Maturity : 25 years from the date of first issue / 15 - 25 years.

Subordination : The MPG Junior Sukuk shall be subordinated to the MPG Senior Sukuk. For so long as the MPG Senior Sukuk remain outstanding, the Junior Sukukholders shall not be able to declare an event of default ahead of the Senior Sukukholders. However, it shall constitute a cross default on the MPG Junior Sukuk in circumstances where the Senior Sukukholders declare default in respect of MPG.

Distribution Scheme

Distribution Scheme Between the Investors and MPG :

- The Investors and MPG shall agree upfront that any profit earned from the MV in excess of the Expected Profit [RM(x + y)] shall be given to MPG based on the concept of Tanazul.
- If actual profit is equal to or less than the Expected Profit [RM(x + y)], the Investors and MPG receive 99% and 1% of the actual profit respectively.

Distribution Scheme Between Investor 1 and Investor 2

- Distribution to Investor 1 shall rank in priority to distribution to Investor 2.
- If actual profit is equal to or more than RMx, Investor 1 shall receive RMx and Investor 2 shall receive the balance based on the concept of Tanazul.
- If actual profit is less than RMx, it shall be distributed to Investor 1 only, and Investor 2 shall not receive any profit distribution.

An illustration of the profit distribution scheme:

The Investors' Expected Profit [RM(x + y)]	7,000,000
• *Investor 1's Expected Profit [RMx]*	*5,000,000*
• *Investor 2's Expected Profit [RMy]*	*2,000,000*

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Actual profit from the MV (RM)	15,000,000	7,000,000	5,000,000	4,000,000
Distribution of actual profit to the Investors (RM)	7,000,000	6,930,000	4,950,000	3,960,000
• *Distribution of actual profit to Investor 1 (RM)*	*5,000,000*	*5,000,000*	*4,950,000*	*3,960,000*
• *Distribution of actual profit to Investor 2 (RM)*	*2,000,000*	*1,930,000*	-	-
Distribution of actual profit to MPG (RM)	8,000,000	70,000	50,000	40,000

Summary of the Sukuk Service Cover Ratios for FY2006 to FY2027

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Senior SSCR	3.71	3.32	3.06	3.51	3.86	3.69	4.26
Junior SSCR	-	-	11.74	13.57	15.31	17.49	20.10
Sukuk Obligation Coverage Ratios							
Senior Sukuk							
Profit	*1.40*	*1.83*	*2.51*	*2.60*	*2.59*	*3.22*	*3.38*
Profit and Principal Redemption	*1.40*	*1.33*	*1.28*	*1.42*	*1.37*	*1.31*	*1.43*
Junior Sukuk							
Profit	-	-	*3.08*	*3.78*	*3.21*	*3.22*	*3.83*
Profit and Principal Redemption	-	-	*3.08*	*3.78*	*3.21*	*3.22*	*3.83*

	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Senior SSCR	4.47	4.37	4.81	5.34	6.27	7.60	-
Junior SSCR	21.61	23.78	26.55	29.55	13.73	9.79	5.94
Sukuk Obligation Coverage Ratios							
Senior Sukuk							
Profit	*3.70*	*4.65*	*5.94*	*8.19*	*12.91*	*37.68*	-
Profit and Principal Redemption	*1.38*	*1.33*	*1.42*	*1.54*	*1.67*	*2.28*	-
Junior Sukuk							
Profit	*3.38*	*3.28*	*4.01*	*4.75*	*2.14*	*2.23*	*3.14*
Profit and Principal Redemption	*3.38*	*3.28*	*4.01*	*4.75*	*2.14*	*2.23*	*1.53*

	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Senior SSCR	-	-	-	-	-	-
Junior SSCR	6.25	7.57	7.96	8.49	9.84	11.18
Sukuk Obligation Coverage Ratios						
Senior Sukuk						
Profit	-	-	-	-	-	-
Profit and Principal Redemption	-	-	-	-	-	-
Junior Sukuk						
Profit	*2.34*	*2.56*	*2.43*	*2.17*	*2.07*	*2.88*
Profit and Principal Redemption	*1.46*	*1.64*	*1.60*	*1.57*	*1.70*	*1.81*

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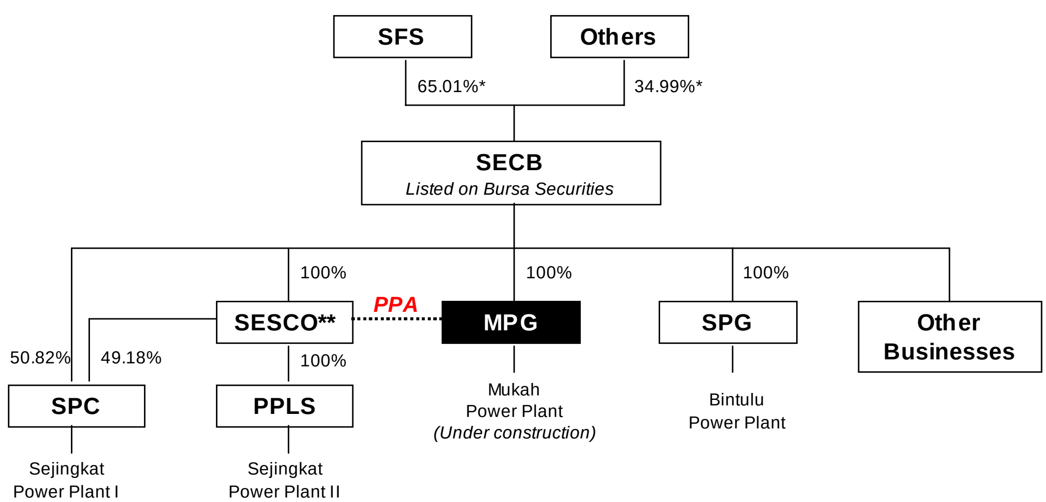
1.0 PROJECT FINANCE EXERCISE

1.1 Introduction

MPG, a wholly-owned subsidiary of SECB is undertaking the development and operation of a 2X135 MW total installed capacity coal-fired power plant, comprising two boiler-turbine-generator units, each unit with a nominal 135 MW capacity (including all related facilities and ancillary infrastructure and the installations set out in the Licence for the Generation of Electricity), in Mukah, Sarawak ("**the Mukah Power Plant Project"** or **"the Project"**), for the purpose of generating electricity for sale to Syarikat SESCO Berhad (672931-A) ("**SESCO**"). SESCO, being the successor company to Sarawak Electricity Supply Corporation, is principally involved in the generation, transmission, distribution and sales of electricity in Sarawak. MPG was previously dormant.

The corporate structure of MPG is illustrated below.

MPG's Corporate Structure



** As at 1 November 2006.*
*** Entity responsible for the generation, transmission and distribution of electricity in Sarawak.*
SFS – State Financial Secretary
SPC – Sejingkat Power Corporation Sdn Bhd
PPLS – PPLS Power Generation Sdn Bhd

The key agreements for the Mukah Power Plant Project have been signed with the following parties:

Parties to the Mukah Power Plant Project	
Power purchaser	SESCO
EPC Contractor	China National Machinery & Equipment Import & Export Corporation ("**CMEC**")
Non-Plant Zone Contractor	PPES Works (Sarawak) Sdn Bhd (209892-K) ("**PPES Works**")
Coal Supplier	Sarawak Coal Resources Sdn Bhd (708793-D) ("**Sarawak Coal Resources**")

The Licence for the Generation of Electricity has been issued by the Yang Di-Pertua Negeri Sarawak.

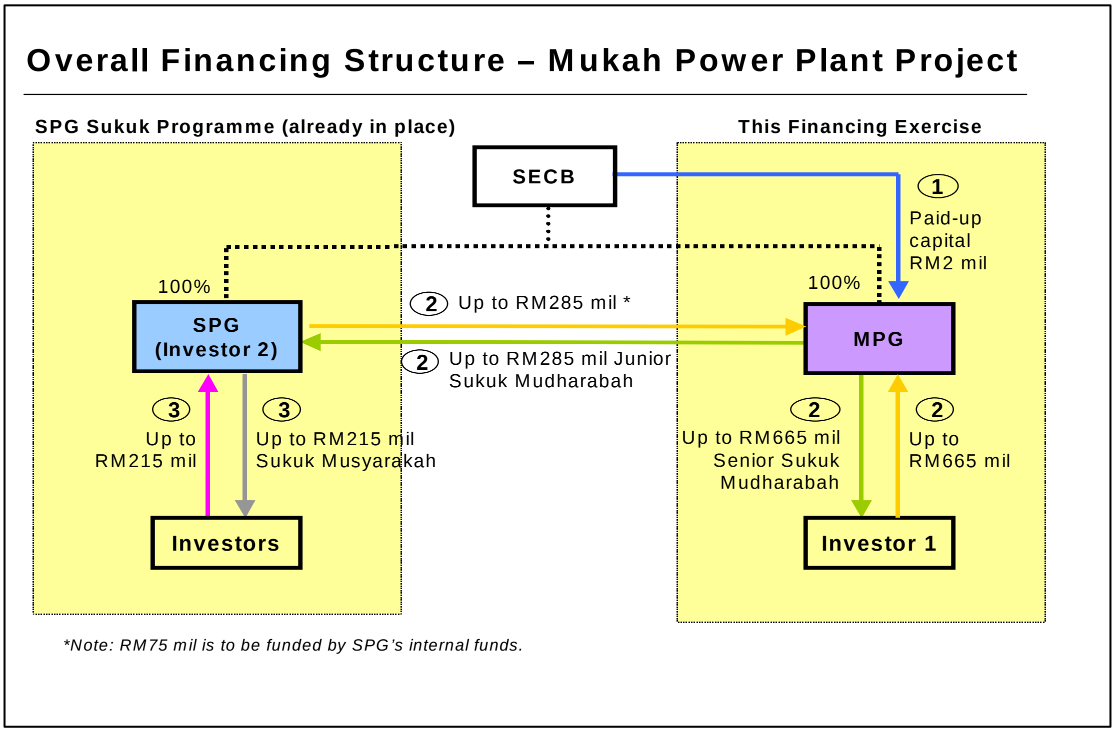
Given that the SECB group is principally involved in the power industry (from generation to transmission to distribution), the operation and maintenance ("**O&M**") of the Mukah Power Plant will be undertaken by MPG / SECB group in-house team.

The total project cost of the Mukah Power Plant (inclusive of estimated financing cost during construction of RM103.4 million) is estimated to be RM903.4 million. The MPG Sukuk issuance programme of up to RM950.0 million (**"the MPG Sukuk"** or **"the MPG Sukuk Programme"**) is to raise RM875.0 million to meet the estimated Project cost during the construction period and RM75.0 million as buffer to meet any Project cost overrun due to variation order and payment of Liquidated and Ascertained Damages under the Istisna' Purchase Agreement in the event of Project completion delay. The Mukah Power Plant is expected to be completed within 3 years. The scheduled commercial operations dates for the first unit of the Mukah Power Plant ("**the First Unit**") and the second unit of the Mukah Power Plant (**"the Second Unit"**) are 1 November 2008 and 1 April 2009 respectively.

Land clearing and earth-filling works on the Mukah Power Plant have commenced and are on-going. The ground-breaking ceremony was held on 16 April 2006 and officiated by the Chief Minister of Sarawak. In order to fund the works while awaiting the project finance to be in place, RHB ISLAMIC granted a bridge finance facility of up to RM150.0 million to SECB, that was subsequently advanced to MPG.

1.2 The Financing Structure

The funding structure for the Mukah Power Plant is illustrated below, with the details on sources and uses of funds shown in the following table:



Uses of funds (RM'million)		**Sources of funds (RM'million)**	
Construction Period			
Estimated project cost	728.7	Ordinary shares	2.0
Estimated project cost - contingencies	16.2	MPG Senior Sukuk	665.0
Istisna' profit	103.4	MPG Junior Sukuk	210.0
Issuance expenses	1.8	Investment Income during construction period	0.2
Initial funding of Minimum SDA Balance	27.1		
Sub-total	***877.2***	***Sub-total***	***877.2***
Post-Construction			
Remaining project cost (*)	55.2	Revenue post-Commercial Operations Date of the Second Unit	55.2
Sub-total	***55.2***	***Sub-total***	***55.2***
Contingencies (**)	75.0	MPG Junior Sukuk	75.0
Sub-total	***75.0***	***Sub-total***	***75.0***
Total	***1007.2***	***Total***	***1007.2***

Note (*): The remaining project cost of RM55.2 million represents the retention sum in respect of the EPC Contract to be disbursed only after the Commercial Operations Date of the Second Unit; (**) Additional buffer created to meet MPG's funding requirements in the event of Project cost overrun and payment of Liquidated and Ascertained Damages under the Istisna' Purchase Agreement in the event of Project completion delay.

MPG shall raise a total financing of up to RM950.0 million, via the issuance of serial Senior Sukuk Mudharabah of up to RM665.0 million (**"the MPG Senior Sukuk"** or **"the MPG Senior Sukuk Programme"**) and serial Junior Sukuk Mudharabah of up to RM285.0 million (**"the MPG Junior Sukuk"** or **"the MPG Junior Sukuk Programme"**). The MPG Senior Sukuk and MPG Junior Sukuk have been assigned initial ratings of AA3 and A2 respectively by Rating Agency Malaysia Berhad ("**RAM**"). The MPG Senior Sukuk will be issued to the investors ("**Investor 1**") while the MPG Junior Sukuk will be issued to Sarawak Power Generation Sdn Bhd ("**SPG**") ("**Investor 2**"), a sister company of MPG.

MPG shall issue the MPG Junior Sukuk of up to RM210.0 million within twelve (12) months from first issue date. It may issue additional MPG Junior Sukuk of up to a total sum of RM75.0 million ("**the Additional MPG Junior Sukuk**") to meet its funding needs in the event of Project cost overrun due to variation order and payment of the Liquidated and Ascertained Damages under the Istisna' Purchase Agreement in the event of Project completion delay.

In order to finance the subscription of the MPG Junior Sukuk of up to RM210.0 million, SPG has put in place a serial Sukuk Musyarakah programme of up to RM215.0 million[2] ("**the SPG Sukuk**" or "**the SPG Sukuk Programme**"). RHB ISLAMIC is the primary subscriber of the SPG Sukuk. The Additional MPG Junior Sukuk will be financed via SPG's internally-generated funds that will be built up over a period of 2 years from the first issuance of the SPG Sukuk.

1.3 Islamic Principle

The Project finance of the Mukah Power Plant is undertaken under the Islamic principles of Mudharabah and Istisna'. The concept of ***Mudharabah*** is as follows:

A contract which is made between two parties to finance a business venture. The parties are a rabb al-mal or an investor who solely provides the capital and a mudharib or an entrepreneur who solely manages the project. If the venture is profitable, the profit will be distributed based on a pre-agreed ratio. In the event of a business loss, the loss shall be borne solely by the provider of the capital.

In this case, Investor I and Investor 2 are the *rabb al-mal*, and MPG is the *mudharib*. Upon the completion and delivery of the Mukah Power Plant and when the MPG Power Plant commences full commercial operations, both the holders of the MPG Senior Sukuk (**"the Senior Sukukholders"**) and holders of the MPG Junior Sukuk (**"the Junior Sukukholders"**) will receive Mudharabah profit from the sale of electricity to SESCO. This receipt of profit is expected to commence from thirty-sixth (36th) month and forty-second (42nd) month from the MV Commencement Date (as described hereafter) for the Senior Sukukholders and Junior Sukukholders respectively.

The MPG Senior Sukuk will have an Istisna' element which will allow the Senior Sukukholders to receive profit during the construction period. The Istisna' principle is used for the financing of construction of the Mukah Power Plant. The concept of ***Istisna'*** is as follows:

A purchase contract of an asset whereby a buyer will place an order to purchase an asset which will be delivered in the future. In other words, the buyer will require a seller or a contractor to deliver or construct the asset that will be completed in the future according to the specifications given in the sale and purchase contract. Both parties of the contract will decide on the sale and purchase prices as they wish and the settlement can be delayed or arranged based on the schedule of work completed.

[2] Up to RM210.0 million for the MPG Junior Sukuk subscription, and up to RM5.0 million for the SPG Sukuk Programme-related issuance expenses, initial funding of minimum SPA balance and general working capital.

In this case, Investor 1 is the seller and MPG is the purchaser under the Istisna' Sale Agreement.

1.4 Utilisation of Proceeds

The issue proceeds to be raised from the MPG Sukuk Programme shall be utilised as follows:

MPG Senior Sukuk

Details		**Up to Amount (RM'million)**
(i)	Part repay shareholder's advances of up to RM150.0 million, which has been utilised to pay site acquisition cost and other project related expenses in relation to the development, design and construction of the Mukah Power Plant prior to the initial issuance of the MPG Junior Sukuk*;	43.5
(ii)	Part finance all costs associated with the site acquisition, development, design, construction, start-up and initial operations of the Mukah Power Plant;	592.6
(iii)	Pay all the MPG Sukuk Programme-related expenses incurred prior to the Commercial Operations Date of the Second Unit; and	1.8
(iv)	Deposit into the SPA [as described in Section 2.0 (*Principal Terms and Conditions*) Item (z)(17)] to meet the initial funding requirement of the Minimum SPA Balance [as described in Section 2.0 (*Principal Terms and Conditions*) Item (z)(17)(iii)].	27.1
Total		**665.0**

* *It should be noted that any decrease in repayment of shareholder's advances shall correspondingly reduce the utilisation of proceeds for the part-repayment of shareholder's advances as stated. Any unutilised amount herein may be utilised for item (ii) above.*

Note: Any unutilised amount from any of items (ii), (iii) and (iv) above may be utilised for general working capital purpose.

MPG Junior Sukuk

Details		**Up to Amount (RM'million)**
(i)	Part repay shareholder's advances of up to RM150.0 million, which has been utilised to pay site acquisition cost and other project related expenses in relation to the development, design and construction of the Mukah Power Plant prior to the initial issuance of the MPG Junior Sukuk**;	106.5
(ii)	Part finance all costs associated with the site acquisition, development, design, construction, start-up and initial operations of the Mukah Power Plant;	-
(iii)	Meet its obligations under the Istisna' Sale Agreement i.e. to pay Istisna' Profit during the Project Construction Period; and	103.5
(iv)	Meet its contingent requirements in the event of Project cost overrun due to variation order and payment of the Liquidated and Ascertained Damages under the Istisna' Purchase Agreement.	75.0
Total		**285.0**

*** It should be noted that any decrease in repayment of shareholder's advances shall correspondingly reduce the utilisation of proceeds for the part-repayment of shareholder's advances as stated. Any unutilised amount herein may be utilised for item (ii) above.*

Note: Any unutilised amount from any of items (ii), (iii) and (iv) above may be utilised for general working capital purpose.

1.5 MPG Sukuk Programme

The MPG Sukuk consists of the MPG Senior Sukuk and MPG Junior Sukuk.

1.5.1 MPG Senior Sukuk

The MPG Senior Sukuk shall be issued in five (5) tranches every six (6) months over a period of two (2) years under a serial sukuk issuance facility. The MPG Senior Sukuk shall be represented by global certificates evidencing the Senior Sukukholders' undivided proportionate beneficial interest in the MV, hence entitling the Senior Sukukholders to receive the Istisna' Profit and Expected Profits agreed under the Istisna' Sale Agreement and MV respectively.

Profit payment for MPG Senior Sukuk shall commence in the thirty-sixth (36^{th}) month from the initial issuance of the Senior Sukuk.

The following table sets out the Nominal Amounts, Expected Profit Rates and Redemption Dates for each series of the MPG Senior Sukuk:-

Tranche 1

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)	Redemption Date (Years from Issuance)
1	20,000,000	8.10	12.5
2	35,000,000	8.20	13.0
3	35,000,000	8.30	13.5
4	35,000,000	8.40	14.0
5	35,000,000	8.50	14.5
6	35,000,000	8.60	15.0
Total	**195,000,000**		

Tranche 2

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)	Redemption Date (Years from Issuance)
1	5,000,000	7.55	6.5
2	30,000,000	7.65	7.0
3	30,000,000	7.75	7.5
4	25,000,000	7.85	8.0
5	25,000,000	7.95	8.5
6	30,000,000	8.00	9.0
7	25,000,000	8.10	9.5
8	35,000,000	8.20	10.0
9	35,000,000	8.35	10.5
10	35,000,000	8.45	11.0
11	35,000,000	8.55	11.5
12	15,000,000	8.65	12.0
Total	**325,000,000**		

Tranche 3

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)	Redemption Date (Years from Issuance)
1	15,000,000	7.80	5.5
2	15,000,000	7.90	6.0
Total	**30,000,000**		

Tranche 4

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)	Redemption Date (Years from Issuance)
1	20,000,000	7.85	4.0
2	20,000,000	7.95	4.5
3	5,000,000	8.05	5.0
Total	**45,000,000**		

Tranche 5

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)	Redemption Date (Years from Issuance)
1	20,000,000	7.60	2.0
2	25,000,000	7.75	2.5
3	25,000,000	7.90	3.0
Total	**70,000,000**		

1.5.2 MPG Junior Sukuk

The MPG Junior Sukuk shall be issued in three (3) tranches every six (6) months over a period of 12 months under a serial sukuk issuance facility. The MPG Junior Sukuk shall be represented by global certificates evidencing the Junior Sukukholders' undivided proportionate beneficial interest in the MV, hence entitling the Junior Sukukholders to receive the Expected Profits agreed under the MV. The Junior Sukukholders shall not be entitled to receive the Istisna' Profit.

Profit payments for the MPG Junior Sukuk shall commence in the n^{th}-month from the issuance of each series of the MPG Junior Sukuk.

The following table sets out the Nominal Amounts, Expected Profit Rates and Redemption Dates for each series of the MPG Junior Sukuk: -

Tranche 1

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)	Redemption Date (Years from Issuance)	Profit Payments to Commence in n^{th} Month from Issuance of MPG Junior Sukuk
1	30,000,000	58.50	19.0	174
2	25,000,000	83.50	20.0	198
3	15,000,000	126.50	21.0	222
4	30,000,000	168.50	22.0	240
Total	**100,000,000**			

Tranche 2

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)	Redemption Date (Years from Issuance)	Profit Payments to Commence in n^{th} Month from Issuance of MPG Junior Sukuk
1	25,000,000	12.35	16.5	48
2	30,000,000	50.85	17.5	156
Total	**55,000,000**			

Tranche 3

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)	Redemption Date (Years from Issuance)	Profit Payments to Commence in n^{th} Month from Issuance of MPG Junior Sukuk
1	45,000,000	12.00	15.0	42
2	10,000,000	12.50	16.0	48
Total	**55,000,000**			

MPG may, prior to the Commercial Operations Date of the Second Unit, issue MPG Junior Sukuk of up to a total sum of RM75.0 million (**"the Additional MPG Junior Sukuk"**) to meet its funding requirements in the event of Project cost overrun due to variation order and / or payment of the Liqudated and Ascertained Damages under the Istisna' Purchase Agreement in the event of Project completion delay. There shall not be any redemption of the Additional MPG Junior Sukuk on or before the redemption of the last series of the MPG Senior Sukuk and MPG Junior Sukuk Indicative Tranche.

Payment of Expected Profit and redemption of the MPG Sukuk will be from the cash flows from the operation of the Mukah Power Plant, or if required, the cash and bank balances of MPG. Payment of Istisna' Profit during the project construction phase will be from the issuance of MPG Junior Sukuk.

1.5.3 Description of Payment

The profit due to the MV and certified by the Trustee is defined as below:

Profit = Budgeted Revenue – Budgeted Expenditure

Where:

Budgeted Revenue	:	Budgeted revenue earned in respect of the MV plus other budgeted income earned for that Collection Period, which includes but is not limited to estimated insurance claim proceeds (if any) due to the Sukukholders on claim(s) made during the corresponding Collection Period, minus transfer to the SPA (if any) to meet the Minimum SPA Balance.
Budgeted Expenditure	:	Budgeted operating, administrative and maintenance expenses, and pro-rated professional charges of the MV

The Budgeted Revenue mainly comprises revenue from the electricity sale to SESCO under the PPA and Istisna' Profit from the Istisna' facility. The Istisna' facility will comprise the Istisna' Purchase Price of RM800.0 million payable by Investor 1 to MPG, and Istisna' Sale Price of up to RM903.4 million payable by MPG to Investor 1. Revenue comprises Capacity Payment and Energy Payment from the electricity sale and investment income earned on credit balances in the Designated Accounts.

Istisna' Profit shall be for the sum of up to RM103.4 million, payable by MPG to Investor 1. The tenure of the Istisna' facility shall be up to the Commercial Operations Date of the Second Unit or thirty (30) months from the date of inception of the Istisna' Sale Agreement and Istisna' Purchase Agreement, whichever is the earlier.

<u>*Distribution Scheme Between the Investors and MPG*</u>*:*

- The Investors and MPG shall agree upfront that any profit earned from the MV in excess of the Expected Profit [RM(x+y)] shall be given to MPG based on the concept of Tanazul.
- If actual profit is equal to or less than the Expected Profit [RM(x+y)], the Investors and MPG receive 99% and 1% of the actual profit respectively.

Distribution Scheme Between Investor 1 and Investor 2:

- Distribution to Investor 1 shall rank in priority to distribution to Investor 2.
- If actual profit is equal to or more than RMx, Investor 1 shall receive RMx and Investor 2 shall receive the balance based on the concept of Tanazul.
- If actual profit is less than RM x, it shall be distributed to Investor 1 only, and Investor 2 shall not receive any profit distribution.

An illustration of the profit distribution scheme:

The Investors' Expected Profit [RM(x + y)]	7,000,000
• *Investor 1's Expected Profit [RMx]*	*5,000,000*
• *Investor 2's Expected Profit [RMy]*	*2,000,000*

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Actual profit from the MV (RM)	15,000,000	7,000,000	5,000,000	4,000,000
Distribution of actual profit to the Investors (RM)	7,000,000	6,930,000	4,950,000	3,960,000
• *Distribution of actual profit to Investor 1 (RM)*	*5,000,000*	*5,000,000*	*4,950,000*	*3,960,000*
• *Distribution of actual profit to Investor 2 (RM)*	*2,000,000*	*1,930,000*	-	-
Distribution of actual profit to MPG (RM)	8,000,000	70,000	50,000	40,000

2.0 Principal Terms and Conditions

(based on the Principal Terms and Conditions submitted to the SC)

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

(i) Principal adviser(s)/ Lead arranger(s) : RHB ISLAMIC Bank Berhad (680329-V) ("**RHB ISLAMIC**").

(ii) Arranger(s) : Not applicable.

(iii) Valuers : Not applicable.

(iv) Solicitors :
(i) Messrs. Jeff Leong, Poon & Wong (as the Lead Solicitor); and
(ii) Messrs. Ee & Lim (as the Local Solicitor).

(v) Financial adviser : Not applicable.

(vi) Technical adviser : KTA Tenaga Sdn. Bhd. (as the Independent Checking Engineer).

(vii) Guarantor : Not applicable.

(viii) Trustee : Amanah Raya Berhad.

(ix) Facility agent : RHB ISLAMIC.

(x) Primary subscriber(s) and amount subscribed (where applicable) :

Primary Subscriber	**Amount Subscribed**
RHB ISLAMIC	RM665.0 million of MPG Senior Sukuk [as described in Item (b)].

(xi) Underwriter(s) and amount underwritten : Not applicable.

(xii) Syariah adviser : Syariah Committee, RHB ISLAMIC.

(xiii) Central depository : Bank Negara Malaysia ("**BNM**").

(xiv) Paying agent : BNM.

	(xv)	Reporting accountant	:	Messrs Ernst & Young.
	(xvi)	Others (please specify)	:	<u>Insurance Consultant</u> Insurepro Sdn Bhd. The role of the Insurance Consultant is to advise on all aspects of insurance in relation to the Project [as described in Item (c)].
(b)	Islamic principle(s) used		:	The Serial Senior Sukuk Mudharabah of up to RM665.0 million ("**the MPG Senior Sukuk**" or "**the MPG Senior Sukuk Programme**") will be issued under the Islamic principles of Mudharabah and Istisna' while the Serial Junior Sukuk Mudharabah of up to RM285.0 million ("**the MPG Junior Sukuk**" or "**the MPG Junior Sukuk Programme**") will be issued under the Islamic principle of Mudharabah. The MPG Senior Sukuk and MPG Junior Sukuk are collectively referred to as "**the MPG Sukuk**". The MPG Senior Sukuk Programme and MPG Junior Sukuk Programme are collectively referred to as **"the MPG Sukuk Programme"**. **(i) Mudharabah** A contract which is made between two parties to finance a business venture. The parties are a *rabb al-mal* or an investor who solely provides the capital and a *mudharib* or an entrepreneur who solely manages the project. If the venture is profitable, the profit will be distributed based on a pre-agreed ratio. In the event of a business loss, the loss shall be borne solely by the provider of the capital. **(ii) Istisna'** A purchase contract of an asset whereby a buyer will place an order to purchase an asset which will be delivered in the future. In other words, the buyer will require a seller or a contractor to deliver or construct the asset that will be completed in the future according to the specifications given in the sale and purchase

contract. Both parties of the contract will decide on the sale and purchase prices as they wish and the settlement can be delayed or arranged based on the schedule of work completed.

(c) Facility description : The MPG Sukuk shall be issued under serial Sukuk issuance facilities in accordance with the Syariah principles of Mudharabah and Istisna'.

The proposed Mudharabah is premised on a Mudharabah Venture ("**MV**") entered into between MPG ("**the Mudharib**") and investors ("**the Rabb al-mal**" or "**the Investors**", comprising Investor 1 (or the Senior Sukukholders [as described in Item (x)]) and Investor 2 (or the Junior Sukukholders [as described in Item (x)]). Investor 1 and Investor 2 shall contribute financing capital to the MV. As evidence of the Investors' capital contributions to the MV, MPG shall issue the MPG Senior Sukuk to Investor 1 and MPG Junior Sukuk to Investor 2. The MPG Sukuk shall be represented by global Sukuk Mudharabah certificates evidencing the Investors' undivided proportionate beneficial interest in the MV, hence entitling the Investors to receive the Expected Profit [as described in Item (g)]. The MV involves the construction and operation of the Mukah Power Plant [as described in Item (z)(1)] ("**the Project**"), such that it is able to generate revenue by selling electricity to Syarikat SESCO Berhad (**"SESCO"**, the successor company to Sarawak Electricity Supply Corporation).

Under the MV, MPG shall contribute its expertise in managing the Project while the Investors shall contribute capital to finance the construction of the Mukah Power Plant. Upon completion of the Mukah Power Plant, the profit will be distributed between MPG and the Investors based on a pre-agreed Distribution Scheme [as described in Item(z)(10)]. In the event of a business loss, the loss shall be borne solely by the Investors.

<u>Project Construction Stage</u>

(i) MPG and the Investors shall, immediately after the execution of the MV, enter into the following transactions:

1. MPG shall enter into an Istisna' sale agreement ("**the Istisna' Sale Agreement**") with Investor 1 whereby the latter agrees to construct and deliver to MPG the Mukah Power Plant for an agreed cash consideration ("**the Istisna' Sale Price**"). For the avoidance of doubt, Investor 1 under the Istisna' transaction shall be identical to Investor 1 under the MV;
2. The Istisna' Sale Price, which comprises a series of Istisna' sale payments ("**the Istisna' Sale Payments**") shall be paid progressively to Investor 1 in accordance with an agreed payment schedule. Investor 1 may, if it so chooses, grant MPG Ibra' on the Istisna' Sale Price. The Istisna' Sale Payments payable to Investor 1 are to be contributed by the Investors.
3. Investor 1 shall simultaneously enter into an Istisna' purchase agreement ("**the Istisna' Purchase Agreement**") with MPG to procure the construction and delivery of the Mukah Power Plant for an agreed cash consideration ("**the Istisna' Purchase Price**");
4. MPG shall then appoint an engineering, procurement and commissioning contractor ("**the EPC Contractor**") to undertake the construction and delivery of the Mukah Power Plant;
5. Investor 1 shall use the Istisna' sale proceeds to pay MPG progressive payments, which comprises a series of Istisna' purchase payments ("**the Istisna' Purchase Payments**") for its on-payment to the EPC Contractor. MPG may, if it so chooses, grant Investor 1 Ibra' on the Istisna' Purchase Price;
6. Investor 1 is expected to earn a profit being the difference between the Istisna' Sale Payments and the Istisna' Purchase Payments ("**the Istisna' Profit"**) as set out in Item (z)(3), on each of the progressive payments disbursed to MPG. MPG shall pay to Investor 1 the Istisna' Profit under the Istisna' transaction, that shall be evidenced by Istisna' Profit Notes which are not tradable [as set out in item (g)]; and
7. MPG's obligations under the Istisna' Sale

Agreement shall cease on the Commercial Operations Date of the Second Unit [as set out in Item (z)(7)].

<u>Project Operation Stage</u>

(ii) Upon completion and delivery of the Mukah Power Plant, the Investors and MPG shall share in the profit generated from the Project based on the agreed Distribution Scheme [as set out in Item (z)(10)]; and

(iii) On the relevant payment dates as per the agreed redemption schedule for each series of the MPG Sukuk as set out in Item (f), MPG would have refunded the respective funds provided for the Project, in full to the holders of the MPG Sukuk ("**the Sukukholders**").

(d) Issue size (RM) : The MPG Sukuk Programme comprises:

(i) The MPG Senior Sukuk Programme of up to a nominal value of RM665.0 million; and

(ii) The MPG Junior Sukuk Programme of up to a nominal value of RM285.0 million.

(e) Issue price : **<u>MPG Senior Sukuk</u>**

The MPG Senior Sukuk shall be issued at par.

<u>MPG Junior Sukuk</u>

The MPG Junior Sukuk shall be issued at par.

(f) Tenure of the facility / issue : **<u>MPG Senior Sukuk</u>**

(i) <u>Tenure of the Istisna' Facility</u>

Up to the Commercial Operations Date of the Second Unit or thirty (30) months from the date of inception of the Istisna' Sale Agreement and Istisna' Purchase Agreement, whichever is the earlier.

(ii) <u>Tenure of the MPG Senior Sukuk Programme ("**the MPG Senior Sukuk Tenure**")</u>

Up to fifteen (15) years from the date of first issue.

(iii) Maturity of the MPG Senior Sukuk

For Tranche 1 to Tranche 4

Four (4) years and up to fifteen (15) years.

For Tranche 5

Two (2) years and up to three (3) years, at the option of MPG.

The issue date of each subsequent tranche ("**Tranche**") of MPG Senior Sukuk shall be six (6) months after the issue date of the immediately preceding Tranche, e.g. issue date of Tranche 2 shall be six (6) months after the issue date of Tranche 1[3].

No MPG Senior Sukuk shall be issued after the relevant issue date for the Tranche in which such MPG Senior Sukuk belongs and the availability of such MPG Senior Sukuk shall thereafter be cancelled.

Based on the indicative tranches provided to the Lead Arranger (**"the MPG Senior Sukuk Indicative Tranches"**), each series of the issued MPG Senior Sukuk shall be redeemed (**"the MPG Senior Sukuk Redemption Amount"**) on its respective redemption date[4] as per the following schedule ("**the MPG Senior Sukuk Redemption Schedule**"):

[3] In any case, the issue date of each Tranche of the MPG Senior Sukuk shall fall after the issue date of each corresponding Tranche of the MPG Junior Sukuk.

[4] The issue size of each series / tranche of the MPG Senior Sukuk may vary depending upon MPG's project financing requirements. In the event the Issuer wishes to revise the issue size of each series / tranche of the MPG Senior Sukuk, the Issuer shall notify the Lead Arranger of the proposed revision in writing thirty (30) days prior to the issuance of Tranche 1 of the MPG Senior Sukuk. The agreed Redemption Amounts / Redemption Dates shall be revised accordingly. Any changes are to be mutually agreed between the Lead Arranger and the Issuer. The SC will be notified accordingly.

Tranche 1

Series	Redemption Amount (RM)	Redemption Date (Years from Issuance)
1	20,000,000	12.5
2	35,000,000	13.0
3	35,000,000	13.5
4	35,000,000	14.0
5	35,000,000	14.5
6	35,000,000	15.0
Total	**195,000,000**	

Tranche 2

Series	Redemption Amount (RM)	Redemption Date (Years from Issuance)
1	5,000,000	6.5
2	30,000,000	7.0
3	30,000,000	7.5
4	25,000,000	8.0
5	25,000,000	8.5
6	30,000,000	9.0
7	25,000,000	9.5
8	35,000,000	10.0
9	35,000,000	10.5
10	35,000,000	11.0
11	35,000,000	11.5
12	15,000,000	12.0
Total	**325,000,000**	

Tranche 3

Series	Redemption Amount (RM)	Redemption Date (Years from Issuance)
1	15,000,000	5.5
2	15,000,000	6.0
Total	**30,000,000**	

Tranche 4

Series	Redemption Amount (RM)	Redemption Date (Years from Issuance)
1	20,000,000	4.0
2	20,000,000	4.5
3	5,000,000	5.0
Total	**45,000,000**	

Tranche 5

Series	Redemption Amount (RM)	Redemption Date (Years from Issuance)
1	20,000,000	2.0
2	25,000,000	2.5
3	25,000,000	3.0
Total	**70,000,000**	

<u>MPG Junior Sukuk</u>

(i) <u>Tenure of the MPG Junior Sukuk Programme ("**the MPG Junior Sukuk Tenure**")</u>

Up to twenty-five (25) years from the date of first issue.

(ii) <u>Maturity of the MPG Junior Sukuk</u>

Fifteen (15) years and up to twenty-two (22) years.

Based on the indicative tranches provided to the Lead Arranger, with a scheduled total issuance size of RM210.0 million (**"the MPG Junior Sukuk Indicative Tranches")**, the issue date of each subsequent Tranche shall be six (6) months after the issue date of the immediately preceding Tranche, e.g. issue date of Tranche 2 shall be six (6) months after the issue date of Tranche 1[5].

Each series of the issued MPG Junior Sukuk shall be redeemed (**"the MPG Junior Sukuk Redemption Amount"**) on its respective redemption date as per the following schedule ("**the MPG Junior Sukuk Redemption**

[5] In any case, the issue date of each Tranche of the MPG Junior Sukuk shall fall before the issue date of each corresponding Tranche of the MPG Senior Sukuk.

Schedule"):

Tranche 1

Series	Redemption Amount(RM)	Redemption Date (Years from Issuance)
1	30,000,000	19.0
2	25,000,000	20.0
3	15,000,000	21.0
4	30,000,000	22.0
Total	**100,000,000**	

Tranche 2

Series	Redemption Amount (RM)	Redemption Date (Years from Issuance)
1	25,000,000	16.5
2	30,000,000	17.5
Total	**55,000,000**	

Tranche 3

Series	Redemption Amount (RM)	Redemption Date (Years from Issuance)
1	45,000,000	15.0
2	10,000,000	16.0
Total	**55,000,000**	

MPG may, prior to the Commercial Operations Date of the Second Unit, in addition to the MPG Junior Sukuk Indicative Tranches above, issue MPG Junior Sukuk of up to RM75.0 million ("**the Additional MPG Junior Sukuk**") as and when required, to (1) meet its funding requirements in the event of Project cost overrun due to variation order, and (2) pay Liquidated and Ascertained Damages under the Istisna' Purchase Agreement [as described in Item (z)(4)] in the event of Project completion delay.

In the event of Project cost overrun, MPG shall enter into a separate Istisna' sale agreement with Investor 1 whereby the latter agrees to construct and deliver to MPG an additional component of the Project, and Investor 1 shall simultaneously enter into a separate Istisna' purchase agreement with MPG to procure the construction and delivery of the same additional component of the Project, for agreed Istisna' sale price and Istisna' purchase price respectively.

Maturity of each series of the Additional MPG Junior Sukuk, whilst shall not be more than twenty-five (25) years, shall only be determined at the point of issuance of each series of the Additional MPG Junior Sukuk and the Securities Commission ("**SC**") will be notified accordingly. For the avoidance of doubt, there shall not be any redemption in respect of the Additional MPG Junior Sukuk on or before the redemption date of the last series of the MPG Senior Sukuk and MPG Junior Sukuk Indicative Tranches.

(g) Coupon / profit or equivalent rate (%) (please specify) :

<u>MPG Senior Sukuk</u>

The Expected Profits of the MPG Senior Sukuk comprise the Istisna' Profit and Expected Profit agreed under the Istisna' Purchase Agreement and Istisna' Sale Agreement, and the MV respectively, entered into between MPG and Investor 1, and MPG and the Investors respectively.

Based on the following MPG Senior Sukuk Indicative Tranches, the Expected Profit Rates[6] shall be as set out below subject to the following:

(i) A rating of AA3 is assigned to the MPG Senior Sukuk Programme; and

(ii) The validity date for the issuance of the initial tranche (Tranche 1) is on or before 29 December 2006.

As such, the Expected Profit Rates may be revised upon expiry of the above validity date or if the said rating is not obtained. The SC will be notified accordingly.

The Expected Profit Rates of each series of the MPG Senior Sukuk are as follows:

[6] The issue size of each series / tranche of the MPG Senior Sukuk may vary depending upon MPG's project financing requirements. In the event the Issuer wishes to revise the issue size of each series / tranche of the MPG Senior Sukuk, the Issuer shall notify the Lead Arranger of the proposed revision in writing thirty (30) days prior to the issuance of Tranche 1 of the MPG Senior Sukuk. The agreed Nominal Amounts / Expected Profit shall be revised accordingly. Any changes are to be mutually agreed between the Lead Arranger and the Issuer. The SC will be notified accordingly.

Tranche 1

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)
1	20,000,000	8.10
2	35,000,000	8.20
3	35,000,000	8.30
4	35,000,000	8.40
5	35,000,000	8.50
6	35,000,000	8.60
Total	**195,000,000**	

Tranche 2

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)
1	5,000,000	7.55
2	30,000,000	7.65
3	30,000,000	7.75
4	25,000,000	7.85
5	25,000,000	7.95
6	30,000,000	8.00
7	25,000,000	8.10
8	35,000,000	8.20
9	35,000,000	8.35
10	35,000,000	8.45
11	35,000,000	8.55
12	15,000,000	8.65
Total	**325,000,000**	

Tranche 3

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)
1	15,000,000	7.80
2	15,000,000	7.90
Total	**30,000,000**	

Tranche 4

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)
1	20,000,000	7.85
2	20,000,000	7.95
3	5,000,000	8.05
Total	**45,000,000**	

Tranche 5

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)
1	20,000,000	7.60
2	25,000,000	7.75
3	25,000,000	7.90
Total	**70,000,000**	

MPG Junior Sukuk

Based on the MPG Junior Sukuk Indicative Tranches below, the Expected Profit Rates of each series of the MPG Junior Sukuk shall be as set out below:

Tranche 1

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)
1	30,000,000	58.50
2	25,000,000	83.50
3	15,000,000	126.50
4	30,000,000	168.50
Total	**100,000,000**	

Tranche 2

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)
1	25,000,000	12.35
2	30,000,000	50.85
Total	**55,000,000**	

Tranche 3

Series	Nominal Amount (RM)	Expected Profit Rate (% p.a.)
1	45,000,000	12.00
2	10,000,000	12.50
Total	**55,000,000**	

The Expected Profit Rates of each series of the Additional MPG Junior Sukuk shall only be determined at the point of issuance of each series of the Additional MPG Junior Sukuk and the SC will be notified accordingly. For the avoidance of doubt, there shall not be any payment of Expected Profit in respect of the Additional MPG Junior Sukuk on or before the redemption date of the last series of the MPG Senior Sukuk and MPG Junior Sukuk Indicative Tranches.

(h) Coupon / profit payment frequency and basis : **MPG Senior Sukuk**

The Istisna' Profit is payable on a six (6)-monthly basis commencing six (6) months after the inception of the Istisna' Sale Agreement and Istisna' Purchase Agreement, with the last Istisna' Profit to be made in the thirtieth (30th) month after the inception of the Istisna' Sale Agreement and Istisna' Purchase Agreement. The profit calculation is based on actual / actual.

The Expected Profit under the MV are payable on a six (6)-monthly basis commencing thirty-six (36) months from the first issuance of the MPG Senior Sukuk, with the last profit payment for each series of the MPG Senior Sukuk to be made on the maturity date of each series of the MPG Senior Sukuk. The profit calculation is based on actual / actual.

In the event the Commercial Operations Date of the Second

Unit is not achieved within thirty (30) months after the inception of the Istisna' Purchase Agreement, the Liquidated and Ascertained Damages under the Istisna' Purchase Agreement shall be payable in lieu of the Expected Profit under the MV during the period between the Commercial Operations Date of the Second Unit and actual Project completion date. The Expected Profit under the MV shall only be payable upon the achievement of the Commercial Operations Date of the Second Unit and after the said Liquidated and Ascertained Damages under the Istisna' Purchase Agreement are paid.

MPG Junior Sukuk

The profit payments are payable on a six (6)-monthly basis with profit payments for each series of the MPG Junior Sukuk to commence in the n^{th} month from the issuance of each series of the MPG Junior Sukuk[7] as set out below, with the last profit payment for each series of the MPG Junior Sukuk to be made on the maturity date of each series of the MPG Junior Sukuk. The profit calculation is based on actual / actual.

Tranche 1

Series	Expected Profit Rate (% p.a.)	Month	Expected Profit Rate (% p.a.)	n^{th} Month from Issuance
1	0.00	1 - 168	58.50	174
2	0.00	1 - 192	83.50	198
3	0.00	1 - 216	126.50	222
4	0.00	1 - 234	168.50	240

[7] There shall not be any profit payment for the MPG Junior Sukuk before the Commercial Operations Date of the Second Unit.

Tranche 2

Series	Expected Profit Rate (% p.a.)	Month	Expected Profit Rate (% p.a.)	n^{th} Month from Issuance
1	0.00	1- 42	12.35	48
2	0.00	1 - 150	50.85	156

Tranche 3

Series	Expected Profit Rate (% p.a.)	Month	Expected Profit Rate (% p.a.)	n^{th} Month from Issuance
1	0.00	1 - 36	12.00	42
2	0.00	1 - 42	12.50	48

(i) Yield to maturity (%) : **MPG Senior Sukuk**

The Expected Yields to Maturity ("**YTMs**") of each series of the MPG Senior Sukuk are computed based on the Istisna' Profit earned under the Istisna' Sale Agreement and Istisna' Purchase Agreement (and in the case where the Commercial Operations Date of the Second Unit is achieved after the thirtieth (30^{th}) month after the inception of the Istisna' Purchase Agreement, the Liquidated and Ascertained Damages under the Istisna' Purchase Agreement payable during the period between the Commercial Operations Date of the Second Unit and actual Project completion date) and Expected Profit agreed under the MV.

Based on the following MPG Senior Sukuk Indicative Tranches, the YTMs[8] for the MPG Senior Sukuk shall be as set out below subject to the following:

(i) A rating of AA3 is assigned to the MPG Senior Sukuk;

[8] The issue size of each series / tranche of the MPG Senior Sukuk may vary depending upon MPG's project financing requirements. In the event the Issuer wishes to revise the issue size of each series / tranche of the MPG Senior Sukuk, the Issuer shall notify the Lead Arranger of the proposed revision in writing thirty (30) days prior to the issuance of Tranche 1 of the MPG Senior Sukuk. The agreed Nominal Amounts / YTMs shall be revised accordingly. Any changes are to be mutually agreed between the Lead Arranger and the Issuer. The SC will be notified accordingly.

and

(ii) The validity date for the issuance of the initial tranche (Tranche 1) is on or before 29 December 2006.

As such, the YTMs may be revised upon expiry of the above validity date or if the said rating is not obtained. The SC will be notified accordingly.

The YTMs of each series of the MPG Senior Sukuk are as follows:

Tranche 1

Series	Nominal Amount (RM)	YTM (% p.a.)
1	20,000,000	8.10
2	35,000,000	8.20
3	35,000,000	8.30
4	35,000,000	8.40
5	35,000,000	8.50
6	35,000,000	8.60
Total	**195,000,000**	

Tranche 2

Series	Nominal Amount (RM)	YTM (% p.a.)
1	5,000,000	7.55
2	30,000,000	7.65
3	30,000,000	7.75
4	25,000,000	7.85
5	25,000,000	7.95
6	30,000,000	8.00
7	25,000,000	8.10
8	35,000,000	8.20
9	35,000,000	8.35
10	35,000,000	8.45
11	35,000,000	8.55
12	15,000,000	8.65
Total	**325,000,000**	

Tranche 3

Series	Nominal Amount (RM)	YTM (% p.a.)
1	15,000,000	7.80
2	15,000,000	7.90
Total	**30,000,000**	

Tranche 4

Series	Nominal Amount (RM)	YTM (% p.a.)
1	20,000,000	7.85
2	20,000,000	7.95
3	5,000,000	8.05
Total	**45,000,000**	

Tranche 5

Series	Nominal Amount (RM)	YTM (% p.a.)
1	20,000,000	7.60
2	25,000,000	7.75
3	25,000,000	7.90
Total	**70,000,000**	

<u>MPG Junior Sukuk</u>

The YTMs of each series of the MPG Junior Sukuk are computed based on the Expected Profit agreed under the MV.

Based on the following MPG Junior Sukuk Indicative Tranches, the YTMs of each series of the MPG Junior Sukuk shall be as set out below:

Tranche 1

Series	Nominal Amount (RM)	YTM (% p.a.)
1	30,000,000	8.10
2	25,000,000	8.05
3	15,000,000	8.00
4	30,000,000	7.95
Total	**100,000,000**	

Tranche 2

Series	Nominal Amount (RM)	YTM (% p.a.)
1	25,000,000	8.22
2	30,000,000	8.18
Total	**55,000,000**	

Tranche 3

Series	**Nominal Amount (RM)**	**YTM (% p.a.)**
1	45,000,000	8.31
2	10,000,000	8.25
Total	**55,000,000**	

The YTMs of the Additional MPG Junior Sukuk shall only be determined at the point of issuance of each series of the Additional MPG Junior Sukuk and the SC will be notified accordingly.

(j) Security / collateral (if any) : Although the MPG Sukuk are not secured as to guarantee any return of capital or profits of the MV, the obligations of MPG arising from the MPG Sukuk Programme shall be secured by the following:

(i) Assignment of all rights, benefits and titles of MPG under its project documents, including but not limited to the Licence for the Generation of Electricity for the Mukah Power Plant ("**the Licence**"), Power Purchase Agreement with SESCO ("**the PPA**"), the Coal Supply Agreement with Sarawak Coal Resources Sdn Bhd ("**the CSA**"), the Engineering, Procurement, and Commissioning Contract with the EPC Contractor ("**the EPC Contract**"), the Non-Plant Zone Engineering, Procurement and Commissioning Contract with PPES Works (Sarawak) Sdn Bhd, permits and insurance policies (collectively referred to as "**the Project Documents**");

(ii) Memorandum of Charge to be signed in escrow over the piece of land on which the Mukah Power Plant will be located, as described under "Approved Plan" Plan No. 10D(SPA/SP/7-05)A and registered under SPA Approval No. P/10D/849-05 ("**the Mukah Power Plant Land"**);

(iii) Pending the issuance of the individual document of title, (a) Letter of Undertaking from MPG to procure the issuance of the individual document of title over the Mukah Power Plant Land; and (b) Assignment of its rights to the alienation of, and issuance of lease(s) or provisional lease(s) or separate individual document of title of, the Mukah Power Plant Land in MPG's favour;

(iv) Memorandum of First Legal Charge over the Designated Accounts [as described in Item (z)(17)] and assignment of MPG's rights, benefits and titles over the credit balances in the Designated Accounts; and

(v) First ranking debenture creating fixed and floating charge over MPG;s present and future assets.

(k) Details of utilisation of proceeds : The proceeds from the MPG Sukuk Programme will be utilised by MPG to meet the following purposes:

MPG Senior Sukuk

Details		**Up to Amount (RM' million)**
(i)	Part repay shareholder's advances of up to RM150.0 million, which has been utilised to pay site acquisition cost and other project related expenses in relation to the development, design and construction of the Mukah Power Plant prior to the initial issuance of the MPG Junior Sukuk*;	43.5
(ii)	Part finance all costs associated with the site acquisition, development, design, construction, start-up and initial operations of the Mukah Power Plant;	592.6
(iii)	Pay all the MPG Sukuk Programme-related expenses incurred prior to the Commercial Operations Date of the Second Unit; and	1.8
(iv)	Deposit into the SPA [as described in Item (z)(17)] to meet the initial funding requirement of the Minimum SPA Balance [as described in Item (z)(17)(iii)].	27.1
		665.0

** It should be noted that any decrease in repayment of shareholder's advances shall correspondingly reduce the utilisation of proceeds for the part-repayment of shareholder's advances as stated. Any unutilised amount herein may be utilised for item (ii) above.*

Note: Any unutilised amount from any of items (ii), (iii) and (iv) above will be utilised for general working capital purpose.

MPG Junior Sukuk

Details		**Up to Amount (RM' million)**
(i)	Part repay shareholder's advances of up to RM150.0 million, which has been utilised to pay site acquisition cost and other project related expenses in relation to the development, design and construction of the Mukah Power Plant prior to the initial issuance of the MPG Junior Sukuk**;	106.5
(ii)	Part finance all costs associated with the site acquisition, development, design, construction, start-up and initial operations of the Mukah Power Plant;	-
(iii)	Meet its obligations under the Istisna' Sale Agreement i.e. to pay Istisna' Profit during the Project construction period; and	103.5
(iv)	Meet its contingent requirements in the event of Project cost overrun due to variation order and payment of the Liquidated and Ascertained Damages under the Istisna' Purchase Agreement.	75.0
		285.0

***It should be noted that any decrease in repayment of shareholder's advances shall correspondingly reduce the utilisation of proceeds for the part-repayment of shareholder's advances as stated. Any unutilised amount herein may be utilised for item (ii) above.*

Note: Any unutilised amount from any of items (ii), (iii) and (iv) above will be utilised for general working capital purpose.

For the avoidance of doubt, utilisation of proceeds from the

MPG Sukuk Programme to repay shareholder's advances shall not exceed RM150.0 million in aggregate.

(l) Sinking fund (if any) : Not applicable.

(m) Rating

- Credit rating assigned

MPG Senior Sukuk

AA3 (Initial).

MPG Junior Sukuk

A2 (Initial).

- Name of rating agency

Rating Agency Malaysia ("**RAM**").

(n) Form and denomination :

Form

Each tranche of the MPG Sukuk shall be represented at all times by negotiable non-interest bearing unsecured certificates in bearer form represented by a global Sukuk Mudharabah certificate (exchangeable for definitive certificates only in permitted circumstances) evidencing undivided proportionate interest in the MV, hence entitling the Sukukholders to receive the Istisna' Profit and / or Expected Profit agreed under the Istisna' Sale Agreement and MV respectively. The global Sukuk Mudharabah certificates will be deposited with BNM.

Denomination

The denomination of the MPG Sukuk shall be in multiples of RM1.0 million at the time of issuance, subject to the Rules on Fully Automated System for Issuing / Tendering issued by BNM ("**the FAST Rules**"), Rules on Scripless Securities under the Real Time Electronic Transfer of Funds and Securities system issued by BNM ("**the RENTAS Rules**") and other standard conditions including, without limitation, the following:

(i) a minimum issue size of RM5.0 million for each issue; and

(ii) the issue notice shall be given to the Facility Agent for BNM purposes at least five (5) business days prior to and excluding the date of proposed issue.

(o)	Mode of issue	:	**<u>MPG Senior Sukuk</u>** The MPG Senior Sukuk shall be issued on a bought-deal basis in accordance with: (i) the "Code of Conduct and Market Practices for the Malaysian Corporate Bond Market" issued by the Institut Peniaga Bon Malaysia and approved by BNM ("**IPBM Code**"); (ii) the RENTAS Rules; and (iii) the FAST Rules. or their replacement thereof applicable from time to time (collectively referred to as the "**Codes of Conduct**"). **<u>MPG Junior Sukuk</u>** The MPG Junior Sukuk shall be issued on a private placement basis in accordance with the Codes of Conduct. The RENTAS Rules shall prevail to the extent of any inconsistency between the RENTAS Rules and IPBM Code, for both MPG Senior Sukuk and MPG Junior Sukuk.
(p)	Selling restriction	:	The MPG Sukuk may not be offered or sold directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than in accordance with Section 4(6) of the Companies Act 1965 (as amended) of Malaysia, subject to any law, order, regulation or official directive of BNM, SC and / or other regulatory authority from time to time.
(q)	Listing status	:	The MPG Sukuk will not be listed on the Bursa Malaysia Securities Berhad or any other stock exchange.
(r)	Minimum level of subscription (RM or %)	:	100% of MPG Senior Sukuk issued will be fully subscribed by the Primary Subscriber pursuant to a bought-deal arrangement. 100% of the MPG Junior Sukuk issued will be fully privately placed to Sarawak Power Generation Sdn Bhd ("**SPG**").
(s)	Other regulatory approvals required in relation to the	:	Not applicable.

	issue, offer or invitation whether or not obtained (please specify)		
(t)	Identified assets	:	**<u>Istisna' Sale Agreement and Istisna' Purchase Agreement</u>** The underlying asset for the Istisna' Sale Agreement and Istisna' Purchase Agreement shall be the relevant component(s) of the Project to be developed and delivered in accordance with the specification to be agreed between MPG and Investor 1, which on completion shall collectively form the Mukah Power Plant. The total Project cost, excluding financing cost during construction, shall be up to RM800,000,000. The ascribed value in relation to the Istisna' Purchase Price for the identified assets shall be in compliance with the SC's Syariah Advisory Council Pricing Guidelines (i.e. Garis Panduan Penetapan Harga Aset Dalam Penerbitan Bon Islam) issued on 30/04/04 as may be replaced, substituted, amended or revised from time to time.
(u)	Purchase and selling price / rental (where applicable)	:	**<u>MV Agreement</u>** Purchase price and selling price are not relevant in a Mudharabah transaction. **<u>Istisna' Sale Agreement and Istisna' Purchase Agreement</u>** **Istisna' Purchase Price** Up to RM800,000,000. The purchase price refers to the price payable by Investor 1 to MPG under the Istisna' Purchase Agreement. **Istisna' Selling Price** Up to RM903,436,250. The selling price, which includes the Istisna' Profit, refers to the sum payable by MPG to Investor 1 under the Istisna' Sale Agreement in accordance with the Istisna' Profit Schedule [as set out in Item (z)(3)].

(v) Conditions precedent : Conditions precedent for initial issuance of the MPG Sukuk Programme shall include the following (all to be in the form and substance acceptable to the Lead Arranger):

A. Main Documentation

(i) The facility agreement, trust deed, depository and paying agency agreement, Istisna' Sale Agreement, Istisna' Purchase Agreement, security documents (save for the Memorandum of Charge over the Mukah Power Plant Land) and all relevant documents as advised by the Lead Solicitor from time to time (collectively referred to as "**the Transaction Documents**"), have been duly executed and perfected.

B. MPG

(i) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association;

(ii) Certified true copies of Forms 24 and 49;

(iii) A certified true copy of board resolution authorising, amongst others:

(a) the acceptance of the MPG Sukuk Programme and the terms and conditions contained herein;

(b) the execution of the Transaction Documents, and the list of persons authorised to sign the Transaction Documents and thereafter give notices or otherwise communicate formally with the Lead Arranger / Facility Agent in relation to the MPG Sukuk Programme; and

(c) the opening and operating of the Designated Accounts.

(iv) A list of authorised signatories and their respective specimen signatures;

(v) Documentary evidence which is duly certified by the Company Secretary that MPG's paid-up capital is at least RM2.0 million;

(vi) Evidence of the opening of the Designated

Accounts;

(vii) Certified true copies of the Notices of Assignment of the Designated Accounts and the relevant acknowledgments from RHB ISLAMIC in form and content acceptable to the Lead Arranger in respect of the charge of the Designated Accounts;

(viii) Certified true copies of all duly executed Project Documents and any amendments made thereto;

(ix) A certificate from MPG confirming that there is no litigation, arbitration or administrative proceeding or claim against MPG which would likely have a Material Adverse Effect[9] on its ability to perform its obligations under the licences and agreements to which is a party;

(x) A letter of undertaking from MPG to issue each tranche of the MPG Sukuk only after the issuance of the SPG Sukuk [as described in item (C)(ii) below] by SPG;

(xi) A letter of undertaking from SPG to (a) subscribe to the MPG Junior Sukuk of up to RM285.0 million; (b) retain, at all times, full ownership of the issued MPG Junior Sukuk after the MV Commencement Date but before the Commercial Operations Date of the Second Unit; and (c) retain, at all times, ownership of the MPG Junior Sukuk equivalent to at least ten percent (10%) of the aggregate outstanding nominal values of the MPG Senior Sukuk and MPG Junior Sukuk, and MPG's shareholders' funds, from the Commercial Operations Date of the Second Unit until the maturity of the last series of the MPG Junior Sukuk;

(xii) Receipt of issue notice at least five (5) business days prior to and excluding the date of proposed issue; and

(xiii) A report of the relevant company and winding up searches with results satisfactory to the Lead Arranger.

9 Material Adverse Effect means, in the reasonable opinion of the Trustee, a material adverse effect upon the financial condition, business operations or management activities of MPG, which may have a material impact upon the ability of MPG to perform its obligations under the Transaction Documents.

C. General

(i) Receipt of approval from the SC for issuance of the MPG Sukuk Programme and MPG's compliance with all conditions of such approval;

(ii) Receipt of approval from the SC for the issuance of SPG's Sukuk Musyarakah of up to RM215.0 million ("**the SPG Sukuk**" or "the **SPG Sukuk Programme**") and SPG's compliance with all conditions of such approval;

(iii) Receipt of a written report from the Insurance Consultant that the insurance cover obtained by MPG in relation to the Project is adequate and in compliance with MPG's obligations to insure under the Project Documents;

(iv) Confirmation from the Insurance Consultant that the Trustee has been named as the loss-payee in respect of such insurances to be assigned to the Trustee and certified true copies of such insurance policies;

(v) Receipt of a written report from the Independent Checking Engineer confirming amongst others, the technical viability and the plant's ability to meet the initial capacity requirements of the PPA and the reasonableness of the Project cost ("**the Project Cost**");

(vi) Completion of the due diligence exercise in a manner satisfactory to the Lead Arranger;

(vii) Outcome of the due diligence exercise satisfactory to the Lead Arranger;

(viii) The MPG Senior Sukuk shall have received a minimum long-term credit rating of AA3 from RAM;

(ix) Receipt of all relevant regulatory approvals for the implementation of the Project;

(x) The Lead Arranger shall have received legal opinion from the Lead Solicitor advising with respect to, among others, the legality, validity and enforceability of all the relevant documents;

(xi) The Lead Arranger shall have received a written confirmation from the Lead Solicitor on the fulfillment of all conditions precedent; and

(xii) Such other conditions precedent as may be advised by the Lead Solicitor and to be mutually agreed between the Lead Arranger and MPG.

The Primary Subscriber may waive any of the conditions precedent in whole or in part at its discretion with or without conditions without prejudice to its rights to insist on the compliance by MPG at any subsequent date. The SC will be notified accordingly upon the initial issuance of the MPG Sukuk.

(w) Representations and warranties : Representations and warranties shall include but not limited to the following:

(i) MPG is duly established and validly existing under the laws of Malaysia;

(ii) That:

(a) MPG is empowered and authorised by the provisions of the Memorandum and Articles of Association;

(b) all necessary corporate and statutory actions have been taken to authorise MPG;

(c) all necessary authorisations of any governmental or other authority have been duly and unconditionally obtained and are in full force and effect which are required to authorise MPG:

i. own its assets, carry on its business as it is being conducted;

ii. execute and deliver, and perform transactions contemplated in the Transaction Documents;

iii. issue the MPG Sukuk; and

iv. perform its obligations specified in the terms and conditions of the MPG Sukuk.

(iii) the Transaction Documents constitute valid and binding obligations of MPG enforceable in accordance with their respective terms and that there is no law or regulation or any order or decree of any governmental authority, agency or court to which MPG is subject to which would be in conflict with or prevent MPG from executing, delivering and performing the transactions contemplated in each of the Transaction Documents;

(iv) neither the execution and delivery of the Transaction Documents, nor the issue of the MPG Sukuk nor the performance of any of the transactions contemplated in the Transaction Documents does or shall:

(a) contravene or constitute a default under any provision contained in any agreement, instrument, law, judgment, order, licence, permit or consent by which MPG is bound or affected; or

(b) cause any limitation on MPG or the powers of its Board of Directors, whether imposed by or contained in the Memorandum and Articles of Association or in any other law, order, judgment, agreement, instrument or otherwise, to be exceeded.

(v) no authorisation, approval, consent, licence, exemption, registration, recording, filing, notarisation of the Transaction Documents and no payment of any duty or tax and no other action whatsoever which has not been duly and unconditionally obtained, made or taken is necessary or desirable to ensure the validity or enforceability of the liabilities and obligations of MPG or the rights of the Lead Arranger, Trustee and Sukukholders under the Transaction Documents in accordance with their terms;

(vi) no event has occurred which constitutes a contravention of, or default under, any agreement or instrument by which MPG or any of its assets is bound or affected, being a contravention or default which may have a Material Adverse Effect;

(vii) no litigation, arbitration or administrative proceeding or claim which might by itself or together with any other such proceedings or claims which may have a Material Adverse Effect on MPG, is presently in progress or pending or, to the best of the knowledge, information and belief of MPG threatened against MPG or any of its assets;

(viii) the Information Memorandum and written information furnished by MPG in connection with the MPG Sukuk Programme and Transaction Documents do not contain any untrue statement or omit to state any fact, the omission of which makes the statements therein, in the light of the circumstances under which they are made, misleading and all expressions of expectations, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful enquiry by MPG;

(ix) MPG has fully disclosed in writing to the Lead Arranger all facts relating to MPG which are material for disclosure to the Lead Arranger in the context of the MPG Sukuk Programme and Transaction Documents;

(x) there has been no change in its business or financial condition since the date of the Information Memorandum which may have a Material Adverse Effect;

(xi) MPG is the legal and beneficial owner of all its rights under the Project Documents;

(xii) none of the assets of MPG is affected by any security interest and MPG is not a party to, nor is it or any of its assets bound by, any order, agreement or instrument under which MPG is, or in certain events may be, required to create, assume or permit to arise any security interest (other than any permitted under the terms and conditions of the MPG Sukuk Programme);

(xiii) no Event of Default has occurred and / or is continuing or would occur as a result of the issuance of the MPG Sukuk;

(xiv) the MPG Sukuk when issued would constitute direct, unconditional and secured obligations of MPG and shall rank first with all other present and future financial obligations of MPG with the exception of that which is preferred by law;

(xv) MPG is conducting its business and operations in compliance with all applicable laws and regulations and all directives of governmental authorities having the force of law;

(xvi) save as disclosed in the Transaction Documents, and Information Memorandum, MPG has no other borrowings;

(xvii) the audited financial statements of MPG have been prepared in accordance with approved accounting standards in Malaysia; and

(xviii) all necessary returns have been or will be delivered by or on behalf of MPG to the relevant taxation authorities and MPG is not in default in the payment of any taxes of a material amount, and no material claim is being asserted with respect to taxes which is not disclosed in the audited financial statements as disclosed to the Trustee.

(x) Events of default : The agreed situations of misconduct or negligence which are stated upfront and form part of default events to the MV shall include, inter alia, the following:

(i) any act (commission or omission) of dishonesty or mismanagement (including any attempt thereof) by MPG which includes, but not limited to the following:

a. providing false or untrue statements, information, disclosure or reports;

b. concealing or non-disclosure of material facts, information or reports;

c. providing false or untrue representations and warranties;

d. failure to perform and/or execute the Project in a professional like manner as may be expected of a Mudharib undertaking a project of similar nature;

e. any act of deceit; or

f. improper use or misappropriation of the funds.

(ii) failure by MPG to redeem the MPG Senior Sukuk on the relevant redemption dates as per the agreed MPG Senior Sukuk Redemption Schedule;

(iii) failure by MPG to pay Istisna’ Profit to Investor 1 under the Istisna’ Sale Agreement;

(iv) failure by MPG to pay profits to the holders of the MPG Sukuk (“**the Sukukholders**”) in accordance with the Distribution Scheme;

(v) failure by MPG to redeem the MPG Junior Sukuk on the relevant redemption dates as per the MPG Junior Sukuk Redemption Schedule;

(vi) failure by MPG to perform or observe any other provision of the Transaction Document(s) [other than

(i) above] and where the Trustee considers that such failure is capable of remedy, the failure is not remedied within thirty (30) days;

(vii) insolvency or administration or winding up of MPG;

(viii) a change of the Memorandum and Articles of Association of MPG without written consent from the Trustee, save for amendments (if any) made pursuant to a restructuring of MPG or its subsidiaries (if any) pursuant to public listing exercise;

(ix) failure by MPG to meet the Financial Covenants [as described in Item (z)(24)];

(x) MPG ceases or threatens to cease to carry on all or a substantial part of its business;

(xi) MPG enters into businesses prohibited under Syariah Principles; or

(xii) such other Events of Defaults as may be advised by the Lead Solicitor and in accordance with the principle of Mudharabah.

For the avoidance of doubt, failure by MPG to meet the scheduled Expected Profit payments of MPG Sukuk due to commercial reason(s) beyond its control and not due to its wilful default shall not constitute an Event of Default.

In the Event of Default, the Rabb al-mal shall have the right to terminate the MV and hence, shall be entitled to do the following:

(i) give instruction to the Trustee to proceed to enforce and realise the Security [as described in Item (j)]; and / or

(ii) appoint any third party (ies) (including but are not limited to receivers and / or managers) having full power to complete and manage the Project.

The proceeds from the security enforcement, net of all cost and expenses ("**the Realised Sum**"), shall be deposited in the MBA [as described in Item (z)(17)] and shall firstly be applied to meet all secured obligations of MPG pursuant to the MPG Senior Sukuk.

Thereafter, any balance of the Realised Sum shall be distributed to the holders of the MPG Senior Sukuk ("**the**

Senior Sukukholders") and the holders of MPG Junior Sukuk ("**the Junior Sukukholders**") in accordance with their capital contributions.

(y) Principal terms and conditions for warrants (where applicable) : Not applicable.

(z) Other principal terms and conditions for the issue

1. Mukah Power Plant : The 2X135 Megawatts ("**MW**") total installed capacity coal-fired power plant comprising two boiler-turbine-generator units, each unit with a nominal 135 MW capacity (including all related facilities) and ancillary infrastructure, to be constructed in Mukah, Sarawak and includes any modification thereto.

2. Mudharabah Venture ("**MV**") : **<u>MV</u>**

Mudharabah venture entered into between MPG (the Mudharib) and the Investors (the Rabb al-mal) involving the construction and operation of the Mukah Power Plant such that it is able to generate revenue by selling electricity to SESCO. The MV is constituted under a Trust Deed to be entered into between MPG and the Trustee.

<u>Tenure of the MV</u>

The MV between MPG and the Investors shall commence on the MPG Junior Sukuk first issue date ("**the MV Commencement Date**") with a maximum tenure of up to twenty-five (25) years from the MV Commencement Date.

Investor 1 shall withdraw its participation in the MV at the end of the fifteenth (15th) year from the MPG Senior Sukuk first issue date.

3. Istisna' Profit Schedule : The Istisna' Profit shall be based on the following schedule:

n^{th} Month from the MV Commencement Date	Istisna' Profit (Up to RM)
6	8,160,000
12	21,366,250

18	22,543,750
24	24,325,000
30	27,041,250
Total	**103,436,250**

4. Liquidated and Ascertained Damages under the Istisna' Purchase Agreement : In the event MPG fails to complete and deliver the Project on or before the Project Completion Date [as described in Item (z)(5)], MPG shall pay to Investor 1 liquidated and ascertained damages commencing on the date immediately after the Project Completion Date until the actual Project completion date (inclusive).

5. Project Completion Date : Scheduled full completion and delivery date under the Istisna' Sale Agreement and Istisna' Purchase Agreement.

6. Commercial Operations Date of the First Unit : The first date on which all of the conditions set forth in Article IV of the PPA shall have been satisfied and the first unit of the Mukah Power Plant ("**the First Unit**") shall have established a dependable capacity of not less than 121.5 MW. Such first date shall be evidenced by a written confirmation from SESCO.

7. Commercial Operations Date of the Second Unit : The first date on which the second unit of the Mukah Power Plant ("**the Second Unit**") shall have established a dependable capacity of not less than 121.5 MW. Such first date shall be evidenced by a written confirmation from SESCO.

8. Profit : The budgeted profit for the Collection Period [as described in Item (z)(9)] certified by the Trustee based on the following formula:

Profit = Budgeted Revenue – Budgeted Expenditure

Where:

Budgeted Revenue	:	Budgeted revenue in respect of the MV plus other budgeted income for that Collection Period, which includes but is not limited to estimated insurance claim proceeds (if any) due to the Sukukholders on claim(s) made during the corresponding Collection Period, minus transfer to the SPA (if any) to meet the Minimum SPA Balance.
Budgeted Expenditure	:	Budgeted operating, administrative and maintenance expenses, and pro-rated professional charges of the MV.

9. Collection Period : On six (6) monthly basis, with the first Collection Period commencing in the thirtieth (30^{th}) month after the first MPG Sukuk issuance up to the final maturity of the MPG Junior Sukuk.

10. Distribution Scheme : **Distribution Scheme between the Investors and MPG**

- If the MV achieves a Profit above RM(*x*+*y*) during a Collection Period, RM(*x*+*y*) shall be distributed to the Investors and the balance to MPG based on the concept of Tanazul; and
- If the MV achieves a Profit equal to or less than RM(*x*+*y*) during a Collection Period, the distributions to the Investors and MPG shall be in the ratio of 99.0% to 1.0% respectively.

Distribution Scheme between Investor 1 and Investor 2

- Distribution to Investor 1 shall rank in priority to distribution to Investor 2;
- If distribution to the Investors is equal to or more than RM*x* during a Collection Period, RM*x* shall be distributed to Investor 1 and the balance to Investor 2 based on the concept of Tanazul; and
- If distribution to the Investors is less than RM*x* during a Collection Period ("$\mathbf{P_I}$"), such P_I shall be distributed to Investor 1, and Investor 2 shall not receive any Profit distribution during such collection period.

RM*x* is the value that would realise the YTMs required by Investor 1, as per the following schedule:

Tranche 1

Series	Nominal Amount (RM)	x amount[10] (RM)
1	20,000,000	810,000
2	35,000,000	1,435,000
3	35,000,000	1,452,500
4	35,000,000	1,470,000
5	35,000,000	1,487,500
6	35,000,000	1,505,000
Total	**195,000,000**	**8,160,000**

Tranche 2

Series	Nominal Amount (RM)	x amount (RM)
1	5,000,000	188,750
2	30,000,000	1,147,500
3	30,000,000	1,162,500
4	25,000,000	981,250
5	25,000,000	993,750
6	30,000,000	1,200,000
7	25,000,000	1,012,500
8	35,000,000	1,435,000
9	35,000,000	1,461,250
10	35,000,000	1,478,750
11	35,000,000	1,496,250
12	15,000,000	648,750
Total	**325,000,000**	**13,206,250**

[10] The issue size of each series / tranche of the MPG Sukuk may vary depending upon MPG's project financing requirements. In the event the Issuer wishes to revise the issue size of each series / tranche of the MPG Senior Sukuk, the Issuer shall notify the Lead Arranger of the proposed revision in writing thirty (30) days prior to the issuance of Tranche 1 of the MPG Senior Sukuk. The agreed Nominal Amounts / Expected Profits shall be revised accordingly. Any changes are to be mutually agreed between the Lead Arranger and the Issuer. The SC will be notified accordingly.

Tranche 3

Series	Nominal Amount (RM)	x amount (RM)
1	15,000,000	585,000
2	15,000,000	592,500
Total	25,000,000	1,177,500

Tranche 4

Series	Nominal Amount (RM)	x amount (RM)
1	20,000,000	785,000
2	20,000,000	795,000
3	5,000,000	201,250
Total	45,000,000	1,781,250

Tranche 5

Series	Nominal Amount (RM)	x amount (RM)
1	20,000,000	760,000
2	25,000,000	968,750
3	25,000,000	987,500
Total	**70,000,000**	**2,716,250**

RM*y* is the value that would realise the YTMs required by Investor 2, as per the following schedule:

Tranche 1

Series	Nominal Amount (RM)	y amount (RM)
1	30,000,000	8,775,000
2	25,000,000	10,437,500
3	15,000,000	9,487,500
4	30,000,000	25,275,000
Total	**100,000,000**	**53,975,000**

Tranche 2

Series	Nominal Amount (RM)	y amount (RM)
1	25,000,000	1,543,750
2	30,000,000	7,627,500
Total	**55,000,000**	**9,172,250**

Tranche 3

Series	Nominal Amount (RM)	y amount (RM)
1	45,000,000	2,700,000
2	10,000,000	625,000
Total	**55,000,000**	**3,325,000**

11. Subordination : The MPG Junior Sukuk shall be subordinated to the MPG Senior Sukuk. For so long as the MPG Senior Sukuk remain outstanding, the Junior Sukukholders shall not be able to declare an event of default ahead of the Senior Sukukholders. However, it shall constitute a cross default on the MPG Junior Sukuk in circumstances where the Senior Sukukholders declare default in respect of MPG.

12. Status : **MPG Senior Sukuk**

The MPG Senior Sukuk shall constitute direct, unconditional and secured obligations of MPG and shall at all times rank in priority to the MPG Junior Sukuk, and rank at least pari passu, without discrimination, preference or priority amongst themselves and with all other present and future unsecured and unsubordinated financial obligations of MPG subject to the terms of the Transaction Documents.

MPG Junior Sukuk

The MPG Junior Sukuk shall constitute direct, unconditional and secured obligations of MPG and shall at all times rank at least pari passu, without discrimination, preference or priority amongst themselves and with all other present and future unsecured and subordinated financial obligations of MPG subject to the terms of the Transaction Documents. For so long as the MPG Senior Sukuk shall remain outstanding, the MPG Junior Sukuk shall be subordinated to the MPG Senior Sukuk in terms of security and priority of payments.

13.	Negative Pledge	:	MPG, shall not, except as provided under the Transaction Documents, without the prior written consent of the Trustee, create or permit to subsist any mortgage, pledge, lien (unless arising from operation of law) or charge upon, the whole or any part of its assets or undertakings.
14.	Redemption	:	Unless previously redeemed, purchased or cancelled, the MPG Sukuk shall be redeemed on the maturity of the MPG Sukuk as per the MPG Sukuk redemption schedule.
15.	Availability Period for Initial Issuance	:	Upon the completion of legal documentation and compliance of all Conditions Precedent as set out in Item (v) to the satisfaction of the Lead Arranger, but in any case no later than six (6) months from the date of the SC's approval.
16.	Conditions Precedent for Subsequent Issuances	:	Conditions precedent for subsequent MPG Sukuk issuances shall include but not limited to the following (all to be in the form and substance acceptable to the Lead Arranger): (i) Written confirmation from two (2) directors of MPG that all representations and warranties still remain true and correct; (ii) Written confirmation from two (2) directors of MPG that no Event of Default has occurred and is continuing or shall occur if the relevant issuance is made; (iii) Project progress report signed by two (2) directors of MPG; (iv) All payments of money owing in respect of the MPG Senior Sukuk are made by MPG; (v) For the issuance of the last Tranche of the MPG Sukuk, a certification from the Independent Checking Engineer: a. of the remaining expenses to be incurred to meet the Project Cost; and b. that there is insufficient money in the OA [as described in Item (z)(17)] to meet such remaining expenses, upon receipt of an OA statement from RHB ISLAMIC; and as such, the issuance amount of the last Tranche of the MPG Sukuk shall not exceed the amount as certified above; (vi) For the issuance of the Additional MPG Junior Sukuk to meet MPG's funding requirement in the event of Project cost overrun due to variation order, the execution of a

separate Istisna' sale agreement and Istisna' purchase agreement between MPG and Investor 1 for the construction and delivery of an additional component of the Project; and

(vii) Such other conditions precedent as may be advised by the Lead Solicitor and to be mutually agreed by the Lead Arranger and MPG.

17. Designated Accounts : MPG is required to open and maintain the following Syariah compliant Designated Accounts with RHB ISLAMIC:

(i) Proceeds and Istisna Payment Account ("**PIPA**");

(ii) Mudharabah Business Account ("**MBA**");

(iii) Sukuk Payment Account ("**SPA**");

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

(v) Maintenance Reserve Account ("**MRA**")

The PIPA, MBA, SPA, OA and MRA are collectively referred to as "**the Designated Accounts**".

The PIPA and MBA shall be jointly operated by MPG and the Trustee, while the SPA shall be jointly operated by MPG and the Facility Agent. The OA and MRA shall be solely operated by MPG. In the Event of Default by MPG, the Sukukholders shall have priority in respect of any credit balances in the Designated Accounts.

<u>During the Project Construction Stage</u>

(i) Proceeds and Istisna' Payment Account

Proceeds raised from the issuances of the MPG Sukuk shall be remitted into the PIPA. Funds in the PIPA may only be withdrawn for the purposes as described in Item (k) (Details of Utilisation of Proceeds) and the following approved payments:

(a) MPG's staff salaries, and operating and administrative costs;

(b) Corporation tax and other statutory creditors;

(c) Reimbursement of fees paid or fees to approved professionals and consultants appointed;

(d) Maintenance Reserve [as described in Item (v) below]; and

(e) Insurance premiums.

Upon the completion and delivery of the Mukah Power Plant on the Project Completion Date, any outstanding credit balance in the PIPA shall immediately be transferred to the MBA and the PIPA is to be closed.

<u>During the Project Operation Stage</u>

(ii) Mudharabah Business Account

All revenue arising from the MV and the Realised Sum [as described in Item (x)], if applicable, shall be deposited into the MBA. Funds in the MBA are applied in the following order of priority:

(a) Payments of all operating, management, maintenance and capital expenses of the Project, as set out in Item (iv) below;

(b) Payments of the MPG Sukuk Programme-related expenses;

(c) Transfer to the SPA to meet the requirements set out pursuant to the SPA;

(d) Payment of MPG Junior Sukuk Profit; and

(e) Payment of MPG Junior Sukuk Redemption Amount.

(iii) Sukuk Payment Account

Funds of equal proportions shall be transferred progressively from the MBA to the SPA on a monthly basis, until the total contribution meets the next six (6) months' MPG Senior Sukuk Redemption Amount and certified Profit at least three (3) business days before the payment date of the same. Payment to be made to Investor 1 shall be in the following order of priority:

(a) MPG Senior Sukuk Profit; and

(b) MPG Senior Sukuk Redemption Amount.

<u>Payment Obligations under the MPG Senior Sukuk</u>

As a buffer for payment delay(s) under the PPA that might result in monies in the SPA to be less than the aggregate of the Profit payment and Redemption Amount owing under the MPG Senior Sukuk, the SPA shall have at all times, from the date of issuance of the last Tranche of the MPG Senior Sukuk to the Redemption Date of the last series of issued MPG Senior Sukuk, a minimum cash balance equivalent to the next six (6) months' Redemption Amount and Expected Profit in respect of the MPG Senior Sukuk ("**the Minimum SPA Balance**").

If there is any shortfall in meeting the Minimum SPA Balance, funds up to the amount of such shortfall shall immediately be transferred from the MBA to the SPA, such that the Minimum SPA Balance is maintained.

MPG shall only transfer sums from the SPA to the OA should the credit balance in the SPA exceed the aggregate of its next six (6) months' Redemption Amount and Expected Profit in respect of the MPG Senior Sukuk, and the Minimum SPA Balance.

Up to RM27.1 million from the issuance proceeds of the last Tranche of the MPG Senior Sukuk shall be transferred from PIPA to SPA to meet the initial Minimum SPA Balance.

Upon the final maturity of the MPG Senior Sukuk, the Minimum SPA Balance after meeting any shortfall in the MPG Senior Sukuk Profit payment and Redemption Amount owing plus all investment income earned during the MPG Senior Sukuk Tenure shall be transferred to OA.

(iv) Operations Account

Funds in the OA shall be utilised to pay all operating, management, maintenance and capital expenses of the Project, which include the following:

(a) Corporation tax and other statutory creditors;

(b) Fees for the Licence;

(c) MPG's staff salaries, wages and employment costs;

(d) Overheads and fuel costs;

(e) Meeting the Maintenance Reserve requirement as per the PPA;

(f) Contractor fees for the operation and maintenance of the Mukah Power Plant;

(g) Overhauls and recurring capital expenses;

(h) Insurance premiums;

(i) Consultancy, advisory and other professional fees;

(j) Other incidental costs for the operations and maintenance of the Mukah Power Plant;

(k) Directors' fees; and

(l) Permitted Investments.

Funds in the OA could be used to make Permitted Distributions to Shareholders subject to the fulfilment of all financial covenants as set out in Item (z)(24).

(v) Maintenance Reserve Account

MPG shall open a Maintenance Reserve Account to be used exclusively to pay all maintenance expenses in accordance with the terms of the PPA. The maintenance reserve, provided at RM4.0 million ("**the Maintenance Reserve**"), shall be initially funded by proceeds in the PIPA. Any subsequent withdrawal of the Maintenance Reserve shall be replenished by MPG via transfer of funds from the OA.

18. Transferability and Trading :

MPG Senior Sukuk

The MPG Senior Sukuk are transferable [subject to the Selling Restrictions as described in Item (p) above] and tradable in the secondary market on a willing-buyer-willing-seller basis.

MPG Junior Sukuk

The MPG Junior Sukuk are transferable [subject to the Selling Restrictions as described in Item (p) above] and tradable in the secondary market on a willing-buyer-willing-seller basis.

19.	Repurchase and Cancellation	:	**<u>MPG Senior Sukuk</u>** MPG, its parent company or any of its subsidiaries (if any) may at any time purchase the MPG Senior Sukuk at prevailing market price(s) in the open market or by private treaty. These MPG Senior Sukuk repurchased by MPG or any of its subsidiaries shall either be held as investment securities or cancelled. Once cancelled, the MPG Senior Sukuk are not to be reissued. **<u>MPG Junior Sukuk</u>** MPG, its parent company or any of its subsidiaries (if any) may at any time purchase the MPG Junior Sukuk at prevailing market price(s) in the open market or by private treaty. These MPG Junior Sukuk repurchased by MPG or any of its subsidiaries shall either be held as investment securities or cancelled. Once cancelled, the MPG Junior Sukuk are not to be reissued.
20.	Permitted Distributions to Shareholders	:	Permitted distributions to Shareholders are restricted to the following: (i) Dividends; and (ii) Repayment of principal advances from and payment of profit to Shareholders. MPG shall not declare or pay Permitted Distributions to Shareholders (if applicable) if: (a) it is during the period where there is no Senior Sukuk Service Cover Ratio ["**Senior SSCR**" as described in Item (z)(22)] calculated; (b) it is during the period where there is no Junior Sukuk Service Cover Ratio ["**Junior SSCR**" as described in Item (z)(23)] calculated; (c) the Senior SSCR is less than 1.6 : 1 following such payments; (d) the Junior SSCR is less than 1.3 : 1 following such payments (applicable only after full redemption of the MPG Senior Sukuk); (e) the cash balance in SPA is less than the Minimum SPA Balance following such payments; (f) an Event of Default has occurred, or if following such payments, an Event of Default would occur; or (g) such declaration or payment will have a Material Adverse

Effect on the ability of MPG to perform its obligations under the Transaction Documents.

In the case of dividend payments, MPG must further ensure that it has sufficient tax credits to make such payments, where applicable.

21. Permitted Investment

MPG shall be allowed from time to time to utilise funds held in the OA to make Permitted Investments, if all Financial Covenants [as set out in Item (z)(24)] are met. Permitted Investments, which shall be Syariah-compliant, shall mean the following: -

(i) Mudharabah Investment Accounts or other Syariah compliant deposit products with RHB ISLAMIC or any other financial institution(s);

(ii) Syariah-compliant bonds and / financial instruments with maturities of one (1) year or less issued by the Government of Malaysia;

(iii) Syariah-compliant private debt securities with maturities of one (1) year or less and minimum ratings of P1 / AAA or MARC-1 / AAA_{ID} as determined by RAM or Malaysian Rating Corporation Berhad respectively or any other rating agency recognised in Malaysia, if applicable; and / or

(iv) repurchase of the MPG Sukuk at prevailing market price(s) in the open market or by private treaty.

In the event that investment in item (iii) above is downgraded to below P1 / AAA or MARC-1 / $AAA_{ID,}$ whichever is applicable, such investment shall be disposed of at prevailing market price(s) within thirty (30) days upon the rating downgrade announcement.

22. Senior Sukuk Service Cover Ratio :

The Senior Sukuk Cover Ratio ("**the Senior SSCR**") is the ratio of Cumulative Available Cashflow for Senior Sukukholders to the aggregate amount expected to be paid under the MPG Senior Sukuk for the next six (6) months. The computation of the Senior SSCR, which shall commence six (6) months prior to the first profit payment date of the MPG Senior Sukuk ("**the Senior SSCR Start Date**"), is based on the following formula:

Senior SSCR	=	[Cumulative Available Cashflow for Senior Sukukholders] / [MPG Senior Sukuk Expected Profit and Redemption Amount to be paid for the next six (6) months]

Cumulative Available Cashflow for Senior Sukukholders = Opening cash balances in the SPA + net cash flow from operating activities + net cash flow from investing activities + opening cash balance

23. Junior Sukuk Service Cover Ratio : The Junior Sukuk Service Cover Ratio ("**the Junior SSCR**") is the ratio of Cumulative Available Cashflow for the Junior Sukukholders to the aggregate amount expected to be paid under the MPG Junior Sukuk for the next six (6) months. The computation of the Junior SSCR, which shall commence six (6) months prior to the first profit payment date of the MPG Junior Sukuk ("**the Junior SSCR Start Date**"), is based on the following formula:

Junior SSCR	=	[Cumulative Available Cashflow for Junior Sukukholders] / [MPG Junior Sukuk Expected Profit and Redemption Amount to be paid for the next six (6) months]

Cumulative Available Cashflow for Junior Sukukholders = Net cash flow from operating activities + net cash flow from investing activities - payment of the MPG Senior Sukuk Expected Profit and Redemption Amount + opening cash balance

24. Financial Covenants : Financial covenants shall include but are not limited to the following:

(i) maintain a Senior SSCR of not less than 1.25 : 1 from the Senior SSCR Start Date; and

(ii) maintain a Minimum SPA Balance equivalent to the next six (6) months' MPG Senior Sukuk Expected Profit and Redemption Amount.

25. Information Covenants : MPG shall deliver to the Trustee and Facility Agent the following:

(i) as soon as they become available and in any event within one hundred and eighty (180) days after the end of each financial year a copy of its financial statements for that period which shall contain a profit and loss account, a balance sheet and a cash flow statement and be audited and certified without qualification by independent accountants permitted under applicable laws together with a certificate in the form and content acceptable to the Trustee signed by two (2) Directors of MPG confirming that such financial statements present a true and fair view of the results of the operations of MPG for the period in question and that to the best of their knowledge and belief there has not been any Event of Default as defined in the Trust Deed;

(ii) as soon as they become available (and in any event within ninety (90) days after the end of each half of its financial year) a copy of its half yearly management accounts for that period in the form and content acceptable to the Trustee, on a basis consistently applied in accordance with generally acceptable accounting principles in Malaysia and which has been duly noted and accepted by the Board of Directors of MPG as representing a true and fair view of the results of the operations of MPG for the relevant period;

(iii) promptly, all notices or other documents despatched by MPG to its Board of Directors, or the relevant authorities or all notices or other documents despatched by MPG to its creditors generally which may have a Material Adverse Effect;

(iv) promptly, such additional financial or other information as the Trustee may from time to time reasonably request;

(v) as soon as they become available (and in any case within seven (7) days after receipt of the same), the periodic construction reports provided by the EPC Contractor;

(vi) as soon as practicable, deliver a certified true copy of each Project Document entered into subsequent to the execution of the Transaction Documents; and

(vii) on an annual basis, a certificate signed by two (2) Directors of MPG (in the form and content as may be reasonably requested by the Trustee) stating that, to their best knowledge and belief, MPG has complied with its obligations under the Trust Deed and the terms and conditions of the MPG Sukuk and that there does not exist or has not existed, from the date the MPG Sukuk are issued, any Event of Default, and if such is not the case, to specify the same.

26. Positive Covenants : Positive Covenants shall include but are not limited to the following:

(i) MPG shall fulfil all its obligations under, and shall comply with the terms of the Transaction Documents;

(ii) MPG shall preserve and keep in force and effect all consents, licences and rights necessary for the conduct of its business;

(iii) MPG shall remain a subsidiary of SECB;

(iv) MPG shall provide the Sukukholders, via agreement with the Trustee, all reasonable access by prior appointment to the sites of the power producing facilities;

(v) MPG will take such steps as may have been notified by the Trustee following the occurrence of an Event of Default to remedy or mitigate the effect of that Event of Default;

(vi) MPG will inform the Trustee of any change in its Board of Directors;

(vii) MPG will cause and ensure that all advances by its shareholders / directors / related corporations or any intercompany advances permitted are subordinated to its liabilities under the MPG Sukuk; and

(viii) MPG will prepare the accounts in accordance with all relevant laws and accounting principles and practices generally accepted in Malaysia and consistently applied.

27. Negative Covenants : Negative covenants shall include but are not limited to the following:

(i) MPG shall not cancel, surrender, abandon or otherwise change in a material manner the nature or scope of its existing business;

(ii) MPG shall not suspend or threaten to suspend a substantial part of its business in any manner which would have Material Adverse Effect;

(iii) MPG will not carry out any business or activity other than those allowed under the Memorandum and Articles of Association and any amendments made thereto;

(iv) MPG shall not reduce its authorised and paid-up capital;

(v) MPG shall not cancel, surrender, abandon or otherwise amend the Transaction Documents;

(vi) MPG shall not cancel, surrender, abandon or otherwise amend the Project Documents;

(vii) MPG shall not enter into any transaction which exceeds RM5.0 million, save and except for transactions related to its normal course of business, with any of its Directors, related companies or any other company, person or organisation connected to such parties without the prior written consent of the Trustee, which approval is not to be unreasonably withheld;

(viii) MPG shall not enter into businesses prohibited under Syariah Principles;

(ix) MPG will not take steps to wind up or dissolve its business;

(x) MPG shall not sell, transfer or dispose of its material assets during the tenure of the MPG Sukuk, save and except for transactions related to its normal course of business;

(xi) MPG shall not, unless with the prior written consent of the Trustee (such consent not to be unreasonably withheld), borrow or incur any future financial indebtedness after issuance of the MPG Sukuk, save and except for financial indebtedness related to its normal course of business; and

(xii) MPG shall not declare or pay Permitted Distributions to Shareholders unless all conditions as set out in Item (z)(20) are met.

Where consent / approval is required from the Trustee, such consent / approval shall not to be unreasonably withheld and such consent / approval shall be responded within twenty (20) business days failing which, the Trustee shall be

			deemed to have approved such request.
28.	Taxation	:	All payments by MPG 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, and where such withholding or deduction is required by law. In that event, MPG will not pay any additional amounts, and payments in respect of the MPG Sukuk will be made after such withholding or deduction.
29.	Adverse Market	:	From the date of the provision of a formal offer by the Lead Arranger for the MPG Sukuk Programme and until the date which the MPG Sukuk are first issued, the Lead Arranger retains the right to amend, withdraw and / or terminate the offer if there occurs any event or circumstance which, in the opinion of the Lead Arranger may materially and adversely affect any of the international and domestic money, capital or syndicated credit markets, and / or the social, political, financial and economic situation in Malaysia.
30.	Clear Market Condition	:	From the date of acceptance of this offer until thirty (30) days after the issuance of the MPG Sukuk, MPG shall ensure that no other financing facilities or debt instruments or securities issued by MPG or any affiliates are mandated, placed or syndicated directly or on its behalf without the Lead Arranger's prior written consent.
31.	Change in Circumstances	:	If as a result of any change in applicable law, regulation or regulatory requirement or in the interpretation or application thereof or if compliance by the Lead Arranger / Primary Subscriber for the MPG Senior Sukuk with any applicable direction, request or requirement (whether or not having the force of law) will be imposed on the Lead Arranger / Primary Subscriber any material condition, burden or obligation, then the commitment of the Lead Arranger / Primary Subscriber to the MPG Senior Sukuk will end upon notice to MPG of the happening of such events after becoming aware thereof.
32.	Legal, Credit Rating and Other Expenses	:	For the account of MPG, even if the MPG Sukuk are subsequently aborted for any reason whatsoever.

33.	Due Diligence	:	The Lead Arranger will arrange for a due diligence exercise and the Lead Arranger's obligations hereunder are subject to the successful completion and satisfactory outcome of such due diligence exercise.
34.	Currency	:	Ringgit Malaysia.
35.	Governing Laws	:	Laws of Malaysia.

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3.0 CORPORATE INFORMATION ON MPG

Unless stated otherwise, the information contained in this section is as at 1 November 2006.

3.1 Corporate Information

Name	:	Mukah Power Generation Sdn Bhd (formerly known as Sarawak Power Services Sdn Bhd).
Address	:	1st Floor, Wisma Naim Lot 2679, Rock Road 93200 Kuching Sarawak.
Business registration no.	:	468044-U
Date / place of incorporation	:	27 August 1998 / Kuala Lumpur
Date of listing (in case of a public listed company)	:	Not applicable.
Status	:	Resident-controlled company. Bumiputera-controlled[11] company.
Principal activities	:	Constructing, completing, maintaining and operating electricity generation installations for the supply of electricity.
Board of directors	:	

Name	NRIC No.
Datuk Amar Haji Abdul Aziz Bin Dato Haji Husain	500718-13-5141
Zuraimy Bin Kushaili	730404 -13 -5329

[11] By virtue of MPG being a wholly-owned subsidiary of SECB, which is a public listed company controlled by the SSG through the SFS.

Structure of shareholdings and names of shareholders or, in the case of a public listed company, names of all substantial shareholders :

Shareholder	No. of Shares	Equity
Sarawak Enterprise Corporation Berhad (007199-D)	2,000,000	100%
Total	**2,000,000**	**100%**

Authorised and paid-up capital :

Authorised capital

RM2,000,000 divided into 2,000,000 ordinary shares of RM1.00 each.

Paid-up capital

RM2,000,000 divided into 2,000,000 ordinary shares of RM1.00 each.

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3.2 Financial Summary

MPG had been dormant prior to the commencement of the Mukah Power Plant Project.

3.3 Borrowings

On 17 March 2006, RHB ISLAMIC extended a bridge finance facility of up to RM150.0 million ("**the Credit Facility**") to SECB, the holding company of MPG for the Project until the financing of the Project is in place. SECB subsequently advanced the Credit Facility to MPG. Part of the proceeds from the issuance of the MPG Sukuk shall be used to repay the shareholder advance from SECB.

Some of the salient terms of the Credit Facility are as set out below:

Obligor	SECB.
Type of Facility	Istisna' Financing-i Facility.
Facility Amount	Up to RM150,000,000.
Istisna' Selling Price as at 1 November 2006	RM108,483,787.74
Istisna' Purchase Price as at 1 November 2006 (Financing Amount)	RM107,651,278.17
Purpose	To part finance the cost of constructing the Mukah Power Plant.
Date of Letter of Offer	17 March 2006.
Security	Clean.

3.4 Directors' Profile

Datuk Amar Haji Abdul Aziz bin Dato Haji Husain

Aged 56, he joined the Board of MPG on 10 April 2006. He graduated with a Bachelor of Economics (Business Administration) from the University of Malaya in 1973 and later obtained a Master of Business Administration (Finance) from Syracuse University, New York in 1979. He began his career in 1973 as Assistant Secretary, State Planning Unit. Between 1980 and 2000, he held various positions including Principal Assistant Secretary in the State Financial Secretary Department, Deputy Chairman of Sarawak Economic Development Corporation, Deputy State Financial Secretary, Permanent Secretary of the Ministry of Infrastructure Development, Deputy State Secretary II and subsequently, the post of Deputy State Secretary I (Human Resources). He is currently the State Secretary of Sarawak.

He also sits on the boards of SECB, SESCO, Malaysian Airlines System Berhad, Borneo Housing Mortgage Finance Berhad and Koperasi Koppes Berhad and several private limited companies wherein the Sarawak State Government ("**SSG**") has interests.

Encik Zuraimy Bin Kushaili

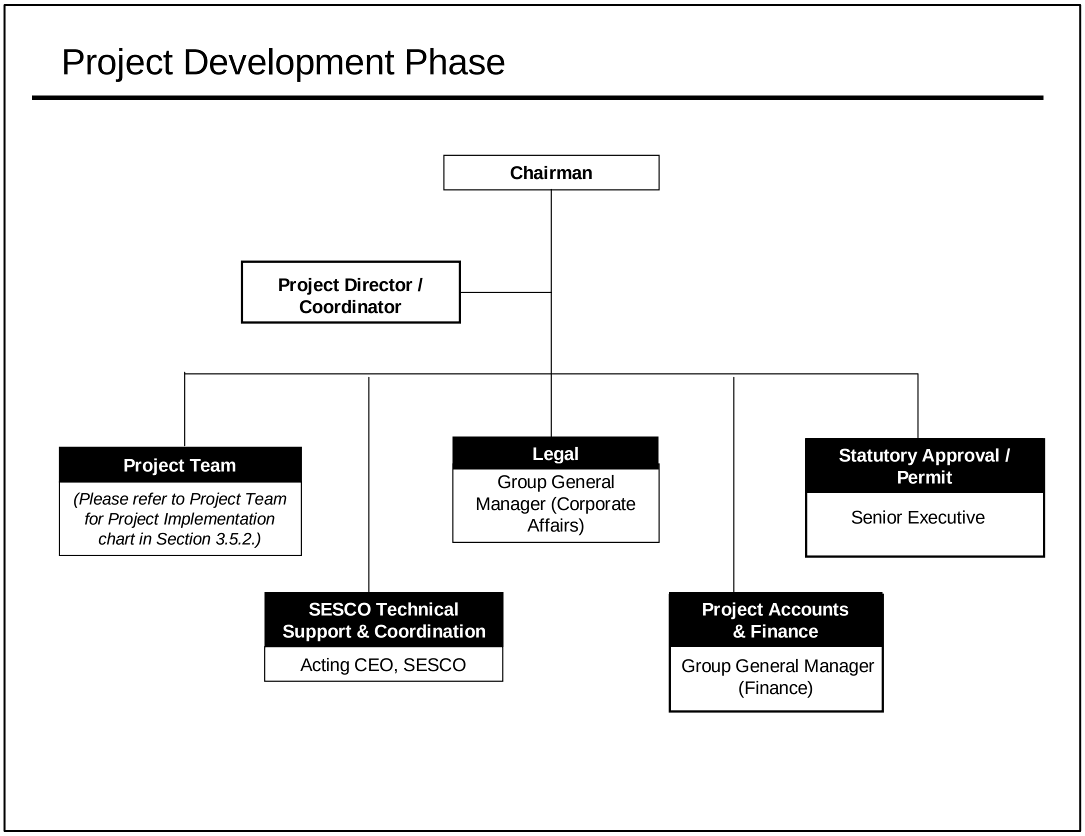
Aged 33, he joined the Board of MPG on 10 April 2006. He graduated with LL.B (Hons) Degree, minor in Syariah Law from International Islamic University, Malaysia in 1997. He joined Messrs. S.N. Yap & Associates and Messrs. Sidek Teoh Wong & Dennis as legal assistant between 1997 and 2000. He joined Sarawak Economic Development Corporation as a Legal Officer in August 2000, and was later promoted to Deputy Director in May 2002. In September 2003, he joined SECB as Legal & Human Resource Senior Manager and attained his current position as Group General Manager (Corporate Affairs) in October 2005.

3.5 Organisation Chart

MPG's organisation chart will evolve according to the various phases of Mukah Power Plant Project, namely:

- Project development – feasibility phase;
- Project implementation – pre- and during construction; and
- Operation.

3.5.1 Project Development Phase



The Project development committee was set up to undertake technical and financial feasibility studies, and carry out Project planning and coordination. SESCO, as part of the Project development committee, is responsible for providing technical support and coordination for the development of the Mukah Power Plant. The Project team, which will subsequently undertake Project implementation, is also involved at the onset of the Project development phase.

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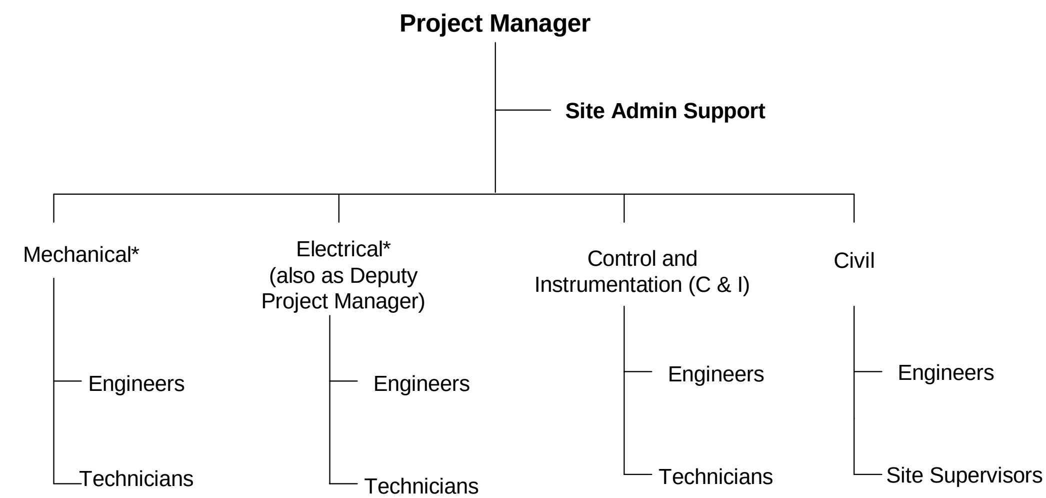
3.5.2 Project Implementation Phase

Project Implementation Phase



** Note: Mechanical, Electrical and C & I personnel involved in Project implementation will eventually undertake the O & M of the Mukah Power Plant.*

The Project team, headed by the Project Manager, is divided into 4 divisions, namely Mechanical, Electrical, C & I, and Civil. Upon the Mukah Power Plant's commencement of commercial operations, the existing Mechanical, Electrical, and C & I personnel will undertake the O & M of the Mukah Power Plant.

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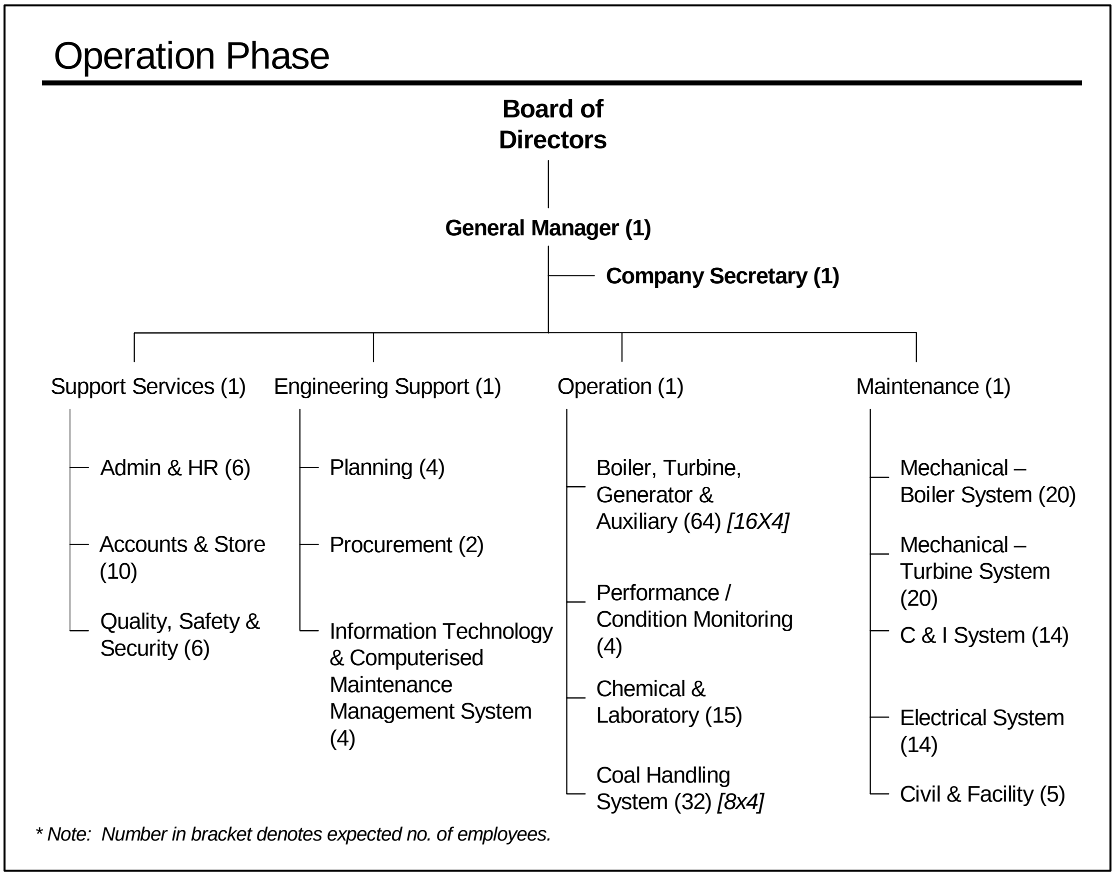
3.5.3 Operation Phase



When the Mukah Power Plant is in operation, MPG is expected to have a total workforce of 225, the key personnel of which are expected to be recruited early during the Project implementation phase. The General Manager is anticipated to oversee 4 divisions, which are support services, engineering support, operation and maintenance.

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3.6 Management Profile

MPG's management team and their profiles as at 1 November 2006 are as follows:

Ir. Yong Kiong Choon, Project Director / Coordinator

Aged 53, Ir. Yong Kiong Choon is the Project Director / Coordinator of MPG. He is also the General Manager of SPG. He graduated from the University of Malaya in 1977 with B.E (Hons) in Civil Engineering. He is a registered Professional Engineer and a Corporate Member of the Institution of Engineers, Malaysia. He started his career in 1977 with the Drainage and Irrigation Department, Kuala Lumpur. In 1979 he joined Sarawak Electricity Supply Corporation where he served for more than 20 years. He opted for early retirement in March 2000 to join Sarawak Power Generation Sdn Bhd ("**SPG**").

He was involved in several power projects in Sarawak. He had been involved in the studies of several hydroelectric power projects in Sarawak namely Pelagus (770 MW), Ulu Ai (56 MW), Bakun (2,400 MW) and Murum (900 MW). He has also been directly involved in the design and construction of several thermal power stations in Sarawak such as Bintulu Gas-fired Power Station (100 MW), Kuching Coal-fired Power Station (100 MW) and SPG's Bintulu Power Plant (220 MW).

Mr James Ung Sing Kwong

Aged 40, Mr James Ung is the Project Manager of MPG. He graduated with a Bachelor of Mechanical Engineering from the United States of America in 1990. He then joined Sarawak Electricity Supply Corporation as Station Superintendent at Sibu Power Station, and was responsible for all operation and maintenance matters in respect of all power stations in Sibu, Sarikei, Mukah and Kapit divisions.

In 1995, he joined Sejingkat Power Corporation Sdn Bhd ("SPC") as Senior Mechanical Engineer. His work involved the drafting and finalisation of tender specification for the new coal plant, technical negotiation with the engineering, procurement and commissioning contractor, plant installation, supervision, and testing and commissioning of 2X50 MW coal fired power plant in Sejingkat (Phase 1), which was successfully commissioned in late 1997 and entered into commercial operations in 1998. He was later appointed the Production Manager, and was responsible for the overall operation of the Sejingkat Power Plant (Phase 1).

In addition to his operation and maintenance duties at the Sejingkat Power Plant (Phase 1), in 2001, he also assumed the role of Project Coordinator for the 2X55 MW coal fired power plant in Sejingkat (Phase II). His responsibility includes giving advice and technical support on quality control and optimisation of the plant design, supervision on equipment installation, and eventual testing and commissioning of the project. The Sejingkat Power Plant (Phase II) was successfully commissioned in early 2004.

Currently, he is also the General Manager of SPC, managing a workforce of more than 250.

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4.0 INFORMATION ON THE MUKAH POWER PLANT

4.1 Background of Mukah Power Plant

A power transmission grid, extending from Kuching to Miri, forms the backbone of the electricity supply network in Sarawak. The total installed capacity for power generation connected to this grid is 883 MW, more than 60% of which is fueled by gas. With a view to reduce its over-dependence on this depleting fuel source, the SSG has decided to diversify its fuel generation mix by increasing coal-fired generation.

Sarawak has abundant coal reserve. Its inferred reserve of more than 882 million tonnes accounts for more than 76% of the total coal reserve of 1,156 million tonnes in the whole country. A major portion of the coal reserve in Sarawak, amounting to nearly 550 million tonnes, lies in the Mukah-Balingian region, in an area between Sungai Mukah and Sungai Balingian.

Realising this, SECB was asked to look into the implementation of a 2 x 135 MW coal-fired power plant development in Mukah. A preliminary review indicated that such a project is technically and financially viable. The decision was to go ahead with its implementation, which together with the other infrastructure development already taken place in the Mukah-Balingian region would also provide additional impetus for economic development for that region.

MPG was set up to undertake the implementation of the Project, and the EPC Contract to construct the Mukah Power Plant has been awarded to CMEC.

4.2 Location

Mukah Power Plant is being built on a piece of land situate at Sungai Belaboh, Sungai Gayan, Sungai Maling and Sungai Bendengan Mukah, measuring about 865-acre located at about 2.5 km east of the road junction where the Sibu-Mukah Road intersects the Balingian-Mukah Road described under “Approved Plan” Plan No.10D(SPA/SP/7-05)A and registered under SPA Approval No. P/10D/849-05 (“**the Mukah Power Plant Land**”).

The SSG has agreed to alienate the Mukah Power Plant Land to SECB subject to several conditions. SECB has at the date of this Information Memorandum, satisfied such conditions and has rights to the alienation of and issuance of lease(s) to the Mukah Power Plant Land in their favour, and which is capable of being secured to the Sukukholders by way of assignment pending issuance of lease(s) / provisional lease(s) and registration of the Memorandum of Charge over the Mukah Power Plant Land.

4.3 Key Project Participants

4.3.1 The EPC Contractor - CMEC

CMEC is a national corporation established in 1978 to integrate foreign trade with industry. It deals principally in contracting international engineering projects, exporting complete plants and equipment, importing and exporting mechanical and electrical products and engaging in external economic and technical cooperation. Its turnover in 2005 reached RMB9.25 billion. Its shareholders' fund as at 31 December 2005 is RMB1.02 billion.

CMEC has built up business relationships with more than 120 countries and regions around the world, forming both a global network of information, distribution and services and a pattern of diversified marketing across the five continents.

Since the 1980s, CMEC has exported complete plants and equipment for the use in diversified fields such as energy, electrical engineering, heavy duty mining installations, general purpose machinery, light industry, textile industry, building materials, traffic and transportation, communication, broadcast and television, etc., to over 60 countries. The contractual limits of hydro and thermal power plants signed by CMEC to-date has exceeded 6,100MW in the aggregate.

CMEC has been involved in the construction of thermal power stations worldwide, including Pakistan, Sudan, India, Yemen, Bangladesh, Malaysia, Iraq, Iran, Nigeria, Turkey and Indonesia. In Malaysia, CMEC had successfully constructed and commissioned, for SPC the 2X50 MW (Phase 1) and 2X55 MW (Phase 2) coal-fired power plant in Sejingkat, Kuching, Sarawak, with a total installed capacity of 210 MW ("**the Sejingkat Power Plant**").

CMEC has been one of the Top 225 International Contractors ranked by Engineering News Record of the United States of America since 1996.

Source: The above information on CMEC was extracted solely from CMEC 2005 marketing brochure and www.cmec.com. No further verification has been made.

Pursuant to the EPC Contract, CMEC has procured the following from the Bank of China Limited ("**BOC**"):

- performance bond for an amount equivalent to 10% of the EPC Contract sum; and
- advance payment guarantee equivalent to 15% of the EPC Contract.

BOC, which was established in 1912, is one of China's 4 state-owned commercial banks. In terms of tier one capital, it ranked 18th among the world's top 1000 banks by The Banker magazine in 2005. BOC, which has been included in the Fortune Global 500 for 16 consecutive years, has received wide recognition from its peers, customers and authoritative media for the credit and performance it achieved in past years.

Source: The above information on BOC was extracted solely from www.boc.cn. No further verification has been made.

4.3.2 The Non-Plant Zone Contractor - PPES Works

PPES Works is 51% owned by CMS and 49% by the Sarawak Economic Development Corporation.

PPES Works is a Malaysian Construction Industry Excellence Award-winning contractor with a current order book of about RM1.3 billion. PPES Works was the first construction company in Sarawak to receive the gold standard for quality in its processes - the Integrated Management Systems-QESH - in 2004.

PPES Works' track record includes a series of rural water supply upgrading projects in Sarikei and Mukah Division and the recently completed 178km Tanjung Kidurong-Suai-Bakam Coastal Road that connects Bintulu and Miri Division.

Pursuant to the Non-Plant Zone EPC Contract, PPES Works has procured from AmMerchant Bank Berhad a performance bond for an amount equivalent to 10% of the Non-Plant Zone EPC Contract sum.

Source: The above information on PPES Works was provided by SECB. No further verification has been made.

4.3.3 The Coal Supplier - Sarawak Coal Resources

Sarawak Coal Resources is 80% owned by State Financial Secretary Incorporated of Sarawak and 20% owned by SESCO. It has interests, rights and licence in coal resources and mining in Sarawak.

4.4 Description of Mukah Power Plant

The Mukah Power Plant incorporates a 2X135 MW boiler-turbine-generator coal-fired power plant.

The principal components of the Mukah Power Plant are as follows:

(i) 2 units of 440 tonne / hour steam capacity pulverised coal-fired boilers;
(ii) 2 units of 135 MW nominal capacity steam turbo-generators;

(iii) Electrical system (generator transformers, unit transformers, auxiliary transformers, switchgear, etc.);
(iv) Coal-yard and coal-handling system (conveyors, dry coal shed, coal crusher, etc.);
(v) Ash handling system and ash pond;
(vi) Flue gas system (electrostatic precipitators, 150 metre chimney, etc.);
(vii) Cooling water system (cooling pond, water intake, channel, CW pump house, inlet / outlet pipes, discharge outfall, etc.);
(viii) Supporting services (water treatment plant, fuel pump house, etc.);
(ix) Essential services diesel generator;
(x) Station buildings;
(xi) Staff quarters and facilities; and
(xii) Contractor and owner facilities.

The Mukah Power Plant will operate on a unitised system, where one unit would be able to run independently or in combination with the other unit. The Mukah Power Plant would use conventional pulverised fuel technology in the boilers to generate steam, which would subsequently drive the turbo-generators. Power generated would be stepped-up to 132kV by generator transformers and exported to the SESCO's statewide 275kV transmission grid via a 132kV switchyard to be built by SESCO.

4.5 Project Implementation

Land clearing and earth-filling works on the Mukah Power Plant have commenced and are on-going. The ground-breaking ceremony was held on 16 April 2006, officiated by the Chief Minister of Sarawak. The first unit of the Mukah Power Plant ("**First Unit**") and the second unit of the Mukah Power Plant ("**Second Unit**") are expected to commence commercial operations on 1 November 2008 and 1 April 2009 respectively.

4.6 Coal Supply

The Mukah Power Plant will be fired by coal supplied by Sarawak Coal Resources and extracted from nearby coal-fields in the Mukah-Balingian region under the Coal Supply Agreement ("**CSA**"). Coal will be transported to the Mukah Power Station via conveyor belt from Sarawak Coal Resources' coal storage adjacent to the south-west end of the Project site boundary. All coal delivered by Sarawak Coal Resources must meet certain quality specifications set out in the CSA.

Sarawak has abundant coal reserve – its inferred reserve of more than 882 million tonnes accounts for more than 76% of the total coal reserve of 1,156 million tonnes in the whole country. About 60% of the coal reserve in Sarawak lies in the Mukah division.

At present, opencast coal mining is actively pursued along the Selangau-Mukah Road at a location about 10 km from the sea. Coal reserve in this region's existing coal mine is sufficient to fuel the Mukah Power Plant for more than 50 years based on a projected coal consumption of 1.2 million tonnes per annum

4.7 Operation and Maintenance of Mukah Power Plant

The Mukah Power Plant will be operated in parallel with and forms part of the SESCO System (as defined in the PPA) during the term of the PPA in accordance with Prudent Utility Practice. Parallel operation of the Mukah Power Plant on the SESCO System will require that SESCO and MPG meet certain minimum requirement for performance, operation and safety.

Pursuant to the PPA, MPG will be a member of the Grid Operation Committee ("**GOC**") headed by SESCO. The GOC Coordinator shall coordinate the operation of the Mukah Power Plant and its functions shall include the following:

(a) scheduling of the maintenance of the Mukah Power Plant;
(b) setting up procedures of operation including defining the responsible parties for each operation procedure;
(c) meter readings and procedures thereof;
(d) determining the testing of the Mukah Power Plant capability;
(e) switching procedures for the 132 kV network; and
(f) operational communication format, for example determining when verbal communication is acceptable and when written communication is to be required.

MPG will source most of its employees from within the SECB group and a small percentage from overseas, particularly from China.

It is the intention of MPG to train its O & M personnel at the Sejingkat Power Plant, which has been in operation for about 10 years and built up a team of personnel which is experienced in relation to China conventional coal-fired plants. The environment at the Sejingkat Power Plant is expected to facilitate MPG's O & M personnel hands-on or on-the-job training in addition to classroom instructions.

5.0 INFORMATION ON THE PARENT COMPANY

5.1 Background and Principal Activities of SECB

SECB was incorporated in 1967 and listed on the Bursa Securities via Dunlop Estates Berhad. The company assumed its present name on 31 January 1996 following the acquisition of a majority of its shares by the State Financial Secretary of Sarawak ("**SFS**").

SECB as an investment holding company is principally involved in the power and electricity sector through its 100% equity interest in SESCO which has the right to generate, transmit, distribute and supply electricity throughout Sarawak. In addition, SECB owns the following IPP:

Name of IPP	**Installed Capacity (MW)**	**Fuel Type**	**Shareholding**
SPG	220	Gas	100%
Sejingkat Power Corporation Sdn Bhd (277222-W) ("**SPC**")	100	Coal	100% via SECB and SESCO
PPLS Power Generation Sdn Bhd (591673-M) ("**PPLS**")	110	Coal	100% via SESCO
MPG (under construction)	270	Coal	100%

5.2 Board of Directors

(i) Datuk Abdul Hamed bin Sepawi (Chairman)
(ii) Datuk Amar Haji Abdul Aziz bin Dato Haji Husain
(iii) Senator Dato Haji Idris bin Haji Buang
(iv) Datuk Fong Joo Chung
(v) Datu Wilson Baya Dandot
(vi) Dato' Nordin bin Baharuddin

5.3 Financial Summary

The following information on SECB is based on its audited financial statements for FYE 31 December 2003, 2004 and 2005.

For FYE 31 December (RM million)	2005	2004	2003
Profit and Loss Account			
Revenue	680.08	220.80	265.06
Depreciation	(141.72)	(31.10)	(30.96)
Profit / (Loss) from Operations	165.22	(12.93)	15.96
Finance Costs	(26.58)	(18.13)	(21.10)
Profit Before Taxation	194.69	75.61	102.00
Balance Sheet			
Shareholders' Funds	2,089.56	2,662.01	2,844.79
Property, Plant and Equipment	3,890.97	488.45	511.21
Current Assets	1,009.03	326.28	283.77
Current Liabilities	621.91	97.78	75.94
Cash Flow Statement			
Net Cash Flow from Operating Activities	255.00	77.71	49.49
Net Cash Flow from Investing Activities	191.52	43.36	11.02
Net Cash Flow Used In Financing Activities	(112.26)	(78.09)	(83.17)

Source: SECB's audited financial statements for FYE 2005, 2004 and 2003.

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6.0 INFORMATION ON THE POWER PURCHASER AND OPERATOR

6.1 Background and Principal Activities of SESCO

SESCO, a wholly-owned subsidiary of SECB, was incorporated on 25 November 2004 in Malaysia under the Act as a public company for purposes of the corporatisation and privatisation of Sarawak Electricity Supply Corporation in accordance with the Successor Ordinance.

SESCO is principally involved in the generation, transmission, distribution and sale of electricity for the whole of Sarawak[12] pursuant to the SESCO Licence, which was granted by the Yang Di-Pertua Negeri Sarawak on 15 November 1992 pursuant to the Electricity Ordinance. The SESCO Licence is valid for a period of fifty (50) years from 15 October 1992. SESCO operates and maintains 37 power stations with a total generating capacity of 669 MW throughout Sarawak[13]. SESCO had served approximately 415,000 customers in 2005.

The transfer and vesting of all the property, rights and liabilities to which Sarawak Electricity Supply Corporation was entitled or subject to, including the SESCO Licence, in SESCO pursuant to the Successor Ordinance was completed on 1 July 2005.

SESCO has an existing Al-Bai Bithaman Ajil Islamic Debt Securities of RM605 million which is rated AAA by RAM. As at 1 November 2006, the outstanding balance of these debt securities is RM330 million.

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[12] Except those areas already covered by licences issued by the Yang Di-Pertua Negeri Sarawak to other persons, parties, companies or bodies corporate.
[13] Source: SECB Circular to Shareholders and Notice of Extraordinary General Meeting dated 21 March 2005.

6.2 Financial Summary

The following information on SESCO is based on its audited financial statements for the FYE 31 December 2003, 2004 and 2005.

For FYE 31 December (RM million)	2005[14]	2004[15]	2003
Profit and Loss Account			
Revenue	583.77	1,009.86	939.85
Depreciation	(108.42)	(186.06)	(177.47)
Profit from Operations	142.64	268.81	260.62
Finance Costs	(12.06)	(28.83)	(32.69)
Profit Before Taxation	135.85	246.34	232.42
Balance Sheet			
Shareholders' Funds	1,715.97	1,555.29	1,468.61
Property, Plant and Equipment	3,424.98	3,406.77	3,326.66
Current Assets	859.33	579.19	507.94
Current Liabilities	551.03	447.06	389.46
Cash Flow Statement			
Net Cash Flow from Operating Activities	194.76	361.44	283.68
Net Cash Flow used in Investing Activities	(26.14)	(164.74)	(355.74)
Net Cash Flow used in Financing Activities	(24.82)	(162.33)	(127.63)

Source: SESCO's and Sarawak Electricity Supply Corporation's audited financial statements for FYE 2005, 2004 and 2003.

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[14] From the date of incorporation of SESCO on 25 November 2004 to 31 December 2005. The transfer and vesting of all the property, rights and liabilities to which Sarawak Electricity Supply Corporation was entitled and subject to in SESCO pursuant to the Successor Ordinance was completed on 1 July 2005.

[15] Under Sarawak Electricity Supply Corporation

7.0 PROJECT DOCUMENTS

7.1 Power Purchase Agreement

The PPA sets out the terms and conditions for the supply of electricity generated by Mukah Power Plant.

The following is a summary of some of the salient terms of the PPA:

Object of the PPA	Pursuant to the PPA, MPG had agreed to sell and SESCO had agreed to purchase from MPG, all that electricity generated by the Mukah Power Plant for a period of not less than 25 years from the Commercial Operation Date of the First Unit.
Term	The term of the PPA shall commence on 9 October 2006 and shall continue for a period of not less than 25 years from the Commercial Operation Date of the First Unit. The term may be expanded by either MPG or SESCO provided that such party has requested for such extension not less than 3 years or not more than 4 years before the expiration of the term.
Important Dates	<u>Commercial Operations Date</u> The first date on which: (1) for the First Unit, all of the conditions set forth in Article IV of the PPA have been satisfied and the First Unit of the Mukah Power Plant shall have established a Dependable Capacity of not less than 121.5 MW; and (2) the Second Unit shall have established a Dependable Capacity of not less than 121.5 MW pursuant to the PPA. <u>Initial Operation Date</u> The first date on which electrical energy is generated by the Mukah Power Plant and metered in accordance with Article XI of the PPA at the Interconnection Point (as defined in the PPA). The schedule for the First Unit is 29 February 2008 and for the Second Unit is 30 July 2008. <u>Scheduled Commercial Operation Date</u> The date which is 1 November 2008 for the First Unit and 1 April 2009 for the Second Unit, as such dates are extended for Force Majeure Events in accordance with the provisions of Article XIII of the PPA.

Delay Damages	In the event the Commercial Operation Date for each unit fails to occur on the relevant Scheduled Commercial Operations Date by reasons attributable to MPG, MPG shall pay to SESCO as and for liquidated damages and not as a penalty for delay in completion an amount equal to 0.1% of the delayed portion for each and every complete calendar day between the relevant Scheduled Commercial Operations Date until (i) the relevant Commercial Operations Date or (ii) the date of the written notification from SESCO to MPG of its intention to terminate the PPA, whichever is the earlier. The delay damages paid shall not exceed the maximum of 5% of RM721,626.656.00 ("**Contract Sum**") for each unit and / or 10% of the Contract Sum in total, and in any event shall not exceed the amount so received under the EPC Contract for payment made by CMEC in respect of liquidated damages for delay under the EPC Contract. Such payment shall be in full satisfaction of MPG's liability for the said failure and shall only be payable to SESCO upon receipt of such payment under the EPC Contract from CMEC. SESCO shall have the right to delay the Initial Operation Date if it reasonably determines that parallel operation of the Mukah Power Plant with the SESCO System (as defined in the PPA) could adversely affect the SESCO System, provided that in such event, SESCO shall give MPG notice of the reason for delaying the Initial Operation Date, and the applicable party shall proceed promptly to rectify any identified problems. If SESCO exercises its rights to delay, unless such delay of the Initial Operation Date is directly attributable to MPG, its agent, contractors or employees, SESCO shall reimburse MPG for any costs reasonably incurred as a result of such delay.
Right to Purchase the Mukah Power Plant	SESCO shall have the option to purchase the Mukah Power Plant, inclusive of appurtenances thereof at a fair market value or at a negotiated price, should MPG decide to sell after the Commercial Operation Date. The sale will be subject to the prior approval of the SSG pursuant to the Licence for the Generation of Electricity.
Sale and Purchase of Electrical Energy	MPG shall sell and deliver to SESCO, from and after the Commercial Operation Date of the respective units for the entire term of the PPA the Net Electrical Output (as defined in the PPA) from each unit of the Mukah Power Plant.
Sale and Purchase of Generating Capacity	MPG shall sell and deliver to SESCO, from and after the Commercial Operation Date of the respective units, a level of Dependable Capacity of 121.5 MW per unit.

Exceptions to SESCO's Obligations to Accept Electrical Energy	SESCO is not obligated to accept electrical energy if any of the following events should occur:- (a) in the event of an emergency condition causing a significant disruption of SESCO's system consisting of its power network used to generate, transmit and distribute electricity to its customers; (b) intentional interruptions by SESCO for the purpose of carrying out planned maintenance activities; and (c) irregularities of electrical energy transmitted by MPG. It was agreed that SESCO shall remain obligated to make the Capacity Payment (as defined in the *Purchase Price and Other Charges* below) and pay for any incidental cost incurred by MPG, for the events caused by SESCO.
Conditions Precedent	The following are some of the conditions precedent stipulated in the PPA: (a) Before the Commercial Operations Date, MPG shall provide to SESCO evidence demonstrating that MPG has obtained from all applicable government agencies and authorities all permits, licences, approvals and other governmental authorisations, including the Licence for the Generation of Electricity and air quality, water use and discharge, and solid waste and hazardous waste disposal permits and approvals, required for the construction, operation and maintenance of the Mukah Power Plant in accordance with the provisions of the PPA, provided that, if any such permit, licence, approval or other governmental authorisation is not capable of being obtained by such date, MPG shall provide to SESCO evidence demonstrating that MPG is reasonably expected to obtain such permit, licence, approval or other governmental authorisation in due course prior to the date the same is to be obtained. (b) MPG shall submit to SESCO the conceptual design of the Mukah Power Plant, which shall confirm: (1) that the Mukah Power Plant, when constructed in accordance with such design drawings, will (i) conform to the description set forth in Appendix A of the PPA in all material respects, (ii) meet any requirement for supplying reactive power at the Mukah Power Plant, and (iii) meet the guidelines and performance standards for parallel operation set forth in Appendix B of the PPA; (2) that it is technically and financially feasible for the Commercial Operations Date to occur on or before the Scheduled Commercial Operations Date, and

	(3) that the Mukah Power Plant has a useful life no shorter than the initial term of the PPA, (4) the key mile-stone scheduled dates of the Mukah Power Plant project, and (5) the generator parameters such as boiler characteristics, generation reactants, governors and excitation system. (c) Prior to the Commercial Operations Date, the fuel supply contract shall have been executed and delivered by each of the respective parties. (d) Prior to the Initial Operations Date, MPG shall design and construct in accordance with Prudent Utility Practice, the terms of the PPA and the design drawing submitted to SESCO pursuant to paragraph (b) above.
Purchase Price and Other Charges	<u>Capacity Payment</u> The Capacity Payment is calculated as follows: CP = DC x CR x F x (EAF/AT) Where: CP is Capacity Payment in Ringgit, applicable to each unit. DC is Dependable Capacity of up to but not exceeding 121.5 MW per unit. CR is Capacity Rate which is RM38.0/kW/month from the Commercial Operations Date of the First Unit. F is the factor set at 1.0 if EAF is greater or equal to 70%, set at 0.8 if EAF is greater or equal to 60% but less than 70%, set at 0.6 if EAF is greater than or equal to 50% but less than 60% and set at 0 if EAF is less than 50%. EAF is Equivalent Availability Factor for the previous 12 months (including such billing period), provided that for the purposes of determining the CP for each of the first 11 months following the Commercial Operation Date, the EAF will be deemed to be 88% during those months prior to the Commercial Operation Date. AT is Availability Target which is set at 87% if the EAF is less than 85% and set equal to EAF for values of EAF equal or greater than 85%. <u>Energy Payment</u> The Energy Payment is to be made by SESCO to MPG for electrical energy generated by the Mukah Power Plant. The Energy Payment is calculated at an energy tariff of 8.7 sen/kWh with a

	minimum take or pay obligation of 1,400 GWh per annum, subject to energy tariff adjustments as set out in the PPA. For purpose of billing, the minimum take or pay obligation of 1,400 GWh shall be accounted for on a pro-rata monthly basis to be enumerated pursuant to the actual number of calendar days for the month concerned subject to certain provisos. The Capacity Payment and Energy Payment shall be made within 15 business days from the date of receipt by SESCO of the invoice for such billing period and any overdue amounts will be charged at a rate of 2% above the then Base Lending Rate of Malayan Banking Berhad. <u>Charges by SESCO</u> The following charges will be payable by MPG as and when incurred: (a) metering test requested by MPG and out of the normal course of business; and (b) repairs and replacements of Interconnection Facilities within the Mukah Power Plant. <u>Ancilliary Services Payments</u> It was agreed that SESCO shall make the additional payments for the following ancillary services, if provided:- (a) part load operation – for power export despatched at 170.1MW and below (with both units operating), additional charges shall apply for energy delivered in any duration of time exceeding 1 hour; (b) generation in excess of 121.5MW. The maximum generator output shall however be limited to 105% Economic Continuous Rating or 141.75MW and for not more than 1 hour continuous generation in a 24 hour period and accumulated hours of not more than 200 hours per year; (c) start up costs in certain events set out in the PPA – (i) cold starts – RM[(A x 50,000 litres) + 3,500]; (ii) warm starts – RM(A x 20,000 litres); and (iii) hot starts - RM(A X 15,000 litres) where A=average diesel price per litre during the month; (d) chemical wet preservation – where shut down of the boiler is required by SESCO for a period of more than 21 days. <u>Payment Adjustments</u> Capacity and Energy Payments may be adjusted in the following events: (a) changes in taxes, other than taxes on the overall net income of

	Persons (as defined in the PPA) paid or payable by MPG pursuant to the PPA; and (b) change in law that requires MPG to make additional capital expenditure.
Operation and Maintenance	The Mukah Power Plant will be operated and maintained by MPG who shall, *inter alia*: (a) design, construct, operate and maintain the Mukah Power Plant in accordance with Prudent Utility Practice (as defined in the PPA) and otherwise in accordance with the PPA. (b) operate the Mukah Power Plant in parallel with and form part of the SESCO System during the term of the PPA in accordance with Prudent Utility Practice and the Guidelines and Performance Standards set forth in the PPA. (c) not later than 30 days after the beginning of each calendar year, submit to SESCO a summary of all maintenance and inspection work performed in the prior calendar year, and of all conditions experienced or observed during such calendar year that may have a material adverse effect on or may materially impair the short or long term operation of the Mukah Power Plant at the operational levels contemplated by the PPA. (d) submit to SESCO its proposed five-year maintenance schedule at least three months before SESCO's calendar year, to enable SESCO to prepare its annual, monthly and weekly systems operation plans. The schedule shall be submitted annually and shall consist of one year firm maintenance and four years indicative maintenance. It was agreed that SESCO shall provide the Mukah Power Plant with black start electricity supply as and when necessary, and the amount of electricity consumed shall be set-off against the amount sold to SESCO. The maximum demand required for black start shall not exceed 10 MW. Parallel operation of the Mukah Power Plant on the SESCO System requires that SESCO and MPG meet certain minimum requirements for performance, operation and safety.
Maintenance Reserve	The parties agreed that the maintenance reserve, provided at RM4.0 million (as may be adjusted if required), shall be used exclusively to pay for maintenance expenses and that any amounts withdrawn shall be replenished by MPG.

Interconnection	Title to and risk of loss on any electrical energy generated from the Mukah Power Plant and transmitted to SESCO shall pass to SESCO at the interconnection point, being either of the two physical points where the Mukah Power Plant and the SESCO System are connected as stipulated in the PPA or such other point or points as the parties may agree.
Force Majeure Events	Force Majeure Events shall include: (a) unusually severe weather conditions, if so declared by the Government, such as, El Nino, haze from forest fire, etc.; (b) general strikes and / or other work stoppage; (c) acts of public enemies or terrorists or acts of war, hostilities or insurrection; (d) riots; (e) changes in the law or applicable regulations after the date of the PPA; (f) failure to obtain or renew required permits unless such failure is due to an act or omission of MPG; (g) earthquake; (h) expropriation or compulsory acquisition of the Mukah Power Plant; (i) epidemics; and (j) any unavailability or interruption in the supply of fuel or water supply as the result of any of the foregoing described Force Majeure Events. Plant down time due to lightning shall be excluded as unavailable hours in the availability calculation.
Consequence of Force Majeure Events	(a) Subject to the limitations set forth in the PPA, in the event that either party is rendered unable by reason of a Force Majeure Event to perform wholly or in part, any obligation set forth in the PPA, then upon such party giving notice and full particulars of such events as soon as practicable after the occurrence thereof, such obligation of such party shall be suspended or excused to the extent affected by such Force Majeure Event. (b) If any Force Majeure Event excuses a party's performance of any material obligation under the PPA and such Force Majeure Event continues for a time period greater than 120 days, the party not excused by such Force Majeure Event may terminate the PPA, without further obligation, or extend such period at its sole discretion.
Events of Default	Events of Default under the PPA include the following: (a) The Commercial Operation Date for such unit shall fail to occur within one year of the Scheduled Commercial Operation Date for such unit and has extended from the initial Scheduled Commercial Operations

	Date for the Mukah Power Plant; (b) Either party failing to comply with any of its material obligations under the PPA, and such failure continuing uncured for 45 days or after a mutually agreed period. (i) "**material obligations**" of MPG in this section constitutes repeated failure to operate the Mukah Power Plant in accordance with the PPA such that injury to life or damage to SESCO's transmission system is threatened or breach of any representation or warranty given by MPG under the PPA such that there is a material adverse effect upon MPG's ability to perform and comply with its obligations under the PPA. (ii) "**material obligations**" of SESCO constitutes failure to pay any amount due under the PPA or failure to perform any of its obligations where such failure would have a material adverse effect on the rights of MPG. (c) The EAF (based upon a net capacity of 121.5 MW and determined on a monthly basis) of either unit of the Mukah Power Plant shall, for any reason other than due to any Force Majeure Events, be less than 50% for a period of 9 or more consecutive months. (d) Either party's licence has been suspended or revoked or terminated or expired after all applicable appeal procedures have been exhausted. (e) Either party fails to make payments for undisputed amounts due under the PPA to the other party within 60 days after receipt of written notice of such non-payment. (f) If either party shall (i) apply for or consent to the appointment of a receiver, custodian, trustee or liquidator; (ii) admits in writing its inability to pay its debts when it becomes due; (iii) make a general assignment to or arrangement with its creditors; (iv) commence proceedings for bankruptcy, insolvency, reorganisation, winding-up, composition or adjustment of debts or if any such proceedings is commenced against either party; (v) fail to controvert in a timely manner or acquiesce to a bankruptcy petition; and (vi) take any other action to effect any of the above.
Remedies for Default	The parties had agreed that if an Event of Default occurs and is continuing, the non-defaulting party may, in addition to any rights described in specific sections of the PPA, terminate the PPA by giving written notice of such breach and the non-defaulting party shall be excused and relieved of all obligations and liabilities under the PPA, except for payment of amounts due before the effective date of termination.
Step-In Rights	(a) In addition to all of SESCO's rights under the PPA but subject to the rights of the Financing Parties (being the financiers of the design, construction, ownership, operation and maintenance of the Mukah

	Power Plant), under the Financing Documents (being the financing documents of the Financing Parties) so long as the Financing Documents are in effect, upon the occurrence and during the continuance of an Event of Default and if operation of the Mukah Power Plant is not assumed by any Financing Party or any assignee or designee of the Financing Parties, SESCO shall have the rights exercisable only with the approval of the Director of Electricity Supply [please refer to Section 8.2.1 (*Regulatory and Institutional Framework*)] but under no circumstances the obligation, to assume operation responsibility for the Mukah Power Plant in the place and stead of MPG in order to complete construction or continue operation of the plant, or to complete any necessary repairs so as to assure uninterrupted availability of electrical energy from the plant, and MPG shall use best efforts to cause the Financing Parties specifically to acknowledge such rights of SESCO in the Financing Documents. (b) In no event shall SESCO's election to operate the Mukah Power Plant be deemed to be a transfer of title of MPG's obligations as owner thereof. During this period, SESCO shall continue to pay the Capacity Payment and Energy Payment, but only to the extent that such payments exceed the operating costs incurred in operating the plant.
Buy-out of the Mukah Power Plant	The parties mutually agreed that where a termination of the PPA is a result of an Event of Default, SESCO shall have the first option, free from all legal encumbrances, to purchase the Mukah Power Plant from MPG at a purchase price of the then fair market value of the Mukah Power Plant.
Transfer	Except as required by the Financing Parties under the Financing Documents, MPG may not sell, convey, transfer or otherwise dispose of the Mukah Power Plant or any material part or any interest therein to any other party without the prior written consent of SESCO, which consent shall not be unreasonably withheld or delayed.
Assignment	Neither the PPA nor any of the rights or obligations under the PPA may be assigned, transferred or delegated by MPG without the express prior written consent of SESCO, which consent shall not be unreasonably withheld or delayed provided that MPG may assign its rights and/or obligations under the PPA to the Financing Parties and their successors and assigns as required for financing and refinancing purposes, and provided further that, unless expressly agreed to by the other party, no assignment, whether or not consented to, shall relieve the assignor of its obligations in the event the assignee fails to perform.

7.2 Licence for the Generation of Electricity

Below is a summary of some of the salient terms and conditions of the Licence for the Generation of Electricity, which was issued by Yang Di-Pertua Negeri Sarawak on 20 September 2006

Validity Period	Twenty eight (28) years from 20 September 2006 inclusive of the construction period in respect of the Mukah Power Plant. The Licence may only be extended by the Yang Di-Pertua Negeri Sarawak upon such terms and conditions as he may deem fit to impose.
Scope of Licence	The Licence grants to MPG the right and authority: (a) to construct, build, erect, use, work or operate the Mukah Power Plant, on the Mukah Power Plant Land for the purpose of generating electrical energy; and (b) to supply the electrical energy generated to SESCO to be delivered at such connection point as may be designated by SESCO.
Licence Fees	The licence fees payable for the Licence is: (a) an annual licence fee as stipulated in accordance with Part 1 of the Second Schedule to the Electricity Rules 1999, and (b) calculated in the manner shown in the Fourth Schedule of the Licence.
Determination of Licence	Without prejudice to clauses 2 and 3 of the Licence, the Yang Di-Pertua Negeri Sarawak may, on the advice of the Minister, terminate the Licence upon service of one (1) month written notice on MPG, in any of the following circumstances: (a) upon breach of any of the terms and conditions imposed in the Licence; (b) if MPG ceases to use, work or operate the Mukah Power Plant; (c) if a receiver or liquidator has been appointed for MPG; (d) if the Power Purchase Agreement is terminated by either MPG or SESCO for whatever reason and MPG is not permitted to supply, deliver or sell the electrical energy generated pursuant to the Licence, to any other person. No energy generated by MPG shall be supplied, sold or otherwise

	disposed off, distributed or transmitted in any manner whatsoever either directly or indirectly to or for the benefit of any person other than to SESCO and for the Mukah Power Plant's own use.
Restrictions	MPG shall not do the following without the prior written consent of the Yang Di-Pertua Negeri Sarawak: (a) assign, pledge or transfer by MPG of the Licence or any of MPG's rights and privileges under the Licence to any other person; and (b) lay, place or carry electric supply lines over, on or under any land outside the Mukah Power Plant Land.
Relationship with Power Purchase Agreement	a) The delivery, supply and sale of electrical energy by MPG shall be on the terms and conditions stipulated in the Power Purchase Agreement. b) The Power Purchase Agreement shall not be executed by any of the parties until the Single Buyer (as defined in the Grid Code) is satisfied that the Power Purchase Agreement meets the requirements of the Grid Code (as defined in the Licence) and the terms and conditions of the Licence. c) No amendments, variations to or substitution of the Power Purchase Agreement shall be made or effected without the prior approval of the Director of Electricity Supply (as defined in the Electricity Ordinance).
Connection Agreement and Compliance with Grid Code	MPG shall not connect to the Grid System (as defined in the Grid Code) until it complies with the Connection Agreement entered into with the Grid System Service Provider (as defined in the Grid Code). MPG shall comply with the provisions of the Grid Code as may be amended, extended or modified and in accordance with such directives and ruling made from time to time by the Director of Electricity Supply.
Fuel for Generation of Electrical Energy	MPG shall use only coal as its main fuel. Other fuel sources may be use only as secondary fuel for the purpose of starting and / or stabilising combustions for the operation of the Mukah Power Plant. In the event that MPG is unable to secure adequate supply of coal as the main fuel for the purpose of generation of electrical energy, the Director of Electricity Supply may, with the approval of the Minister, permit MPG to use such other alternative fuel.

Maintenance of the Mukah Power Plant	MPG shall maintain the Mukah Power Plant to a standard in conformity with the Electricity Ordinance and Rules (as defined in the Licence).
Share Dealings	MPG undertakes to the SSG that no transfer or any of its shares shall be registered or recognised by MPG save and except with the prior written consent of the Minister.
Business Undertakings	MPG shall ensure that at all times during the currency of the Licence, its sole purpose shall be to generate and supply electricity. MPG shall not undertake any other business without the prior written approval of the Minister, provided such approval shall not be unreasonably refused.
Maintenance Reserves	It was agreed that MPG shall establish and thereafter maintain during the period of the Licence, under a depository arrangement satisfactory to SESCO, a maintenance reserve in the amount and at the times to be mutually agreed between MPG and SESCO as may be appropriate for the size and type of installation of the Mukah Power Plant. The Maintenance Reserves shall be used exclusively to pay for maintenance expenses for the Mukah Power Plant, including any repairs and replacements that are necessary or appropriate to ensure that the installation will continue to be operated and maintained in accordance with Prudent Utility Practices and / or the performance standards set forth in the Power Purchase Agreement.
Acquisition and Disposal of Relevant Assets	MPG shall give the Director of Electricity Supply two (2) months prior written notice of its intention to acquire any relevant assets or to relinquish control over any relevant asset, with a value in excess of RM50 million.
Prohibition of Cross Subsidy	MPG shall ensure that the business under MPG shall not give any subsidy to or receive any subsidy from, any other business of MPG or an affiliate or related undertaking of MPG. This condition shall not apply to any subsidy arising from any trading or other arrangement which MPG is obliged to enter into.
Sale of Installation on Termination of Licence	MPG shall, on the expiration or sooner determination of the Licence, if so required by the SSG, sell to the SSG the Mukah Power Plant upon terms of payment by the SSG to MPG of the value at the time of such sale.

Step-in Rights of Director of Electricity Supply	Notwithstanding any contractual obligations of MPG, in the event the Licence is suspended or revoked upon breach of any of the conditions of the Licence by MPG, the Director of Electricity Supply may step in, solely for the purpose of exercising his duties and functions prescribed under the Electricity Ordinance.
Exemption from liability	MPG shall indemnify the SSG from all liabilities, claims, demands, suits, actions, or proceedings in respect of any damage to property or injury to persons whatsoever or howsoever caused by MPG in the use, operation and maintenance of the installation or in the generation or supply of electrical energy in pursuance of the terms of the Licence.
Variation	The Yang Di-Pertua Negeri Sarawak may amend, vary, modify or alter any of the terms and provisions of the Licence but notice of such shall be served on MPG at least 30 days before the same comes into effect.

7.3 Project Insurance

Overview

The primary objective of the insurance policies described in this section is to protect the interests of shareholders and Sukukholders via the protection of the assets and the operational revenue stream. The insurance policies aim to achieve these risk management objectives by mitigating risks of loss from the Project to selected insurance underwriters. The insurance policies also consider the contractual obligations imposed on MPG by the respective Project Documents such as the PPA and the EPC Contract.

The insurance term sheets summarised below have been prepared to provide the Sukukholders with a broad overview of the classes of insurance required for the respective phases of the Project:

- **the construction / erection phase** - commencing with the shipment of materials intended for the Project from suppliers' premises throughout the EPC works at the site and ends with the commencement of commercial operations of all the First Unit and Second Unit.
- **the operation phase** - commencing from the issuance of the provisional acceptance certificate of the First Unit in accordance with the terms of the EPC Contract and continues throughout the term of the Project.

7.3.1 Insurance for the Construction / Erection Phase

Classes of insurance required for the construction / erection phase are as follows:

- Marine Cargo Open Cover - material damage
- Marine Cargo - delay in start-up
- Erection All Risks - material damage & third party liability
- Erection All Risks Delay in Start-Up

The Marine Cargo Open Cover provides insurance cover against loss or damage to all materials including plant and equipment, spares, etc. during transit from the time the materials leave the supplier's premises anywhere in the world, during the journey and includes all incidental storage and fabrication off-site until the materials are delivered to the site.

The Marine Cargo - Delay in Start-Up policy provides cover against loss of projected profits payable under the MPG Sukuk Programme and fixed O & M expenses following a loss under the marine cargo policy which consequently results in a delay in the commercial operations of the Mukah Power Plant.

After the equipment and materials arrive at the site, the Erection All Risks Insurance will take effect. A 50 / 50 clause will be included in both the Marine Cargo Open Cover and the Erection All Risks insurances to mitigate the risk of a dispute between insurers as to which policy pays when the cause and time of loss are unclear.

The Erection All Risks insurance covers the works and project materials, while in storage on site, during construction, erection, commissioning and testing until the issuance of the provisional acceptance certificate of the respective units, plus an additional fourteen (14) months warranty / maintenance period. The policy is structured to cover for the replacement value of the loss. Coverage provided by this policy is on an "all risks" basis and covers most accidental losses common to construction / erection. Once the Mukah Power Plant is commissioned, the insurance for the operation phase will take effect.

The Third Party Liability section of the Erection All Risks insurance will provide insurance coverage to the named insured i.e. MPG, the Sukukholders, EPC Contractor and other parties with an interest in the Project, for any legal action brought against them by third parties for bodily injury, or death, or loss or damage to third party property from sudden and accidental means arising out of and in connection with the construction / erection works.

Similar to the delay risks outlined in the Marine Cargo – Delay In Start-Up policy, loss or damage during the construction / erection may cause material delay in the commercial operations of the Project. The Erection All Risks Delay in Start-Up Insurance provides cover against loss of projected profits payable under the MPG Sukuk Programme and fixed O&M expenses arising from the delay.

Summary term sheets for the classes of insurance described above are as follows. For full details of the policy coverage, exclusions, terms and conditions, reference should be made to the actual policy documents.

(1) Marine Cargo Open Cover - Material Damage

Policy No.	:	W20064403SY0004 Contract No. SY0012-1
The Insurer	:	PICC Property & Casualty Company Ltd. China.
The Insured	:	MPG as Project owner, Amanah Raya Berhad as Trustee, and CMEC as the EPC Contractor.
Project Site	:	Mukah, Sarawak.
Perils	:	"All Risks" of physical loss or damage while in transit.
Voyage	:	From the manufacturers' premises in China to the site in Mukah, Sarawak including inland transit from Bintulu Port to the Project site.
Property Covered	:	All materials, equipment and supplies for the erection / construction of the Project procured under the EPC Contract.
Period	:	Continuous open cover commencing on the day "Notice to Proceed" is issued.
Sub-Limits	:	USD5,500,000 or equivalent any one conveyance.
Valuation	:	As declared, but in event of loss prior to declaration, invoice value plus 10.0%.
Deductibles	:	Nil.

(2) Marine Cargo - Delay in Start-up

Policy No.	:	MTN005624 (Cover note number)
The Insurer	:	Allianz General Insurance Malaysia Berhad.

The Insured	:	MPG as Project owner, and Amanah Raya Berhad the Trustee. .
Project Site	:	Mukah, Sarawak
Interest Insured	:	The projected profits payable under the MPG Sukuk Programme and fixed O&M expenses arising from a delay in the scheduled commercial operations dates of the Mukah Power Plant resulting from a loss or damage indemnifiable under the Marine Cargo Open Cover.
Period	:	Parallel with the Marine Cargo - material damage.
Limits	:	RM70,000,000.
Indemnity Period	:	12 months.
Deductibles	:	The first 60 days of each and every loss.

(3) Erection All Risk - Material Damage

Policy No.	:	06EKU000058
The Insurer	:	Allianz General Insurance Malaysia Berhad – 70% Hong Leong Assurance Berhad – 30%
The Insured	:	MPG as Project owner, Amanah Raya Berhad as Trustee, CMEC as EPC Contractor, all other consultants, agents, contractors, subcontractors and suppliers (on site only) of whatsoever tier engaged in carrying out the works on or about the site.
Location of Risk	:	Mukah, Sarawak and other locations on, under, in or through which the works are to be executed or carried out and any other lands or places provided or used by the Insured for the purposes of the Project as defined in the EPC Contract.
Perils	:	"All Risk" except for certain exclusions.
Property Covered	:	All materials, equipment and supplies for the

		construction of the Project including damage caused to the completed works as a result of maintenance during the contract maintenance period.
Geographical Limits	:	On and about the site including inland transit and storage anywhere in Malaysia of locally procured materials which are not under Marine Cargo insurance.
Period	:	The policy commences from date which coincides with Notice To Proceed on or around 29 July 2006 until the commercial operations dates on / or around 28 March 2009 including Testing and Commissioning. Plus the duration of the Full Maintenance Period for fourteen (14) months effective from the issuance of the provisional acceptance certificate of the respective Units.
Third Party Limit	:	RM10.0 million for any one accident or series of accidents arising out of any one event for bodily injury and property damage combined. Unlimited during the period of insurance.
Coverage	:	50 / 50 clause as with Marine Cargo - material damage; Escalation clause.
Deductibles	:	Act of God / Flood / Subsidence / Landslide / Collapse - RM250,000 each and every loss. ▪ Third Party Property Damage - RM75,000 each and every loss. ▪ Vibration, Weakening of Support and Underground Services - 20% of loss or minimum of RM50,000 each and every loss. ▪ Testing and Commissioning / Maintenance / Consequence of Design - RM500,000 each and every loss. ▪ All other losses - RM100,000 each and every loss

(4) Erection All Risk - Delay in Start-up

Policy No.	:	06EKU000057
The Insurer	:	Allianz General Insurance Malaysia Berhad – 70% Hong Leong Assurance Berhad – 30%
The Insured	:	MPG as Project owner, and Amanah Raya Berhad as Trustee.
Location of Risk	:	Mukah, Sarawak and other locations on, under, in or through which the works are to be executed or carried out and any other lands or places provided or used by the Insured for the purposes of the Project as defined in the EPC Contract.
Interest Insured	:	The projected profits payable under the MPG Sukuk Programme and fixed O&M expenses arising from a delay in the scheduled commercial operations date of the Mukah Power Plant resulting from a loss or damage indemnifiable under the Erection All Risks Policy.
Period	:	Same as Erection All Risks – material damage
Limits	:	RM70,000,000
Period of Indemnity	:	12 months
Deductibles	:	The first 60 days of each and every loss.

7.3.2 Insurance for the Operation Phase

Insurance necessary for the operation phase will comprise the following classes:

- Industrial All Risks - material damage / loss of revenue;
- Machinery Breakdown - material damage / loss of revenue;
- Public Liability.

The insurance policies for the operation phase will commence upon the issuance of the provisional acceptance certificate of the First Unit.

The Industrial All Risks and Machinery Breakdown policies are intended to provide all interested parties with the most extensive coverage available on an "all risks" basis. The primary function of these two policies is to indemnify MPG, Sukukholders and the O & M Operator against physical loss and / or damage to all system components which comprise the Project including spare parts and fuel, on a full replacement value basis. Catastrophic risks of fire, explosion, flood and breakdown of equipment will be included in the terms of coverage.

In the event that any loss or damage insured by the material damage policies highlighted above, adversely affects the income earning capabilities of the Project, such "financial loss" will be catered for with the Industrial All Risks - Loss of Revenue and Machinery Breakdown - Loss of Revenue policies.

The Public Liability insurance is to provide the named insured i.e. MPG, Sukukholders, O & M Operator and other parties with an interest in the Project, insurance coverage for any legal action brought against them by third parties for bodily injury, or death, or loss or damage to third party property from sudden and accidental means.

(1) Industrial All Risk - Property Damage

The Insured	:	MPG as Project owner, Sukukholders and SESCO.
Location of Risk	:	Mukah, Sarawak
Perils	:	Industrial All Risk (except as excluded), of loss or damage to the Project.
Property Covered	:	All real and personal property, owned, leased or for which the insured is legally liable, comprising the Project.
Limits	:	*To be determined.*
Coverage Extensions and Provisions	:	Capital additions, removal of debris, additional costs of reinstatement necessarily incurred to comply with any laws of public authorities, and architects and surveyors fees.
Valuation Basis	:	Property damage - replacement cost.
Deductibles	:	*To be determined.*

(2) Industrial All Risk - Loss of Revenue

The Insured	:	MPG as Project owner, and Sukukholders.
Location of Risk	:	Mukah, Sarawak
Limits	:	*To be determined.*
Coverage & Extensions	:	On loss of revenue and increase in cost of working suffered by the insured following loss and / or damage to the property insured in the Industrial Property All Risks.
Period of Indemnity	:	Period during which the results of the business shall be affected by the loss and / or damage up to certain months maximum indemnity period.
Deductibles	:	*To be determined.*

(3) Machinery Breakdown - Material Damage

The Insured	:	MPG as Project owner, Sukukholders and SESCO.
Location of Risk	:	Mukah, Sarawak
Limits	:	*To be determined.*
Coverage & Extensions	:	Policy covers sudden and accidental loss of plant and machinery due to breakdown, explosion and collapse during the course of normal operations, and expediting expense.
Deductibles	:	*To be determined.*

(4) Machinery Breakdown - Loss of Revenue

The Insured	:	MPG as Project owner, and Sukukholders.
Location of Risk	:	Mukah, Sarawak
Limits	:	*To be determined.*

Coverage & Extensions	:	On loss of revenue and increase in cost of working suffered by the insured following loss and/or damage to the property insured in the Machinery Breakdown - Material Damage policy.
Period of Indemnity	:	Period during which the results of the business shall be affected by the loss and / or damage up to certain months of maximum indemnity period.
Deductibles	:	*To be determined.*

(5) Public Liability Insurance

The Insured	:	MPG as Project owner**,** SESCO, Sukukholders, O&M Operator and all other parties with an interest in the Project.
Location of Risk	:	Mukah, Sarawak
Risks Covered	:	Provides indemnity for legal liability in respect of third party bodily injury, death, loss and / or damage to third party property arising out of and in connection with the operation of the Mukah Power Plant.
Limits	:	*To be determined.*

Insurepro has been appointed the Insurance Consultant for the MPG Sukuk Programme. Both MPG and Insurepro have declared that one of Insurepro's shareholders is directly related to one of the directors of MPG. However, they have confirmed that the said shareholder is not directly involved in the management and operation of Insurepro particularly in relation to the role of Insurepro as the Insurance Consultant for the MPG Sukuk Programme.

Letter from MPG dated 11 August 2006 and letter from Insurepro dated 14 August 2006 to confirm the above are attached as Appendix V and Appendix VI respectively.

7.4 Coal Supply Agreement

The CSA sets out the terms and conditions for the supply of coal by Sarawak Coal Resources to MPG.

The following is a summary of some of the salient terms of the CSA:

Term	The CSA is for a term of twenty -five (25) years from 1 October 2008.
Conditions to Term	The CSA shall remain in force subject to the following conditions: (a) the coal supplied is to be of a quality suitable for the generation of electricity; and (b) termination shall be in accordance to the terms of the CSA.
Extension	Parties to commence negotiation twelve (12) months prior to the expiry of the CSA.
Principal Quantity for Delivery	The principal quantity to be delivered in each period of twelve (12) months is 1,000,000 tonnes ("**Principal Quantity**"). MPG shall not in any twelve (12) month delivery period take delivery of less than 720,000 tonnes ("**Annual Minimum Quantity**") or 80,000 tonnes in 2 consecutive months ("**Bi-Monthly Minimum Quantity**") as the case maybe. In the event MPG fails to or refuses to take the Bi-Monthly Minimum Quantity, MPG shall be liable to pay to the Coal Supplier the Contract Price (as defined below) for the Bi-Monthly Minimum Quantity and to pay the Contract Price for the difference between the Annual Minimum Quantity and the total aggregate of the Bi-Monthly Minimum Quantity.
Option Quantity	In addition to the Principal Quantity, the Coal Supplier shall make available upon MPG's request, a quantity of 100,000 tonnes during each twelve (12) month delivery period at the same terms and conditions of quality and pricing as agreed by the parties in the CSA. MPG shall give a written notice of not less than one hundred and twenty (120) days to the Coal Supplier prior to the date fixed for the delivery of the option quantity.
Specification	The CSA sets out the specifications for the coal required.
Measurement Standards	International Standards Organization (ISO) test methods.
Contract Price	The contract price is RM81.00 per tonne (FOB basis i.e. the price of coal delivered excluding insurance to the point of discharge) for coal of gross

	calorific value of 5,400 kcal/kg (air dried basis) and total moisture of thirty per centum (As Received Basis) and subject to quality and diesel price adjustments in accordance with the CSA.
Contract Price Review	The Contract Price shall be reviewed after an initial five (5) year period following 1 October 2008 and thereafter for each period of three (3) years; provided any change in price shall be subjected to agreement after negotiations between both parties hereto.
Rejection	A shipment of coal may be rejected by MPG, if the coal quality as indicated by the certificate of analysis issued in accordance with the CSA falls outside any of the limit as specified in the CSA. If MPG intends to reject the quality of any shipment pursuant to the CSA, MPG shall notify the Coal Supplier within seven (7) days in writing of such intention and the grounds for rejection, and both parties shall, without prejudice in any way to MPG's right of rejection, meet within three (3) days in an endeavour to agree upon a reasonable and equitable settlement in respect of such shipment.
Force Majeure	Force Majeure events include: (a) acts of God or civil disorder or unrest; (b) policies, restrictions or regulations imposed termination of licences by government authorities which prevented the parties to perform any of its respective obligations under the CSA; (c) order or acts of the competent court or governmental or other statutory authorities which restricts, suspends, stops, prohibits or in any way affects the production, shipment, loading, unloading or delivery of coal or results in the closure or suspension of operation of the Mukah Power Plant; (d) wars (whether declared or undeclared), riots, fires, explosions, terrorist attacks, floods, epidemics, quarantine, restrictions, strikes, lock-outs, fuel / freight embargoes; (e) event or circumstance not within the control of the party claiming suspension under the preceding sub-paragraph which by the exercise of due diligence, such party is unable to prevent or overcome. Neither party shall be liable to the other party for any delay, interruption or failure in the performance of obligations under the CSA if such delay interruption or failure is caused by an event constituting Force Majeure and the party affected thereby shall have declared to the other the existence of such Force Majeure event.

	Deliveries of coal that otherwise would have been made under the CSA during any period in which performance by either party is prevented or interrupted by Force Majeure declared as specified in the CSA shall be made up at such time or times as the Coal Supplier and MPG can mutually agree. However, if both parties fail to agree, such delivery of coal affected by Force Majeure declared shall be cancelled.
Termination	In the event that MPG fails or refuses to comply with any of the terms and conditions in the CSA, the Coal Supplier shall give MPG not less than thirty (30) days' written notice for MPG to rectify its default failing which the CSA shall, at the expiration of the said notice, be deemed to be terminated by MPG.
Liabilities	In the event that the Coal Supplier is unable save for the occurrence of any Force Majeure events, at any time during the delivery period to supply and deliver the quantity of coal stipulated in the CSA, MPG shall be entitled, at its option, to purchase coal from other sources, or use other alternative type of fuel for power generation. The Coal Supplier shall pay to MPG the difference between the price of quantity of coal which the Coal Supplier has failed to supply or deliver and the costs of the alternative coal or fuel used for power generation, including any costs and expense of and incidental to the procurement of such alternative coal or fuel.

7.5 Engineering, Procurement and Commissioning Contract

The EPC Contract entered into between SECB and the EPC Contractor has been subsequently novated to MPG via a letter dated 28 November 2006 issued by SECB and duly acknowledged / to be duly acknowledged by the EPC Contractor and MPG.

Some of the salient terms of the EPC Contract are as follows:

Background	SECB had appointed the EPC Contractor pursuant to the Letter of Contract Award dated 27 March 2006 from the Company to the EPC Contractor to undertake Engineering, Procurement and Commissioning (EPC) on a turnkey basis for all the Works for (2) units of 135 MW nominal output, coal-fired boiler and steam turbine generator plant with the necessary auxiliary and ancillary supporting plant, including civil design and works for the Plant Zone. The term Works has been defined as the design, engineering, manufacture, shop testing, packing for shipment, shipping, delivery to Site, project insurance, erection, testing, commissioning, reliability operation, setting to work for commercial operation, handover, operation and maintenance support and warranty during the warranty period on EPC turnkey basis.
Contract Sum	The contract sum agreed to be paid by SECB to the EPC Contractor is comprised of the following:- 1) US Dollar One Hundred Forty Million Three Hundred Seventeen Thousand Seven Hundred Fifty Three and Fifty Cents only (USD140,317,753.50) for the off-shore portion; 2) Ringgit Malaysia Ninety Million Six Hundred Fifty Thousand Nine Hundred Sixty Eight and sen Forty Six only (RM90,650,968.46) for on-shore portion (excluding civil works); and 3) Ringgit Malaysia One Hundred Eleven Million and Eight Hundred Thousand only (RM111,800,000.00) for on-shore portion for plant zone civil works.

Effective Date of the EPC Contract	The effective date of the EPC Contract shall be upon all of the following conditions being fulfilled by SECB and the EPC Contractor:- 1) Issuance of the Letter of Contract Award by SECB; 2) Receipt and acceptance by the EPC Contractor of the Letter of Corporation Guarantee from SECB confirming that SECB shall issue the Letter of Credit for the payment of eighty five percent (85%) of the Non-Civil Works Off-Shore Portion of the Contract Sum; 3) Receipt of advance payment by the EPC Contractor in exchange for an advance payment guarantee of the same value provided by the EPC Contractor to SECB.
Warranty Period	The warranty period for the two (2) Units shall be for a period of fourteen (14) calendar months commencing from the issuance of provisional acceptance certificate for the respective Unit.
Final Acceptance Certificate	The final acceptance certificate shall be issued to the EPC Contractor upon all Works being fully completed to the Company's satisfaction and in accordance with the EPC Contract and that the Warranty Period for Second Unit has expired.
Performance Bond	The Contractor shall submit a Performance Bond by way of a bank guarantee issued by Bank of China, head office and advised by a bank licensed in Malaysia within thirty (30) calendar days from the Effective Date of the Contract amounting to US Dollar Fourteen Million Thirty One Thousand Seven Hundred Seventy Five and cents Thirty Five Only (USD14,031,775.35) and Ringgit Malaysia Twenty Million Two Hundred Forty Five Thousand Ninety Six and cents Eighty Five Only (RM20,245,096.85) being ten percent (10%) of the Contract Sum and valid from the Effective Date until issuance of Final Acceptance Certificate. The Performance Bond can be extended if the contract period is extended due to factors attributable to the Contractor.
Advance Payment Guarantee	The Contractor shall submit an Advance Payment Guarantee within thirty (30) calendar days after the signing of the Contract amounting to US Dollar Twenty Million Four Hundred Forty Seven Six Hundred Sixty Three and cents Three only (USD20,447,663.03) and Ringgit Malaysia Thirteen Million Five Hundred Ninety Seven Thousand Six Hundred Forty Five and cents Twenty Seven Only (RM13,597,645.27) being fifteen percent (15%) of the Non-Civil Works portion of the Contract Sum valid

	until Eighty Five percent (85%) of the total contract value has been paid or the issuance of the Provisional Acceptance Certificate, whichever is earlier. The Advance Payment Guarantee can be extended if the contract period is extended due to factors attributable to the Contractor.
Assignment or Novation	The EPC Contractor may with the written consent of SECB assign the On-Shore/ Local Currency Portion of the Works to the EPC Contractor's locally registered company provided that the EPC Contractor shall remain principally liable to SECB for all acts, neglect, default, omission or commission of the said company in the execution or performance or completion of the Works. SECB may at any time by notice in writing to the Contractor assign or novate the EPC Contract to any of its subsidiary or associate companies provided that SECB shall remain principally liable to the Contractor for all acts, neglect, default, omission or commission of the said subsidiary or associate companies in the execution of the obligations mentioned in the EPC Contract.
General Conditions of Contract	The General Conditions of Contract govern the terms and conditions as well as rights and liabilities between the engineer (appointed and certified in writing to the EPC Contractor by SECB) with the Contractor and SECB.
Liquidated Damages for Delay in Completion	If the Contractor shall fail to complete the Works or Sections thereof in accordance with Contract [save as regards his obligations under Clause 33 (Defects after Taking Over) and such tests as are to be made in accordance with Clause 20 (Tests on Completion)] within the time fixed by the Contract for the completion of the Works or any extension of such time, there shall be deducted from the Contract Sum as and for liquidated damages and not as a penalty an amount as specified in Sub-Clause 40.7.2 (Delay in Completion) for each day of delay between Time for Completion of the Works as aforesaid and the actual date of completion before which the opinion of the Engineer of Works could not have been put its intended use. The amount so deducted shall be zero point one percent (0.1%) per day of the delayed portion each and every complete calendar day of delay not exceeding five percent (5%) of the Contract Sum for each unit, and shall not in any case exceed ten percent (10%) of the Contract Sum, and such deduction shall be in full satisfaction of the Contractor's liability for the said delay. The said sum shall be deducted or enforceable by the sole fact of the delay without legal

	or other formality and without proof of damage. The date for the delay will account at the end of the successful Reliability Trial. There is a Clause for reduction of liquidated damages for Delay and a Clause for Prolonged Delay. Contract Price is defined as a portion of the Contract Sum which is properly apportionable to the plant or Work in question having regard to the state, condition and topographical location of the plant, the amount of work done, and all other relevant circumstances adjusted to such additions thereto or deductions therefrom as may be made under the provisions of the EPC Contract.
Reduction of Liquidated Damages for Delay	If before the completion of whole of the Work, only such part of the Work which produces commercially electrical power has been certified by the Engineer as provisionally accepted and has been occupied and put to its intended use by Employer, the Liquidated Damages for Delay may for any period of delay after such certification be reduced in the proportion of the value of the part so certified to the value of the whole of the Work. For the purpose of this Clause, Provisional Acceptance Certificate (PAC) as specified in Sub-Clause 32.2 (Taking Over by Portions) shall only be applicable for each generating unit. Provisional Acceptance by Portions of equipment of systems of components which are not necessarily connected to any generating unit, the Liquidated Damages for Delay shall not be reduced accordingly.
Prolonged Delay	If any Portion of the Works in respect of which the Employer has become entitled to the maximum reduction under Sub-Clause 1 of this Clause remains uncompleted, the Employer or the Engineer may be notice in writing to the Contractor require him to complete and by such notice fix a final time for completion which shall be reasonable having regard to such delay as has already occurred. If for any reason, other than one for which the Employer or some other contractor employed by him is responsible, the Contractor fails to complete within such time, the Employer or the Engineer may be by further written notice to the Contractor elect either (a) to require the Contractor to complete, or (b) to terminate the Contract in respect of such Portion of Works

	and recover from the Contractor any loss suffered by the Employer by reason of the said failure up to an amount not exceeding the Contract Sum that is properly apportionable to such Portion of the Works as cannot by reason of the Contractor's failure be put to the use intended.
Liquidated Damages for Performance Shortfall	The performance guarantee of each of the Coal Fired Turbine Generator unit shall be based on continuous 100% base load output when firing coal with Lower Heating Value of the Design Coal and without exceeding the stated steam inlet temperature and pressure. (a) For failure to meet the guaranteed net continuous 100% base load output without exceeding the stated steam inlet temperature and pressure of each of the Turbine Generator Unit, the Contractor shall pay to the Employer as and for Liquidated Damages in Ringgit Malaysia of: P (RM) = 2580 x (0.98 – (PM/PNT)) X PNT PM = Measured net power output in KW PNT = The guaranteed net continuous 100% base load output in kW. The above formula allows the Contractor a negative tolerance of 2% on the guaranteed net power output, this being representative of all measurement tolerances. If the application of the above formula produces a negative result this shall have no significance. Derating in output exceeding 5% shall justify rejection under this Clause. It is noted that the L.D. rate for a shortfall in Net Power Output is lower than the cost per kW for the project. (b) For failure to meet the guaranteed net heat at continuous 100% base load output without exceeding the stated steam inlet temperature and pressure of each of the Turbine Generator Unit, the Contractor shall pay to the Employer as and for Liquidated Damages in Ringgit Malaysia of:-

	P (RM) = 0.3 x PNT X HRG X ((HRM/HRG)-1.02) PNT = The guaranteed net continuous 100% base load output in KW HRG = The guaranteed net heat rate at continuous 100% base load output in KJ/KWH HRM = The measured net heat rate at continuous 100% base load operation for KJ/KWH The above formula allows the Contractor a positive tolerance of 2% of the guaranteed net specific heat rate, this being representative of all measurement tolerances. If the application of the above formula produces a negative result, this shall have no significance. Measured heat rate exceeding 5% shall justify rejection under this Clause.

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7.6 Non-Plant Zone Engineering, Procurement and Commissioning Contract

The Non-Plant Zone EPC Contract entered into between SECB and the Non-Plant Zone Contractor has been subsequently novated to MPG via a letter dated 5 October 2006 issued by SECB and duly acknowledged / to be duly acknowledged by the Non-Plant Zone Contractor and PPES Works.

Some of the salient terms of the Non-Plant Zone EPC Contract are as follows:-

Background	SECB had appointed the Non-Plant Zone Contractor pursuant to the Letter of Contract Award dated 24 March 2006 from SECB to Non-Plant Zone Contractor to undertake infrastructure works, site clearing and earth works (inclusive of that for the Plant Zone), temporary construction works, admin zone (inclusive of admin office, stores, workshop complete with 5-ton crane and girders, guard house), staff housing (inclusive of multipurpose hall, surau, guard house, children's playground), & generally and turnkey elements.
Contract Sum	SECB has covenanted to pay the Non-Plant Zone Contractor in consideration of the construction and completion of the works specified in this Non-Plant Zone EPC Contract, the contract sum of RM38,000,000.00 only at the times and manners prescribed by Non-Plant Zone EPC Contract.
Approvals	The parties had agreed that the Non-Plant Zone Contractor shall be responsible for the application to relevant authorities including payment of all charges for the following: (a) commencement of works notice; (b) submission and approval of drawings, if required; (c) occupation permit, if applicable; and (d) water meter and connection charges.
Obligations of the Non-Plant Zone Contractor	The Non-Plant Zone Contractor shall be responsible for the accurate setting out of the Works in relation to original points, lines and levels of reference given by the engineer in writing and for the correctness, subject as above mentioned, of the positions, levels, dimensions and alignment of all parts of the Works and for the provisions of all necessary instruments, appliances and the Works. If any error shall appear or arise in the positions, levels, dimensions or alignment of any part of the Works, the Non-Plant Zone Contractor, on being required so to do by the engineer or its representative, shall at its own cost, rectify such error, unless such

	error is based on incorrect information provided by SECB or as a result of default by another contractor.
Liquidated Damages for Delay in Completion	The EPC Contractor shall pay to SECB liquidated damages for delay in completion an amount equivalent to 0.15% of the Contract Price for each day between the time for completion of the Works and the actual date of completion before which the Works could not have been put to its intended use. The amount so deduced shall not in any case exceed the maximum of 15% of the Contract Sum and such deduction shall be in full satisfaction of the EPC Contractor's liability for the said failure. The sum shall be deducted or enforceable by the sole fact of the delay without legal or other formality and without proof of damages. Contract Price is defined as a portion of the Contract Sum which is properly apportionable to the plant or Work in question having regard to the state, condition and topographical location of the plant, the amount of work done, and all other relevant circumstances adjusted to such additions thereto or deductions therefrom as may be made under the provisions of the EPC Contract.

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8.0 INDUSTRY REVIEW

8.1 The Sarawak Economy Overview

As the largest state in Malaysia in terms of size, Sarawak is blessed with abundant natural resources such as natural gas, petroleum and tropical hardwood timber. The economic structure of Sarawak is largely export-oriented and primary commodities dominated. The primary sectors (i.e. mining, agriculture, and forestry) make up about 40.0% of Sarawak's total real GDP, followed by the secondary sector (i.e. manufacturing and construction) with about slightly more than 30.0% of total real GDP.

In tandem with the country's rapid industrialisation process, Sarawak is in the midst of diversifying and transforming its economy into a more industrialised economy. This endeavour is seeing continuing success, with manufacturing and hi-tech industries now playing a significant role in shaping Sarawak's economic expansion.

During the 8th Malaysia Plan, the Sarawak economy registered an average growth rate of 5.0% per annum. Sarawak's real income per capita grew at an annual average of 2.7%, registering real income per capita of RM9,601 by the end of the 8th Malaysia Plan.

Global economic prospects are expected to be challenging, following persistent sharp hikes in oil prices and the less accommodative monetary stance of developed countries, especially the United States of America. It is, therefore inevitable that global developments will have an impact on the Sarawak economy. However, the Federal Government has taken various measures to stimulate economic growth in Sarawak. Under the 9th Malaysia Plan, Sarawak is made a priority state of the Barisan Nasional government; a budget of RM15.1 billion has been set aside for the state to focus on the development of education, infrastructure and utilities, rural sectors and healthcare. Under the 2006 Budget, RM2.0 billion has also been allocated to the development of infrastructure and utilities in Sarawak.

With the measures announced in the 9th Malaysia Plan and 2006 Budget, economic growth in Sarawak is anticipated to continue. It is expected to grow at an average of 6.0% per annum during the 9th Malaysia Plan.

Source: *www.sarawak.gov.my*
www.bernama.com.my
www.theedgedaily.com
State Planning Unit, Chief Minister's Department
2006 Budget Speech by YAB Dato' Seri Abdullah Bin Haji Ahmad Badawi, Prime Minister and Minister of Finance

8.2 Regulatory and Institutional Framework for Electricity Industry in Sarawak

8.2.1 Regulatory and Institutional Framework

The principal regulation governing the generation and supply of electricity industry in Malaysia is the Electricity Supply Act 1990 (Act 447) ("**Electricity Supply Act**"). In 2001, the Energy Commission, a statutory body created under Energy Commission Act 2001 (Act 610) ("**Energy Commission Act**"), was set up to regulate the electricity industry. The Energy Commission comes under the purview of the Ministry of Energy, Water and Communication.

However, the regulation of the electricity industry in Sarawak does not come under either the Electricity Supply Act or Energy Commission Act.

The legislative power in respect of the control and regulation of the supply of electricity in Sarawak has been delegated by the federal government of Malaysia to Sarawak by virtue of the Suspension of the Operation of the Act (Sarawak) Order 1990 (P.U. (A) 272/90) which suspends the operation of the Electricity Supply Act in Sarawak.

The electricity industry in Sarawak is regulated separately by the Yang Di-Pertua Negeri Sarawak acting in accordance with the advice of the Majlis Mesyuarat Kerajaan Negeri under the Electricity Ordinance. The ministry in charge for electricity matters in Sarawak is the Ministry of Public Utilities of Sarawak. The Director of Electricity Supply shall carry out such duties and functions under the Electricity Ordinance as assigned to him by the Majlis Mesyuarat Kerajaan Negeri.

In Sarawak, the duty for the generation and supply of electricity was previously the responsibility of Sarawak Electricity Supply Corporation by virtue of the Sarawak Electricity Supply Corporation Ordinance 1962 (Cap 51). Sarawak Electricity Supply Corporation was a statutory body established under the same ordinance. However, Sarawak Electricity Supply Corporation has ceased to exist and the responsibility for such duties has also ceased pursuant to the Successor Ordinance.

Pursuant to the Successor Ordinance, SESCO was vested with all assets and rights previously owned by Sarawak Electricity Supply Corporation but does not replace Sarawak Electricity Supply Corporation in its responsibilities and duties imposed by the repealed Sarawak Electricity Supply Corporation Ordinance 1962 (Cap 51).

8.2.2 Requirement for Electricity Licences

As referred to above, the electricity industry in Sarawak is governed by the Electricity Ordinance. Any activity involving the following will require a licence under the Electricity Ordinance:

(a) operation of any generation installation;
(b) supply of energy from any installation;
(c) transmission and distribution of energy from any installation; and
(d) construction of any installation or power generating plant for the purpose of generating or producing energy.

The Yang Di-Pertua Negeri Sarawak has the power to grant a licence to any person to generate and supply electricity in Sarawak.

A licence under the Electricity Ordinance will specify the licence period, payment of relevant fees, area of supply, declared voltage and variations permitted on it, maximum charges payable by consumers, terms and conditions of licence and such other matters as the Yang Di-Pertua Negeri Sarawak may consider desirable. This licence cannot be transferred or assigned in any manner unless with the prior written approval of the Yang Di-Pertua Negeri Sarawak and cannot be renewed unless in the absolute discretion of the Yang Di-Pertua Negeri Sarawak. A licence may at any time be suspended or revoked by the Yang Di-Pertua Negeri Sarawak on the occurrence of certain matters.

The licensee under the Electricity Ordinance will be conferred certain powers subject to the terms and condition of its licence, including the power to:

(a) fix tariffs including standing charge, charge for availability of supply, rent or charges for electricity meter, plant, apparatus or equipment provided by the licensee and the costs of transmission or distribution of electricity;
(b) recover expenses from the person requiring the supply of electricity; and
(c) require monetary security from the person requiring supply of electricity;

There is a list of offences provided under the Electricity Ordinance. In addition, a failure by a licensee to comply with the conditions in his licence or to permit any person who is not a competent person to manage, operate or maintain any licensed installation, shall be an offence punishable with RM20,000 for the first offence, RM50,000 for the subsequent offence as well as a further fine of RM1,000 for every day or part of a day which the offence continues.

The Licence for the Generation of Electricity to be issued to MPG [pending issue of Licence]

The business of MPG is regulated under the Electricity Ordinance. Under the Licence for the Generation of Electricity to be issued to MPG, MPG is envisaged to be licensed to do the following:

(a) work or operate Mukah Power Plant and its power plants in (Mukah) for the production and generation of electricity to SESCO; and
(b) to supply electricity to and for the use of and distribution by SESCO.

The Licence for the Generation of Electricity is expected to stipulate that MPG can only supply electricity to SESCO and not to any other persons.

The Licence for the Generation of Electricity to be issued to MPG is anticipated to contain salient terms and conditions that are not expected to vary materially from those of SPG's licence for the generation of electricity. Please see Section 7.2 (*Licence for the Generation of Electricity*) for some of the salient terms and conditions of SPG's licence for the generation of electricity.

The licence issued to SESCO

Prior to its cessation, Sarawak Electricity Supply Corporation was issued with 13 licences which were merged into 1 licence on 15 November 1992.

Following the cessation of Sarawak Electricity Supply Corporation, SESCO as the appointed successor company is vested with all of Sarawak Electricity Supply Corporation's assets and liabilities immediately prior to its cessation including the SESCO Licence. However, SESCO is not vested with any duties, responsibilities or powers previously imposed and conferred on Sarawak Electricity Supply Corporation under the Sarawak Electricity Supply Corporation Ordinance 1962 (Cap 51).

The business of SESCO is regulated by the Electricity Ordinance and its activities require licences under the Electricity Ordinance.

Under the SESCO Licence, SESCO is licensed to do the following:

(a) use, work or operate any installations; or
(b) supply to or for the use of any person, energy from any such installations throughout the geographical area of Sarawak, save for areas presently already covered by licences issued by the Yang Di-Pertua Negeri Sarawak to other persons, parties, companies or bodies corporate.

The SESCO Licence does not restrict SESCO's operations to specific installations. In addition, SESCO can supply electricity to any persons in Sarawak save for 6 excepted areas which are listed in the SESCO Licence.

8.2.3 Environmental Laws

The operation, supply and distribution of energy involve activities which may have effects on the environment. With regards to environmental matters, the DOE is responsible for carrying out the laws under the EQA and its subsidiary legislations throughout Malaysia. In Sarawak, the Natural Resources and Environment Board under the Ministry of Planning and Resource Management is conferred with the authority to monitor compliance with the NRMEO and other environmental laws of Sarawak.

The construction of the Mukah Power Plant is a prescribed activity under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987. The Detailed Environmental Impact Assessment was carried out by MPG's consultant, EPR (Kuching) Sdn Bhd and submitted to the DOE on 2 October 2006.

There is a list of offences and their punishment set out under the EQA, one of which is that a failure to comply with the terms and conditions of the licence shall be punishable by a fine not exceeding RM25,000 or imprisonment of a period not exceeding 2 years or to both and a further fine of RM1,000 for every day the offence is continued.

The NRMEO also provides a list of offences and their punishment.

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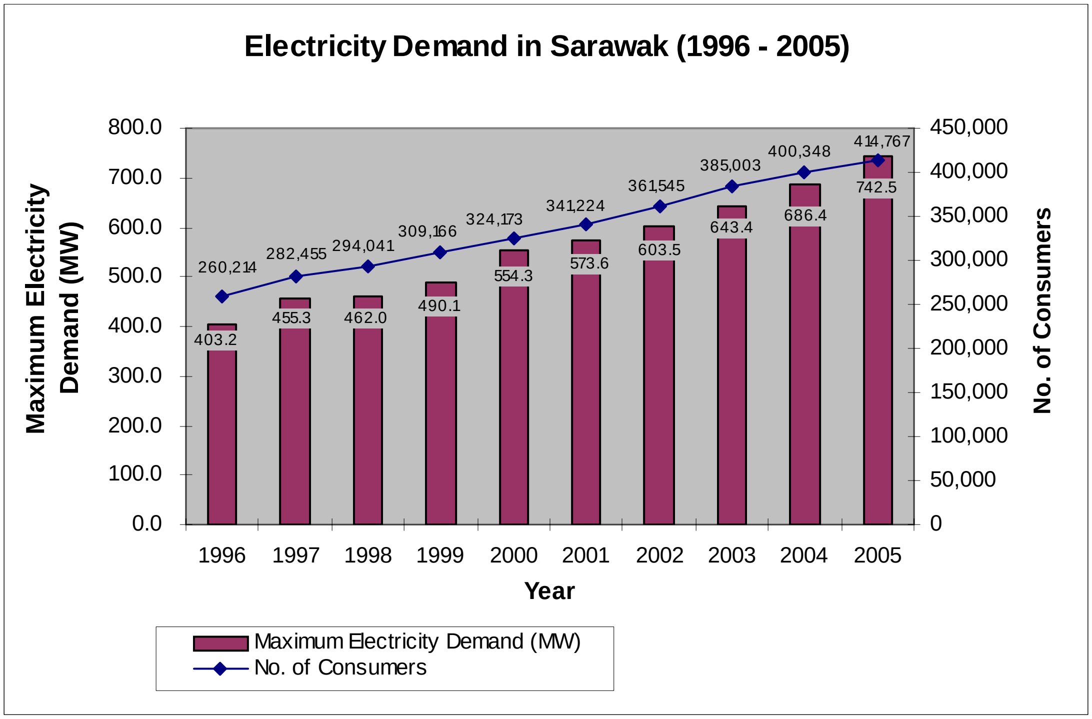
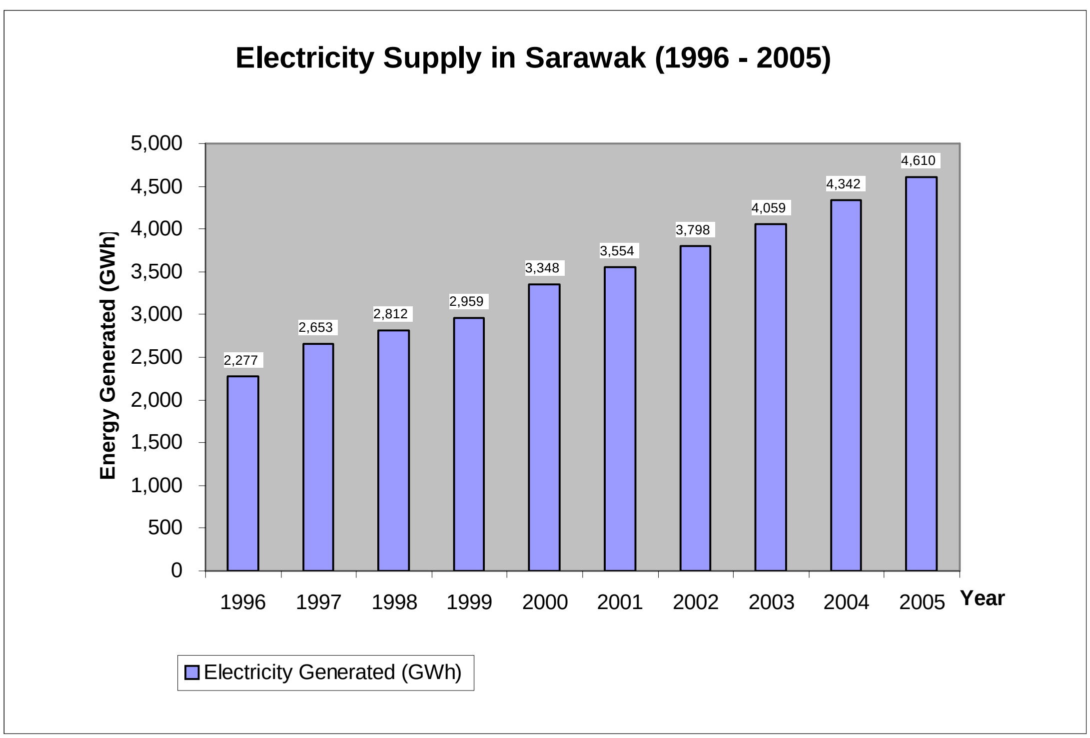
8.3 Electricity Demand and Supply in Sarawak





Source: SESCO

For the last 10 years, the consumer base for electricity grew by 4.8% per annum on average. Since 2004, the number of consumers in Sarawak has been above 400,000. Sarawak's industrialisation is expected to continue to drive the state's demand for electricity. Over the past 10 years, electricity demand in Sarawak was encouraging, registering an average growth of 7.6% per annum. Maximum electricity demand reached 742.5 MW in 2005.

Supply of electricity in Sarawak is and will be driven by demand for electricity. Sarawak's drive towards an industrialised economy will contribute to electricity supply growth in the state. Electricity generated in Sarawak registered an average growth rate of 7.5% per annum over the past 10 years. 1997 and 2000 saw a surge in electricity supply to 2,653 GWh (16.5% year-on-year) and 3,348 GWh (13.1%) respectively. Electricity produced in the state in 2005 exceeded 4,600 GWh.

Sarawak presently has a total grid-connected installed capacity of 883 MW, with 545 MW under SESCO and the remaining supplied by various IPPs. With an estimated maximum demand of 750 MW in 2006, the reserve margin for the grid fell below 100 MW when one of the two units of MPG's 110 MW gas turbine generators went into major inspection in the second half of 2006.

Based on SESCO's forecast, Sarawak would need an additional 300 MW of electricity supply over the next 3 years. According to State Public Utilities Minister Datuk Awang Tengah Ali Hasan, output from the Mukah Power Plant would ensure adequate electricity supply and reserves *(Source: Bernama, 2 August 2006).*

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9.0 CASHFLOW ESTIMATES, FORECASTS AND PROJECTIONS

The cash flow estimates, forecasts and projections prepared by MPG contained in this Information Memorandum include assumptions as to facts and events which are beyond the control of any of the parties including, without limitation, the timely receipt of various approvals and continuation of certain provisions of the law. The cash flow estimates, forecasts and projections referred to in this Information Memorandum have been prepared solely to assist the recipient in evaluating the merits and risks of the MPG Sukuk. The inputs and outputs used in the cash flow estimates, forecasts and projections are intended to be, and should not be misconstrued as anything other than, estimates, forecasts and projections though the actual results of the MPG's operations may be different. There is no representation that any of the cash flows or profits reflected in the financial estimates, forecasts and projections would actually be achieved.

Please refer to Appendix I for the Reporting Accountants' letter on the cashflow estimates and forecasts for FYE 31 December 2006 and 31 December 2007 respectively.

9.1 Summary of Estimates, Forecasts and Projections

A summary of the estimates, forecasts and projections and the SSCR for FY 2006 to 2031 (please refer to Appendix IX - *MPG cash flow projections for FYE 2006 – 2031*), based on the principal terms and conditions set out in this Information Memorandum, are as follows:

RM mil	**2006**	**2007**	**2008**	**2009**
Net cashflows from operating activities		-	4.06	68.51
Net cashflows from investing activities	(126.02)	(501.52)	(107.47)	(30.39)
Net cashflows from financing activities	296.02	435.07	67.69	(54.46)
Closing cash balance	170.00	103.54	67.83	51.49
Senior SSCR	-	-	-	3.71
Junior SSCR	-	-	-	-
Sukuk Obligation Coverage Ratios:				
Senior Sukuk:				
Profit	-	-	-	*1.40*
Profit & Principal Redemption	-	-	-	*1.40*
Junior Sukuk:				
Profit	-	-	-	-
Profit & Principal Redemption	-	-	-	-

RM mil	**2010**	**2011**	**2012**	**2013**
Net cashflows from operating activities	97.63	126.70	121.36	112.19
Net cashflows from investing activities	(32.39)	(2.35)	(12.13)	(11.81)
Net cashflows from financing activities	(74.45)	(111.06)	(97.95)	(94.77)
Closing cash balance	42.27	55.56	66.85	72.46
Senior SSCR (Times)	3.32	3.06	3.51	3.86
Junior SSCR (Times)	-	11.74	13.57	15.31
Sukuk Obligation Coverage Ratios:				
Senior Sukuk:				
Profit	*1.83*	*2.51*	*2.60*	*2.59*
Profit & Principal Redemption	*1.33*	*1.28*	*1.42*	*1.37*
Junior Sukuk:				
Profit	-	*3.08*	*3.78*	*3.21*
Profit & Principal Redemption	-	*3.08*	*3.78*	*3.21*

RM mil	**2014**	**2015**	**2016**	**2017**
Net cashflows from operating activities	128.42	119.74	115.63	124.55
Net cashflows from investing activities	(1.50)	(13.24)	(12.96)	(0.64)
Net cashflows from financing activities	(111.26)	(96.79)	(97.60)	(107.92)
Closing cash balance	88.12	97.83	102.90	118.89
Senior SSCR (Times)	3.69	4.26	4.47	4.37
Junior SSCR (Times)	17.49	20.10	21.61	23.78
Sukuk Obligation Coverage Ratios:				
Senior Sukuk:				
Profit	*3.22*	*3.38*	*3.70*	*4.65*
Profit & Principal Redemption	*1.31*	*1.43*	*1.38*	*1.33*
Junior Sukuk:				
Profit	*3.22*	*3.83*	*3.38*	*3.28*
Profit & Principal Redemption	*3.22*	*3.83*	*3.38*	*3.28*

RM mil	**2018**	**2019**	**2020**	**2021**
Net cashflows from operating activities	125.46	126.27	127.20	162.48
Net cashflows from investing activities	(12.35)	(12.03)	0.44	(11.34)
Net cashflows from financing activities	(102.06)	(96.11)	(105.58)	(117.25)
Closing cash balance	129.94	148.07	170.14	204.02
Senior SSCR (Times)	4.81	5.34	6.27	7.60
Junior SSCR (Times)	26.55	29.55	13.73	9.79

Sukuk Obligation Coverage Ratios:				
Senior Sukuk:				
Profit	*5.94*	*8.19*	*12.91*	*37.68*
Profit & Principal Redemption	*1.42*	*1.54*	*1.67*	*2.28*
Junior Sukuk:				
Profit	*4.01*	*4.75*	*2.14*	*2.23*
Profit & Principal Redemption	*4.01*	*4.75*	*2.14*	*2.23*

RM mil	**2022**	**2023**	**2024**	**2025**
Net cashflows from operating activities	123.48	122.75	123.43	124.09
Net cashflows from investing activities	(11.05)	1.72	(9.44)	(8.64)
Net cashflows from financing activities	(87.72)	(93.20)	(83.86)	(87.58)
Closing cash balance	228.73	260.00	290.13	318.01
Senior SSCR (Times)	-	-	-	-
Junior SSCR (Times)	5.94	6.25	7.57	7.96
Sukuk Obligation Coverage Ratios:				
Senior Sukuk:				
Profit	-	-	-	-
Profit & Principal Redemption	-	-	-	-
Junior Sukuk:				
Profit	*3.14*	*2.34*	*2.56*	*2.43*
Profit & Principal Redemption	*1.53*	*1.46*	*1.64*	*1.60*

RM mil	**2026**	**2027**	**2028**	**2029**
Net cashflows from operating activities	124.60	125.26	126.09	126.65
Net cashflows from investing activities	4.28	(6.73)	(6.32)	6.75
Net cashflows from financing activities	(90.30)	(84.70)	(123.68)	(51.99)
Closing cash balance	356.58	390.42	386.51	467.92
Senior SSCR (Times)	-	-	-	-
Junior SSCR (Times)	8.49	9.84	11.18	-
Sukuk Obligation Coverage Ratios:				
Senior Sukuk:				
Profit	-	-	-	-
Profit & Principal Redemption	-	-	-	-
Junior Sukuk:				
Profit	*2.17*	*2.07*	*2.88*	-
Profit & Principal Redemption	*1.57*	*1.70*	*1.81*	-

RM mil	2030	2031
Net cashflows from operating activities	109.35	102.84
Net cashflows from investing activities	(3.43)	(2.01)
Net cashflows from financing activities	(54.51)	(49.06)
Closing cash balance	519.34	571.12
Senior SSCR (Times)	-	-
Junior SSCR (Times)	-	-
Sukuk Obligation Coverage Ratios:		
Senior Sukuk:		
Profit	-	-
Profit & Principal Redemption	-	-
Junior Sukuk:		
Profit	-	-
Profit & Principal Redemption	-	-

9.2 Assumptions

Key Project Parameters for Base Case Projections

- RM/USD exchange rate remains at RM3.7 / USD1.0 throughout the construction period.
- Commercial Operation Dates for First Unit and Second Unit are 1 November 2008 and 1 April 2009 respectively. As such, none of the Additional MPG Junior Sukuk is issued.
- Total project cost excluding financing cost is estimated to be RM800.0 million, of which RM16.2 million is for contingency purpose and RM55.2 million is disbursed only after the Commercial Operation Dates.
- Minimum off take of Electricity by SESCO is 1,400 GWH p.a. The Base Case projection assumed total energy sale of 1,538 GWH p.a.
- Closing cash balance excludes Minimum SPA Balance that needs to be maintained throughout the tenure of the MPG Senior Sukuk.
- Creditor and debtor periods are assumed at 30 days.
- Corporate tax rate is at 26% p.a. from year 2008 onwards.
- Net cash flow from operating activities shown include cash transfer to / from the SPA for the maintenance of the Minimum SPA Balance.

Inflow

- Capacity Payment is calculated based on 243 MW Dependable Capacity at Capacity Rate of RM38.0 kW / month.
- Energy Payment is calculated based on energy sale of 1,538 GWH p.a. at a tariff of RM0.087 kWh. The tariff comprises non-fuel component of RM0.029 and fuel component

of RM0.058 kWh. While the fuel component of the Energy Payment remains constant throughout the PPA tenure, the non-fuel component escalates by 3% p.a. year-on-year from year 2013 onwards.

- Investment income earned on average of the opening and closing balances of Designated Accounts are based on a rate of return (after tax) of 2.00% p.a. during construction period.
- Investment income earned on average of the opening and closing balances of Designated Accounts are based on a rate of return of 2.75% p.a. throughout the projection period.

Outflow

- Coal consumption of 1,096,517 tonne p.a. includes assumed coal loss of approximately 5% of the total consumption.
- Coal price is assumed to remain at RM81.00 per tonne throughout the projection period.
- Diesel price and consumption are assumed at RM2.35 per litre and 2,880,000 litre p.a. respectively.
- Fixed O & M charges of RM23 million p.a. between year 2008 and year 2014, comprise the following items:
  - Routine maintenance of RM8.0 million p.a.;
  - O & M staff cost of RM7.0 million p.a.; and
  - Insurance expenses of RM3.0 million p.a. and;
  - Admin expenses RM5.0 million p.a..
- Routine maintenance increases to RM10.0 million p.a. from 2015 onward.
- O & M staff cost and admin expenses escalate by 3% p.a. year-on-year from year 2013 onwards.
- Variable O&M charges are estimated to be RM5.5 million p.a. and escalate by 3% p.a. year-on-year from year 2013 onwards.
- Recurring capital expenditure is estimated at RM5.0 million p.a. during operating period.
- Periodic overhaul is done once every three years for each unit of the plants commencing in year 2012. The first periodic overhaul costs RM10.0 million for each unit of the plants and RM12.0 million for each unit thereafter.

Ratios

- Computation of Senior SSCR is based on the following formula:

Senior SSCR	=	[Cumulative Available Cashflow for Senior Sukukholders] / [MPG Senior Sukuk Expected Profit and Redemption Amount to be paid for the next six (6) months]
Where	:	*Cumulative Available Cashflow for Senior Sukukholders = Opening cash balances in the SPA + net cash flow from operating activities for the next six (6) months + net cash flow from investing activities for the next six (6) months +*

opening cash balance

- Computation of Junior SSCR is based on the following formula:

Junior SSCR = [Cumulative Available Cashflow for Junior Sukukholders] / [MPG Junior Sukuk Expected Profit and Redemption Amount to be paid for the next six (6) months]

Where : *Cumulative Available Cashflow for Junior Sukukholders = Net cash flow from operating activities for the next six (6) months + net cash flow from investing activities for the next (6) months - payment of the MPG Senior Sukuk Expected Profit and Redemption Amount for the next (6) months + opening cash balance*

10.0 RISK PROFILE

The purchase and subscription of the MPG Sukuk may involve risk and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of such an investment. The following is a summary of certain aspects of the issue which prospective investors should be aware of. It is however not intended to be exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and its appendices which may describe additional risks and investment considerations associated with such MPG Sukuk, and consult their own financial and legal advisors about risks associated with and investment considerations arising from an investment in the MPG Sukuk, prior to making an investment decision.

10.1 Termination of the Licence for the Generation of Electricity

The Yang Di-Pertua Negeri Sarawak may terminate MPG's Licence by giving a one (1)-month's notice if any of the following situations happens:

- MPG breaches any terms and conditions of the Licence;
- MPG fails to use, work or operate the Mukah Power Plant;
- If a receiver or liquidator has been appointed for MPG; or
- PPA is terminated by either MPG or SESCO for whatever reason and MPG is not permitted to supply, deliver or sell the electricity pursuant to the Licence to any other person.

Upon the termination of the Licence, the Director of Electricity Supply may step in to perform any of the duties and functions prescribed under the Ordinance. Until the breach is remedied to the satisfaction of the Director of Electricity Supply, MPG's revenue will be affected.

Upon the suspension of the Licence and until the suspension is lifted, MPG may utilise the Minimum SPA Balance to fulfil its financing obligations under the MPG Senior Sukuk for the next six (6) months. However, there can be no assurance that the suspension of the Licence would be lifted after six (6) months.

10.2 Termination of the PPA

The PPA is conditional on certain conditions being satisfied. Please refer to Section 7.1 (*Power Purchase Agreement*) for a summary of some of these conditions. There is no assurance that MPG will satisfy these conditions.

If the conditions are satisfied and the PPA becomes unconditional, the PPA may be terminated as a result of a Force Majeure Event or Event of Default. Please refer to Section

7.1 (*Power Purchase Agreement*) for the list of some of the events constituting a Force Majeure Event or an Event of Default.

10.2.1 Force Majeure Event

Force Majeure Event is an event, condition or circumstance beyond the control and without the fault or negligence of MPG or SESCO that causes a material delay or disruption in the performance of any obligation imposed under the PPA.

In the event either party is rendered unable by reason of a Force Majeure Event to perform its obligations under the PPA, such party may be excused of its obligations under the PPA. The party relieved of its material obligations will be given a specified period of time to resume its obligations under the PPA before the party not excused by Force Majeure Event is entitled to terminate the PPA. The loss of ability to generate or dispatch electricity as a result of a Force Majeure Event would have a material effect on the financial position of MPG depending on the severity and duration of the relevant event.

Certain Force Majeure Events are covered by insurance. However, there is no assurance that proceeds from insurance claim would be sufficient to cover such loss of income.

Please refer to Section 7.1 *(Power Purchase Agreement)* and Section 7.3 *(Insurance)* of this Information Memorandum for more information on Force Majeure Event and insurance coverage.

10.2.2 Event of Default

In the Event of Default, the defaulting party will be given a specified period to remedy the non-compliance. There can be no assurance that the non-compliance can be remedied within the specific period.

Upon the occurrence or continuance of an Event of Default, the Sukukholders (the financiers of MPG) may exercise their right under the Transaction Documents to assume the operation of the Mukah Power Plant. In the event the Sukukholders do not assume operation of the Mukah Power Plant, SESCO may, but is not obliged to assume operation of the Mukah Power Plant. In the event SESCO assumes operation of the Mukah Power Plant, it shall continue to pay the Capacity Payments and Energy Payments, but only to the extent that such payments exceed all fuel, maintenance, repairs, insurance and other operating costs incurred by SESCO in operating the Mukah Power Plant. After deducting the operating costs incurred by SESCO and payment against MPG's financial obligations and incidental costs, the balance of these payments shall be refunded to SESCO.

Termination of the PPA by reason of an Event of Default, shall give SESCO the first option to purchase the Mukah Power Plant from MPG, free from all legal encumbrances, at fair market value. There can be no assurance that SESCO will exercise its rights to purchase the Mukah Power Plant or failing which the receiver appointed by the Sukukholders is able to sell the same to another party. In addition, there can be no assurance that the price to be paid by SESCO or any other party concerned for the Mukah Power Plant will be sufficient to meet all MPG's amount owing under the MPG Sukuk.

During the remedy period, MPG may tap into its six-month reserve in the SPA to fulfill its obligation under the MPG Senior Sukuk. As MPG has a management team which is experienced in operating and managing a power plant, the risk of Event of Default caused by MPG is relatively low.

Please refer to Section 7.1 *(Power Purchase Agreement)* of this Information Memorandum for more information on Event of Default.

10.3 Construction Risk and other Pre-Completion Risks

10.3.1 Construction Risk

The failure of the EPC Contractor and Non-Plant Zone Contractor to perform the works specified in the EPC Contract and Non-Plant Zone EPC Contract respectively would entail adverse contractual and financial implications on the construction of the Mukah Power Plant. In addition, any delay by SESCO in the construction of the 132kV Switchyard/Transmission Line would also give rise to adverse financial effect on the Project.

Should the EPC Contractor and Non-Plant Zone Contractor fail to perform, MPG may call upon the performance guarantee and advance payment guarantee provided by the former, and performance guarantee provided by the latter.

The Management of MPG believes that the risk of CMEC and PPES Works not performing based on contractual specifications is relatively low. Both the EPC Contractor, CMEC, and Non-Plant Zone Contractor, PPES Works, have established good track records in their respective fields. CMEC was involved as the EPC contractor for phases I and II of the Sejingkat Power Plant. It is, therefore, familiar with the coal-fired power plant construction and statutory requirements in Sarawak. Meanwhile PPES Works, a reputable civil works contractor in Sarawak, was involved in a series of rural water supply upgrading projects in Sarikei and Mukah, and the recently completed Tanjung Kidurong - Suai - Bakam coastal road that connects Bintulu and Miri.

10.3.2 Cost Overrun

If the construction contracts signed are on an open-ended basis, MPG will be exposed to cost overrun risk that may cause material adverse impact on its financial performance. However, MPG has entered into fixed price, lump sum turnkey contracts with the EPC Contractor and Non-Plant Zone Contractor. Within the specifications of these contracts, any cost overrun will be borne by the EPC Contractor and / or Non-Plant Zone Contractor. They are also responsible to make good any defects on the Mukah Power Plant prior to provisional acceptance. This effectively transfers any shortcomings in scope of works to the EPC Contractor and Non-Plant Zone Contractor.

Nevertheless, in the event MPG elects for variation in works set out in the EPC Contract and Non-Plant Zone EPC Contract, the respective contract sums shall be adjusted accordingly. The Independent Checking Engineer is of the opinion that there could be variation orders due to MPG's requirements with respect to specific items such as additional conveyor belts, spares, furnishing, fittings and infrastructure works. However, the potential variation orders are not expected to add substantially to the Project cost. The Independent Checking Engineer is also of the opinion that the possibility of a major variation order is remote.

Additional cost arising from variation in works, if any, would be funded out of budgeted construction contingency of approximately RM16.2 million or approximately 2.50% of the outstanding EPC Contract cost.

In addition, a buffer of RM75.0 million is set aside to meet its contingent requirements in the event of Project cost overrun due to variation order and payment of the Liquidated and Ascertained Damages under the Istisna' Purchase Agreement in the event of Project completion delay.

10.3.3 Technology

The design of the Mukah Power Plant is based on proven technology, which has been in commercial use for several decades. As a sub-critical unit, the technology risk posed by the Mukah Power Plant is relatively low (sub-critical plants employ traditional coal-fired technology where water is boiled to generate steam, which then turns the turbine and generator to produce electricity). In addition, the equipment to be supplied under the EPC Contract has been selected on the basis of equipment reliability and efficiency.

10.3.4 Completion Delay due to the EPC Contractor's Default

The EPC Contractor has guaranteed the following provisional acceptance certification dates:

(i) for the First Unit on 1 November 2008; and
(ii) for the Second Unit on 1 April 2009.

Failure by the EPC Contractor to achieve the above commercial operations dates will cause material adverse impact on MPG's financial performance. In the event of completion delay due to the EPC Contractor's default, it is required to pay liquidated damages of 0.1% per day of delayed portion each and every calendar day of delay not exceeding 5.0% of the EPC Contract sum for each unit and shall not, in any case, exceed 10.0% of the EPC Contract sum. However, if the provisional acceptance certificate has been issued before the completion of the whole of the work for each unit, these liquidated damages may, for any period of delay, be reduced proportionately based on the value of work certified completed for each unit.

Under the PPA, MPG is required to pay to SESCO liquidated damages of 0.1% per day of delayed portion each and every calendar day of delay not exceeding 5.0% of the EPC Contract sum for each unit and shall not, in any case, exceed 10.0% of the EPC Contract sum. These liquidated damages shall only be payable to SESCO upon receipt of such payment due under the EPC Contract from the EPC Comtractor.

10.3.5 Other Completion Delays

The delayed revenue caused by, for example, certain force majeure events affecting timely completion is expected to be covered by delay in start-up insurance. In addition, the budgeted construction contingency sum of approximately RM16.2 million, if by that time not exhausted, is expected to be sufficient to cover delayed capacity revenues of up to approximately three-point-three (3.3) months of any one unit to cover Sukuk Profit Payments.

10.3.6 Power Plant Performance

The EPC Contractor has guaranteed certain performance targets at completion, which include the following:

(i) net output of 122.985 MW per unit; and
(ii) net heat rate of 10,213 kJ / kWh per unit based on lower heat value.

If the EPC Contractor fails to achieve the above guarantees, it is liable for certain liquidated damages as stipulated in the EPC Contract. Please refer to Section 7.5 (*Engineering, Procurement and Commissioning* Contract). However, based on CMEC previous records in

Sejingkat Power Plant I & II projects, management believes CMEC is able to meet plant performance.

To deal with system collapse and blackouts, a 500 kW emergency diesel generator has been provided. MPG had informed that blackout supply is expected to be provided by the existing 12 MW diesel station at Mukah.

10.3.7 Force Majeure during Construction

The occurrence of a force majeure event during construction may delay the completion and commercial operations of the Mukah Power Plant. This will result in MPG not being able to perform its obligations set forth in the PPA.

However, under the PPA, MPG is allowed to extend the scheduled Commercial Operations Date or Commercial Operations Date for either unit by a certain period should a force majeure event occur. Damage and increased costs resulting from certain force majeure events will be covered by all-risk and delay-in-start-up insurance. Nevertheless, there is no assurance that proceeds from insurance claims would be able to fully cover loss in revenue, increased costs or other liabilities arising from the occurrence of a force majeure event during the construction of the Mukah Power Plant.

10.3.8 Exchange Rates

Approximately 53.5% of the Project cost is denominated in US Dollar[16] and the remainder in Ringgit Malaysia. At this point in time, MPG does not plan to enter into currency hedging arrangements to hedge its future foreign exchange exposure under the EPC Contract.

However, should there be any adverse fluctuation in the US Dollar exchange rate, the budgeted construction contingency of approximately RM16.2 million is expected to provide a 3.8% buffer to any adverse exchange rate fluctuation.

10.4 Coal Supply

The Mukah Power Plant is fired by coal supplied by Sarawak Coal Resources and extracted from nearby coal-fields in the Mukah-Balingian region under the CSA. Should Sarawak Coal Resources fail to supply the quantity of coal as stipulated in the CSA, the O & M of the Mukah Power Plant will be adversely affected.

[16] Based on estimated exchange rate of RM3.70 / USD1.00, outstanding offshore EPC Contract Sum of RM428.7 million and Project cost of RM800.0 million.

However, under such circumstance, MPG shall have the option to purchase coal from other sources, or use other alternative type of fuel for power generation. Sarawak Coal Resources shall pay MPG the difference between the price of quantity of coal which it has failed to supply and the costs of the alternative coal or fuel used for power generation.

Sarawak's abundant inferred coal reserve of more than 882 million tonnes (of which about 60% is located in the Mukah division) accounts for more than 76% of the country's total coal reserve. Coal reserve in the existing coal mine in the Mukah-Balingian region is sufficient to fuel the Mukah Power Plant for more than 50 years based on a projected coal consumption of 1.2 million tonnes per annum.

10.5 Coal Quality

Poor coal quality will adversely affect the operation and performance of the Mukah Power Plant.

All coal delivered by Sarawak Coal Resources shall meet quality specifications set out in the CSA. MPG may reject any coal supply that does not meet such quality specifications, and if required by MPG, Sarawak Coal Resources shall deliver to MPG a replacement supply of coal that meets these quality specifications. Should there be variations in calorific value of the coal supplied, Sarawak Coal Resources shall adjust the coal price for such variations.

10.6 Off-Take Risk

MPG is dependent upon the financial strength of SESCO for its revenue. SESCO currently has the right over the transmission and distribution of electricity in Sarawak, save for the six areas set out in SESCO's Licence. It is the requirement of the Licence that MPG can only sell electricity to SESCO. In the event SESCO fails to fulfill its obligations under the PPA, it will have a material financial impact on MPG. MPG expects that SESCO, which is rated *AAA* by RAM, will comply with its obligations under the PPA.

10.7 Despatch Risk

There is minimal despatch risk in view of the fact that the switchyard that receives power from the plant is in the vicinity of the Mukah Power Plant.

10.8 Operation and Maintenance Risk

O & M risk is dependent on the competence of MPG's personnel / the SECB group's in-house team, and the quality of the Mukah Power Plant.

Under the PPA, MPG is obliged to maintain a specified level of Dependable Capacity. The O & M of the Mukah Power Plant will be carried out by MPG / SECB group in-house team. As such, should MPG fail to maintain the specified level of Dependable Capacity in the future, MPG's Capacity Payment will be affected.

With the back-up of the EPC Contractor, who would be making good any defect in or damage to any portion of the work which may appear or occur during the 14-month defects liability period (or guarantee period), MPG's O & M team is expected to reach reasonable competency to undertake the general O & M of the Mukah Power Plant.

In addition to classroom instructions, and practical and simulator trainings, MPG intends to provide its O & M personnel hands-on training at the coal-fired power plant of SPC. The Sejingkat Power Plant has been in operation for approximately 10 years, and over the years, SPC has built up a team of personnel with experience in operating and managing coal-fired power plant.

10.9 Increase in Costs

Under the PPA, the fuel component of the Energy Payment shall be adjusted in direct proportion to coal price variation, whereas the non-fuel component of the Energy Payment shall be escalated at 3% p.a. after the fifth year of commercial operations. Cost items such as administration, insurance, etc. that will be borne by MPG are not expected to be significant and their cost increases are not likely to have a material adverse impact on MPG's ability to meet its MPG Sukuk obligation. Although the PPA allows for the adjustment in Capacity Payment and Energy Payment, there can be no assurance that such payments will be sufficient to cover any unforeseen increase in costs.

10.10 Industry Restructuring Risk

As MPG, SECB and SESCO are ultimately controlled by the SSG, there is minimal industry restructuring risk (such as the introduction of a power pooling system) that may adversely affect the performance of the Mukah Power Plant (possibly via revision of terms or termination of the draft or the Licence for the Generation of Electricity). As at the date of this Information Memorandum, MPG is not aware of potential industry restructuring risk.

10.11 Market Risk

The MPG Sukuk comprises a new issue of private debt securities for which there is currently no prior market. There can be no assurance as to the liquidity of any market that may develop for the MPG Sukuk, the ability of the Sukukholders to sell their MPG Sukuk or the prices at which the Sukukholders may be able to sell their MPG Sukuk.

10.12 Insurance

The operation of the Mukah Power Plant may be affected by many factors, such as breakdown of equipment, financial loss resulting from interruption of business, accidental damage of equipment, fires, theft, damage to third party and third party property. Although MPG maintains insurance against certain of these risks in relation to the Mukah Power Plant, the proceeds of such insurance may not fully cover loss in revenue, increased expenses or other liabilities arising from the occurrence of any of the events described above or be subject to other limitations on coverage.

Please refer to Section 7.3 *(Insurance)* of this Information Memorandum for more information on Insurance.

10.13 Environmental and Social Issues

The Mukah Power Plant is subject to environmental legislation and regulations. There can be no assurance that the standards imposed by such legislation and regulations will not change or otherwise have a material impact on MPG.

The Detailed Environmental Assessment Report was submitted to the DOE on 2 October 2006. As required, the DEIA Report was thereafter put up for public display and comments until 30 November 2006. A panel review of the Detailed Environmental Assessment Report was also subsequently carried out. Subsequent to the submission of the Detailed Environmental Assessment Report, a meeting with members of evaluation panel chaired by the DOE's Director of Review was held on 27 November 2006. Following the said meeting, an addendum to the Detailed Environmental Assessment Report incorporating the detailed information / comments as required by the DOE, members of review panel and the relevant agencies was submitted to the DOE on 6 December 2006. DOE had given deadline until 14 Dec 2006 for members of the review panel and relevant agencies to revert with their respective comments, if any.

To the best of MPG's knowledge and belief, it has complied with all the requirements for the approval from the DOE in respect of the DEIA Report. There are also no comments from the public on the Detailed Environmental Assessment Report. The only outstanding step in the approval procedure is the issuance of the letter of approval for the DEIA Report ("the Letter").

The Independent Checking Engineer is of the opinion that the use of low sulfur coal, inclusion of electrostatic precipitators of high trapping efficiency, together with prudent detailed design and modelling of the Mukah Power Plant, would contribute to meeting the statutory requirements of the DOE. Hence, the prospects of early approval by the DOE is believed to be high.

10.14 Political and Economical Risk

The development and performance of MPG may be affected by economic and political uncertainties which are beyond the control of MPG, such as change in government, risk of war, risk of terrorist attacks, expropriation and renegotiations or nullification of existing contracts. Sarawak has a stable government and the ruling coalition was given a strong mandate for a further five years in the recent state election.

10.15 Forward Looking Statements

Certain statements in this Information Memorandum are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by MPG. Although the Board of Directors of MPG believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by MPG or its adviser or arranger that the plans and objectives of MPG will be achieved.

10.16 Industrial Relations

The relationship between MPG and all its employees has been good since MPG's establishment. However, any future interruption to such good relationship is likely to have an impact on MPG's service delivery, and consequently, its performance.

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11.0 MATERIAL INFORMATION

11.1 Material Litigation

MPG is not engaged in any material litigation either as plaintiff or defendant and MPG's board of directors is not aware of any proceedings pending or threatened against MPG or any facts likely to give rise to any proceedings which might materially affect the position and business of MPG.

11.2 Material Contracts

There are no other contracts (not being contracts entered into in the ordinary course of business) which have been entered into by MPG within the 2 years preceding the date of this Information Memorandum.

As a guide, a contract is considered to be material if it is a contract which:

(a) is of a material amount;
(b) that involves or is likely to involve obligations or liabilities which by their nature or magnitude is unusual;
(c) is of an onerous or long-term nature; or
(d) is otherwise material to the business or relates to another material contract or a material asset.

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APPENDIX I

Reporting Accountant's letter on cash flow estimate and forecast for years ending 31 December 2006 and 31 December 2007 respectively

ERNST & YOUNG (AF: 0039)

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REPORTING ACCOUNTANTS' LETTER ON THE CASH FLOW ESTIMATE AND FORECAST

(Prepared for inclusion in the Information Memorandum)

24 November 2006

The Board of Directors
Mukah Power Generation Sdn Bhd
1st Floor, Wisma Naim
Rock Road
93200 Kuching

Dear Sirs,

MUKAH POWER GENERATION SDN BHD ("MPG")
CASH FLOW ESTIMATE AND FORECAST FOR FINANCIAL YEARS ENDING 31 DECEMBER 2006 AND 31 DECEMBER 2007

We have reviewed the cash flow estimate and forecast of MPG for the financial years ending 31 December 2006 and 31 December 2007 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the professional standard applicable to the review of projections, AI 810. The estimate and forecast have been prepared in connection with the proposed issuance of the Serial Sukuk Mudharabah of up to RM950.0 million ("the MPG Sukuk") and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed in its audited financial statements for the year ended 31 December 2005. The Directors of MPG are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

The estimate and forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date of the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:

(i) Nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the cash flow estimate and forecast; and

(ii) In our opinion, the cash flow estimate and forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors.

The accompanying cash flow estimate and forecast and this letter have been prepared solely for submission to the Board in connection with the aforementioned proposal and inclusion in the Information Memorandum. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully,

ERNST & YOUNG
AF: 0039
Chartered Accountants

YONG VOON KAR
1769/04/08(J/PH)
Partner

MUKAH POWER GENERATION SDN BHD
CASH FLOW ESTIMATE AND FORECAST FOR FINANCIAL YEARS ENDING 31 DECEMBER 2006 AND 31 DECEMBER 2007

	2006 Estimate RM'000	2007 Forecast RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue	-	-
Payment of operating expenses	-	-
Cash generated from operations	-	-
Cash transfer (to) / from Sukuk Payment Account	-	-
Income tax paid	-	-
Net cash generated from operations	**-**	**-**
CASH FLOWS FROM INVESTING ACTIVITIES		
Project costs drawndown	(126,163)	(504,775)
Income from Mudharabah Investment Account	144	3,254
Net cash used in investing activities	**(126,019)**	**(501,521)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	2,000	-
Proceeds from shareholder's advances	105,727	-
Repayment of shareholder's advances	(105,727)	-
Payment of issuance expenses	(983)	(407)
Proceeds from issuance of Junior Sukuk Mudharabah	100,000	110,000
Proceeds from issuance of Senior Sukuk Mudharabah	195,000	355,000
Profit payments on Serial Senior Sukuk Mudharabah	-	(29,526)
Net cash generated from financing activities	**296,017**	**435,067**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**169,998**	**(66,454)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**-**	**169,998**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**169,998**	**103,544**

Principal bases and assumptions upon which the cash flow estimate and forecast have been prepared are as follows:

1. MPG will carry out the proposed transactions involving the issuance of MPG Sukuk Programme of up to RM950.0 million, which comprises the Serial Senior Sukuk Mudharabah of up to RM665.0 million (**"the MPG Senior Sukuk"** or **"the MPG Senior Sukuk Programme"**) issued under the Islamic principles of Mudharabah and Istisna; and the Serial Junior Sukuk Mudharabah of up to RM285.0 million (**"the MPG Junior Sukuk"** or **"the MPG Junior Sukuk Programme"**) issued under the Islamic Principle of Mudharabah.

   The proceeds from the MPG Senior Sukuk Programme will be utilised as follows:

Details		Up to Amount (RM' million)
(i)	Part repay shareholder's advances of up to RM150.0 million, which has been utilised to pay site acquisition cost and other project related expenses in relation to the development, design and construction of the Mukah Power Plant prior to the initial issuance of the MPG Junior Sukuk*;	43.5
(ii)	Part finance all costs associated with the site acquisition, development, design, construction, start-up and initial operations of the Mukah Power Plant;	592.6
(iii)	Pay all the MPG Sukuk Programme-related expenses incurred prior to the Commercial Operations Date of the second unit; and	1.8
(iv)	Deposit into the Sukuk Payment Account ("SPA") to meet the initial funding requirement of the Minimum SPA Balance.	27. 1
		665.0

   *It should be noted that any decrease in repayment of shareholder's advances shall correspondingly reduce the utilisation of proceeds for the part-repayment of shareholder's advances as stated. Any unutilised amount herein may be utilised for item (ii) above.

   Note: Any unutilised amount from any of items (ii), (iii) and (iv) above will be utilised for general working capital purpose.

The proceeds from the MPG Junior Sukuk Programme will be utilised as follows:

Details		Up to Amount (RM' million)
(i)	Part repay shareholder's advances of up to RM150.0 million, which has been utilised to pay site acquisition cost and other project related expenses in relation to the development, design and construction of the Mukah Power Plant prior to the initial issuance of the MPG Junior Sukuk**;	106.5
(ii)	Part finance all costs associated with the site acquisition, development, design, construction, start-up and initial operations of the Mukah Power Plant;	-
(iii)	Meet its obligations under the Istisna' Sale Agreement i.e. to pay Istisna' Profit during the Project Construction Period; and	103.5
(iv)	Meet its contingent requirements in the event of project cost overrun due to variation order and payment of Liquidated Ascertained Damages under the Istisna' Purchase Agreement.	75.0
		285.0

**It should be noted that any decrease in repayment of shareholder's advances shall correspondingly reduce the utilisation of proceeds for the part-repayment of shareholder's advances as stated. Any unutilised amount herein may be utilised for item (ii) above.

Note: Any unutilised amount from any of items (ii), (iii) and (iv) above will be utilised for general working capital purpose.

2. The cash flow estimate and forecast have been prepared based on the following assumptions:

2.1 General assumptions

2.1.1 There will be no material changes in the structure as well as the principal activities of MPG other than those planned and incorporated in the cash flow estimate and forecast;

2.1.2 There will be no significant adverse changes in the current demand and in the prevailing market conditions in Malaysia and overseas which will adversely affect MPG's performance;

2.1.3 There will be no major economic and political changes or any abnormal circumstances which will adversely affect MPG's operation;

2.1.4 There will be no changes in legislation or government regulations which will affect the Group's activities or the market in which MPG operates;

2.1.5 There will be no significant changes in the present legislation or government regulations, rates and basis of tariff, levies and taxes affecting MPG's activities;

2.1.6 There will be no major industrial disputes or any abnormal circumstances which will adversely affect MPG's business or assets;

2.1.7 There will be no significant effects from fluctuations in exchange rates of foreign currencies;

2.1.8 The inflation rate will not change significantly from the present level, which will adversely affect the performance of MPG;

2.1.9 There will be no significant changes in the management, accounting and operating policies from those presently adopted by the MPG;

2.1.10 The existing financing facilities will remain available to MPG and interest rates will not differ significantly from those prevailing. MPG will also be able to obtain additional financing facilities when necessary, at interest rates approximating those currently available to MPG;

2.1.11 Capital expenditure programme of MPG will be implemented as planned and there will be no material acquisition and disposal of property, plant and equipment other than those planned;

2.1.12 The existing agreements and contracts of MPG will not be terminated and there will be no significant changes in the terms and conditions of these contracts.

2.1.13 All income and expenditure (except for non-cash items) used in compiling the cash flow estimate and forecast for the financial years ending 31 December 2006 and 31 December 2007 have been incorporated in the estimated and forecasted cash flow movements on the basis that the projected profits will be fully achieved in the estimate and forecast for the respective years.

2.1.14 Statutory tax rate is at 28% and 27% in Year 2006 and 2007 respectively and assumed constant throughout the estimate and forecast years.

2.1.15 There will be no delay in the implementation of MPG's planned activities.

2.2 Specific assumptions

The specific bases and assumptions made by the Directors of MPG upon which the cash flow estimate and forecast have been prepared are as follows:

2.2.1 Key Project Parameters

Project Cost	
Project cost	RM800,000,000
Financing cost during construction – Senior Sukuk	RM103,436,250
Total project cost (including financing cost during construction)	RM903,436,250

Revenue	
Hours per day	24
Days per year	365
Plant size per unit	135 Megawatt ("MW")
Number of units	2
Electricity dispatched	90%
Dependable capacity	243 MW
Availability factor	85%
Capacity factor	85%
Energy output	1,709 Gigawatt-hour ("GWh")
Capacity payment rate	RM38/Kilowatt ("kW") per month

Tariff	
Energy fuel component	5.8 sen/kWh
Energy non-fuel component	2.9 sen/kWh*
	8.7 sen/kWh

*Energy non-fuel component of 2.9 sen/kWh is assumed to escalate at 3% per annum (p.a.) after the fifth year of commercial operations.

Energy Sold	
Minimum off-take	1,400 GWh
Energy sold	138 GWh
Total energy sold (90% of energy output)	1,538 GWh
Energy for self-consumption (10% of energy output)	171 GWh

Fuel Cost	
Coal price	RM81 per tonne
Coal consumption	1,096,517 tonnes p.a.
Diesel price	RM2.35 per litre
Diesel consumption	2,880,000 litres p.a.

2.2.2 Financing

Commencement of project	30 April 2006
Commencement of funding	29 December 2006
Issue size	
Senior Sukuk	RM665,000,000
Rating	AA3
Minimum Sukuk Service Cover Ratio ("SSCR")	3.06 times
Junior Sukuk	RM210,000,000
Rating	A2
Minimum SSCR	5.94 times

2.2.3 Capacity payment

Years 2006-2007

It is assumed that no capacity payment is received during the period as the 2 units (2 x 135MW) of coal-fired steam turbine generator power plant are still under construction.

2.2.4 Energy Payment

Minimum off-take	1,400 GWh
Energy sold	138 GWh
	1,538 GWh
Energy Tariff	
- Fuel component	5.8 sen/kWh
- Non-fuel component	2.9 sen/kWh
	8.7 sen/kWh

Years 2006-2007

It is assumed that no energy payment was generated during the period as the 2 units (2 x 135MW) of coal-fired steam turbine generator power plant will still be under construction.

2.2.5 Fixed and Variable Operation & Maintenance ("O&M")

Years 2006-2007

It is assumed that no Fixed O&M is incurred during the period as the 2 units (2 x 135MW) of coal-fired steam turbine generator power plant are still under construction.

2.2.6 Fuel Cost

Years 2006-2007

It is assumed that no fuel cost is incurred during the period as the 2 units (2 x 135MW) of coal-fired steam turbine generator power plant are still under construction.

2.2.7 Capital Expenditure and Periodic Overhaul Expenses

Capital expenditure is projected to be RM5 million p.a. with effect from Year 2010.

Periodic overhaul expenses is projected to be RM10 million each for Units 1 and 2 starting from Years 2012 and 2013 respectively, and assumed to be undertaken every 3 years thereafter, at RM12 million for each unit.

2.2.7.1 Capital Allowance Rates

	Initial Allowance	*Annual Allowance*
Plant and machinery	20%	14%
Building	10%	3%
Furniture, fitting and office equipment	20%	10%
Annual capital expenditure during operation stage	20%	10%
Periodic overhaul expenses	20%	14%

2.2.7.2 Depreciation Rates

	Useful Life	*Rate*
Plant and machinery	25 years	4%
Building	25 years	4%
Furniture, fitting and office equipment	25 years	4%
Periodic overhaul expenses	3 years	33%
Annual capital expenditure during operation stage	10 years	10%

2.2.8 Issuance and recurring expenses

There is the one-off issuance expense of RM827,000 and recurring expense of RM156,000 in Year 2006.

2.2.9 Credit Period

Trade Debtors	30 days
Trade Creditors	30 days

2.2.10 Income from Mudharabah Investment Account

Income is assumed to be earned at a rate of 2.00% p.a., after-tax, on the average of opening and closing cash balance of the Mudharabah Investment Account plus opening and closing balance in the SPA, for the estimate and forecast years.

2.2.11 Maintenance of Minimum SPA Balance

The SPA balance shall at all times maintain a minimum cash balance equivalent to the next 6 months' Redemption Amount and Expected Profit in respect of the MPG Senior Sukuk (**"the Minimum SPA Balance"**).

If there is any shortfall in meeting the Minimum SPA Balance, funds up to the amount of such shortfall shall immediately be transferred from the Mudharabah Business Account ("MBA") to the SPA, such that the minimum SPA Balance is maintained; this is reflected in the cash flow projections called **"Cash transfer to Sukuk Payment Account"**.

MPG may only transfer sums from the SPA to the Operations Account ("OA") should the credit balance in the SPA exceed the aggregate of its next 6 months Expected Profit and MPG Sukuk Redemption obligations, and the minimum SPA balance; this is reflected in the cash flow projections called **"Cash transfer from Sukuk Payment Account".**

2.2.12 Dividends

In the case of dividend payments, MPG shall not declare or pay dividends throughout the estimate and forecast years if:

- It is during the period where there is no Senior SSCR calculated;
- It is during the period where there is no Junior SSCR calculated;
- Its Senior SSCR ratio is less than 1.6 : 1 following such payments;
- Its Junior SSCR ratio is less than 1.3 : 1 following such payments (applicable only after full redemption of MPG Senior Sukuk);
- The cash balance in the SPA is less than the Minimum SPA Balance following such dividend payments;
- An Event of Default ("EOD") has occurred or if following such payments, an EOD would occur;
- Such declaration or payment will have a material adverse effect on the ability of MPG to perform its obligation under the Transaction Documents; and
- It does not have sufficient tax credits to make such payments, where applicable.

2.2.13 Financial Covenants

MPG shall at all times during the tenure of the Serial Senior Sukuk Programme maintain the following:

- Minimum SSCR of not less than 1.25 : 1; and
- Minimum SPA Balance equivalent to the next 6 months' Sukuk Expected Profit and Redemption Amount.

Thus, it is assumed that MPG will maintain its SSCR at 1.25 times and above, and a minimum SPA Balance to the next 6 months' Sukuk Expected Profit and Redemption Amount throughout the projections period.

2.2.14 MPG Sukuk Programme Redemption

2.2.14.1 MPG Senior Sukuk Redemption

Redemption of the MPG Senior Sukuk is based on the proposed redemption schedule as follows:

Years from Issue Date	Year of Redemption	Nominal Amount (RM)
4	2010	20,000,000
5	2011	50,000,000
6	2012	40,000,000
7	2013	40,000,000
8	2014	60,000,000
9	2015	50,000,000
10	2016	55,000,000
11	2017	70,000,000
12	2018	70,000,000
13	2019	70,000,000
14	2020	70,000,000
15	2021	70,000,000
	Total	**665,000,000**

2.2.14.2 MPG Junior Sukuk Redemption

Redemption of the MPG Junior Sukuk is based on the proposed redemption schedule as follows:

Years from Issue Date	Year of Redemption	Nominal Amount (RM)
16	2022	45,000,000
17	2023	35,000,000
18	2024	30,000,000
19	2025	30,000,000
20	2026	25,000,000
21	2027	15,000,000
22	2028	30,000,000
	Total	**210,000,000**

2.1.15 Expected Profit Rates of MPG Sukuk Programme

2.1.15.1 MPG Senior Sukuk

Based on the indicative tranches, the expected profit rates of the MPG Senior Sukuk shall be as set out below:

Tranche	Target Issuance	Total Issuance Size (Up to RM' million)	Expected Profit Rate (% p.a.)
1	December 2006	195.0	8.10% - 8.60%
2	June 2007	325.0	7.55% - 8.65%
3	December 2007	30.0	7.80% - 7.90%
4	June 2008	45.0	7.85% - 8.05%
5	December 2008	70.0	7.60% - 7.90%

2.1.15.2 MPG Junior Sukuk

Based on the indicative tranches, the expected profit rates of the MPG Junior Sukuk shall be as set out below:

Tranche	Target Issuance	Total Issuance Size (Up to RM' million)	Expected Profit Rate (% p.a.)
1	December 2006	100.0	58.50% - 168.50%
2	June 2007	55.0	12.35% - 50.85%
3	December 2007	55.0	12.00% - 12.50%

The expected profit rate for the above tranches are derived from the MPG Financial Model as at 20 November 2006 and Indicative Principal Terms and Conditions of the Proposal as at 21 November 2006

APPENDIX II

Independent Checking Engineer's Letter dated 6 September 2006

KTA Tenaga sdn bhd

CONSULTING ENGINEERS * JURUTERA PERUNDING

(Company No. 239199-V)

MS ISO 9001:2000 REG. NO.AR1073

T0613/MECH/RHB/0019

6 September 2006

RHB ISLAMIC Bank Berhad
Level 11
Menara Yayasan Tun Razak
200, Jalan Bukit Bintang
55100 Kuala Lumpur

Fax No. 03-21715002

Attn : Ms. Saw Ann Ping
Mr. Jimmy Chin Yoon Fatt
Ms. Kuen Ei Leen

Dear Sirs/Madam,

MUKAH POWER GENERATION SDN BHD

We have reviewed the documents related to the above-mentioned project and obtained clarification from MPG/SECB on a number of issues.

After due consideration, KTA Tenaga Sdn. Bhd. is of the opinion that the project is technically viable and the plant can meet the initial capacity requirements of the Power Purchase Agreement between Mukah Power Generation and Syarikat SESCO Berhad.

Further, we are of the opinion that the EPC Contract cost is reasonable for a 2 x 135MW (gross capacity) Coal-Fired Power Plant.

Best regards.

Yours faithfully
KTA Tenaga Sdn Bhd

Ir. A RAJARATNAM
Managing Director

c.c. Attn : Mr. Yong K C
Sarawak Enterprise Corporation Berhad
Fax: 80 82 248588

Attn : Mr. James Ung
Project Manager – Mukah Power Plant Project
Fax: 082-439-650

Attn : Ms. Marwalis Mohd Kassim
Messrs Jeff Leong, Poon & Wong
Fax No. 03-21663227

/fbp/vs

APPENDIX III

Insurance Consultant's Letter dated 7 September 2006

INSUREPRO SDN BHD (84938-X)
(Broker Insurans Berlesen)
(Broker Takaful Berlesen)

07 September 2006

RHB ISLAMIC Bank Berhad
(Lead Arranger)

Mukah Power Generation Sdn Bhd

Dear Sirs

MUKAH POWER GENERATION SDN BHD ("MPG")
INFORMATION MEMORANDUM FOR SUKUK MUDHARABAH ISSUANCE PROGRAMME OF UP TO RM950.0 MILLION

We refer to the matter above.

The abovementioned Information Memorandum to be issued by MPG includes a section entitled Project Insurance that describes the insurance policies that have been or will be procured in relation to the Project ("Project Insurance Section").

We hereby:-

(1) acknowledge that the Project Insurance Section has been reviewed and verified by us in our capacity as Insurance Consultant;

(2) confirm that the insurance policies and coverage described in the Project Insurance Section are reasonable and within acceptable market practice, taking into account the overall risk profile of the Project; and

(3) consent to the issue of the Information Memorandum with the Project Insurance Section in the form and context in which it is included therein, the consent of which has not been withdrawn.

Yours faithfully,

Francis J Rozario
General Manager

Lot 269-270, Tingkat Bawah, Jalan Chan Chin Ann, 93100 Kuching, Sarawak, Malaysia
Peti Surat 2004, 93740 Kuching, Sarawak, Malaysia
Tel: +6082-416919/414919 Fax: +6082-426919 E-mail: iprosb@po.jaring.my

APPENDIX IV

Letter from MPG dated 21 August 2006 acknowledging the nature of the conflict of interest for RHB ISLAMIC Bank Berhad to act as the Principal Adviser / Lead Arranger, Primary Subscriber, Facility Agent and Syariah Adviser for the MPG Sukuk Programme

Mukah Power Generation Sdn Bhd (468044-U)

1st Floor, Wisma Naim, Lot 2679, Rock Road
93200 Kuching, Sarawak, Malaysia
Tel: 6082-244000 Fax: 6082-248588

21 August 2006

RHB ISLAMIC Bank Berhad
Level 11
Menara Yayasan Tun Abdul Razak
200 Jalan Bukit Bintang
55100 Kuala Lumpur

Attn: Ms. Saw Ann Ping

Dear Sirs,

MUKAH POWER GENERATION SDN BHD (formerly known as Sarawak Power Services Sdn Bhd) (468044-U) ("MPG")
Proposed Issue of Up To RM950.0 Million Nominal Value Sukuk Mudharabah Programme ("the MPG Sukuk" or "the MPG Sukuk Programme")

We refer to the above subject and your appointment as the Principal Adviser / Lead Arranger, Primary Subscriber, Facility Agent and Syariah Adviser for the MPG Sukuk Programme.

We are aware that RHB ISLAMIC Bank Berhad ("**RHB ISLAMIC**") has extended a bridge finance facility of up to RM150.0 million ("**the Credit Facility**") to Sarawak Enterprise Corporation Berhad ("**SECB**"), the holding company of MPG. SECB subsequently advanced the Credit Facility to MPG to finance its 2X135 megawatts coal-fired power plant project in Mukah until the MPG Sukuk Programme is in place. As such, part of the proceeds from the MPG Sukuk Programme will ultimately be used to repay the Credit Facility provided by RHB ISLAMIC.

We are fully aware of the nature of the conflict of interest for RHB ISLAMIC to act as the Principal Adviser / Lead Arranger, Primary Subscriber, Facility Agent and Syariah Adviser for the MPG Sukuk Programme.

However, we still require RHB ISLAMIC to act for MPG as the Principal Adviser / Lead Arranger, Primary Subscriber, Facility Agent and Syariah Adviser for the MPG Sukuk Programme and confirm that we have no objection to RHB ISLAMIC acting as the Principal Adviser / Lead Arranger, Primary Subscriber, Facility Agent and Syariah Adviser for the MPG Sukuk Programme.

Yours faithfully,
for **MUKAH POWER GENERATION SDN BHD**

ZURAIMY BIN KUSHAILI
Director

APPENDIX V

Letter from MPG dated 11 August 2006 acknowledging the nature of the conflict of interest for Insurepro Sdn Bhd to act as the Insurance Consultant for the MPG Sukuk Programme

Mukah Power Generation Sdn Bhd

(468044-U)
1st Floor, Wisma Naim, Lot 2679, Rock Road
93200 Kuching, Sarawak, Malaysia
Tel 6082-244000 Fax: 6082-248588

Your Ref:
Our Ref: MPG/PDS/06/01

11 August 2006

INSUREPRO SDN BHD
Lot 269-270, Tingkat Bawah
Jalan Chan Chin Ann
93100 Kuching
Sarawak

Attention: Mr Francis J. Rozario, General Manager

Dear Sirs,

MUKAH POWER GENERATION SDN BHD (formerly known as Sarawak Power Services Sdn Bhd (468044-U) ("MPG")
Proposed Sukuk Mudharabah Programme ("the MPG Sukuk Programme")

We refer to the above subject and your appointment as the Insurance Consultant for the MPG Sukuk Programme.

We are aware that one of the shareholders of Insurepro Sdn Bhd ("INSUREPRO") is related to one of the directors of MPG and as such exposes the relationship between INSUREPRO and MPG under the MPG Sukuk Programme to a potential conflict of interest.

However we are also aware that the said shareholder is not directly involved in the management and operation of INSUREPRO.

As such we still require INSUREPRO to act for MPG as the Insurance Consultant for the MPG Sukuk Programme and confirm that we have no objection to INSUREPRO acting as the Insurance Consultant for the MPG Sukuk Programme.

Yours faithfully,
for MUKAH POWER GENERATION SDN BHD

Zuraimy Bin Kushaili
Director

C.c RHB ISLAMIC Bank Berhad
Level 11
Menara Yayasan Tun Abdul Razak
200 Jalan Bukit Bintang
55100 Kuala Lumpur
Attention: Ms Saw Ann Ping

APPENDIX VI

Letter from Insurepro Sdn Bhd dated 14 August 2006 acknowledging the nature of the conflict of interest for Insurepro Sdn Bhd to act as the Insurance Consultant for the MPG Sukuk Programme

INSUREPRO SDN BHD (84938-X)

(Broker Insurans Berlesen)
(Broker Takaful Berlesen)

MUKAH POWER GENERATION SDN BHD
1st Floor Wisma Naim
Lot 2679, Rock Road
93200 Kuching
Sarawak

Attention: En Zuraimy Bin Kushaili, Director

Dear Sirs,

MUKAH POWER GENERATION SDN BHD (formerly known as Sarawak Power Services Sdn Bhd (468044-U) ("MPG")
PROPOSED SUKUK MUDHARABAH PROGRAMME ("the MPG Sukuk Programme")

We refer to the above subject and our appointment as the Insurance Consultant for the MPG Sukuk Programme.

We hereby declare that one of the shareholders of Insurepro Sdn Bhd ("INSUREPRO") is directly related to one of the directors of MPG.

However we confirm that the said shareholder is not directly involved in the management and operation of INSUREPRO particularly in relation to the role of INSUREPRO as Insurance Consultant for the MPG Sukuk Programme.

Yours faithfully,
for **INSUREPRO SDN BHD**

FRANCIS J. ROZARIO
(General Manager)

C.c RHB ISLAMIC Bank Berhad
Level 11
Menara Yayasan Tun Abdul Razak
200 Jalan Bukit Bintang
55100 Kuala Lumpur

Attention: Ms Saw Ann Ping

Lot 269-270, Tingkat Bawah, Jalan Chan Chin Ann, 93100 Kuching, Sarawak, Malaysia
Peti Surat 2004, 93740 Kuching, Sarawak, Malaysia

APPENDIX VII

Letter of undertaking from SPG to subscribe to the MPG Junior Sukuk

1st Floor, Wisma Naim
Lot 2679, Rock Road
93200 Kuching
P.O. Box A1059, Kenyalang Park Post Office
93822 Kuching, Sarawak, Malaysia.

Tel: 082-244000 Fax: 082-248588
E-mail: spgen@po.jaring.my

SARAWAK
POWER GENERATION
SDN BHD
305106-D

A wholly-owned subsidiary of Sarawak Enterprise Corporation Berhad

11 October 2006

RHB ISLAMIC Bank Berhad
Level 11
Menara Yayasan Tun Razak
200 Jalan Bukit Bintang
55100 Kuala Lumpur

Dear Sirs,

SUKUK MUDHARABAH PROGRAMME OF UP TO RM950.0 MILLION ("MPG SUKUK PROGRAMME") BY MUKAH POWER GENERATION SDN BHD (COMPANY NO. 468044-U) ("MPG")
Letter of Undertaking by Sarawak Power Generation Sdn Bhd (Company No. 305106-D)

We refer to the Mudharabah Programme Agreement dated 2 October 2006 made between MPG as the Issuer and RHB ISLAMIC Bank Berhad as the Lead Arranger, Facility Agent, Issue Agent and Primary Subscriber respectively (the "**Mudharabah Programme Agreement**"). Terms defined in the Mudharabah Programme Agreement have the same meanings herein.

In consideration of the Lead Arranger making available the MPG Sukuk Programme we hereby irrevocably and unconditionally undertake to:-

(a) subscribe to the MPG Junior Sukuk of up to Ringgit Malaysia Two Hundred Eighty Five Million (RM285,000,000.00);

(b) retain, at all times full ownership of the issued MPG Junior Sukuks after the MV Commencement Date but before the Commercial Operations Date of the Second Unit;

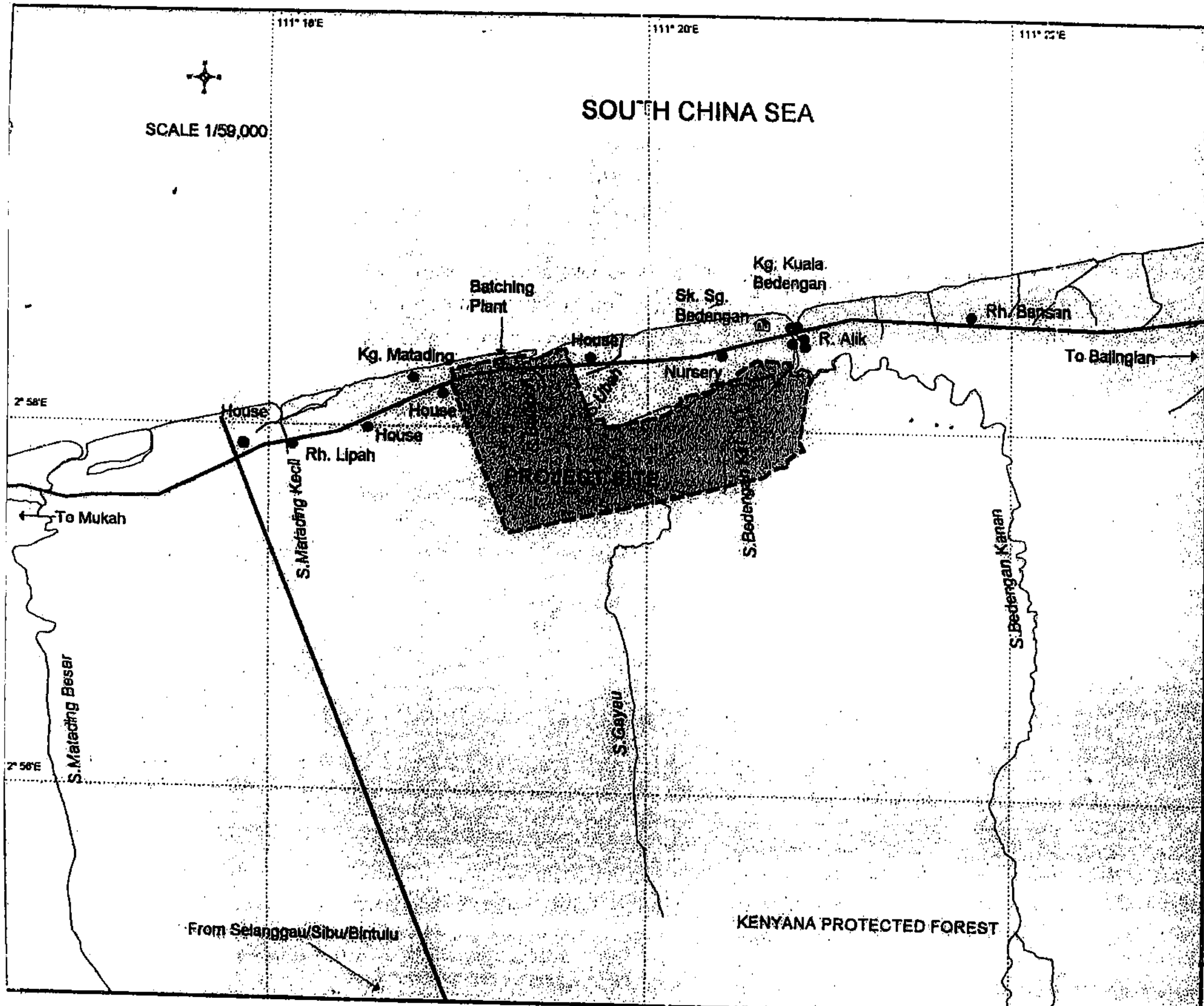
(c) retain at all times ownership of the MPG Junior Sukuks equivalent to at least ten percent (10%) of the aggregate outstanding nominal values of the MPG Senior Sukuks, MPG Junior Sukuk and MPG's shareholders' fund from the Commercial Operations Date of the Second Unit until the maturity of the last series of the MPG Junior Sukuk.

SIGNED by
for and on behalf of **Sarawak Power Generation Sdn Bhd**

YONG KIONG CHOON
General Manager

APPENDIX VIII

Location map of the Mukah Power Plant



PROJECT TITLE:

DETAILED ENVIRONMENTAL IMPACT ASSESSMENT (DEIA) REPORT FOR THE PROPOSED MUKAH COAL-FIRED POWER STATION AT MUKAH DIVISION, SARAWAK

FIGURE : 1

DRAWING TITLE:

SITE LOCATION

LEGEND:

PROJECT SITE BOUNDARY

TAR-SEALED ROAD

RIVER

SETTLEMENT/VILLAGE

SCHOOL

Source: 1: 50,000 Topographic maps issued by Land & Survey Dept. Sarawak
Sheet no 2/112/2

CONSULTANT:

EPR(KUCHING) SDN. BHD

CLIENT:

SARAWAK ENTERPRISE CORPORATION BERHAD

APPENDIX IX

MPG cash flow projections for FYE 2006 – 2031

PROJECT CASHFLOW

All figures in RM' 000 unless states otherwise

FYE	TOTAL	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30	31-Dec-31
Year Number	(25 years)	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
CASH FROM OPERATING ACTIVITIES																											
OPERATING REVENUE																											
Capacity payment	2,765,583			9,234	96,957	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808	110,808
Energy payment																											
Minimum energy off-take	3,386,518			10,150	106,575	121,800	121,800	121,800	123,018	124,273	125,565	126,896	128,267	129,679	131,133	132,631	134,174	135,763	137,400	139,086	140,822	142,611	144,453	146,351	148,306	150,319	152,392
Energy sale	333,745			1,000	10,503	12,004	12,004	12,004	12,124	12,247	12,375	12,506	12,641	12,780	12,923	13,071	13,223	13,380	13,541	13,707	13,878	14,054	14,236	14,423	14,616	14,814	15,018
Total	3,099,328			20,384	214,035	244,612	244,612	244,612	245,950	247,328	248,747	250,209	251,715	253,266	254,864	256,510	258,205	259,951	261,749	263,601	265,509	267,474	269,498	271,582	273,729	275,941	278,219
OPERATING EXPENSES																											
Operating Expenses	(903,498)			(4,292)	(27,813)	(28,500)	(28,500)	(28,500)	(29,025)	(29,566)	(32,123)	(32,696)	(33,287)	(33,896)	(34,523)	(35,168)	(35,834)	(36,519)	(37,224)	(37,951)	(38,699)	(39,470)	(40,264)	(41,082)	(41,925)	(42,793)	(43,686)
Coal & Diesel Cost	(2,385,663)			(7,965)	(83,638)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)	(95,586)
Total	(3,289,161)			(12,257)	(111,450)	(124,086)	(124,086)	(124,086)	(124,611)	(125,152)	(127,709)	(128,282)	(128,873)	(129,482)	(130,109)	(130,754)	(131,419)	(132,104)	(132,810)	(133,537)	(134,285)	(135,056)	(135,850)	(136,668)	(137,511)	(138,378)	(139,272)
OPERATING MARGIN	3,196,685			8,127	102,585	120,526	120,526	120,526	121,339	122,176	121,039	121,927	122,842	123,785	124,756	125,755	126,785	127,846	128,939	130,064	131,223	132,417	133,647	134,914	136,219	137,562	138,947
Cash transfer from DSR	64,634					-	6,864	1,581	-	7,227	-	-	2,918	2,965	2,891	2,940	37,249	-	-	-	-	-	-	-	-	-	
Working capital adjustment	(11,403)			(4,064)	(7,033)	1,470	-	-	(68)	(70)	95	(74)	(76)	(79)	(81)	(83)	(86)	(88)	(91)	(94)	(97)	(99)	(102)	(106)	(109)	(112)	(115)
Tax payments	(209,767)	-	-	-	-	(613)	(688)	(746)	(830)	(910)	(976)	(1,049)	(1,133)	(1,208)	(1,292)	(1,414)	(1,471)	(4,279)	(6,101)	(6,540)	(7,032)	(7,717)	(8,281)	(8,721)	(9,456)	(28,098)	(35,993)
CASH FROM OPERATION & DSR	3,040,149	-	-	4,064	95,552	121,382	126,702	121,360	120,441	128,423	120,157	120,804	124,551	125,463	126,274	127,198	162,478	123,479	122,747	123,430	124,095	124,601	125,264	126,088	126,653	109,352	102,838
CASH FROM INVESTING ACTIVITIES																											
Project cost drawdwon	(800,000)	(126,163)	(504,775)	(108,448)	(30,863)	(29,751)																					
Investment income earned on cash balances	186,641	144	3,254	975	478	2,360	2,648	2,870	3,194	3,500	3,756	4,036	4,356	4,647	4,968	5,440	5,657	5,950	6,720	7,564	8,362	9,276	10,271	10,683	11,748	13,575	14,994
Overhaul	(176,000)					-	-	(10,000)	(10,000)	-	(12,000)	(12,000)	-	(12,000)	(12,000)	-	(12,000)	(12,000)	-	(12,000)	(12,000)	-	(12,000)	(12,000)	-	(12,000)	(12,000)
Annual capex	(120,000)				-	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
CASH FROM INVESTING ACTIVITIES	(909,359)	(126,019)	(501,521)	(107,472)	(30,385)	(32,392)	(2,352)	(12,130)	(11,806)	(1,500)	(13,244)	(12,964)	(644)	(12,353)	(12,032)	440	(11,343)	(11,050)	1,720	(9,436)	(8,638)	4,276	(6,729)	(6,317)	6,748	(3,425)	(2,006)
CASH FROM FINANCING ACTIVITIES	-																										
	-																										
Ordinary shares	2,000	2,000																									
Advances from shareholder	-																										
Drawdown	105,727	105,727																									
Repayment	(105,727)	(105,727)																									
Sukuk issuance expenses	(6,863)	(983)	(407)	(438)	(377)	(371)	(355)	(343)	(330)	(311)	(296)	(278)	(256)	(234)	(212)	(207)	(207)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	-	-	-
Junior Sukuk	-																										
Drawdown	210,000	100,000	110,000	-																							
Senior Sukuk	-																										
Drawdown	665,000	195,000	355,000	115,000	-																						
Profit Payment	(520,316)	-	(29,526)	(46,869)	(54,083)	(54,083)	(51,594)	(47,665)	(44,704)	(41,208)	(36,754)	(32,585)	(27,925)	(22,089)	(16,159)	(10,378)	(4,498)	-	-	-	-	-	-	-	-	-	-
Redemption	(665,000)				-	(20,000)	(50,000)	(40,000)	(40,000)	(60,000)	(50,000)	(55,000)	(70,000)	(70,000)	(70,000)	(70,000)	(70,000)	-	-	-	-	-	-	-	-	-	-
CASH AVAILABLE FOR RESERVE	1,737,076					14,536	22,400	21,022	23,600	25,405	19,863	19,976	25,726	20,787	27,870	47,053	76,430	112,250	124,287	113,815	115,277	128,697	118,356	119,591	133,402	105,927	100,832
Cash transfer to DSR	(64,634)	-	-	-	(27,041)	(23,756)	-	-	(8,252)	-	(416)	(5,170)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CASH AVAILABLE FOR JUNIOR SUKUK / SHAREHOLDERS	1,699,483					(9,219)	22,400	21,022	15,348	25,405	19,448	14,806	25,726	20,787	27,870	47,053	76,430	112,250	124,287	113,815	115,277	128,697	118,356	119,591	133,402	105,927	100,832
Junior Sukuk	(154,548)																										
Profit Payment	(551,388)	-	-	-	-	-	(9,113)	(9,738)	(9,738)	(9,738)	(9,738)	(9,738)	(9,738)	(9,738)	(9,738)	(24,993)	(42,543)	(42,543)	(58,018)	(53,680)	(57,400)	(65,125)	(69,525)	(50,550)	-	-	-
Redemption	(210,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,000)	(35,000)	(30,000)	(30,000)	(25,000)	(15,000)	(30,000)	-	-	-
	-																										
AFTER TAX CASH FLOWS	989,589	169,998	(66,454)	(35,715)	(16,335)	(9,219)	13,288	11,284	5,611	15,667	9,710	5,069	15,989	11,049	18,133	22,061	33,888	24,708	31,270	30,135	27,877	38,572	33,831	39,041	133,402	105,927	100,832
CASH BALANCES																											
Opening cash balance		-	169,998	103,543	67,828	51,494	42,274	55,562	66,846	72,457	88,124	97,834	102,903	118,892	129,941	148,074	170,135	204,023	228,730	260,000	290,135	318,012	356,584	390,415	386,510	467,921	519,342
Plus: After tax cash flow for the year	989,589	169,998	(66,454)	(35,715)	(16,335)	(9,219)	13,288	11,284	5,611	15,667	9,710	5,069	15,989	11,049	18,133	22,061	33,888	24,708	31,270	30,135	27,877	38,572	33,831	39,041	133,402	105,927	100,832
Less: Dividend paid	(282,384)							-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(42,946)	(51,991)	(54,506)	(49,056)
CLOSING CASH BALANCE		169,998	103,543	67,828	51,494	42,274	55,562	66,846	72,457	88,124	97,834	102,903	118,892	129,941	148,074	170,135	204,023	228,730	260,000	290,135	318,012	356,584	390,415	386,510	467,921	519,342	571,118
Notes																											
1 IRR Computation																											
Project IRR	1,661,885	(126,163)	(504,775)	(104,384)	64,689	87,244	115,526	105,526	106,271	115,569	100,195	100,672	113,475	102,457	103,414	116,279	83,406	81,549	93,731	83,061	84,040	96,297	85,703	86,762	99,101	88,591	89,737
2 Desired Debt Service Reserve						50,797	43,933	42,352	50,604	43,377	43,793	48,963	46,044	43,079	40,189	37,249	-	-	-	-	-	-	-	-			
Opening cash in DSR		-	-	-	-	27,041	50,797	43,933	42,352	50,604	43,377	43,793	48,963	46,044	43,079	40,189	37,249	-	-	-	-	-	-	-			
Initial injection of reserve																											
Investment income earned on cash in DSR																											
Flow from Project	64,634	-	-	-	27,041	23,756	-	-	8,252	-	416	5,170	-	-	-	-	-	-	-	-	-	-	-	-			
Flow (to) Project	(64,634)					-	(6,864)	(1,581)	-	(7,227)	-	-	(2,918)	(2,965)	(2,891)	(2,940)	(37,249)	-									
Closing Cash in DSR		-	-	-	27,041	50,797	43,933	42,352	50,604	43,377	43,793	48,963	46,044	43,079	40,189	37,249	-	-	-	-	-	-	-	-	-	-	-
RATIOS																											
SSCR																											
SSCR - Senior Sukuk	4.48				3.71	3.32	3.06	3.51	3.86	3.69	4.26	4.47	4.37	4.81	5.34	6.27	7.60										
SSCR - Junior Sukuk	14.47						11.74	13.57	15.31	17.49	20.10	21.61	23.76	26.56	29.55	13.73	9.79	5.94	6.25	7.57	7.96	8.49	9.84	11.18			
Sukuk Obligations Cover Ratios																											
Senior Sukuk																											
Profit					1.40	1.83	2.51	2.60	2.59	3.22	3.38	3.70	4.65	5.94	8.19	12.91	37.68										
Profit & Principal					1.40	1.33	1.28	1.42	1.37	1.31	1.43	1.38	1.33	1.42	1.54	1.67	2.28										
Junior Sukuk																											
Profit							3.08	3.78	3.21	3.22	3.83	3.38	3.28	4.01	4.75	2.14	2.23	3.14	2.34	2.56	2.43	2.17	2.07	2.68			
Profit & Principal							3.08	3.78	3.21	3.22	3.83	3.38	3.28	4.01	4.75	2.14	2.23	1.53	1.46	1.64	1.60	1.57	1.70	1.81			