Strictly Private & Confidential

INFORMATION MEMORANDUM

RANHILL POWERTRON II SDN BHD
(354304-U)

Ranhill

PROPOSED ISSUANCE OF UP TO RM710.0 MILLION NOMINAL VALUE OF ISLAMIC MEDIUM TERM NOTES PURSUANT TO AN ISLAMIC MEDIUM TERM NOTES PROGRAMME

Prepared By:-

Joint Principal Advisers, Joint Lead Arrangers and Joint Lead Managers

Affin Investment Bank Berhad **(9999-V)**

Maybank Investment Bank Berhad **(15938-H)**

This Information Memorandum Is Dated 13 May 2011

Responsibility Statements

This Information Memorandum has been approved by the directors of Ranhill Powertron II Sdn Bhd (Company No. 354304-U) (the "**Issuer**" or "**RPII**") and the Issuer accepts full responsibility for the accuracy of the information contained in this Information Memorandum. The Issuer, after having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to the Issuer which is material in the context of the issuance of up to RM710.0 million in nominal value of Islamic Medium Term Notes pursuant to an Islamic Medium Term Notes Programme under the Islamic principle of Musharakah ("**IMTN Programme**") comprising the following tranches:-

<u>Tranche 1 Sukuk</u>

IMTN of up to RM360.0 million in nominal value.

<u>Tranche 2 Sukuk</u>

IMTN of up to RM350.0 million in nominal value.

(the Tranche 1 Sukuk and Tranche 2 Sukuk shall collectively be referred to as the "**Sukuk**").

The opinions and the intentions expressed in this Information Memorandum in relation to the Issuer are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumption(s) after having made reasonable enquiries and there are no false or misleading statements or other facts in relation to the Issuer or the IMTN Programme, the omission of which would, in the context of the issue of the Sukuk issued under the IMTN Programme, make any statement in this Information Memorandum false or misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. No representation or warranty, expressed or implied, is made such that the information remains unchanged in any respect as of any date or dates after those stated herein, with respect to any matter concerning the Issuer or any statement made in this Information Memorandum. The Issuer and its board of directors accept full responsibility for the information contained in this Information Memorandum.

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This Information Memorandum is being furnished on a private and confidential basis solely to prospective investors to consider the purchase of the Sukuk.

At the point of issuance of the Sukuk, the Sukuk shall not be issued, offered, sold, transferred or otherwise disposed of, directly or indirectly, nor shall any document or other material in connection therewith including this Information Memorandum be distributed, in Malaysia to any person unless such issue, offer, sale, transfer or disposal is to such persons, whether as principal or agent, falling within Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b) and Schedule 9 or section 257(3) of the Capital Markets and Services Act 2007 as amended from time to time (the "**CMSA**").

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

This Information Memorandum is not and is not intended to be a prospectus. Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at 1 March 2011.

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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 Sukuk under all jurisdictions to which the recipient is subject, (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Sukuk, (d) the Issuer, the JPAs/JLAs and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Sukuk, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the 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 Sukuk, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk, (g) it is subscribing or accepting the Sukuk for its own account, and (h) it is a person to whom an issue, offer or invitation to subscribe or purchase the Sukuk would constitute persons falling within any one or more of the categories of persons specified in Schedule 6 or Section 229(1)(b), and Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the CMSA at issuance and Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA thereafter. 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 Sukuk in relation to any recipient who does not fall within item (h) above.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the Sukuk is not, and should not be construed as, a recommendation by the Issuer and/or the JPAs/JLAs to subscribe or purchase the Sukuk. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis. Each issue of the Sukuk will carry different risks and all potential investors are strongly encouraged to evaluate each issue on its own merit. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Sukuk, the IMTN Programme and all other relevant matters, and each recipient should consult its own professional advisers. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk shall in any circumstance imply that the information contained herein concerning the Issuer or any other person referred to in this Information Memorandum is correct at any time subsequent to the date hereof or that any other information supplied in connection with the IMTN Programme is correct as of any time subsequent to the date indicated in the document containing the same. Neither the JPAs/JLAs nor any other advisers for the IMTN Programme undertake to review the financial condition or affairs of the Issuer during the tenor of the IMTN Programme or to advise any investor of the Sukuk of any information coming to its attention.

Certain statements, information, estimates and reports in this Information Memorandum are based on historical data, which may not be reflective of the future, and others are forward-looking in nature and are subject to risks and uncertainties, including, among others, the Issuer's business strategy and expectation concerning each of its position in the Malaysian economy, future operations, growth prospects and industry prospects. All of these statements are based on estimates and assumptions made by RPII and although believed to be reasonable, are subject to risks and uncertainties that may cause actual events or future results to be materially different than expected or indicated by such statements and estimates and, no assurance can be given that any such statements or estimates will be realised.

In light of all this and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer its advisers or any other person that the plans and objectives of the Issuer will be achieved. Any such statements are not guarantees of performance and involve risks and uncertainties many of which are beyond the control of RPII.

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

Acknowledgement

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

Statements of Disclaimer by the Securities Commission

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

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

THE ISSUANCE OF THE IMTN PROGRAMME HAS BEEN APPROVED BY THE SC VIDE ITS LETTER TO THE JPAS/JLAS DATED 10 MAY 2011. THE APPROVAL OF THE SC SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE IMTN PROGRAMME.

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

EACH ISSUANCE OF SUKUK UNDER THE IMTN PROGRAMME WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH ISSUANCE ON THEIR RESPECTIVE MERITS AND RISKS OF THE INVESTMENT.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

INVESTORS SHOULD READ THIS ENTIRE INFORMATION MEMORANDUM CAREFULLY AND AS A WHOLE, INCLUDING THE APPENDICES.

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

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GLOSSARY

ACQ	Annual Contract Quantity as defined in the GSA.
Advance Facility	Advance facility offered by Danajamin and accepted by RPII under the Shariah principle of Qard Hasan under which each drawing shall be for an amount equal to the shortfall between the expected profit payment and the actual amount available for payment of such profit on a particular profit payment date in relation to the Sukuk.
Advance Facility Agreement	The agreement to be made on the date of the Al-Kafalah Facility Agreement between RPII and Danajamin pursuant to which Danajamin may, if it chooses, grant to RPII the Advance Facility.
Affin Investment	Affin Investment Bank Berhad (Company No. 9999-V), one of the JPAs/JLAs hereunder.
Al- Kafalah Facility	The Al- Kafalah facility of an aggregate amount of up to Ringgit Three Hundred and Fifty Million (RM350,000,000.00) only provided by Danajamin in favour of the Security Agent for and on behalf of the Tranche 2 Sukukholders under the terms of the Al-Kafalah Facility Agreement.
Al- Kafalah Facility Agreement	The guarantee facility agreement to be entered into between Danajamin and the Issuer, whereby Danajamin shall provide the Kafalah Guarantee in favour of the Security Agent for and on behalf of the Tranche 2 Sukukholders as provided under the PTC and the letters of offer dated 8 February 2011 issued by Danajamin.
ASL	Adnan Sundra & Low, legal counsel acting for the JPA/JLAs.
ATS	Messrs. Abu Talib Shahrom, legal counsel acting for RPII.
Billing Period	(i)The period beginning on the initial operations date of the First Unit and ending on the last day of the month in which that date occurs, (ii) each full month thereafter during the PPA term, and (iii) the period beginning on the first day of the month in which the PPA term expires and ending on the day the PPA term expires.
BNM	Bank Negara Malaysia.
CCGT	Combined Cycle Gas Turbine.
CCCOD	Combined Cycle Commercial Operation Date – in respect of the Facility, the date on which all the conditions precedent as set forth in Clause 3.3A of the PPA and the Supplemental PPA have been satisfied or waived, inclusive of any agreed rescheduling between the parties.
CCSCOD	Combined Cycle Scheduled Commercial Operation Date – in respect to the whole Facility (i) 1 September 2010; or (ii) such other date determine in accordance with Clause 19.2(c) of the PPA.
COD	Commercial Operation Date – in respect of each Unit, the date on which all the conditions precedent as set forth in Clause 3.3 of the PPA have been satisfied or waived.
Companies Act	Companies Act 1965, as amended from time to time.
CMSA	Capital Markets and Services Act 2007, as amended from time to time.

CNEEC	China National Electric Equipment Corporation.
Danajamin	Danajamin Nasional Berhad (Company No. 854686-K).
Designated Accounts	Shariah compliant accounts, inclusive of the Revenue Account, the FSRA, the FPA, and the MRA which RPII is required to open and maintain in accordance with the Item (z)(F) of the PTC.
Debt	Debt includes (i) all amounts outstanding under the IMTN Programme (ii) all other indebtedness for borrowed monies (be actual or contingent) save and except for subordinated obligations of RPII to its shareholders and all amounts outstanding in respect of advances made by the shareholders by way of loan stocks or otherwise.
Debt to Equity Ratio	The ratio is represented by the aggregate principal amount of outstanding Debt to Equity. The Debt to Equity Ratio calculations shall be duly confirmed by a director of RPII and based on the latest audited financial statements of the Issuer on an annual basis.
DFSA	Distillate Fuel Supply Agreement.
DQ	Daily Quantity as defined in the GSA.
EAF	Equivalent Availability Factor.
EIA	Environmental Impact Assessment.
EPC	Engineering, Procurement and Construction.
EPC Contract	the Engineering, Procurement and Construction contract dated 1 July 2008 between RPII and CNEEC as further described in Section 10.1 of this Information Memorandum;
EPC Contractor	CNEEC;
Equity	Equity shall be defined as the amounts paid up on the issued share capital of RPII, the amounts standing to the credit of the capital and revenue reserves of RPII including any share premium account and profit and loss account, retained earnings/losses (applicable subsequent to the revised CCCOD of the Plant), and shareholders' advances including the redeemable non-convertible preference shares. The effect of deferred taxation shall not be taken into consideration in determining the balance in the revenue reserves.
Facility	Consists of two (2) gas turbine generators, two (2) HRSGs, 1 steam turbine generator and all ancillaries, equipment and plant for the same with an aggregate nominal capacity of 130MW when operating in open cycle mode and 190MW when operating in combined cycle mode.
Facility Agent	Maybank Investment Bank Berhad.
FPA	The Shariah-compliant Finance Payment Account to be opened by RPII for the purpose of servicing all payments due by RPII under the Sukuk, as further described in the PTC.
Financing Agreements	The Syndicated Financing Facilities agreements and any other documents relating to the financing of the Project.
First Unit	The first unit to achieve COD
FOR	Fixed Operating Rate.
FSRA	The Shariah-compliant Finance Service Reserve Account to be

	opened by RPII to be utilized in the event that there are insufficient funds placed by RPII in the FPA for the purpose of meeting any profit payments due under the IMTNs, as further described in the PTC.
FSCR	At any point in time, RPII's after tax cash flow before finance service under all indebtedness for borrowed moneys or financing obtained and distributions to the shareholders over the next twelve (12) months plus RPII cash balances at the beginning of the year divided by principal and all profit and interest payable under all indebtedness for borrowed moneys and/or financing obtained (other than subordinated and unsecured borrowing and/or financing) over the next twelve (12) months, as described in the PTC.
GE	General Electric Company.
GE Consortium	General Electric Company and GE Power System (Malaysia) Sdn Bhd (Company No. 264760-T)
Guarantor	Danajamin, in which it agrees to provide an unconditional and irrevocable Kafalah Guarantee to the Tranche 2 Sukukholders.
Government	Government of Malaysia.
GMSC	Gas Metering Station Contract.
GSA	Gas Supply Agreement between RPII, PETRONAS and Petronas Carigali dated 1 December 2008.
HRSG	Heat Recovery Steam Generator.
Interconnection Facilities	All of the facilities as more specifically described in Appendix E of the PPA to enable SESB to receive electrical energy from each Unit and/or the Facility and to maintain the stability of the grid system and to enable the control centre to communicate with RPII and to dispatch the Facility.
Issuer or RPII	Ranhill Powertron II Sdn Bhd (formerly known as Ranhill Tuaran Sdn Bhd), (Company No.354304-U), the project company with its registered office at Level 15, Wisma Perkeso, No.155, Jalan Tun Razak, 50400, Kuala Lumpur.
IF/CF	Interconnection facilities and communication facilities.
IF/CF Contract	As defined in Section 12.4 of the Information Memorandum.
IF/CF Contractor	PTIS Engineering Sdn Bhd (Company No. 483044-K).
ICE or Independent Consulting Engineer	A reputable engineering consulting firm who shall not be the OE retained by RPII and approved by SESB and the financing parties as the independent engineer for the design, construction and commissioning of the Project.
IM	This Information Memorandum.
IMTN Programme	The Islamic MTN programme of up to RM710.0 million in nominal value based on the Islamic principal of Musharakah to be established by the Issuer.
IPP	Independent Power Producer.
ITA	Independent Takaful adviser, MIT Insurance Brokers Sdn Bhd.
JAS	Jabatan Alam Sekitar Negeri Sabah.

JPA/JLA	Joint Principal Adviser(s)/ Joint Lead Arranger(s).
Kafalah Guarantee	The irrevocable and unconditional kafalah guarantee(s) issued or to be issued by Danajamin pursuant to the terms and conditions of the Kafalah Facility Agreement in favour of the Security Agent for and on behalf of the Tranche 2 Sukukholders.
KKIP	Kota Kinabalu Industrial Park, Sepangar Bay, Sabah.
LC Facility	Letter of credit facility.
Licence	Licence issued on 11 September 2009 to RPII by the Energy Commission with the approval of the Minister of Energy, Green Technology and Water pursuant to section 9 of the Electricity Supply Act 1990.
LTSA	Long Term Service Agreement, which is the Contractual Service Agreement entered into between RPII and the LTSA Contractor on 16 December 2009.
LTSA Contractor	GE Energy Parts, Inc. and GE Power Systems (Malaysia) Sdn Bhd and/or other party of equivalent reputation and standing acceptable to the Facility Agent.
MARC	Malaysia Rating Corporation Berhad (Company No. 364803-V).
Maybank IB	Maybank Investment Bank Berhad.(Company No. 15938-H), one of the JPAs/JLAs hereunder.
MIT Insurance	MIT Insurance Brokers Sdn Bhd (Company No. 15832-W) (formerly known as MIT Perinsima Insurance Brokers Sdn Bhd), the ITA for the Project.
MOPS	Means of Platt as defined in the GSA.
MRA	Maintenance Reserve Account.
MSOG	Misi Setia Oil and Gas Sdn Bhd. (Company No. 538932-W).
MTN	Medium Term Notes.
OE or Owner's Engineer	Owner's Engineer, KTA Tenaga Sdn Bhd. (Company No. 239299-V).
O&M	Operations and maintenance.
OMA	Operations and Maintenance Agreement dated 2 April 2007 and Supplemental Operations and Maintenance Agreement dated 28 July 2009.
Operator	RPOM II
Operating Account	An account of that name to be opened and maintained by RPII as required pursuant to the terms and conditions of the PTC, in particular item F therein.
Owner	RPII
PDC	Profits during construction.
Permitted Indebtedness	means:- (a) Indebtedness under the Sukuk; (b) Indebtedness under the Al-Kafalah Facility and the Advance Facility; (c) Indebtedness outstanding on the date of the programme agreement in respect of the IMTN Programme as reflected in the latest accounts of RPII as provided to the Facility

Agent prior to the date of this Agreement;

(d) Indebtedness pursuant to derivative contracts entered into by RPII in the ordinary course of business and for the purpose of hedging against fluctuations in interest rates, foreign currencies or commodity prices and not for speculation including the derivative and hedging facilities entered into by RPII in connection with the Sukuk, the Al-Kafalah Facility and/or the Advance Facility;

(e) Indebtedness in connection with one or more standby letters of credit, letters of credit issued on behalf of RPII in the ordinary course of business or pursuant to self insurance obligations and not in connection with indebtedness for borrowed moneys and/or financing;

(f) Any hire purchase facility or finance lease granted by a financial institution not exceeding the aggregate sum of Ringgit Five Million (RM5,000,000.00) or such other sum as may be agreed by the Secured Parties provided always that such indebtedness is incurred to acquire tools, spares and consumables only and/or to augment RPII's working capital and not for any other purpose;

(g) Subordinated shareholder's advances; and

(h) Indebtedness having a final maturity not exceeding twelve (12) months owed to suppliers and normal trade creditors of RPII incurred in the ordinary course of its business.

PETRONAS	Petroliam Nasional Berhad (Company No. 20076-K).
Petronas Carigali	Petronas Carigali Sdn Bhd (Company No. 39275-U).
PPA	Power Purchase Agreement between RPII and SESB dated 30 June 2006 and Supplementary Agreement between the same parties dated 16 July 2008.
PTC	The Principal Terms and Conditions of the IMTN Programme, which is annexed as Appendix 2 hereto.
Project	Collectively the financing, design, construction, commissioning, operation and maintenance of the Facility and associated facilities.
Project Agreements	Has the meaning ascribed in Section 1.6 of this Information Memorandum.
PTIS	PTIS Engineering Sdn Bhd (Company No. 483044-K).
Revenue Account	Shariah compliant account to be opened and maintained by RPII as required pursuant to the terms and conditions of the PTC.
RB	Ranhill Berhad (Company No. 430537-K).
RCNCPS	Redeemable Convertible Non Cumulative Preference Shares of RM0.01 each issued by RPII.
REC	Ranhill Engineers and Constructors Sdn Bhd. (Company No. 221264-W).
RPSB	Ranhill Power Sdn Bhd (formerly known as Ranhill Power Berhad) (Company No. 12351-K).
RPOM II	Ranhill Power II O&M Sdn Bhd (Company No. 354306-U).
Second Unit	The second Unit to achieve COD.

Secured Parties	means :- (a) Security Agent for the Tranche 1 Sukukholders; (b) Guarantor; (c) BG-i Financier.
Security Agent	Maybank Investment Bank Berhad (Company No. 15938-H).
SESB	Sabah Electricity Sdn Bhd (Company No. 462872-W).
SEC	Sabah Energy Corporation Sdn Bhd (Company No. 381950-H)
SC	Securities Commission of Malaysia.
SCOD	Scheduled Commercial Operation Date – in respect of each Unit, the date on which all the conditions precedent as set forth in Clause 3.3 of the PPA and the Supplemental PPA have been satisfied or waived, inclusive of any agreed rescheduling between the parties.
Shell Timur	Shell Timur Sdn Bhd (Company No. 113304-H)
SLA	Site Lease Agreement entered into between SESB and RPII dated 18 December 2008.
Sukuk	The Islamic MTNs to be issued by the Issuer under the IMTN Programme.
Syndicated Financing Facilities	Financing facilities of up to RM667.50 million granted by the Syndicated Financing Financiers (as herein defined) to RPII to part-finance the costs associated with the development, design, construction, start-up and initial operations of the Project including contingencies and PDC comprising the following:- 1. Letter of Credit ("LC-i") (Sight) / Commodity Murabahah Term Financing-i ("CMTF-i") dated 25 August 2009 of up to RM610 Million. 2. Bank Guarantee-i ("BG-i") (Performance Bond) ("PBond") dated 25 August 2009 of up to RM13.50 Million. 3. BG-i/ LC-i (Sight) (Customs/Spare Parts/Services) dated 25 August 2009 of up to RM30.00 Million. 4. BG-i (Gas Supply) dated 25 August 2009 of up to RM14.00 Million. (Items (2), (3) and (4) shall collectively be referred to as the "BG-i Facilities").
Syndicated Financing Financiers	Maybank Islamic Berhad, Bank Islam Malaysia Berhad, Bank Kerjsama Rakyat Malaysia Berhad, Bank Pembangunan Malaysia Berhad and Affin Bank Berhad.
Term	21 years from CCSCOD of the Facility and any extensions thereof.
Tranche 1 Sukuk	Up to RM360.0 million in nominal value Sukuk.
Tranche 2 Sukuk	Up to RM350.0 million in nominal value Sukuk to be guaranteed by Danajamin Nasional Berhad.
Tranche 1 Sukukholders	Sukukholders of the Tranche 1 Sukuk.
Tranche 2 Sukukholders	Sukukholders of the Tranche 2 Sukuk.
Trans E	Trans E-Power Sdn Bhd (Company No. 712253-T)
Unit	Any of the two (2) gas turbine generators and auxiliary systems in the Facility, each of which is connected to the grid system at an interconnection point.

VOR	Variable Operating Rate.

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1 EXECUTIVE SUMMARY

1.1 Purpose

This Information Memorandum is issued in relation to the IMTN Programme.

1.2 Project Company

RPII is the special purpose company formed to develop, own and operate the Project. RPII is jointly owned by RPSB and SEC, with respective shareholdings of 80% and 20%. RPSB is in turn wholly-owned by RB.

1.3 Project Background

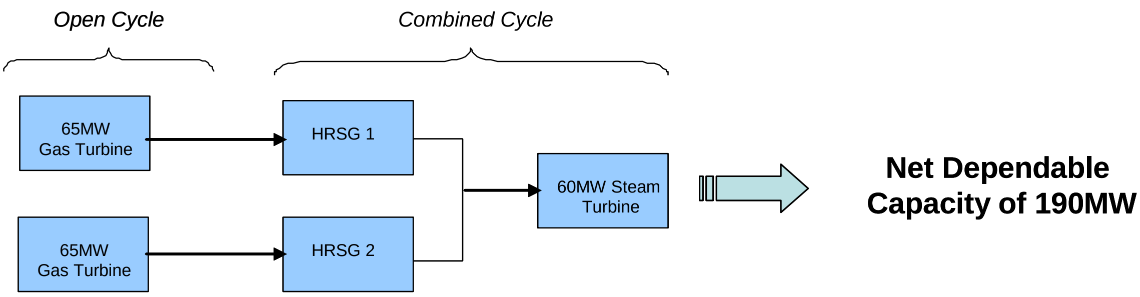
RPII is currently undertaking the Project in the state of Sabah, East Malaysia. The objective of the Project is to increase the electricity generation capacity in Sabah in order to meet the growing electricity demand in Sabah. All electricity generated will be sold to SESB, the state electricity utility company in Sabah.

1.3.1 Project Overview

The Project consists of the construction and commissioning of two (2) gas turbine generators, two (2) heat recovery steam generators, one (1) steam turbine generator and all ancillaries, equipment and plant on a combined cycle basis with net capacity of 190MW.

The Project includes the construction of a new 132kV Air Insulated Switchyard within the site and the interconnection with existing Karambunai Substation, Kayumadang Substation and Kolopis Substation owned by SESB.

A summary diagram of the Open Cycle and Combined Cycle operations are depicted below:-



As elaborated further below, the Project and has successfully tested for its availability capacity on 22 March 2011 with net output capacity of 198MW (as per the energy recorded at SESB's metering point). Similarly, RPII has successfully completed the mandatory reliability run of 30 days on 21st April 2011 and has dispatched 190MW to SESB.

1.4 Project Site

The Project is located on an approximately 17.64 acre site within the KKIP, Sepangar Bay, Sabah on the following land titles:-

(a) Country Lease No. 015601653, measuring approximately 3.71 hectares (9.17 acres) as described in Appendix III of the Site Lease Agreement dated 18 December 2008; and

(b) Country Lease No. 015617651, measuring approximately 3.428 hectares (8.47 acres) as described in Part III of the Second Schedule of the Site Lease Agreement dated 18 December 2008.

It is adjacent to the existing Ranhill Powertron Sdn Bhd's 190MW CCGT power plant (which is 60% owned by RPSB) and Sepangar Bay Power Corporation Sdn Bhd's 100MW CCGT power plant.

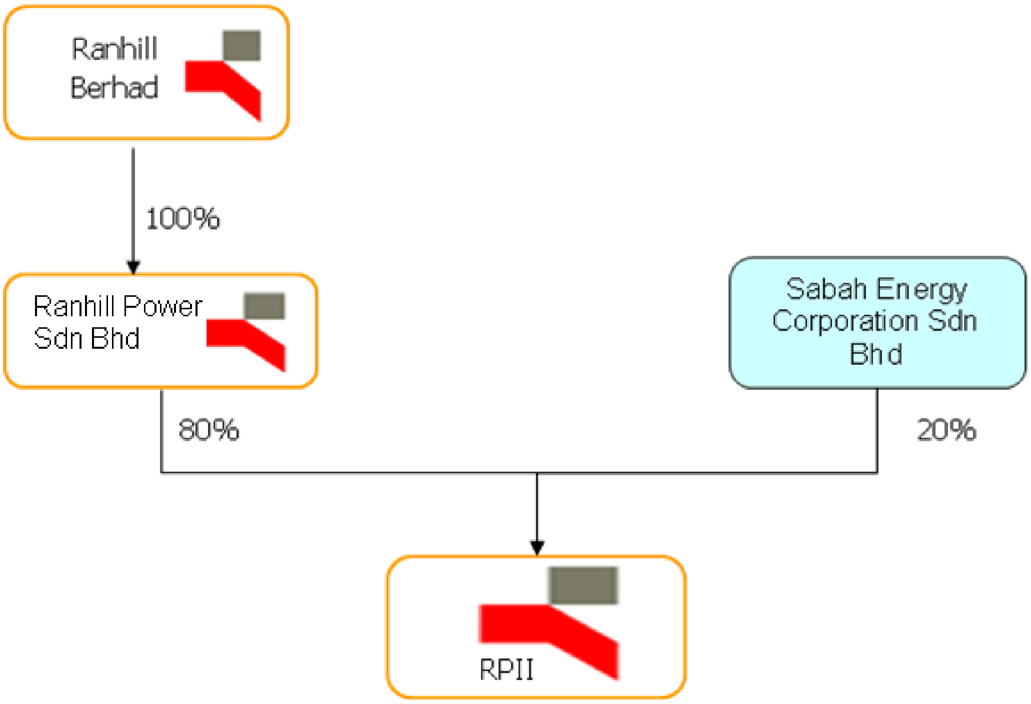
The site is fully developed with the relevant infrastructure facilities (including access road, drainage systems etc.) in place. Advantages of the site include its vicinity to SESB's transmission lines, making power evacuation convenient. Please refer to Appendix 1 for the site location plan and photographs of EPC works completed to-date.

RPII entered into a 23-year Site Lease Agreement with SESB on 18 December 2008 whereby SESB has agreed to lease the site for a term of 23 years commencing from the effective date of the PPA (i.e. the date the PPA becomes unconditional in accordance with its terms). The rent for the duration of the lease period has been fixed at a nominal sum of RM10.00.

RPII was awarded the License for a period of twenty-three (23) years from the date of its issue for the purpose of financing, constructing, completing, owning, operating and maintaining the Facility.

1.5 Ownership Structure

RPII is jointly owned by RPSB and SEC, RPSB is in turn wholly-owned by RB, as shown in the diagram below:



1.6 Key Project Documents

A summary of the Project Agreements (including supplemental/novation agreements thereto) for the Facility are as follows:-

	Project Agreements	**Contracting Parties**	**Date of Document**
1	Power Purchase Agreement	RPII and SESB	30 June 2006
2	Contract Form of Agreement	REC and GE Consortium	28 July 2006
3	OMA	RPII and RPOM II	2 April 2007
4	EPC Contract	RPII and CNEEC	1 July 2008
5	Supplemental Power Purchase Agreement	RPII and SESB	16 July 2008
6	Contract Amendment I of the Contract Form of Agreement	REC and GE Consortium	21 July 2008
7	Payment Obligations Assignment Agreement	REC, RPII and GE Consortium	21 July 2008
8	IF/ CF Contract	RPII and PTIS	21 July 2008
9	Novation Agreement (Gas Turbine)	RPII, REC, GE Consortium and CNEEC	22 August 2008
10	Gas Metering Station Contract	RPII and MSOG	1 October 2008
11	Letter for Additional Equipment	RPII, REC and GE	6 November 2008
12	Novation Agreement (IF/ CF Contract)	RPII, PTIS and CNEEC	28 November 2008
13	GSA	RPII, PETRONAS and Petronas Carigali	1 December 2008
14	Site Lease Agreement	RPII and SESB	18 December 2008
15	DFSA	RPII and Shell Timur	1 February 2010
16	Supplementary OMA	RPII and RPOM II	28 July 2009
17	LTSA	RPII, GE Energy Parts Inc. and GE Power Systems (Malaysia) Sdn Bhd	16 December 2009

1.6.1 PPA and Supplementary PPA

RPII executed a PPA for a generating capacity of up to 190MW on 30 June 2006 and a Supplementary PPA on 16 July 2008 to amend certain provisions of the PPA. Both the PPA and Supplementary PPA govern the manner and conditions in which the Project is to be implemented effectively. The PPA and Supplemental PPA will have an initial term of twenty-one (21) years from CCSCOD. Revenues will comprise available capacity payments for capacity made available to SESB and energy payments for net electrical output delivered to SESB. The final phase (comprising the whole facility including the heat recovery steam generators operating in combined cycle mode and having a nominal capacity of 190MW) targeted to be commissioned by the CCSCOD i.e. 1 September 2010.

Pursuant to the PPA (together with the Supplemental PPA) it is an EOD if the CCCOD fails to occur within three (3) months from the CCSCOD i.e. on 1 December 2010. The new CCSCOD of the power plant is expected by 31 March 2011.

Under the terms of the PPA, SESB is entitled to liquidated and ascertained damages of up to a maximum amount of RM13.5 million for the delay of RPII in achieving certain critical milestones, which includes the delay in achieving CCCOD. RPII has furnished a performance bond of RM13.5 million ("Performance Bond") to SESB as security for its performance obligations under the PPA. Despite the entitlement to call on the Performance Bond, RPII has confirmed that no calls have been made on the Performance Bond to date.

According to RPII, the delay in achieving CCCOD is not attributed to the physical construction activities by CNEEC the engineering, procurement and construction contractor, but due to RPII's difficulties in obtaining project financing during the global financial crisis between the period of September 2008 and April 2009. Notwithstanding that, work on the Project commenced immediately upon RPII having secured a project financing from the financiers under the Syndicated Facilities on 25 August 2009, with actual first draw down being effected on 17 September 2009.

Despite the non achievement of the CCSCOD targeted earlier on 1 September 2010, SESB has been receiving continuous electricity supply generated from RPII's Rugading Power Station since March 2010 (currently generated by the Open Cycle Facility having capacity of up to 130MW). As of 16 March 2011 the total amount invoiced to SESB was RM77.06 million and collections amounting to RM65.30 million, have been credited into the Revenue Account, which is a security account presently charged to the financiers under the Syndicated Financing Facilities. We were made to understand by RPII that this is a clear indication that SESB will not exercise any of its rights under the PPA to terminate the PPA or the contractual relations between SESB and RPII thereunder.

Notwithstanding the above, RPII has written to the Ministry of Energy, Green Technology and Water on 25 October 2010 and to SESB on 26 November 2010 in respect of its failure to meet CCSCOD. SESB responded via its letter to the Issuer dated 2 December 2010 confirming that it is agreeable to extend the CCSCOD to 31 March 2011. The financiers of the Syndicated Facilities are aware of the delay in completion of the Project to 31 March 2011 and have agreed to the same under cover of its letter to RPII dated 25 October 2010.

Under the latest development, Trans E as the independent consulting engineer ("**ICE**") has confirmed via its letter dated 22 March 2011 that the Facility has successfully tested for its available capacity on 22 March 2011 with the net output capacity of 198MW (as per the energy recorded at SESB's metering point).

1.6.2 EPC Contract (Main Works)

RPII has awarded the EPC Contract on a date-certain, fixed-price, turnkey basis to CNEEC and the Notice to Proceed was issued on 28 July 2008. The EPC Contractor has completed all the works except for the minor civil works and painting.

1.6.3 EPC Contract (IF/CF)

RPII has awarded the engineering, procurement, construction and commissioning works for the interconnection and communication facilities to PTIS. An EPC Contract for the IF/CF works was executed between the parties on 21 July 2008.

The EPC Contract is a date-certain, turnkey fixed lump sum contract for the engineering, procurement, construction and commissioning of the IF/CF works with a guaranteed completion date.

The IF/CF Works were completed on 30 October 2010 and as for the Main EPC Works, all works are completed except for minor activities for civil and painting works.

1.6.4 Novation Agreement (IF/CF Contract)

RPII, PTIS and CNEEC signed a Novation Agreement on 28 November 2008 to transfer by way of novation to CNEEC all the rights, liabilities, duties and obligations of RPII under the IF/CF Contract. Essentially, CNEEC is now entitled to enforce its rights under the IF/CF Contract against PTIS. However, all payments will be made directly by RPII to PTIS subject to the condition that amounts claimed by PTIS have been approved and verified by CNEEC.

As at 1 April 2011, only a retention sum amounting to RM1.25 million is due to PTIS which is expected to be paid by RPII upon issuance of the Final Acceptance Certificate for the whole contract.

1.6.5 Gas Metering Station Contract

The Gas Metering Station Contract was entered into on 1 October 2008 between RPII and MSOG wherein MSOG agreed to engineer, supply, construct, commission and complete a gas metering station for the Project for a non-escalating, fixed lump-sum price. The Notice to Proceed was issued on 1 October 2008.

The Gas Metering Station ("GMS") was completed and handover to Petronas Carigali on 8 February 2010 and with a year of Defect Liability Period (DLP) ending on 8 February 2011, the GMS is now operated and maintained by Petronas Carigali.

1.6.6 EPC Contract (Gas Turbine)

REC entered into an agreement with the GE Consortium on 28 July 2006 in which the GE Consortium agreed to sell and REC agreed to purchase 2 gas turbine generators together with installation support and training services. A contract amendment was subsequently executed between REC and GE on 21 July 2008 to amend certain terms and conditions in the original contract.

A Payment Obligation Assignment Agreement was signed between REC, RPII and the GE Consortium on 21 July 2008 in which REC assigned and transferred all its payment obligations under the EPC Contract (gas Turbine) and contract amendment to RPII. RPII accepted the said assignment and transfer and agreed to perform all the payment obligations under the contract, with GE Consortium consenting to this arrangement.

In addition, a Novation Agreement was signed on 22 August 2008 between RPII, GE Consortium, CNEEC and REC whereby REC agreed to assign and transfer, with the exception of REC's payment obligations already transferred to RPII, the EPC Contract (Gas Turbine) to CNEEC and CNEEC accepted the assignment and agreed to assume all liabilities of REC under the said contract. The GE Consortium consented to the arrangement.

The GE Consortium delivered the First Unit of the turbine generator on 18 September 2009 and the Second Unit on 5 January 2010 respectively.

The COD of the first gas turbine was on 6 March 2010, and the COD of the second gas turbine was on 9 July 2010.

1.6.7 Site Lease Agreement

RPII entered into a 23-year SLA with SESB on 18 December 2008 whereby SESB agreed to lease the site for a term of 23 years commencing from the effective date of the PPA. The rent for the duration of the lease period has been fixed at a nominal sum of RM10.00.

The site comprised the following parcels of land:-

(i) Lot 35, Industrial Zone 4 (IZ4) also known as Country Lease No. 015617651; and
(ii) Country Lease No. 015601653;

The SLA provides that pursuant to a direction under subsection 3(1) of the Sabah Land Acquisition Ordinance (Cap. 69) issued on 20 September 2006 and gazetted in Government Gazette No. 4, Country Lease 015601653 in the Locality of Telipok, Kota Kinabalu measuring 3.710 hectares was acquired for a public purpose which is the construction of a public utility which is a Power Station.

On 25 November 2007, SESB applied under section 12 of the Sabah Land Ordinance for alienation of Country Lease 015601653 to SESB. An extract of the document of title to Country Lease 015601653 as at 1 December 2010 indicates that the land is pending registration in the name of SESB.

Further, SESB had purchased a parcel of land from KKIP Sdn Bhd pursuant to a Sale and Purchase Agreement dated 11 March 2000 (as amended by a Deed of Variation made between SESB and KKIP dated 6 March 2006) known as Lot 35 within Industrial Zone 4 at the Kota Kinabalu Industrial Park, Kota Kinabalu measuring approximately 8.586 acres. Some 3.428 acres of this land was alienated under Country Lease 015601653 with effect from 1 January 2003.

Further pursuant to the terms of the SLA, SESB had covenanted to procure the issuance of sub-divided land titles out of Lot 35 and Country Lease No. 015601653 and ensure that the subdivided title contains such conditions of usage sufficient for the construction and operation of the Project.

However, as at the date hereof SESB has yet to be registered as the proprietor of Country Lease No. 015617651 as said land is pending subdivision and transfer to SESB from KKIP pursuant to the provisions of the Sale and Purchase Agreement dated 11 March 2000.

An extract of the document of title to Country Lease 015601653 as at 1 December 2010 indicates that the land is pending registration in the name of SESB. Clause 10.1 of the Sale and Purchase Agreement prohibits SESB (as Purchaser) from subletting or granting a license for the use of the Land to a third party without the prior approval in writing from KKIP.

1.6.8 Gas Supply Agreement

RPII entered into an agreement for the sale and purchase of natural gas with PETRONAS and Petronas Carigali on 1 December 2008. The GSA specifies the price mechanism, quantity and quality of natural gas to be supplied and delivered to the power plant by PETRONAS and Petronas Carigali.

PETRONAS commenced delivery of natural gas to the Facility in February 2010 for the testing and commissioning of the Unit 1 gas turbine. Since then, PETRONAS has continued with the deliveries of natural gas to the power plant.

1.6.9 Fuel Supply Agreement

RPII entered into the Fuel Supply Agreement with Shell Timur on 1 February 2010 for the sale and delivery of Shell diesoline. The DFSA is for a term of 21 years and will remain in force until the expiry of the PPA. RPII will use the Shell diesoline as a backup fuel in the event of natural gas curtailment and is only obligated to make payments to Shell Timur for the Shell diesoline supplied.

1.6.10 Long Term Service Agreement

RPII entered into the LTSA with GE Energy Parts, Inc. (“GEEPI”) and GE Power Systems (Malaysia) Sdn Bhd (“GEP”) on 16 December 2009 whereby GEEPI and GEP would provide work, services and labour for the operation and maintenance of the Combined Cycle Gas Turbine (CCGT) units. The term of the LTSA was, in respect of each Unit, the date the said Unit reaches the later of either (i) 168,000 Factored Fired Hours (as defined in the LTSA) of operation, or (ii) two hundred fifty nine (259) months after Commercial Operation Date of each unit.

The LTSA Contractor has mobilised the contractor performance manager to the power plant to provide technical advice and necessary services as stipulated in the LTSA during the mobilisation period. The contractor performance manager shall be available at all times on the power plant during the term of the LTSA.

1.6.11 Operations Maintenance Agreement and Supplemental OMA

RPII entered into the OMA with RPOM II on 2 July 2007 and the Supplemental OMA on 28 July 2009 for the provision of operations and maintenance services by RPOM II to RPII for the operations and maintenance of the Facility for a period of 21 years commencing from CCSCOD.

Currently, the open cycle operation of the power plant is being operated and maintained by the Operator. A total of 42 Operator personnel have been engaged from related field and background to oversee the operation and maintenance of the power plant.

1.7 Key Ratios

The key financing coverage ratios are as follows:-

Minimum FSCR (including cash balances)	At least 1.25 times *
Debt To Equity Ratio (including cash balances)	80:20

The financing covenants under the PTC stipulate that the Minimum FSCR shall be 1.25 times at all times.

1.8 Syndicated Financing Facilities

The Syndicated Term Financing Facilities were earlier extended by the Syndicated Financing Financiers to part-finance the Project. As at 24 March 2011, the outstanding amount of the respective financiers is as follows:-

	Financier	Amount Up to (RM)
1	Maybank Islamic Berhad	114,513,051.54
2	Bank Islam Malaysia Berhad	137,445,841.42
3	Bank Kerjasama Rakyat Malaysia Berhad	137,445,841.42
4	Bank Pembangunan Malaysia Berhad	91,580,265.62
5	Affin Bank Berhad	77,876,000.00
	TOTAL	**558,861,000.00**

The said amounts will be subjected to further changes should further drawdown be made by RPII thereunder to finance the remaining construction cost, maintenance and operations of the Facility.

1.9 Current Progress of Works

Trans E as the ICE has confirmed via its letter dated 22 March 2011 that the Facility has successfully tested for its available capacity on 22 March 2011 with the net output capacity of 198MW (as per the energy recorded at SESB's metering point).

Subject to the outcome of the reliability run from 23 March 2011 to 21 April 2011, the CCSCOD will effectively commence in accordance with the PPA and in agreement with SESB and thereafter RPII shall declare the available capacity of the Facility to be 190MW.

RPII has successfully completed the mandatory reliability run of 30 days on 21st April 2011.

Given the above, RPII has indicated that the Project is approximately 98% completed, as evidenced by the progress of works to date. Please refer to Appendix 1 for latest photographs taken at the Project site.

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2 PROJECT COMPANY

2.1 Company Background

RPII, an 80% subsidiary of RPSB, was awarded the right to build, own and operate the Project via a letter of award from the Economic Planning Unit of the Prime Minister's Department dated 24 January 2006. On 30 June 2006, RPII entered into a power purchase agreement with SESB. On 11 September 2009, RPII was awarded a license by the Energy Commission with the approval of the Minister of Energy, Green Technology and Water, in exercise of the powers conferred by section 9 of the Electricity Supply Act 1990 to finance, construct, complete, own, operate and maintain the Facility for a period of twenty-three (23) years from the date of its issuance.

RPII is a private limited company incorporated in Malaysia on 7th August 1995 and has its registered address at Level 15, Wisma Perkeso, No.155, Jalan Tun Razak, 50400 Kuala Lumpur. RPII was incorporated as a special purpose vehicle principally engaged in the design, construction, operation and maintenance of the Project.

The current shareholders of RPII are RPSB and SEC and details of the authorized share capital and the issued and paid-up share capital of RPII as at 1 March 2011 is as follows:-

(a) the authorised share capital of RPII is RM25,000,000.00 divided into 22,000,000 ordinary shares RM1.00 each and 300,000,000 RCNCPS of RM0.01 each;

(b) the issued share capital of RPII comprises 10,000,000 ordinary shares of RM1.00 each and 235,000,000 RCNCPS of RM0.01 which amount to a paid up share capital of RM12,350,000.00;

(c) RPSB holds 8,000,000 ordinary shares and 188,000,000 RCNCPS comprising 80% of the issued and paid-up share capital of RPII; and

(d) SEC holds 2,000,000 ordinary shares and 47,000,000 RCNCPS comprising 20% of the issued and paid-up share capital of RPII.

Shareholder's advances to RPII as at 1 April 2011 currently stands at approximately RM 16.4 million, which is broken down as follows :-

Uses of Funds	RM' million
Down payments to GE Consortium	7.5
Initial site works (including piling)	8.9
Total	**16.4**

2.2 Directors of Project Company

The directors of RPII as at 1 March 2011 are as follows:

(i) Tan Sri Abdul Majid Khan (NRIC 431215-12-5367);
(ii) Tan Sri Hamdan Mohamad (NRIC 560308-01-5037);
(iii) Amran Awaluddin (NRIC 690728-10-6125);
(iv) Dato' Harun bin Ismail (NRIC 591231-12-5183); and
(v) Christopher Ng Chung Yee (NRIC 601001-12-5061).

Please refer to Appendix 3 for a profile of RPII's Board of Directors.

2.3 Management Team

The list of RPII's key management team is as follows:-

Name	Position
Norlian Abd Rahim	Chief Executive Officer
Nazli Imran Mohd. Mansor	Chief Operating Officer
Lawrence Gan Kein Kok	General Manager
Heri Tawaudi	Senior Manager

Please refer to Appendix 3 for a profile of RPII's key management team.

2.4 Shareholders of RPII

RPSB

RPSB was incorporated on 22 June 1972 in Malaysia as Electrical Power Engineering (M) Sdn Bhd. The company changed its name to TIME-EPE Sdn Bhd on 27 December 1990 and to EPE Power Corporation Sdn Bhd on 8 July 1992. It was converted into a public company under the name of EPE Power Corporation Berhad on 29 June 1993 and subsequently listed on the Second Board (Industrial Products) of the then Kuala Lumpur Stock Exchange on 17 February 1994. The Company had changed its name from EPE Power Corporation Berhad to Ranhill Power Berhad on 12 May 2004. The company assumed its present name on 28 February 2008.

Following the conditional take-over by Ranhill Berhad to acquire all voting shares in RPSB, RPSB was officially delisted from the Bursa Malaysia Securities Berhad on 6 December 2007.

RPSB is principally engaged in investment holding and provision of administrative services to the subsidiaries.

RPSB also owns 60% of the ordinary share capital and convertible unsecured loan stocks of Ranhill Powertron Sdn Bhd, which owns and operates a 190MW CCGT power plant in Kota Kinabalu, Sabah.

The authorised share capital of RPSB as at 1 April 2011 is RM500.0 million, while the issued and paid-up capital is RM120.7 million.

SEC

Sabah Energy Corporation Sdn Bhd (SEC) is a private limited company incorporated under the Malaysian Companies Act, 1965. SEC is wholly-owned by the State Government of Sabah.

SEC's core business is to supply energy such as natural gas, electricity and coal in a reliable and safe manner. Its other business activities are property development and management, provision of marine services, onshore supply base facilities and other products and services.

SEC's authorised share capital is RM500.00 million divided into 500.0 million ordinary shares of RM1.00 each. SEC's issued and paid-up share capital is RM242,673,036 comprising 242,673,036 fully paid-up ordinary shares of RM1.00 each.

2.5 Key Financial Highlights

The summarised balance sheets and income statement of RPII is as follows:-

Year Ended 30 June	Audited Financial Statements 2010 (RM)	Audited Financial Statements 2009 (RM)	Audited Financial Statements 2008 (RM)
(Loss)/Profit Before Tax	(7,135,951)	(51,370)	871,790
(Loss)/Profit After Tax	(5,806,615)	(59,536)	871,790
Total Asset	717,886,364	267,016,964	20,839,362
Current Liabilities	40,832,859	97,965,550	21,728,412
Shareholders' Surplus/(Deficit)	238,244,797	169,051,414	(889,050)

The latest audited financial statements accounts of RPII for the financial year ended 30 June 2010 is attached as Appendix 4 of this Information Memorandum.

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3. FINANCING FACILITY OVERVIEW

3.1 The Transaction Structure

The IMTN Programme shall entail the issuance of up to RM710.0 million in nominal value IMTN comprising the following tranches:-

(a) <u>Tranche 1 Sukuk</u>

IMTN of up to RM360.0 million in nominal value comprising the following series:-

Series	Tenure (year)	Issue Size (nominal amount in RM million)
1	2	10
*2	*3	20
3	4	30
4	5	30
5	6	30
6	7	50
7	8	50
8	9	50
9	10	50
10	11	40
Total		**360**

(b) <u>Tranche 2 Sukuk</u>

IMTN of up to RM350.0 million in nominal value comprising the following series:-

Series	Tenure (year)	Issue Size (nominal amount in RM'million)
1	12	50
2	13	50
3	14	50
4	15	50
5	16	50
6	17	50
7	18	50
Total		**350**

*Note: Save and except for series 2 under Tranche 1 Sukuk which will be issued at a later date, all series under Tranche 1 Sukuk will be issued on the same date ("First Issue Date"). The maturity date of series 2 of Tranche 1 Sukuk however will not exceed the 3rd anniversary of the First Issue Date.

Tranche 1 Sukuk will be issued on a standalone basis. Payment of the Exercise Price (as defined in the PTC) pursuant to the Purchase Undertaking (as defined in the PTC) is secured against the same list of securities with Danajamin and the BG-i Financier (as defined in the PTC) ranking pari-passu in terms of priority and security as further elaborated in the PTC.

Meanwhile, the Tranche 2 Sukuk will be secured by an irrevocable and unconditional Kafalah Guarantee under the Al-Kafalah Facility provided by Danajamin in favour of the Trustee (for and on behalf of the Tranche 2 Sukukholders) to guarantee the payment obligation of the Issuer pursuant to the Exercise Price (as defined in the PTC) under the Purchase Undertaking (as defined in the PTC) based on the Kafalah Guarantee(s) from the Guarantor.
Each Kafalah Guarantee issued under Tranche 2 Sukuk shall have the following features:-

(i) The guaranteed amount means payment of the aggregate of the outstanding nominal value of the relevant Tranche 2 Sukuk payable and one (1) Periodic Distribution (as defined below) in respect of the nominal value of each series of the Tranche 2 Sukuk pursuant to the Al-Kafalah Facility Agreement.

(ii) The Al-Kafalah Facility shall be available for a period of up to eighteen (18) years from the date of first issuance of the Tranche 2 Sukuk together with a claim period of thirty (30) days thereafter.

(iii) In addition to the Al-Kafalah Facility, Danajamin may make available to RPII an advance facility for the purposes of making good the shortfall between the expected profit payment and the actual amount available for payment of such profit on a particular profit payment date in relation to the Tranche 2 Sukuk ("Advance Facility") only. The Advance Facility, which is a credit line granted to RPII, is not a committed facility and is granted at the sole discretion of Danajamin.

(iv) Where there are several outstanding series of the IMTN under Tranche 2 Sukuk, any claim pursuant to a Dissolution Event referred to in item (x)(i) and Specific Dissolution Event under Tranche 2 Sukuk under items (i) and (ii) in the PTC made by the Trustee on the Kafalah Guarantee for one (1) particular series may not automatically accelerate the other outstanding series of Tranche 2 Sukuk, unless the Guarantor exercises its right to accelerate such other outstanding series.

There will be a security sharing arrangement ("Shared Security") in relation to security furnished by RPII for the interest of the Tranche 1 Sukukholders on the basis that the right of the Tranche 1 Sukukholders pursuant to the Shared Security shall at all times rank *pari-passu* with the interest of Danajamin, as the Guarantor and the Advance Facility Provider and the BG-i Financier in terms of priority and security.

(The Tranche 1 Sukukholders, Danajamin (as the Guarantor and Advance Facility Provider) and the BG-i Financier are hereinafter referred to as the "Secured Parties").

<u>Brief description on the mechanics for the declaration of a Dissolution Event, the security enforcement and voting rights for the BG-i Financier, Tranche 1 Sukukholders, Tranche 2 Sukukholders and Danajamin, (as the Guarantor and provider of the Advance Facility)</u>

Notwithstanding the security sharing arrangement, the Secured Parties shall each constitute a different class for all intents and purposes of the Security Agency and Sharing Agreement, in particular, for purposes of attending and voting at meetings. For the avoidance of doubt, notwithstanding the Al-Kafalah Facility and the Advance Facility are separate facilities, Danajamin, as the Guarantor and Advance Facility Provider shall be construed as a single class for purposes of the Shared Security.

Each Secured Party shall have independent rights to declare a dissolution event/event of default under their respective financing documents. In respect of the enforcement of the Shared Security, the BG-i Financier shall not be entitled to enforce the Shared Security unless approved by either the Tranche 1 Sukukholders and/or the Guarantor. The Tranche 1 Sukukholders and the Guarantor shall however respectively have independent rights to enforce the Shared Security.

In the event the Shared Security is enforced independently by the relevant Secured Party in accordance with the Security Agency and Sharing Agreement, the proceeds realised from enforcement of the Shared Security shall be distributed proportionately between the Tranche 1 Sukukholders, Danajamin and the BG-i Financier based on the then respective prevailing outstanding amount under Tranche 1 Sukuk, Tranche 2 Sukuk and the BG-i Facilities.

In the event the Shared Security is enforced independently by the relevant Secured Party in accordance with the Security Agency and Sharing Agreement, the Issuer will agree that it will not have any rights to prevent (either by way of injunction or otherwise) the relevant Secured Party from proceeding with the enforcement of the Shared Security.

3.2 Details of the IMTN Programme

The tenure of the IMTN Programme shall be eighteen (18) years from the date of the first issuance in which it shall be made within two (2) years from the date of approval by the SC for the Sukuk. RPII may issue Sukuk with maturities of more than one (1) year and up to eighteen (18) years provided that the respective maturities do not exceed the tenure of the IMTN Programme.

The availability limit of the IMTN Programme shall be subject to an annual reduction schedule as tabulated below, with the first reduction commencing on the 2nd anniversary from the date of the first issuance of the IMTN ("Amortisation Schedule"):-

Amortisation Date	Amount of Amortisation (RM' million)	Available Limit (RM' million)
Issue Date (date of first issuance of the IMTN)	-	710.0
2nd anniversary from the Issue Date	10.0	700.0
3rd anniversary from the Issue Date	20.0	680.0
4th anniversary from the Issue Date	30.0	650.0
5th anniversary from the Issue Date	30.0	620.0
6th anniversary from the Issue Date	30.0	590.0
7th anniversary from the Issue Date	50.0	540.0
8th anniversary from the Issue Date	50.0	490.0
9th anniversary from the Issue Date	50.0	440.0
10th anniversary from the Issue Date	50.0	390.0
11th anniversary from the Issue Date	40.0	350.0
12th anniversary from the Issue Date	50.0	300.0
13th anniversary from the Issue Date	50.0	250.0
14th anniversary from the Issue Date	50.0	200.0
15th anniversary from the Issue Date	50.0	150.0
16th anniversary from the Issue Date	50.0	100.0
17th anniversary from the Issue Date	50.0	50.0
18th anniversary from the Issue Date	50.0	-

Any amount amortised/repaid in accordance with the Amortisation Schedule shall be cancelled and will not be re-issued.

The Sukuk shall be issued without prospectus by way of private placement and/or bought deal as the Issuer may select. The Sukuk are to be issued on a non-underwritten basis and will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.

3.3 Utilisation Of Proceeds

The proceeds raised from the issuance of the Sukuk under the IMTN Programme shall be utilised for the following Shariah compliant purposes:-

Purpose	Amount (Up to RM' million)
(1) To refinance the existing outstanding amount under Syndicated Term Financing Facilities, to finance the balance of the capital expenditure required for the Project and to fund the FSRA (as defined in item (z)(F)(2) of the PTC) as required under the Sukuk;	610.0
(2) Advance to the shareholders of RPII by way of an inter company advance ("Inter Company Advance")*; and	90.0
(3) The balance, to finance all costs/ expenses incurred in relation to the IMTN Programme exercise (including the initial guarantee fees) and working capital requirements**	10.0
TOTAL	**710.0**

Note:

** The Inter Company Advance may only be set off against the relevant amount for redemption of the RCNCPS held by the shareholders of RPII if the retained earnings of RPII are sufficient to redeem such RCNCPS and the said Inter Company Advance will be fully settled by such redemption by the shareholders of RPII.*

RPSB's portion of the Inter Company Advance of up to RM72.0 million is based on its current shareholding of 80% in RPII. RPSB shall advance proceeds of up to RM52.0 million received from the Inter Company Advance to RB, who in turn will utilise to partly or fully repay its Bridging Loan Facility ("BL") of up to RM43.0 million and the remaining balance, if any, may be utilised to pay the accrued interest for USD220.0 million Guaranteed Notes issued by Ranhill (L) Ltd.. Any unutilised balance shall be utilised for working capital and general corporate purposes of RB.

The BL was earlier extended by Affin Investment and Malayan Banking Berhad to RB on equal basis. As at 24 March 2011, the outstanding amount under the BL stands at approximately RM42.64 million.

The remaining amount of up to RM20.0 million of RPSB's portion in the Inter Company Advance will be utilised by RPSB to repay its current borrowings with the following banks:-

(i) Affin Bank Berhad of up to RM14.1 million including accrued interest pursuant to the revolving credit facility and overdraft facilities; and

(ii) The balance, to RHB Bank Berhad of up to RM5.7 million including accrued interest pursuant to the overdraft facility.

Any unutilised balance shall be utilised for working capital and general corporate purposes of RPSB.

RPII understands that SEC may utilise its portion of the Inter Company Advance amounting of up to RM18.0 million (based on its current shareholding of 20% in RPII) for its general corporate purposes.

*** Any unutilised balance shall be transferred into the Revenue Account.*

3.4 Designated Accounts

The Designated Accounts to be opened by RPII are as follows:-

(i) Revenue Account;

(ii) Finance Service Reserve Account;

(iii) Finance Payment Account;

(iv) Maintenance Reserve Account; and

(v) Operating Account.

The mode of operation on the above Designated Accounts is further detailed in the PTC.

3.5 Security Arrangements

The proposed security arrangements for the IMTN Programme are as follows:-

Tranche 1 Sukuk

The Tranche 1 Sukuk will be issued on a standalone basis. The payment of the Exercise Price pursuant to the Purchase Undertaking is secured against the same list of security granted in favour of the BG-i Financier and Danajamin, as the Guarantor and provider of the Advance Facility ("Advance Facility Provider") which security shall rank *pari-passu* in terms of priority and security:-

(i) a debenture to create a first ranking fixed and floating charge over all of RPII's assets, both present and future;

(ii) first assignment and charge of the Lease Agreement and the lease on the Project land and building excluding switchyard areas and parts which are to be transferred to SESB pursuant to the Lease Agreement (as defined in item(z)(DD) of PTC) and the PPA;

(iii) assignment over all the rights, interest and benefit of the RPII in and all applicable licences and permits related to the Project (to the extent that the licences and permits are assignable);

(iv) assignment of all the rights, interest and benefit of RPII under the Project Agreements including but not limited to the rights to revenue streams under the PPA and such step-in rights available to the Tranche 1 Sukukholders under the terms of the relevant Project Agreements;

(v) a charge and assignment of all the rights, benefit and interest of RPII in and to the Designated Accounts (as defined in item (z)(F) of PTC);

(vi) assignment of all insurance/takaful policies taken in relation to the Project and the proceeds there from with the Security Agent being named as co-insured on all relevant insurance/takaful policies taken out or to be taken out by the Issuer under the relevant Project Agreements including the following insurance/takaful type:-

- Industrial All-Risks & Machinery Breakdown
- Loss of Revenue, and
- Public Liability Insurance/Takaful.

The amount of sum insured is subject to the independent takaful adviser's (currently MIT Insurance Brokers Sdn Bhd) recommendation at each anniversary, which amount shall be acceptable to the Facility Agent (in relation to the PPA and all the supplemental agreements thereto, to share the security interest in the proceeds of the relevant insurances/takaful with SESB in accordance with the priority set out therein);

(vii) assignment of all the rights, interest and benefit of RPII under any performance bonds and performance guarantees issued in favour of RPII under the Project Agreements to the extent they are assignable (in relation to the PPA and all the supplemental agreements thereto, to share the security interest in the proceeds of the relevant performance bonds with SESB in accordance with the priority set out therein); and

(viii) any other security as may be advised by the solicitors to the JLAs ("Legal Counsel") and agreed with the Issuer.

Note: *The above security arrangement represents the ultimate pool of securities for the IMTN Programme. Pending the redemption of the Syndicated Term Financing Facilities and as a condition precedent to the IMTN Programme issuance as provided for in item (v)(B)(x) of PTC, the IMTN Programme shall be supported by (i) to (vii) above (save for the Security Documents which can only be perfected after the redemption of the Syndicated Term Financing Facilities) provided always such creation is approved by the existing financiers and the necessary letter(s) of undertaking is/are obtained from the security agent prior to the release of the redemption sums wherein each of the financiers under the Syndicated Term Financing Facilities undertakes to disclaim each of their interests in all their security interests under the Syndicated Term Financing Facilities' existing security documents.*

In addition to the Al-Kafalah Facility, Danajamin may make available to the Issuer an advance facility for the purposes of making good the shortfall between the expected profit payment and the actual amount available for payment of such profit on a particular profit payment date in relation to the Tranche 2 Sukuk ("Advance Facility") only. The Advance Facility, which is a credit line granted to the Issuer, is not a committed facility and is granted at the sole discretion of Danajamin.

As the BG-i Facilities (as defined in item (z)(X) of PTC) will remain available to the Issuer after the issuance of the Sukuk, the above security shall be shared on pari- passu basis in terms of priority and security among the BG-i Financier, with the Tranche 1 Sukukholders under the IMTN Programme and Danajamin, as the Guarantor under the Al-Kafalah Facility and the Advance Facility Provider. Consent shall be sought from the BG-i Financier in relation to the above security sharing arrangement, upon which an agreement ("Security Agency and Sharing Agreement") shall be entered into between the Security Agent (for an on behalf of the Trustee/ (for the Tranche 1 Sukukholders), the BG-i Financier, Danajamin as the Guarantor and the Advance Facility Provider) and the Issuer to evidence, inter alia the said security sharing arrangement.

Tranche 2 Sukuk

However, the Issuer's obligation to pay the Exercise Price under the Purchase Undertaking in respect of the Tranche 2 Sukuk shall be guaranteed by the Kafalah Guarantee(s) as further elaborated under item (z)(A) of the PTC.

There will be a security sharing arrangement ("Shared Security") in relation to security furnished by the Issuer for the Tranche 1 Sukuk for the payment of the Exercise Price pursuant to the Purchase Undertaking on the basis that the right of the Tranche 1 Sukukholders pursuant to the Shared Security shall at all times rank *pari-passu* with the interest of Danajamin, as the Guarantor and the Advance Facility Provider and the BG-i Financier in terms of priority and security.

3.6 Rating

The IMTN Programme has been accorded the following ratings to the Tranche I Sukuk and Tranche II Sukuk under the IMTN Programme:-

Tranches	Rating
Tranche 1 Sukuk	AA_{IS}
Tranche 2 Sukuk	$AAA_{IS(fg)}$

The above ratings are accorded by MARC.

3.7 Security Agent

Maybank IB has been appointed as the Security Agent for the IMTN Programme.

3.8 Securities Commission's Approval

The IMTN Programme has been approved by SC via its letter dated 10 May 2011.

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4. GENERAL TECHNICAL DESCRIPTION

4.1 Overview

The Project involves the design and engineering, construction, installation and commissioning of the following equipment:

- Two (2) units of gas turbine and generator
- Two (2) units of heat recovery steam generator
- One (1) unit of steam turbine and generator
- One (1) set of air-cooled condenser
- All associated mechanical and electrical auxiliaries and a new 132kV SESB Gayang Substation with IF/CF and of the interfacing works at Karambunai, Kayumadang and Kolopis substations.

Please refer to Appendix 4 for a schematic diagram of a typical Combined Cycle Block and a plot plan of the Facility.

4.2 Site Location

The site is located at KKIP Selatan Industrial Zone 3, approximately 30 kilometres north of Kota Kinabalu accessible via Jalan Sepangar. The Project is adjacent to the existing Ranhill Powertron Sdn Bhd's Teluk Salut Power Station, at the rear of the existing SESB's Melawa Power Station and Sepangar Bay Power Corporation's Combined Cycle power plant on the following land titles:-

- Country Lease No. 015601653 measuring approximately 3.71 hectares (9.17 acres) as described in Appendix III of the Site Lease Agreement dated 18 December 2008; and

- Country Lease No. 015617651, measuring approximately 3.428 hectares (8.47 acres) as described in Part III of the Second Schedule of the Site Lease Agreement dated 18 December 2008.

4.3 Technical Description

4.3.1 Gas Turbines

The 190MW Combined Cycle Project shall include two (2) gas turbine generators model type 6FA111+e to be located outdoor complete with all necessary auxiliary plant and equipment, auxiliary and ancillary buildings, and associated infrastructure. The equipment is manufactured by General Electric Company, France. The gas turbine generators will run on gas fuel with an option for distillate fuel.

4.3.2 Heat Recovery Steam Generators and Steam Turbine

The scope will also include one (1) steam turbine generator to be located in a turbine hall, two (2) outdoor type heat recovery steam generators, one (1) set of steam turbine exhaust Air Cooled Condenser and all necessary auxiliary plant and equipment, balance of plant systems, auxiliary and ancillary buildings and associated infrastructure. The HRSG is manufactured by Hangzhou Boilers Company Limited under licensing arrangements with Nooter, USA. The steam turbine is manufactured by Harbin Turbine Company Limited.

4.3.3 Air Cooled Condenser

The Air-Cooled Condenser is of a typical A-Frame type with 2 roof air cooled condenser and steam distribution through the top of roof, finned tubes bundles, with condensate being evacuated by gravity and forced draft fans provided. The Air-Cooled Condenser units adopt various combinations of louvers, steam coils, auto variables fans and variable speed to ensure continuous air recirculation for optimum efficiency. The Air-Cooled Condenser is manufactured by Harbin Air Conditioning Company Limited.

4.3.4 Air Insulated Switchyard

The Project also includes the supply and installation of a 132 kV outdoor Air Insulated Switchyard plus the interconnection and communication facilities for the export of electrical power from the new 132 kV SESB Gayang Substation to the SESB 132 kV Karambunai Substation, SESB 132 kV Kayumadang Substation and SESB 132 kV Kolopis Substation.

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5. POWER PURCHASE AGREEMENT

The following section incorporates the key terms and conditions that are contained in the PPA which includes the Supplemental Agreement to the Power Purchase Agreement dated 16 July 2008 entered into between RPII and SESB.

5.1 Overview

The PPA sets out the terms and conditions governing the sale and delivery of electricity from the Facility by RPII to SESB and the purchase and receipt by SESB of such electricity from RPII.

RPII shall design, construct, own, operate and maintain the Facility in accordance with the terms and conditions of the PPA.

RPII shall commission the Facility in three phases. The first phase comprises 1 gas turbine generator with its auxiliaries operating in an open cycle mode and having a nominal capacity of 65MW ("First Unit") shall be commissioned on 8 November 2009. The second phase comprises another gas turbine generator with its auxiliaries operating in an open cycle mode and having a nominal capacity of 65MW ("Second Unit") shall be commissioned on 30 April 2010. The third phase comprising the whole Facility including the steam turbine and heat recovery steam generators operating in combined cycle mode and having a nominal capacity of 190MW shall be commissioned on 1 September 2010.

5.2 Conditions Precedent to Commence Generation of Electricity

The rights of RPII to commence generation of electrical energy at the Facility are contingent, among others, upon RPII's compliance with the following conditions precedent:-

(a) RPII has submitted to SESB the base case financial model;

(b) the Project documents are in full force and effect;

(c) the financing documents are in full force and effect and all conditions precedent to their effectiveness have been satisfied or waived thereunder;

(d) submission of a conceptual engineering design report of the Facility and detailed design of the interconnection facilities;

(e) procurement of the Licence pursuant to the Electricity Supply Act 1990 to enable RPII to own, operate and maintain the Facility and supply energy to SESB therefrom;

(f) a bank guarantee as set out in the PPA has been delivered to SESB and is in full force and effect;

(g) delivery of draft commissioning, start up and testing programs; and

(h) IF/CF have been designed, constructed and commissioned in accordance with the PPA and certified by the ICE.

5.3 Conditions Precedent to Commercial Operation

The COD for each Unit and the right of RPII to supply and deliver net electrical output and the obligation of SESB to accept and to purchase net electrical output from that unit or to make energy payments and fixed operating payment to RPII in respect of that unit shall not occur until the satisfaction of, amongst others, the following:

(i) RPII has submitted to SESB a copy of the commissioning test certificate or similar document as contemplated by the Licence in respect of the Facility operating in open cycle mode;

(ii) RPII has submitted to SESB the final design of the Facility in open cycle mode and a certificate from the ICE stating that the Unit and interconnection facilities have been tested and commissioned to operate in open cycle mode in accordance with the PPA and EPC Contract; and

(iii) no material default of RPII has occurred and continuing.

5.4 Conditions Precedent to Combined Cycle Operations

The CCOD of the Facility and the right of RPII to supply and deliver net electrical output and the obligation of SESB to accept and to purchase net electrical output and daily available capacity from the Facility or to make energy payments or available capacity payments or start-up payments to RPII in respect of the Facility operating in combined cycle mode unit shall not occur until the satisfaction of, amongst others, the following:

(i) the COD of the First Unit and Second Unit has occurred;

(ii) RPII has submitted to SESB a copy of the commissioning test certificate or similar document as contemplated by the Licence in respect of the Facility operating in combined cycle mode;

(iii) RPII has submitted to SESB the final design of the Facility operating in combined cycle mode and a certificate from the IE stating that the Facility and interconnection facilities have been tested and commissioned to operate in combined cycle mode in accordance with the PPA and EPC Contract;

(iv) RPII has declared and demonstrated that it can meet the contractual available capacity for the whole Facility; and

(v) no material default of RPII has occurred and continuing.

5.5 Sale and Purchase Obligations

Subject to the terms and conditions of the PPA, RPII shall sell and SESB shall purchase the following:-

(a) all test energy generated during the periods beginning on the First Unit initial operations date and continuing throughout the term of the PPA;

(b) the net electrical output from the Facility as such Facility is dispatched by SESB from time to time for the period on and from the First Unit COD and for the term of the PPA; and

(c) the daily available capacity of the Facility.

5.6 Purchase Price and Other Charges

SESB agrees to pay to RPII the following charges from and after the initial operations date:-

(a) Test Energy – for each kWh of test energy generated from the Facility and metered by SESB owned metering equipment at the interconnection points;

(b) Available Capacity Payments – starting from the CCOD of the whole Facility;

(c) Energy Payment – for electrical energy generated from the Facility; and

(d) Fixed Operating Payment for the period commencing from the First Unit COD and ends on the CCOD.

5.7 Fuel Payment Reimbursement

RPII shall share equally any savings in fuel payment and immediately reimburse SESB for any billing period in accordance with the terms in the PPA.

5.8 Savings and/or Incentives

RPII and SESB acknowledge that the capacity and energy payments have been determined based on the details set out in the base case financial model. RPII shall pay to SESB the full amount of any cost savings received by RPII as a result of a reduction in the EPC contract price, OMA and/or cost of financing the Project. In addition, 70% of any cost savings received by RPII, the EPC Contractor or the Operator in the payment of taxes of any kind shall be payable to SESB.

The FOR and VOR have been determined based on certain costs to be incurred by RPII for the Project including the costs projected in respect of the LTSA and OMA. In the event RPII does not enter into a LTSA, RPII shall compensate SESB for the entire amount projected in the base case project model. Likewise, if there is a reduction in costs under the project agreements as set out in the base case project model in a contract year, RPII shall compensate SESB an amount equal to the difference in such costs. RPII shall place the said amount in an escrow account in the name of SESB and SESB shall be entitled to draw half of the amount with the remaining portion maintained and carried forward to the following contract year block. If at any time during a contract year block RPII incurs any additional cost in the operation and maintenance of the Facility, SESB shall pay to RPII such costs. SESB is entitled to draw any remaining amount in the escrow account upon the end of the PPA term or early termination.

5.9 Billing and Payment

RPII shall prepare and render to SESB within 30 days after the end of each billing period a statement detailing the meter reading and RPII's calculation of the energy, available capacity and start-up payments (as the case may be) due to RPII for such billing period. Payment for each billing period shall be made within 30 days of the date of receipt of the statement for such billing period sent by RPII to SESB.

5.10 Liquidated Damages and Security

Except in the event of any delay or default by SESB or the occurrence of a Force Majeure Event, RPII agrees to pay SESB by way of pre-ascertained and agreed liquidated damages the following :-

(i) in the event that the COD for each Unit or the CCOD of the Facility does not occur within 90 days after the respective SCOD, for every day of delay thereafter, RPII shall pay a sum of RM150,000 only for each day that the respective COD or CCOD has not occurred but up to a maximum of RM13.5 million only; or

(ii) in the event of any abandonment of the Project by RPII, a single lump sum payment of RM13.5 million only; or

(iii) in the event that the contractual available capacity is less than the nominal capacity, RPII shall pay an amount equal to RM5,000 per kW multiplied by the difference in the nominal capacity and the contractual available capacity of the Facility.

As security for the performance of RPII's obligation under the PPA, RPII shall within 60 days after signing of the Supplemental Agreement of the PPA deliver or assign to SESB a Performance Bond in the sum of RM13.5 million only. Such Performance Bond shall be:

(i) irrevocable and payable on demand;

(ii) issued by a commercial bank acceptable to SESB; and

(iii) valid from the date of issue and until 3 months after the SCOD of combined cycle operations.

5.11 Maintenance Reserve

During the period of two years after the CCOD, RPII shall establish and build up an MRA for the amount of RM8.0 million only. The MRA shall be used exclusively to pay for maintenance expenses for the Facility, including any repairs and replacements necessary to ensure that the maintenance of the Facility.

5.12 Facility Construction and Start-up

The construction work on the Facility together with the IF/CF is to begin not later than 60 days from the date of the PPA. RPII shall provide SESB on a monthly basis reports on the construction progress. SESB shall provide the Facility with supply of electricity at SESB's prevailing tariff from the construction commencement date until the CCOD of the Facility.

5.13 Dispatch

Prior to 10 am every day, RPII shall declare to SESB the daily operating and expected maximum net generating capacity of the Facility, including, without limitation, any anticipated outage.

RPII agrees to control and operate the Facility consistent at all times with SESB's dispatch of the Facility and the terms of the PPA. SESB shall have the sole discretion to schedule and dispatch the generation of electricity from the Facility and delivery thereof to the interconnection points, provided that the dispatch shall be consistent with the Grid Code, in effect in Sabah from time to time.

SESB shall have the right to dispatch the Facility in accordance with the performance standards subject to the notice provisions as set out in the PPA.

5.14 Operation, Maintenance and Testing

RPII shall design, construct, operate and maintain the Facility in accordance with prudent utility practices and otherwise in accordance with the PPA.

5.15 Interconnection Facilities

RPII shall design, construct, install, test, commission and put into commercial operation the IF/CF at its own cost and expense in accordance with the requirements set forth in the PPA. RPII shall complete the construction and installation of the IF/CF not less than 30 days prior to the First Unit initial operations date.

Upon completion of construction, installation, satisfactory testing and commissioning of the IF/CF, RPII shall transfer to SESB all rights, title and interest to that portion of the IF/CF to be transferred to SESB so that SESB shall become the owner thereof.

5.16 Metering

The electricity energy generated from the Facility and transmitted to SESB pursuant to the PPA shall be measured by metering devices located adjacent to the interconnection points to be installed by RPII at its own cost in accordance with prudent utility practice. All such metering devices shall be owned, operated, maintained and controlled by SESB.

SESB shall inspect and test all metering device at its own expense on a regular schedule.

In order to verify the quantity of electricity delivered by RPII to SESB in each month period, SESB and RPII shall take electricity meter reading at each monthly period.

5.17 Representations and Warranties

RPII represents and warrants to SESB as follows:-

(a) it is a private limited liability company duly incorporated and validly existing under the laws of Malaysia;

(b) the execution, delivery and performance by RPII of the PPA has been duly authorised by all necessary corporate action;

(c) RPII shall obtain and maintain all permits, licences, approvals and other governmental authorisations necessary for the execution, delivery and performance by RPII of the PPA; and

(d) the PPA constitutes a legal, valid and binding obligation of RPII and is enforceable against RPII.

5.18 Taxes and Fees

RPII shall pay all taxes imposed in connection with the ownership, operation and maintenance of the Facility and pay all other duties, imposts, assignments, levies, fees, costs and expenses of any kind (whether or not to government authorities) necessary to assure the performance of its obligations under the PPA.

5.19 Insurance

RPII shall maintain in effect throughout the terms of the PPA the following insurance policies and coverage with respect to the Facility:-

(a) Public Liability Insurance;

(b) Workers' Compensation Insurance or Employer's Liability Insurance;

(c) Comprehensive Automobile Liability Insurance for bodily injury and property damages covering vehicles owned, hired and non-owned; and

(d) Erection All Risks Insurance, Industrial All Risk Machinery Breakdown Insurance against damage to the Facility.

5.20 Force Majeure

Subject to certain limitations, a party is relieved from its obligations in the case of a force majeure event. These are events beyond the reasonable control and without the fault or negligence of the party claiming force majeure which causes a material delay or disruption in the performance of its obligations. Such events include:

(a) unusually severe weather conditions;
(b) strikes and/or other work stoppages unless the same related or affects only RPII;
(c) acts of public enemies or terrorists or acts of war;
(d) public disorders, insurrection, sabotage or riots;
(e) failure to obtain or renew required permits unless such failure is due to act or omission of RPII;
(f) accident, earthquake or fire;
(g) expropriation or compulsory acquisition of the Facility; or
(h) any unavailability or interruption in the supply of Fuel.

5.21 Default, Termination and Step-In Rights

The occurrence of any one of the following shall constitute an Event of Default:-

(a) The COD of any Unit or the CCOD of the whole facility shall fail to occur within 3 months of the SCOD of such Unit or the combined cycle SCOD of the whole Facility;

(b) Either party fails to comply with any of its material obligations under the PPA;

(c) Appointment of or taking of possession by a receiver, custodian, trustee or liquidator of all or a substantial part of the property of each party;

(d) Liquidation, reorganisation, dissolution or winding-up of each party;

(e) The licence for generation of electricity is suspended, revoked or terminate due to the fault of RPII; or

(f) Either party shall fail to make payments for any amounts of substantial nature due under the PPA to the other party within 60 days after receipt of written notice of such non-payment.

If an Event of Default occurs and is continuing, the non-defaulting party may terminate the PPA by giving written notice of such breach and the non-defaulting party's intention to terminate the PPA to the defaulting party.

Subject to the rights of the financing parties under the financing documents, SESB shall have a step-in right by written notice to assume operational responsibility for the Facility in the place of RPII in order to complete construction or continue operation of the Facility or to complete any necessary repairs so as to assure uninterrupted availability of electrical energy from the Facility and RPII shall use its best reasonable efforts to cause the financing parties specifically to acknowledge such right of SESB in the financing documents.

SESB's election to operate the Facility shall in no event be deemed to be a transfer of title or a transfer of RPII's obligations as owner thereof.

5.22 Critical Milestones

(a) The Financial Closing Date, defined as the execution of financing documents, shall occur on or before 31 December 2008;

(b) The commencement date of construction work shall occur no later than 1 October 2008;

(c) Each of the project documents shall be in full force and effect and all conditions precedent to their effectiveness shall be satisfied or waived by 31 December 2008;

(d) The initial operation date for the First Unit shall occur no later than 8 October 2009;

(e) The initial operation date for the Second Unit shall occur no later than 31 March 2010; and

(f) The initial operation date for the whole Facility shall occur no later than 1 July 2010.

5.23 Critical Events

In the event that RPII fails to achieve the following progress by the respective dates, then SESB may, at any time, terminate the PPA by giving 14 days notice writing.

Critical Event	Walk Away Date
Issuance of Notice to Proceed under the EPC Contract (issued on 28 July 2008)	30 July 2008
Placement of the gas turbine and generator for the First Unit at the gas turbine and generator foundation as identified in the revised plant layout	23 September 2009
Placement of the gas turbines and generator for the Second Unit at the gas turbine and generator foundation as identified in the revised plant layout.	17 February 2010
Placement of the steam turbine and generator and heat recovery steam generators for the whole Facility at the respective foundations for the aforesaid equipments as identified in the revised plant layout.	4 April 2010

5.24 Indemnification and Liability

RPII shall defend, indemnify and hold SESB harmless from and against any and all claims, liabilities, losses, costs, expenses and damages under applicable environmental law or any regulations or RPII's ownership or operation of the Facility, except to the extent such damages are attributable to the negligence or misconduct of, or breach of the PPA by SESB, its officers, agents employees, contractors or sub-contractors. SESB shall not be liable for damage or destruction of property, facilities or equipment operated by RPII.

5.25 Dispute Resolution and Arbitration

In the event of any dispute arising out of or relating to the PPA, either party may deliver to the other party a written notice identifying the dispute. The parties agree to attempt to resolve amicably all disputes promptly, equitably and in good faith manner. In the event that such a dispute is not settled amicably, the dispute shall be referred to arbitration.

5.26 Change-In-Law

In the event that any change-in-law requires RPII to make any material capacity improvement or other material modification to the Facility in order to comply with any change-in-law having a value in excess of RM5.0 million, RPII shall duly notify SESB of such change-in-law and agree with SESB on the steps to be taken and manner to compensate for such cost.

5.27 Transfers and Assignment

The rights or obligations of the RPII under the PPA may not be assigned, transferred or delegated by RPII without the express written consent of the SESB, which consent shall not be unreasonably withheld. RPII may, however, assign its rights and/or obligations under the PPA to the financing parties and their successors and assigns as required for financing purposes.

5.28 Governing Law

The PPA shall be governed by, and construed in accordance with the laws of Malaysia.

6. GAS SUPPLY AGREEMENT

6.1 Overview

The GSA was executed between RPII, PETRONAS and Petronas Carigali on 1 December 2008. Under the GSA, PETRONAS and Petronas Carigali agreed to sell and deliver and RPII agreed to purchase, receive and pay for natural gas for the purpose of electricity generation.

6.2 Scope and Period of GSA

The GSA became effective on 1 December 2008 and shall expire on the date of expiry of the PPA. PETRONAS and Petronas Carigali have warranted that there will be a supply of natural gas on a firm basis until 31 December 2020. For the remaining contract years until the expiry of the PPA, the supply commitment shall be on an availability basis in which case PETRONAS and Petronas Carigali shall notify RPII not later than 2017 if they have available natural gas for delivery during the availability period, with the quantity to be mutually agreed by all parties.

6.3 Delivery and Quantities

RPII shall provide daily, monthly and annual forecasts of its natural gas requirements to PETRONAS and Petronas Carigali. The daily quantity for each GSA contract year shall be as follows:-

GSA Contract Years	DQ (kSM^3)
1 (Nov to Dec 2009)	433.296
2 (Jan to Mar 2010)	433.296
2 (Apr to Dec 2010)	566.400
3-12	866.592
13-23	866.592

6.4 Annual Take-or-Pay

During each GSA contract year, RPII is bound by the GSA to purchase and take delivery of a minimum quantity of natural gas equivalent to 75% of the net ACQ. The quantity made available in a GSA contract year (in respect of the GSA) is termed the ACQ. For each GSA contract year, PETRONAS and Petronas Carigali shall make available the ACQ as follows:-

GSA Contract Years	ACQ (kSM^3)
1	25,998
2	194,757
3-22	316,306
23	233,980

The net ACQ is the ACQ for the GSA contract year less:

(i) Any quantity of natural gas notified for delivery but which PETRONAS and Petronas Carigali have not delivered or where has not been able to accept due to reasons of force majeure;

(ii) Any quantity of natural gas rejected by RPII for failing to meet the specifications in the agreement; and

(iii) Any quantity of natural gas notified for delivery which PETRONAS and Petronas Carigali have failed to deliver for any reason.

Where RPII has, in any GSA contract year, paid for any quantity of natural gas but not taken delivery of the same, RPII may, within one GSA contract year subject to PETRONAS' and Petronas Carigali's delivery capability, take delivery of that quantity of natural gas so paid for and if not taken within the said period, it shall be forfeited.

During each quarter in each GSA contract year, RPII has agreed to purchase and take delivery of a minimum quantity of natural gas equivalent to 50% of the net quarterly contract quantity. The net quarterly contract quantity is quarter (¼) of the net ACQ for each GSA contract year less the conditions described in paragraph (i), (ii) and (iii) above.

6.5 Liability

PETRONAS and Petronas Carigali will indemnify RPII against damage or injury to property or persons arising out of the GSA so long as such damage or injury is directly caused by the default, negligent or wilful acts or omissions of PETRONAS and Petronas Carigali, its servants, agents or contractors. RPII will indemnify PETRONAS and Petronas Carigali against damage or injury to property or persons arising out of the GSA so long as such damage or injury is directly caused by the default, negligent or wilful acts or omissions of RPII, its servants, agents or contractors.

6.6 Delivery Pressure

The natural gas to be delivered under the GSA shall be tendered for delivery at the delivery point at a minimum pressure of 31 Bar (g).

6.7 Price

The price of natural gas supplied to RPII at the delivery point in any week is determined in accordance with the formula set out below:-

$$P_n = [l.04 \times E_x \times 0.5 \ (\frac{(P_s)}{40.8})] / 1.05506$$

Where

P_n = Invoice price of natural gas for week 'n' expressed in Ringgit Malaysia per Gigajoule (RM/GJ) on a gross heating value basis.

P_s = The spot price which shall be the time weighted average of the daily mean (average of high and low) of the prices quoted by the Platt's Asia Pacific/Arab Gulf Market Scan on-line services (herein referred to as 'Platt's Market Scan') of Singapore Cargoes at the location of Singapore for HSFO 180 cost expressed in US Dollars per metric ton over the 4 weeks immediately preceding the invoiced week 'n'.

E_x = Exchange rate in Ringgit Malaysia to US Dollar based on Bank Negara Malaysia's average telegraphic transfer/overdraft selling rate from commercial banks published in New Straits Times over the 4 weeks immediately preceding the invoiced week 'n'.

40.8 = Conversion factor from metric ton to MMBtu for fuel oil.

6.5 = Conversion factor from metric ton to barrel for fuel oil.

1.05506 = Conversion factor from MMBtu to GJ.

However, since 1 January 2000, gas-fired IPPs in Sabah have been billed at the rate of RM6.40 per MMBtu.

6.8 Invoicing and Payment

PETRONAS and Petronas Carigali will invoice RPII on a weekly basis, for quantities of natural gas delivered. PETRONAS and Petronas Carigali will also issue quarterly and annual statements to RPII. The weekly invoices are to be settled by RPII within fourteen (14) days from the date of receipt by RPII of the said invoices. RPII is required to furnish PETRONAS and Petronas Carigali with a bank guarantee (valid for an initial term of twelve (12) months and subject to annual review thereafter) equivalent for the supply of 60 days of gas and shall be issued thirty (30) days prior to initial operations date.

6.9 Measurement

PETRONAS and Petronas Carigali will at their own expense measure the natural gas delivered to RPII. RPII shall be entitled to witness the measuring activities. RPII shall have the right to inspect PETRONAS' and Petronas Carigali's metering equipment upon giving reasonable notice to PETRONAS and Petronas Carigali. If RPII disputes the accuracy of any weekly invoice, RPII shall notify PETRONAS and Petronas Carigali and PETRONAS and Petronas Carigali shall carry out validation of its metering equipment in the presence of RPII's representative within fourteen (14) days from the date of notification of the dispute.

6.10 Force Majeure Event

The GSA provides that in the event that either party is rendered unable by reason of a force majeure event to perform wholly or in part any of its obligations in the GSA, then such party shall be relieved of such obligations and shall not be deemed to be in breach of such obligations and shall not be liable to the other party in respect of such breach to the extent only that the force majeure event continues and for the period of such force majeure event. Force majeure events mean any event, condition or circumstances beyond the reasonable control and without the fault or negligence of the party claiming force majeure which causes a delay, interference or disruption in the performance of its obligations under the GSA.

Force majeure events include, without limitations, acts of God, acts of war, natural disasters, governmental expropriation or compulsory acquisition of the RPII power station or any part of PETRONAS' and Petronas Carigali's facilities, explosion or accident to PETRONAS' and Petronas Carigali's plant or equipment or other facilities which are caused by a force majeure event, and failure of PETRONAS' and Petronas Carigali's contractors to supply and deliver natural gas where such failure is caused by a force majeure event.

6.11 Termination

Subject to the rights and obligations which may have accrued, PETRONAS and Petronas Carigali or RPII may terminate the GSA giving the party in default two (2) weeks' written notice of the impending termination. The termination shall be effective on the expiry of the six (6) months unless the default has been remedied by the party in default.

Conditions for termination of the GSA include, without limitation:-

(i) any party commits a breach of the GSA and if capable of being remedied, fails to remedy the breach within thirty (30) days from the date of notice of such breach;

(ii) any party being unable to pay its debts when they are due or becomes insolvent or a receiver is appointed;

(iii) a receiver is appointed or a resolution for winding up is made;

(iv) the Licence is revoked due to the fault of RPII; or

(v) termination of the PPA.

6.12 Assignment

Neither PETRONAS and Petronas Carigali nor RPII shall be entitled to assign any of its rights and obligation under the GSA without prior consent of the other, which consent shall not be unreasonably withheld. However, neither party is prevented from pledging, mortgaging or charging its rights under the GSA as security for any indebtedness incurred or to be incurred by RPII.

6.13 Construction of Gas Facilities

RPII shall procure, construct, install and commission the lateral pipeline, metering stations, venting equipment and all other facilities and equipment necessary for PETRONAS and Petronas Carigali for the delivery of natural gas until the delivery point and in doing so, RPII shall adhere to PETRONAS' and Petronas Carigali's technical specifications. Prior to handover of the gas facilities, RPII will assume responsibility for the maintenance of the works at its own cost, if required. The defects liability period shall be twelve (12) months.

The right of way in favour of PETRONAS and Petronas Carigali is to be procured by RPII.

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7. FUEL SUPPLY AGREEMENT

7.1 Overview and Scope of Work

The DFSA was executed between RPII and Shell Timur on 1 February 2010. Under the DFSA, Shell Timur shall supply Shell diesoline for the duration of the PPA. Each party may upon notification to the other review the terms and conditions by giving three (3) months' notice prior to the review date.

Issues arising at any one review shall be discussed and mutually agreed upon within three (3) months from the date of the said notification. Failure to reach a consensus therein shall result in the DFSA being terminated.

7.2 Contract Price of Shell Diesoline

The contract price shall be computed based on the preceding week's MOPS (Means of Platts Singapore) pricing mechanism and exchange rate e.g. the preceding week's average diesel 0.5% S MOPS and on the exchange rate for the preceding week for the same period.

The formula for the computation of the Contract Price shall be as follows:

$$\mathbf{CP = \frac{W1 * E * 100}{158.9873} + Premium \pm (Government\ Duty\ or\ Subsidy),}$$

where:-

CP = Contract price

W1 = Prevailing average weekly MOPS in US$/Bbl

E = Prevailing exchange rate (USD to RM)

158.9783 = Conversion factor

Premium = Fixed and transport costs (in Malaysian Ringgit per litre)

All subsidy/duty/levy imposed by the Government on petroleum products shall be for RPII's account and may vary from time to time. The prevailing sales tax effective 1 Nov 2009 on Shell Diesoline is nil.

Risk and title to distillate fuels shall pas to RPII upon completion of delivery at the delivery site or upon collection at Shell Timur's supply point by RPII, as specified by the parties from time to time.

7.3 Distillate Fuels Specification

Shell Timur warrants that the distillate fuel supplied shall meet the specifications set forth in Schedule 2 of the DFSA. In the event the distillate fuel supplied is not in conformity with these specifications, RPII may reject the distillate fuel by written notice to Shell Timur. Upon receipt of such notice, Shell Timur shall within seven (7) days collect the rejected batch and re-deliver an equivalent volume that conforms with the agreed specifications at its own cost.

7.4 Trading Terms

All purchases made by RPII shall be subject to a credit limit and shall be paid in accordance with a credit term of M30, i.e., all purchases shall be paid for in full on or before the last day of the following month. Shell Timur reserves the right to charge a 1.5% per month credit charge on all overdue amounts or for any period of delay in the provision of documents by RPII Shell

Timur will grant RPII a credit facility equivalent to the amount of the Contract Price corresponding to the order of RPII pursuant to the terms and conditions of the DFSA.

7.5 Assignment

Each party may with the written consent of the other, which shall not be unreasonably withheld, assign its rights under the DFSA. However, if such consent is not given within 3 months from the date of written request, either party may terminate the DFSA by giving 30 days written notice.

7.6 Other Salient Terms and Conditions

(i) In the event that Shell Timur claims force majeure, RPII shall be allowed to secure alternative supplies of fuel from third parties but only during the duration of such force majeure event.

(ii) In the event that market conditions or Government legislation affect the performance of the DFSA which leads to unreasonable hardship for either party, the affected party may request for a review in contract price or the method in determining the same.

(iii) In the event that supply to Shell Timur for the components of distillate fuel are curtailed or cut-off, Shell Timur's obligations during such period of curtailment shall be reduced to the extent necessary to apportion the available supply among Shell Timur's buyers with no liability to either party.

If there is a breach of the DFSA, either party shall be given thirty (30) days to remedy the said breach, failing which, it shall be lawful for the aggrieved party to terminate the DFSA.

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8. OPERATIONS AND MAINTENANCE AGREEMENT

RPII entered into the O&M with the Operator on 2 April 2007 for the operation and maintenance of the Facility. A Supplemental Agreement to the OMA was subsequently entered into between the same parties on 28 July 2009 to incorporate the relevant changes made under the Supplemental Agreement to the Power Purchase Agreement.

8.1 Scope of Services

The Operator is to operate the Facility as required to produce electrical energy from the Facility in accordance with the operation and maintenance manuals, prudent utility practice, the PPA, all applicable laws and the Grid Code. The Operator is to maintain the Facility including inspecting, monitoring, cleaning and taking of protective measures including testing as necessary with a view to keeping the Facility in good working order, repair, replacing parts and preventing it from prematurely deteriorating or wearing out in accordance with Prudent Utility Practices; and the Operator is to carry out other repairs to restore the subject equipment to a condition in which it can provide a substantially similar service as can be expected from equipment of equivalent age. The Operator has the obligation to meet the performance guarantees in respect of the tested annual availability capacity, contracted average availability target, heat rates and unscheduled outage limits as set out in the OMA.

8.2 Contract Price

The breakdown of service fee is as follows:

- Services rendered during the mobilization period: RM2.56 million.
- Service rendered from the Commercial Operation Date of the First Unit: RM4.51 million
- Services rendered from and after Taking Over of the Facility: RM290.13 million.

'Mobilization Period' means six (6) months prior to the COD of the First Unit.

The service fee is payable in instalments.

Interest for late payment is one per cent (1%) per annum above the prevailing base lending rate of Malayan Banking Berhad, Kuala Lumpur.

8.3 Term of Agreement

The OMA commences on the date of the agreement and continues for a period of twenty-one (21) years from the Combined Cycle COD of the Facility unless extended (whether by virtue of an extension of the term under the PPA) or terminated in accordance with the agreement. The OMA may be extended by written notice by either party not later than twelve (12) months prior to the end of the term.

8.4 Performance Bond

A performance bond for RM5.0 million is to be provided by the Operator to RPII at least 10 days prior to the provisional acceptance of the Facility, which shall be effective from the COD or the first day of each OMA contract year.

8.5 Limitation of Liability

Neither party is liable for consequential loss. The Operator's total aggregate liability is limited to the liquidated damages as provided, and in respect of all other liabilities, RM5.0 million in any OMA contract year*. The Operator is not liable for loss or damage as a result of latent defects or for compliance with RPII's instructions.

** OMA contract year means the twelve (12) month period commencing on the provisional acceptance of the Facility and each twelve (12) month period thereafter.*

8.6 Performance Guarantees

Tested Annual Available Capacity

The Operator guarantees that the tested annual available should not be less than 190MW throughout the term of the OMA in accordance with the OMA and the PPA.

Contracted Average Availability Target ("CAAT")

The average availability target for a contract year block shall not be less than the CAAT of 94.0% as out in the PPA.

Heat Rate

The Operator guarantees that the heat rate shall not be higher than the guaranteed heat rate of 8,526 kJ/kWh under the PPA.

Emissions

The Operator guarantees that the emissions in respect of nitrogen oxide, particulate matter and sulphur dioxide shall not be higher than the standards set out in the PPA. Such guarantees shall however be conditional upon RPII procuring the supply of fuel that is in accordance with the specifications set out in the GSA and/or DFSA.

Noise

The Operator guarantees that the noise level at the boundary of the site shall be no higher than the limits set under the PPA.

8.7 Liquidated Damages and Bonuses

The Operator is liable to pay the following liquidated damages, subject to a cap of RM5.0 million per OMA contract year:-

Tested Annual Available Capacity

The Operator shall pay liquidated damages to RPII for each MW deviation which results in reduced fixed availability payments in accordance with the PPA.

CAAT

The Operator will pay liquidated damages to RPII back-to-back with the penalties suffered by RPII pursuant to the PPA.

Heat Rate

The Operator will pay liquidated damages based on the weighted average cost of additional fuel required for a contract year.

Bonus

The Operator is entitled to receive bonuses if the levels of performance are above the performance guarantee levels capped at RM1.0 million per OMA contract year.

8.8 Curtailment of Operations

RPII must continue to pay the Operator the service fee in the event of any shut down or curtailment due to emergencies and the Operator is excused from its performance if the Operator cannot generate net electrical output consistent with Prudent Utility Practices because of any emergencies threatening the operation & maintenance of the Facility.

8.9 Variations to the O&M

RPII may issue a variation order to RPOM II for the performance of extra work or change or omit any of the works therein and such variation order shall be implemented by RPOM II and be compensated, if appropriate, as provided therein.

Such changes include, inter alia, a change in law, a material change in the PPA, the GSA or the DFSA; or changes in instructions and/or recommendations of the EPC Contractor.

8.10 Events of Default and Termination

The OMA may be terminated with notice upon the occurrence of an Event of Default which is not remedied. Such an Event of Default may include any of the following:-

(a) a breach of the agreement by the Operator;

(b) where performance is below the standards of a reasonable and prudent operator as a result of which the EAF falls below 60% and such state continues beyond 3 months;

(c) the net electrical output falls below 190MW after three (3) consecutive tests;

(d) the heat rate exceeds 8,526 kJ/kWh on higher heating value after two (2) consecutive tests;

(e) if a party becomes insolvent or is generally unable to pay its debts as and when they fall due;

(f) if a receiver, liquidator or similar officer is appointed over a party or a substantial part of its assets or an order made for its liquidation, winding up or dissolution; and

(g) if the Operator ceases to carry on power generation and power station operation as its principal business.

If liquidated damages become payable by the Operator, the Operator is to submit to RPII a remedial plan to remedy the situation. If the Operator fails, RPII may assume partial or complete operational responsibility to remedy the situation.

The OMA will immediately terminate upon expiration of the PPA.

8.11 Assignment

The OMA cannot be assigned without the prior written consent of the other party save for an assignment by RPII to the Financiers pursuant to the requirements of the financing documentation.

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9. CONTRACTUAL SERVICES AGREEMENT

9.1 Overview

The LTSA, which was signed between RPII, GE Energy Parts, Inc and GE Power Systems (Malaysia) Sdn Bhd on 16 December 2009, shall expire, unless sooner terminated in accordance with the provisions of the LTSA, individually in relation to each Covered Unit, the later of (i) date that the relevant Covered Unit reaches 168,000 Factored Fired Hours of operation; or (ii) two hundred and fifty-nine (259) months after the maintenance start dates of relevant Covered Unit. Under the LTSA, the LTSA Contractor shall provide RPII the parts and maintenance necessary for the Covered Units.

9.2 Scope of Work

Pursuant to the LTSA, the LTSA Contractor's scope of work in respect of the two (2) GE Frame 6FA111+e gas turbine generators (including all the accessories in relation thereto but excluding the terminal points as more particularly set out in Exhibit A to the LTSA) ("Covered Units") includes the following:-

1. Provision of parts and services necessary for the maintenance of the Covered Units;
2. Repair of collateral damage;
3. Provision of parts for extra work (as defined in the LTSA);
4. Provision of initial spare parts;
5. Contract performance management.

The LTSA shall not be subject to assignment by either party without the prior written consent of the other party save for an assignment by RPII to financing parties pursuant to the requirements of the financing documentation.

9.3 Price and Payment Terms

The considerations for the provision of the maintenance and support services by the LTSA Contractor vary according to the scope of work provided under the LTSA. Amongst the considerations payable include:-

<u>Owner's Purchased Parts</u>

In consideration of the supply of the Owner's Purchased Parts, RPII shall pay the LTSA Contractor a total sum of USD6,616,000 by way of an irrevocable documentary letter of credit, pro rata, based upon the price of the subject parts, upon submission of LTSA Contractor's invoices as the initial spare parts are shipped.

<u>Mobilisation payment</u>

RPII shall pay the LTSA Contractor a mobilisation payment of USD600,000.

<u>Periodic payments</u>

The LTSA Contractor will issue quarterly invoices to RPII for the following payments:-

- a fixed monthly fee of USD10,000 per calendar month or any portion of a calendar month; and

- a variable monthly fee of USD215.00 per weighted number of hours of each gas turbine Covered Unit (consisting of the actual number of fired hours of operations adjusted on account of conditions applicable during those hours of operation in accordance with the formula set out in Exhibit L to the LTSA)during each calendar month.

- the following Additional Periodic Inspection Payments in the form of Adder Fees are payable in the event that the LTSA Contractor performs the following types of Additional Periodic Inspections:-

Additional Periodic Inspection	Amount (USD)
Additional Periodic Combustion Inspection	1,687,000
Additional Periodic Hot Gas Path Inspection	4,093,000
Additional Periodic Major Inspection	5,309,000
Generator Field Rewind	1,346,951
Generator Stator Rewind	2,974,650

In the alternative, RPII may at its option, request for Additional Periodic Inspection to be paid for in accordance with the Contractor's published or standard hourly rate for technical advisory/field engineering services at the Facility in effect at the time services are performed.

9.4 Price Escalation

The mobilisation payment, periodic payments and milestone payment shall be adjusted upward on an annual basis beginning on 1 January 2011 and on 1 January of each year in accordance with the LTSA.

9.5 LTSA Contractor's Performance

The LTSA Contractor undertakes to execute the services under the LTSA during the term of the LTSA with due diligence, care and expertise expected of a reasonable and prudent contractor:

(a) in compliance with all relevant supplier's and manufacturer's recommendations with respect to the Covered Units;

(b) in accordance with procedures as approved under the LTSA with respect to the performance of those services; and

(c) to liaise and cooperate with the reasonable requests of the Operator or RPII including providing access to non-proprietary information, and where appropriate and not in contravention with any agreement or licence with third parties, facilitate transfer of technology to RPII's personnel through direct interaction with RPII's personnel pursuant to the performance of the LTSA Contractor's obligations in the LTSA.

Where the LTSA Contractor is given the right to exercise its discretion with respect to the performance of the services or any other right or obligation, such discretion shall be exercised in good faith and as expected of a reasonable and prudent contractor.

The LTSA Contractor shall also at all times and in accordance with the reasonable requirements and directions of RPII and at no additional cost to RPII, take all reasonable steps to monitor and coordinate the provision of such parts or components under the LTSA , with the Operator and other consultants employed by RPII for the operation and maintenance of the Facility.

9.6 RPII's Responsibilities

RPII shall perform routine maintenance upon, and operate, the Covered Units and the Facility, that will impact the Covered Units using the proper lubricants and fuel, water and air which comply with the specifications in the LTSA, all in accordance with, inter alia, the manufacturers' and/or designers' recommendations. RPII shall perform maintenance work on those portions of the Facility, which are not included in the Covered Units.

RPII shall inform the LTSA Contractor, in writing, of any violations of the operating assumptions as set out in the LTSA. RPII shall fulfil all its responsibilities and obligations under the LTSA, at the times necessary to meet the LTSA Contractor's schedule and the requirements under the LTSA. Parts furnished by the LTSA Contractor under the LTSA shall not be installed, used or made available for use in any equipment other than the Covered Units.

9.7 Letter of Credit for Parts and Services

RPII shall open a letter of credit for an amount equal to one hundred per cent (100%) of the LTSA Contractor's estimates for the shipment of the initial spare parts being the addition of the mobilisation sum and the price for the initial spare parts.

9.8 Standby Letter of Credit

RPII shall open a letter of credit to provide for the payment of any and all amounts due from RPII under the LTSA Agreement.

Such letter of credit shall be in an amount equal to one (1) Periodic Payment as determined by the LTSA Contractor in accordance with the terms and conditions of the LTSA Agreement, and in the event that payment is not made in respect of a Periodic Payment, and the letter of credit is invoked then the amount of the letter of credit shall thereafter be increased to the estimated value of three (3) Periodic Payments.

9.9 Financial Guarantee

The LTSA Contractor shall deliver to RPII a financial guarantee executed by the LTSA Contractor's ultimate parent company or other affiliate acceptable to the LTSA Contractor.

9.10 LTSA Contractor's Insurance

During the term of the LTSA, the LTSA Contractor shall maintain the following insurance coverage:-

- Worker's compensation and any other statutory insurance required by law with respect to work related injuries or disease of employees of the LTSA Contractor applicable to the LTSA Contractor's employees in such form(s) and amount(s) as required by all applicable laws; and

- Commercial general liability insurance for the LTSA Contractor's protection, in broad form including coverage for liability assumed under contract, providing coverage for bodily injury and property damage with a combined single limit of not less than USD5.0 million cumulative total of underlying and excess coverage.

9.11 RPII's Insurance

During the term of the LTSA, RPII shall maintain the following insurance coverage:-

- Worker's compensation and any other statutory insurance required by law with respect to work related injuries or disease of employees of RPII applicable to RPII's employees in such form(s) and amount(s) as required by all applicable laws;

- Commercial general liability insurance for RPII's protection, in broad form including coverage for liability assumed under contract, providing coverage for bodily injury and property damage with a combined single limit of not less than USD5.0 million cumulative total of underlying and excess coverage.

- All risk property and boiler and machinery breakdown insurance covering the full value of the Covered Unit and Open Cycle Facility together with business interruption coverage, which includes a waiver of subrogation in favour of the LTSA Contractor, its parent and subsidiaries and affiliates and which names the LTSA Contractor as an additional named insured. LTSA Contractor's Warranty and Guaranteed Performance Commitment.

The LTSA Contractor warrants to RPII, amongst others, that the parts delivered during the term of the LTSA shall be free from defects in material, workmanship and title and that services performed during the term of the LTSA shall be performed in a competent, diligent and expeditious manner.

If any failure of parts or services to meet the above warranties is discovered during the warranty period, RPII shall promptly notify the LTSA Contractor in writing and promptly make the affected parts or components of the Covered Units available for correction. The LTSA Contractor shall thereupon correct any defect by, at its option, re-performing the defective services; repairing and re-installing the defective parts; or delivering necessary replacement parts in accordance with the LTSA and installing such parts.

Any reperformed service or repaired or replacement part furnished under this warranty shall carry warranties on the same terms as set forth above, except that the warranty period shall be for a period of one (1) year from the date of such reperformance, repair or replacement and in no event shall the total warranty period and the LTSA Contractor's responsibilities set forth in the LTSA for such repaired or replacement part or all parts and services extend more than 1 year after the end of the initial warranty period originally applicable to the part which was repaired or replaced or such service which was reperformed.

The LTSA Contractor also guarantees the performance of its obligations under the LTSA in accordance with the terms in the LTSA.

9.12 RPII's Warranty

Notwithstanding the foregoing, the LTSA Contractor does not warrant the parts, materials and services in RPII's inventory not supplied by the LTSA Contractor under the LTSA.

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10. EPC CONTRACTS

10.1 Salient Terms

10.1.1 Scope of EPC Works

The EPC Contract sets out the scope of the works and the obligations of the EPC Contractor as well as remedies and penalties in the event that these are not met.

10.1.2 Commencement of EPC Works

The EPC Contractor commenced works on the commencement date as stated in the Notice to Proceed issued by RPII to the EPC Contractor on 28 July 2008. The EPC Contractor is to complete the whole of the EPC works within the time for completion including achieving the passing of the tests on completion and completing all work required to be completed for the purposes of taking-over.

10.1.3 Contract Price

The contract price is based on a turnkey fixed lump sum amount of a combination of RM86,388,640 (RM Portion) and USD87,821,624 (USD Portion).

The contract price includes the costs for design, execution and completion of the EPC works and remedying of any defects and any adjustments permitted under the EPC Contract.

The contract price excludes taxes and duties imposed by any governmental authority on materials, equipment and/or plant imported into the country, which are not manufactured or available in the country, and locally manufactured materials, equipment and/or plant which are to be incorporated into and will form part of the EPC works. Such taxes and duties shall be borne by RPII subject to the EPC Contractor complying with the requirements needed for RPII to apply and successfully obtain the relevant tax exemptions.

10.1.4 Time for Completion

The EPC Contractor is to complete the whole of the EPC works and each section (if any) within the time for completion for the EPC works or section (as the case may be) including:-

(a) achieving the passing of the tests on completion;

(b) completing all work which is stated in the EPC Contract as being required for the EPC works or section to be considered to be completed for purposes of taking-over; and

(c) the time for completion shall mean:-
   (i) 1 November 2009 for SCOD for First Unit;
   (ii) 1 February 2010 for SCOD for Second Unit; and
   (iii) 31 March 2011 for Combined Cycle CCSCOD.

10.1.5 Payment Terms

The payment conditions for the EPC Contract were met as follows:-

(a) RPII made full payment to the EPC Contractor on **25 May 2009**, in the amount of fifteen per cent (15%) of the contract price. The advance payment guarantee was provided by the EPC Contractor on **23 July 2008**.

(b) RPII has paid to the EPC Contractor the balance of the contract price upon the EPC Contractor achieving the relevant milestones in accordance with a project milestone payment schedule.

(c) the EPC Contractor has obtained the milestone certificates and satisfactory evidence that the progress of the EPC works is in accordance with the approved programme.

(d) the EPC Contractor has submitted statements in the form as annexed to the EPC Contract within fourteen (14) days from each milestone certificate detailing, among others, the amount entitled and supporting documents including the milestone certificate.

(e) RPII has not, upon receipt of any such statements and supporting documents disputed any item.

(f) payment was made by RPII in respect of each approved statement.

10.1.6 Taking-Over

The EPC works shall be taken over by RPII when:-

(i) the EPC works have passed the tests on completion including the performance guarantee tests to demonstrate conformity of each Unit with certain operational criteria;

(ii) the EPC works have been completed in accordance with the Time for Completion as set out above; and

(iii) a Taking-Over Certificate for the EPC works has been issued or is deemed to have been issued.

10.1.7 Performance Security

As security for proper performance of the EPC Contractor's obligations under the EPC Contract, the EPC Contractor provided to RPII a performance security in the form of an irrevocable, on-demand and unconditional bank guarantee in a prescribed form for an amount equal to 10% of the contract price on 9 June 2009 and 11 June 2009 for the USD portion and RM portion respectively. The performance security was to have been valid and enforceable until the EPC Contractor has executed and completed the EPC works and remedied any defects. If the terms of the performance security specify its expiry date, and the EPC Contractor had not become entitled to receive the performance certificate (the certificate evidencing completion of the EPC Contractor's obligations under the EPC Contract) by the date twenty-eight (28) days prior to the expiry date, the EPC Contractor shall extend the validity of the performance security until the EPC works have been completed and any defects have been remedied. The EPC Contractor shall deliver the performance security to RPII within twenty-eight (28) days after RPII has issued the notice to proceed to the EPC Contractor. The performance security shall be issued by an entity and from within a country (or other jurisdiction) approved by RPII, and shall be in the form annexed to the particular conditions of the EPC Contract or in another form approved by RPII.

10.1.8 Retention Moneys

From every milestone payment due to the EPC Contractor, RPII was entitled to deduct for retention, an amount equivalent to five per cent (5%) of the milestone payment amount, until the total amount retained had reached the limit of five per cent (5%) of the contract price. Upon issuance of the taking-over certificate for the whole of the EPC works and the submission and acceptance of the final operation and maintenance manuals and as-built drawings, the retention money was to have been reduced by fifty per cent (50%) by releasing such amount to the EPC Contractor. The balance fifty per cent (50%) of the retention money will be released a year after issuance of the Taking Over Certificates ("TOC") which is expected sometime in May 2011 for the whole of the EPC works.

10.1.9 Insurance

RPII has procured and maintained the following insurances:-

(i) Construction All Risk Insurance;

(ii) Public Liability Insurance; and

(iii) All Risks Transit Insurance.

The EPC Contractor shall obtain and maintain the following insurances:-

(i) Workmen's Compensation Insurance;

(ii) Employer's Liability Insurance;

(iii) Motor Vehicle Insurance; and

(iv) Professional Indemnity Insurance.

The EPC Contractor shall cause the insurers to name RPII, the financing parties and SESB (including their directors, officers and employees) as additional insured under such policies with respect to claims arising out of or in connection with the EPC Contract.

Where the insurances to be procured by the EPC Contractor is cancelled or not renewed, RPII shall procure such insurances and the sum due and payable for procuring the insurances will be deducted from the amount due to the EPC Contractor.

All insurances to be procured by RPII and the EPC Contractor were procured and approved prior to notice to proceed and are further detailed at Section 10 below.

10.1.10 Force Majeure

If a party is or will be prevented from performing any of its obligations under the EPC Contract by reason of force majeure, then it shall give notice to the other party of the event or circumstances constituting the force majeure and shall specify the obligations, the performance of which is or will be prevented within fourteen (14) days after the party becomes aware or should have become aware of the force majeure event.

The party giving notice is excused from its obligations for so long as such force majeure prevents it from performing them. Each party shall use reasonable endeavour to minimise any delay resulting from the force majeure event.

Each party shall use reasonable endeavour to minimise any delay resulting from the force majeure event.

Where applicable, the EPC Contractor shall be entitled to extension of time and payment of any cost incurred. Where the force majeure event lasted more than a continuous period of eighty-four (84) days or one hundred and forty (140) days in aggregate, either party may terminate the EPC Contract.

Force majeure shall not apply to obligations of either party to make payments to the other party under the EPC Contract.

10.1.11 Variations

Variations may be initiated by RPII at any time prior to issuing the taking-over certificate for the EPC works, either by an instruction or by a request for the EPC Contractor to submit a proposal.

The EPC Contractor shall execute and be bound by each variation, unless the EPC Contractor promptly gives notice to RPII (with supporting particulars) that:-

(i) the EPC Contractor cannot readily obtain the goods required for the variation,

(ii) it will reduce the safety or suitability of the EPC works; or

(iii) it will have an adverse impact on the achievement of the performance guarantees.

Upon receiving this notice, RPII shall cancel, confirm or vary the instruction.

10.1.12 Termination by RPII

If the EPC Contractor fails to carry out any obligation under the EPC Contract or commits any acts or omissions, RPII may by notice require the EPC Contractor to remedy the breach within a specified reasonable time. RPII shall be entitled to terminate the EPC Contract if the EPC Contractor, inter alia:-

(i) fails to provide the performance security above or fails to remedy the breach of any of its obligations;

(ii) abandons the EPC works;

(iii) fails to proceed with the EPC works without reasonable excuse;

(iv) subcontracts the whole of the EPC works or assigns the EPC Contract without the required agreement;

(v) fails or delays in achieving the time for completion for First Unit or Second Unit by more than sixty (60) days;

(vi) fails to achieve the time for completion for the Combined Cycle mode by more than sixty (60) days;

(vii) fails or delays in completing the placement by the placement walk away dates;

(viii) becomes bankrupt or insolvent or goes into liquidation; or

(ix) gives or offers to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of value, as an inducement or reward under the EPC Contract;

In any of the events of default occur, RPII may upon giving fourteen (14) days' notice to the EPC Contractor, terminate the EPC Contract and expel the EPC Contractor from the site. After termination, RPII may complete the EPC works and/or arrange for any other entities to do so. In the event of (v) and (vi), RPII may by notice terminate the EPC Contract immediately.

10.1.13 Termination by EPC Contractor

The EPC Contractor shall be entitled to terminate the EPC Contract if, inter alia:-

(i) the EPC Contractor does not receive the amount due within forty-two (42) days after the expiry of the time stated in deferred payments clause;

(ii) RPII substantially fails to perform its obligations under the EPC Contract;

(iii) RPII assigns the whole or any part of the EPC Contract otherwise than in a manner permitted therein;

(iv) a prolonged suspension affects the whole of the EPC works; or

(v) RPII becomes bankrupt or insolvent, goes into liquidation.

In any of these events or circumstances, the EPC Contractor may upon giving fourteen (14) days' notice to RPII, terminate the EPC Contract.

10.1.14 Automatic Termination on Termination of PPA

In the event the PPA is terminated for any reason whatsoever, the EPC Contract shall automatically be deemed terminated on the seventh (7th) day following the date when RPII notifies the EPC Contractor of the termination of the PPA. Upon such termination, RPII shall pay to the EPC Contractor all sums due and payable under the EPC Contract:-

(i) not later than thirty (30) days from the date of receipt by RPII from SESB of similar payments made by SESB pursuant to the PPA; or

(ii) within six (6) months after the parties have concluded negotiations,

whichever is earlier.

10.1.15 Liquidated Damages

The EPC Contractor is liable to pay liquidated damages on the occurrence of any events set out below:-

<u>Delay in Completion</u>

Liquidated damages for delay in the completion of SCOD for the First Unit and Second Unit is payable at the rate of RM281,000 per day and delay in completion of CCOD of the Facility is payable at the rate of RM310,548 per day. The maximum amount of liquidated damages for each delay shall not exceed 15% of the contract price.

<u>Failure to achieve the Performance Guarantee</u>

The EPC contract price shall be reduced for failure of the plant to achieve the guaranteed performance criteria in respect of net output, net heat rate and transformer losses (consequences of failure to pass test on completion):-

a. For each kW in which the net output is less than the relevant guaranteed performance criteria, the sum of RM12,074;

b. For each kJ/kWh in which the net heat rate exceeds the relevant guaranteed performance criteria, the sum of RM88,000; and

c. For each kW in which the transformer losses exceeds the relevant guarantee performance criteria, the sum of RM12,074.

Notwithstanding the above, the aggregate amount of liquidated damages for net output, net heat rate and transformer losses payable by the EPC Contractor shall not exceed 15% of the EPC contract price. In no event shall the total aggregate liquidated damages payable above exceed 20% of the EPC Contract price.

10.2 Contract Form of Agreement

REC entered into an agreement with the GE Consortium in which the GE Consortium agreed to sell and REC agreed to purchase 2 gas turbine generators together with installation support and training services in connection with the Project. The Contract Form of Agreement was executed between the parties on 28 July 2006.

A Contract Amendment I was further executed between REC and the GE Consortium on 21 July 2008 to amend the original contract to take into account the unavoidable impacts of the project delays on its implementation terms and conditions, in particular with respect to contract organisation, price, payments, schedule and guarantees.

A Payment Obligation Assignment Agreement was also signed on 21 July 2008 between REC, RPII and the GE Consortium in which REC assigned and transferred all its payment obligations under the Contract Form of Agreement and the Contract Amendment I to RPII. RPII accepted the said assignment and transfer and agreed to perform all the payment obligations under the contracts. GE consented to the assignment.

In addition, a Novation Agreement was signed on 22 August 2008 between RPII, GE Consortium, CNEEC and REC whereby REC agreed to assign and transfer, to the exceptions of REC's payment obligations already transferred to RPII, the Contract Form of Agreement and the Contract Amendment I to CNEEC and CNEEC accepted the assignment and agreed to assume all liabilities of REC under the said contract. The GE Consortium consented to the arrangement.

The GE Consortium is to ship the gas turbine generators on the dates as stated in the Contract Amendment I and is obliged to pay liquidated damages to RPII in the event that GE Consortium fails to deliver on or before the shipment dates as further detailed below. The Contract Amendment I contains performance guarantees that GE Consortium is obliged to achieve, failing which liquidated damages are payable to RPII.

The parties further agreed, vide a letter dated 6 November 2008, to include 2 units of Fin Fan Coolers to the original list of equipment for an additional price of €190,000.

10.2.1 GE Consortium

The GE Consortium comprises General Electric Company and GE Power System (Malaysia) Sdn Bhd. General Electric Company is a corporation under the laws of the State of New York, USA with a place of business at One River Road, Schenectady, New York 12345. USA and GE Power Systems (Malaysia) Sdn Bhd, a corporation under the laws of Malaysia, has a place of business at Level 50, PETRONAS Tower 2, 50088, Kuala Lumpur, Malaysia.

10.2.2 Scope of Supply

The Contract Form of Agreement and the Contract Amendment I set out the scope of supply and obligations of the GE Consortium as well as remedies and penalties in the event there is a breach of the agreements. GE shall manufacture and deliver the equipment and perform the services as stated in these agreements.

10.2.3 Contract Price

The contract price shall be the total amount of a combination of RM15,442,000 (Ringgit portion) being the total services price and €46,170,000 (Euro portion) being the total imported equipment price.

10.2.4 Delivery Date

GE shall deliver the equipment within the time period as follows (schedule of equipment shipment dates"):-

(a) 18 September 2009 for the First Unit; and

(b) 05 January 2010 for the Second Unit.

10.2.5 Passage of Title

Title to each portion of equipment shall pass from GE Consortium to RPII when GE Consortium makes such item available for shipment from the warehouse or from the manufacturer's factory or when such item has been cleared for export or is shipped within the European Union, when such item departs from the territorial land, sea and overlying airspace of the sending country.

Tile to spare parts to be exported from the United States of America shall pass from GE Consortium to RPII immediately after each item departs from the territorial land, seas and overlying airspace of the United States.

Title to other work in progress including installation services shall pass to RPII upon performance of the work.

10.2.6 Payment Terms

The payment schedule for the equipment and services under the PTC has been completed to the satisfaction of the parties thereto except for the Extra Works Billing under the Technical Services Agreement.

10.2.7 Performance Security

Performance Bond

A performance bond is not required under the Contract Amendment I. The performance bond is replaced by General Electric Company's parent company guaranty agreement as provided under the Contract Amendment I. The original performance bond of five per cent (5%) is cancelled and REC has returned the performance bond to GE Consortium upon signing of Contract Amendment I.

Letters of Credit

Letters of Credit shall be provided for partial payments pro rata on partial deliveries and for the payment of any charges for storage, export, shipment, price adjustments, cancellation or termination and all other payments due from RPII to GE Consortium under the Contract Form of Agreement and Contract Amendment. The Letter of Credit shall be in the form as provided in Contract Amendment I.

10.2.8 Insurance

GE Consortium has procured and maintained the following insurances:-

(a) Comprehensive General Liability;

(b) Automobile Liability;

(c) Worker's Compensation; and

(d) Certificate of Insurance.

In relation to RPII's insurance, GE Consortium was included as an additional insured on the All Risk/ Builder's Risk Insurance Policy.

All insurances procured by RPII are further detailed at Section 10 below.

10.2.9 Termination by RPII

RPII shall be entitled to terminate the contracts with respect to any unit until the title of the unit has been passed or delivered to RPII by written notice of termination to GE Consortium.

The grounds for termination by RPII are as follows:

(i) GE Consortium becomes insolvent or makes an assignment for the benefit of its creditors; or

(ii) GE Consortium fails to comply with its material obligations.

10.2.10 Termination by GE Consortium

GE Consortium shall be entitled to terminate the Contract Amendment I if, 90 days after signing of Contract Amendment I or latest by 31 October 2008, GE and RPII cannot reach an agreement on a revised contract price or schedule equipment shipment dates. In such termination, RPII shall pay GE Consortium termination fees in accordance with the termination schedule stated in the Contract Amendment I within two (2) months after GE Consortium's written notification of termination to RPII.

The grounds for termination by GE Consortium are as follows:-

(i) RPII becomes insolvent or makes an assignment for the benefit of its creditors; or

(ii) Fails to make any payment when due or fails to fulfil any payment conditions.

10.2.11 Liquidated Damages

GE Consortium is liable to pay liquidated damages on the occurrence of any events set out below:-

1) <u>Delay in Delivery</u>

Liquidated damages for delay in delivery of any unit of the equipment on or before the date set out in schedule of equipment shipment dates is payable at the rate of 0.07% of the price per day of the major component of the equipment. The aggregate liability shall not exceed fifteen (15%) of the total imported equipment price. The cause of the delay must be a direct cause of an actual delay in the initial commercial operation of the project and RPII has suffered economic harm.

2) <u>Failure to Achieve the Performance Guarantee</u>

GE Consortium is liable to pay liquidated damages for failure to achieve the guaranteed performance criteria in respect of gross unit output, gross unit heat rate, exhaust energy and exhaust temperature:-

(a) USD750 for each kW if the gross unit output is less than the performance guarantee;

(b) USD16,000 for each kJ/kWh if the gross unit heat rate is above the performance guarantee;

(c) USD17,000 for each GJ/hour if the exhaust energy is below the performance guarantee; and

(d) USD50,000 for 0.1 degree Centigrade if the exhaust temperature is below the applicable performance guarantee.

Notwithstanding the above, the total liquidated damages payable by the GE Consortium shall not exceed fifteen (15%) of the total imported equipment price. GE Consortium is liable to pay liquidated damages for failure to achieve performance guarantee with respect to any unit if RPII suffers economic harm as a result of failure to achieve the guaranteed performance.

3) Aggregate Limitation on Liquidated Damages

The overall aggregate liability for all forms of liquidated damages under this contract shall not exceed twenty-five (25%) of the total imported equipment price.

10.2.12 Warranty Period

The warranty period shall be sixteen (16) months following an initial synchronization of the affected unit or twenty-four (24) months following the delivery date of the last major component of the unit which gave rise to the claim.

10.2.13 Effectiveness of Agreement

The Contract Amendment I shall become effective upon the date of signing between the parties. GE Consortium has the right to terminate work and re-negotiate the contract price and schedule equipment shipment date if the following occurs:-

(a) Failure by RPII to wire transfer the payment of ten per cent (10%) of the total imported equipment price minus the 5% of the original total imported equipment price to GE Consortium within seven (7) days of the signing of Contract Amendment I;

(b) Letter of Credit (for equipment) equal to ten per cent (10%) of total imported equipment price is not issued or confirmed by a bank acceptable to GE Consortium, or not operative by 15 August 2008 at the latest;

(c) Letter of Credit (for equipment) equal to eighty per cent (80%) of the total imported equipment is not issued or confirmed by a bank acceptable to GE Consortium, or not operative by 1 October 2008 at the latest; or

(d) GE Consortium has not received the first five per cent (5%) of the services price within thirty (30) days after signing of Contract Amendment I.

10.3 IF/CF Contract

RPII awarded the design, manufacture, supply, delivery, installation, testing and commissioning contract of the proposed 132kV outdoor air insulated switchyard plus the interconnection and communication facilities from New Substation (Gayang Substation) to the SESB 132kV Karambunai Substation, SESB 132kV Kayu Madang Substation, SESB Kolopis Substation and associated works to PTIS ("IF/CF Contract") on 21 July 2008.

The IF/CF Contract is a date-certain, turnkey fixed lump sum contract for the engineering, procurement, construction and commissioning of the IF/CF works with a guaranteed completion date.

Under the terms of the EPC Contract with CNEEC, CNEEC appointed PTIS as its nominated subcontractor for the IF/CF works. The appointment of PTIS as CNEEC's nominated subcontractor was effected by way of a novation agreement between RPII, PTIS and CNEEC dated 28 November 2008. Under the novation agreement, PTIS accepted CNEEC as its sole counterparty with respect to the IF/CF Contract. However, PTIS is still entitled to apply in writing to RPII for payment to be made directly to PTIS subject to the condition that the amount claimed by PTIS has been approved and verified by CNEEC. The direct payment claim shall be included in PTIS' relevant progress certificate immediately following such claim. Upon receipt of the direct payment claim, RPII shall pay directly to PTIS in accordance with the IF/CF Contract.

10.3.1 EPC Contractor

PTIS is a company incorporated in Malaysia having its business address at No. 3A, Jalan Kelumpang Satu 27/41A, Taman Bunga Negara, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia.

10.3.2 Scope of IF/CF Works

The IF/CF Contract sets out the scope of IF/CF works and the obligations of PTIS as well as remedies and penalties in the event that these are not met.

10.3.3 Commencement of IF/CF Works

PTIS shall commence the IF/CF works as soon as reasonably practicable from the commencement date stated in the Notice to Proceed issued by RPII on 15 August 2008. The IF/CF Contractor shall complete the whole of the IF/CF works within the time for completion (please see time for completion below) for the IF/CF works or section (as the case may be) including achieving the passing of the tests on completion and completing all work required to be completed for the purposes of taking-over.

10.3.4 Contract Price

The IF/CF contract price shall be based on a turnkey fixed lump sum amount of RM 50,054,734.32.

The IF/CF Contract Price shall include the following:-

(i) All costs necessary for the IF/CF works including but not limited to interfacing and coordinating the IF/CF works with any and all related works;

(ii) Necessary remedial works upon taking over of the site from the land owner to prepare the site for the IF/CF works; and

(iii) All financial costs and risks, all construction risks, method related charges of any kind and costs of expediting, and/or accelerating the execution of the IF/CF works to meet the completion date.

The IF/CF contract price shall exclude taxes and duties imposed by any governmental on materials, equipment and/or plant imported into the country, which are not manufactured or available in the country, and locally manufactured materials, equipment and/or plant which are to be incorporated into and will form part of the works. Such taxes and duties shall be borne by RPII subject to the IF/CF Contractor complying with the requirements needed for RPII to apply and successfully obtain the relevant tax exemptions.

10.3.5 Time for Completion

PTIS shall complete the whole of the IF/CF works and each section (if any) within the time for completion for the IF/CF works or section (as the case may be) including:-

(a) Achieving the passing of the tests on completion;
(b) Completing all work which is stated in the IF/CF Contract as being required for the IF/CF works or section to be considered to be completed for purposes of taking-over; and
(c) The time for completion shall mean twelve (12) months from the commencement date or as extended by the parties.

10.3.6 Payment Terms

The payment conditions for the IF/CF Contract are as follows:-

(i) RPII shall pay to the IF/CF Contractor the contract price on the progress of the IF/CF works;

(ii) IF/CF Contractor shall obtain milestone certificate and satisfactory evidence that the progress of the IF/CF works is in accordance with the approved programme;

(iii) IF/CF Contractor shall submit a statement in the form as annexed to the IF/CF Contract within fourteen (14) days from each milestone certificate detailing, among others, the amount entitled and supporting documents including the milestone certificate;

(iv) RPII has fourteen (14) days after receipt of such statement and supporting documents to dispute any item;

(v) Payment shall be made by RPII within thirty (30) days from the date such statement is approved by RPII.

10.3.7 Taking-Over

The IF/CF works shall be taken over by RPII when:-

(i) The IF/CF works have passed the tests on completion including the performance guarantee tests to demonstrate conformity of each Unit with certain operational criteria;

(ii) The IF/CF works have been completed in accordance with the time for completion as set out above; and

(iii) A taking-over certificate for the IF/CF works has been issued or is deemed to have been issued.

10.3.8 Performance Security

As security for proper performance of PTIS' obligations under the IF/CF Contract, PTIS shall provide to RPII a performance security in the form of an irrevocable, on-demand and unconditional bank guarantee in a prescribed form for an amount equal to ten per cent (10%) of the contract price. The performance security shall be valid and enforceable until PTIS has executed and completed the IF/CF works and remedied any defects. If the terms of the performance security specify its expiry date, and PTIS has not become entitled to receive the performance certificate (the certificate evidencing completion of PTIS' obligations under the IF/CF Contract) by the date twenty-eight (28) days prior to the expiry date, PTIS shall extend the validity of the performance security until the IF/CF works have been completed and any defects have been remedied. PTIS shall deliver the performance security to RPII within twenty-eight (28) days after RPII has issued the Notice to Proceed to PTIS. The performance security shall be issued by an entity and from within a country (or other jurisdiction) approved by RPII, and shall be in the form annexed to the particular conditions of the IF/CF Contract or in another form approved by RPII.

10.3.9 Retention Moneys

From every milestone payment due to PTIS, RPII shall be entitled to deduct for retention an amount equivalent to five per cent (5%) of the milestone payment amount, until the total amount retained reaches the limit of five per cent (5%) of the contract price. Upon issuance of the taking-over certificate for the whole of the works and the submission and acceptance of the final operation and maintenance manuals and as-built drawings, the retention money shall be reduced by fifty per cent (50%) by releasing such amount to PTIS. The balance fifty per cent (50%) of the retention money shall be released upon issuance of the final acceptance certificate for the whole of the works.

10.3.10 Insurance

RPII procured and maintained the following insurances throughout the duration of the IF/CF Contract:

(i) Construction All Risk Insurance;

(ii) Public Liability Insurance; and

(iii) All Risks Transit Insurance.

PTIS obtained and maintained insurances applicable to the IF/CF works throughout the duration of the IF/CF Contract, which included but without being limited to:-

(i) Workmen's Compensation Insurance;

(ii) Employer's Liability Insurance;

(iii) Motor Vehicle Insurance; and

(iv) Professional Indemnity Insurance.

PTIS caused the insurers to name RPII, the financing parties and SESB (including their directors, officers and employees) as additional insured under such policies with respect to claims arising out of or in connection with the IF/CF Contract.

Where the insurances to be procured by PTIS is cancelled or not renewed, RPII shall procure such insurances and the sum due and payable for procuring the insurances will be deducted from the amount due to PTIS.

All insurances to be procured by RPII and PTIS were procured and approved prior to Notice to Proceed, and are further detailed at Section 10 below.

10.3.11 Force Majeure

If a party is or will be prevented from performing any of its obligations under the IF/CF Contract by reason of force majeure, then it shall give notice to the other party of the event or circumstances constituting the force majeure and shall specify the obligations, the performance of which is or will be prevented within fourteen (14) days after the party becomes aware or should have become aware of the force majeure event.

The party giving notice is excused from its obligations for so long as such force majeure prevents it from performing them. Each party shall use reasonable endeavour to minimise any delay resulting from the force majeure event.

Each party shall use reasonable endeavour to minimise any delay resulting from the force majeure event.

Where applicable, PTIS shall be entitled to extension of time and payment of any cost incurred. Where the force majeure event lasts for more than a continuous period of eighty-four (84) days or one hundred and forty (140) days in aggregate, either party may terminate the IF/CF Contract.

Force majeure shall not apply to obligations of either party to make payments to the other party under the IF/CF Contract.

10.3.12 Variations

Variations may be initiated by RPII at any time prior to issuing the taking-over certificate for the IF/CF works, either by an instruction or by a request for PTIS to submit a proposal.
PTIS shall execute and be bound by each variation, unless PTIS promptly gives notice to RPII (with supporting particulars) that:-

(i) It cannot readily obtain the goods required for the variation,

(ii) It will reduce the safety or suitability of the IF/CF works; or

(iii) It will have an adverse impact on the achievement of the performance guarantees.

Upon receiving this notice, RPII shall cancel, confirm or vary the instruction.

10.3.13 Termination by RPII

If PTIS fails to carry out any obligation under the IF/CF Contract or commits any acts or omissions, RPII may by notice require PTIS to remedy the breach within a specified reasonable time. RPII shall be entitled to terminate the IF/CF Contract if PTIS, inter alia:-

(i) fails to provide the required performance security or fails to remedy the breach of any of its obligations upon notice to do so by RPII;

(ii) abandons the IF/CF works;

(iii) fails to proceed with the IF/CF works without reasonable excuse;

(iv) subcontracts the whole of the IF/CF works or assigns the IF/CF Contract without the required agreement;

(v) fails or delays in achieving the time for completion;

(vi) becomes bankrupt or insolvent or goes into liquidation etc; or

(vii) gives or offers to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of value, as an inducement or reward under the IF/CF Contract;

In any of these events, RPII may upon giving fourteen (14) days' notice to PTIS, terminate the IF/CF Contract and expel PTIS from the site. After termination, RPII may complete the EPC works and/or arrange for any other entities to do so.

10.3.14 Termination by PTIS

PTIS shall be entitled to terminate the IF/CF Contract if, inter alia:-

(i) PTIS does not receive the amount due within forty-two (42) days after the expiry of the time stated in the timing of payments clause;

(ii) RPII substantially fails to perform its obligations under the IF/CF Contract;

(iii) RPII assigns the whole or any part of the IF/CF Contract otherwise than in a manner permitted therein;

(iv) There is a prolonged suspension affecting the whole of the IF/CF works; or

(v) RPII becomes bankrupt or insolvent or goes into liquidation etc.

In any of these events or circumstances, PTIS may upon giving fourteen (14) days' notice to RPII, terminate the IF/CF Contract.

10.3.15 Automatic Termination on Termination of PPA

In the event the PPA is terminated for any reason whatsoever, the IF/CF Contract shall automatically be deemed terminated on the seventh (7^{th}) day following the date when RPII notifies PTIS of the termination of the PPA. Upon such termination, RPII shall pay to PTIS all sums due and payable under the IF/CF Contract:-

(i) Not later than 30 days from the date of receipt by RPII from SESB of similar payments made by SESB pursuant to the PPA; or

(ii) Within 6 months after the parties have concluded negotiations, whichever is earlier.

10.3.16 Liquidated Damages

PTIS is liable to pay liquidated damages on the occurrence of delay in completion. Liquidated damages for delay in the completion is payable at the rate of RM25,000 per day. The total liquidated damages payable by PTIS shall not exceed ten per cent (10%) of the contract price.

10.3.17 Gas Metering Station Contract

1. The Gas Metering Station Contract ("GMSC") was entered into on 1 October 2008 between RPII and MSOG wherein MSOG agreed to design, engineer, procure, construct and commission a gas metering station ("GMSC works") for the Facility for a non-escalating, fixed lump sum price of RM7,858,839.40.

2. The contract price is exclusive of import duties and sales tax, the exemption of which will be applied for by RPII. If, however, such application is unsuccessful due to any failure of MSOG to submit any relevant documentation, then such taxes shall be borne by MSOG.

3. The Notice to Proceed date is 1 October 2008 and the completion date is nine (9) months later, i.e. on 1 July 2009. The COD for the gas metering station is 30 June 2009.

4. Liquidated damages are set at 0.1% of the contract price for each day of delay until completion of the GMSC works. The cap on liquidated damages is 10% of the GMSC price.

5. The guarantee period for the rectification of defects is twelve (12) months from the certificate of initial acceptance (with such extensions as provided for in the agreement).

6. MSOG is required to submit a bank guarantee for the performance bond in the amount of RM785,883.94 (10% of the contract price), to remain valid until the COD of the gas metering station.

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11. INSURANCES

11.1 Introduction

The Independent Insurance Adviser will review the policies in place for the Facility and confirm they are adequate and suited to RPII's needs.

The primary objective of RPII is to maximise the shareholder's yield with the lowest corresponding commercial risk. This is in part achieved by:-

(i) Maximising asset protection; and

(ii) Maximising protection of the operational revenue stream.

A cohesive insurance programme is necessary to achieve these risk management objectives, as it transfers risks of loss from the project to selected insurance underwriters. The insurance programme considers the contractual obligations imposed on RPII by SESB pursuant to the PPA; PETRONAS and Petronas Carigali, pursuant to the GSA; CNEEC, pursuant to the EPC Contract and RPOM II through the OMA to mitigate any loss.

RPII has put in place the following insurance packages to transfer certain risks of losses from RPII to the insurance underwriters. The principal exposures to all losses can be summarised as follows:-

1. Property damage to physical assets such as building, plant, machinery and equipment and inventories;

2. Loss of net income resulting from property damage – either in consequence of reduced income or increased costs to maintain it; and

3. Legal liabilities for loss or damage suffered by third parties and employees.

The main perils for the physical damage to the plant are as follows:-

- Fire and explosion
- Lightning
- Subsidence and collapse
- Earthquake, volcanic eruption
- Flood and water damage
- Aircraft and vehicle impact
- Riot, strike, civil commotion
- Vandalism

The major policies in place of the insurance programme for the Facility are:-

1. <u>Erection All Risks</u>

   Section 1 : Material Damage

   Section 2 : Third Party Liability

   Section 3 : Delay in Start-up

2. <u>Marine Cargo</u>

3. <u>Marine Cargo Delay in Start-up</u>

   Section 1 : Material Damage of the Erection All Risks policy covers physical loss of or damage to the permanent and temporary works, plant, materials including principal supplied materials campsite housing, temporary buildings and contents thereof and other property used for or in connection with the EPC works.

Section 2 : Third Party Liability indemnifies the insured against all sums which the insured may become legally liable to pay (including claimants costs and expenses) in respect of accidental death of or personal injury or disease contracted to third parties, accidental loss of or damage to property belonging to third parties and obstruction loss or amenity trespass nuisance, stoppage of or interference with road, air or waterborne traffic, infringement of light easement or advertising liability.

Section 3 : Delay in Start-up indemnifies the insured, inter alia, in respect of loss of revenue actually sustained and/or increased cost of working if the insured property suffers any unforeseen and sudden physical loss or damage indemnified under Section 1 : Material Damage.

This policy covers RPII, the EPC Contractor, SESB, contractors and sub-contractors, site suppliers and vendors, consultants, financing parties and security trustees for their site interest.

Marine Open Cover policy covers all new plant, machinery, equipment, accessories and materials (including spare parts) in connection with the design, engineering, procurement, manufacture, supply, construction, erection, installation, testing, commissioning and preparation for start up of the Project and associated facilities, during transit by sea, air or land.

Marine Delay in Start Up covers against loss of revenue and increased cost of working due to a delay in achieving the SCOD, arising from loss or damage to the plant, machinery, etc (as insured under the Marine Cargo policy) during transit by sea, air or land.

Summary term sheets for the classes of insurances described above are detailed as follows:-

11.2 Erection All Risks

Indemnity Period : 12 months

1	Hot testing / Commissioning / Maintenance in respect of Gas Turbine Generating Sets	:	1,500,000.00
2	Hot Testing / Commissioning / Maintenance in respect of all other equipments	:	1,200,000.00
3	Act of God / Flood / Subsidence / Landslide / Collapse	:	500,000.00
4	Consequence of Design (DE3)	:	1,400,000.00
5	All Other Losses	:	100,000.00
6	Third Party Property Damage	:	50,000.00
7	Vibration, Weakening of Support and Underground	:	20% of loss or minimum RM50,000.00

<u>Section 1 – Material Damage</u>

1. RPII as Principal/Owner
2. CNEEC as EPC Contractor
3. SESB
4. All other contractors and sub-contractors of any tier whilst engaged in carrying out

works associated with the Project in respect of activities on or about the Site.

5. All on Site Suppliers and Vendors of any tier whilst engaged in carrying out works associated with the Project in respect of activities on or about the Project site.

6. Financing Parties and Security Agent relating to this Project.

Each for their respective rights and interests.

Coverage	All contract works whether permanent or temporary and all ancillary work and all other property or equipment, (other than constructional plant and equipment), temporary structures and buildings including those on loan, camps and contents of the Insured or for which they may be responsible for incorporation or use in connection with the EPC Contract
Interest Insured	All contract works whether permanent or temporary and all ancillary work and all other property or equipment, (other than constructional plant and equipment), temporary structures and buildings including those on loan, camps and contents of the Insured or for which they may be responsible for incorporation or use in connection with the EPC Contract
Geographical Limits	On or about the Project site and including inland transit and storage anywhere in Malaysia of locally procured materials which are not covered under the Marine Cargo Insurance.
Sum Insured	The EPC Contract works (including RM710,573,000.00 Temporary Works, Workers Quarters, Site Office, Transmission and Distribution Lines, and the like).

<u>Section 2 – Third Party Liability</u>

<u>Insured</u>

1. RPII as Principal/Owner

2. CNEEC as EPC Contractor

3. SESB

4. All other contractors and sub-contractors of any tier whilst engaged in carrying out works associated with the Project in respect of activities on or about the Site

5. Agents, OE and other consultants whilst engaged in carrying out works associated with the Project in respect of activities on or about the Project site.

6. All on-site suppliers and vendors of any tier whilst engaged in carrying out works associated with the Project in respect of activities on or about the Project site.

7. Financing Parties and Security Agent relating to this Project

Each for their respective rights and interest.

Coverage	To cover insured's legal liability for damages and claimants costs and expenses arising out of the Project.

Geographical Limits	Anywhere in Malaysia extended to worldwide in respect of visits for the purpose of the Project to locations beyond Malaysia (excluding USA, Canada and Australia jurisdiction).
Sum Insured	Anyone acident and/or unlimited anyone: RM30,000,000.00 Period of Contract.

<u>Section 3 – Delay in Start-up</u>

<u>Insured</u>

1. RPII as Principal/Owner
2. SESB
3. Financing Parties and Security Agent relating to this Project.

Each for their respective rights and interest.

Coverage	In respect of Loss of Revenue and Increased Cost of Working	
Sum Insured	In respect of Loss of Revenue and Increased Cost of Working	:RM131 ,690,000.00

11.3 Marine Open Cover

<u>Insured</u>

1. RPII as Principal/Owner
2. CNEEC as EPC Contractor
3. SESB
4. All other contractors and sub-contractors of any tier whilst engaged in carrying out works associated with the Project in respect of activities on or about the Project site.
5. All on-site suppliers and vendors of any tier whilst engaged in carrying out works associated with the Project in respect of activities on or about the Project site.
6. Financing Parties and Security Agent relating to this Project

Each for their respective rights and interest.

Interest Insured	All materials, merchandise and goods of every kind and description including but not limited to plant, machinery, equipment, accessories and materials (including spare parts) in connection with the design, engineering, procurement, manufacture, supply, construction, erection, installation, testing, commissioning and preparation of the project.
Limit	RM200,000,000.00 anyone conveyance and/or location or equivalent in other currencies.
Valuation basis	Valued as declared or if no declaration is made prior to a loss then, cost, insurance and freight + 10% or as may be required, prior to known loss or arrival
Deductibles (each and every loss)	RM 35,000.00
Estimated value of cargo	RM560,000,000.00

11.4 Marine Delay in Start-up

<u>Insured 1</u>

1. RPII as Principal/Owner
2. SESB
3. Financing Parties and Security Agent relating to this Project.

Interest Insured	On Loss of Revenue and Increased Cost of Working following delay in achieving the SCOD of the Unit or Units of the power plant arising from a peril insured hereunder:- 1. A risk which would be covered under the Marine Cargo Insurance 2. Loss of, mechanical breakdown of, or damage to the hull, machinery and/or equipment or the vessel or aircraft on which any of the Insured Property is being carried or is intended to be carried which would be covered either:- 2.1 Under an insurance effected subject to the new Marine Policy Form with the Institute Voyage Clauses – Hulls and/or Institute War and Strike Clauses Hull – Voyage OR 2.2 Under an Aircraft All Risks Policy including War, Hijacking and Allied Perils 3. Loss of mechanical breakdown of, or damage to any other conveyance on which any of the Insured Property is being varied or in intended to be carried from any fortuitous cause. 4. The vessel aircraft or other conveyance on which any of the Insured Property is carried or is intended to be carried being involved in a General Average Salvage or life-saving operation. 5. The prevention or hindrance of discharge at the Project site, port or pier area resulting from the sinking or foul berthing of any vessel or craft, engaged in the delivery of the interest insured and that such event(s) happening during the period of this Policy
Indemnity Period	12 months
Deductibles	The first 45 days on each and every loss
Sum Insured	RM131,690,000.00

11.5 Operational Insurance

The insurance necessary for the operations phase will comprise the following classes:-

11.5.1 Workmen's Compensation Insurance

Insured

1. RPII as Principal/Owner
2. Ranhill Power O&M Sdn Bhd, and all nominated sub-contractors as operation and maintenance contractors.
3. F.T.R.R.& I.

Interest Insured	On all employees/workers engaged in the operation and maintenance of the Insured's power plant facility at Kota Kinabalu Industrial Part (KKIP), Sabah.
Sum Insured	RM10,000,000 Per Accident & RM20,000,000 in the aggregate.
Indemnity Period	12 months

11.5.2 Comprehensive Machinery Insurance

Insured

1. RPII as Principal/Owner
2. Ranhill Power O&M Sdn Bhd, and all nominated sub-contractors as operation and maintenance contractors.
3. SESB
4. Financing Parties and Security Agent relating to this Project.

For their respective rights and interests

Geographical Limits	Kota Kinabalu Industrial Park (KKIP), Kota Kinabalu, Sabah.

Section 1: Material Damages

Interest Insured	On all movable and immovable properties or a power plant or its related facilities comprising but not limited to buildings, plants, machineries, equipments, instrumentations, pipelines (both above and below ground), switchyards, substation, metering stations, transmissions lines limited to 1000 ft within the insured's premises, contents, fixtures, fitting, stocks, spared & consumables
Sum Insured	RM 524,088,825.00
Indemnity Period	12 months

Section 2: Business Interruption

Sum Insured	RM43,900,000.00 on loss of revenue RM50,000.00 on auditor's fees
Deductibles	Business Interruption following Property Damage: 45 days each and every loss Business Interruption following Machinery Breakdown: 60 days each and every loss.
Indemnity Period	18 months

11.5.3 Public Liability

1. RPII as Principal/Owner
2. Ranhill Power O&M Sdn Bhd, and all nominated sub-contractors as operation and maintenance contractors.
3. SESB
4. Financing Parties and Security Agent relating to this Project.

Each for their respective rights and interests.

Interest Insured:	the sums which the insured become legally liable to pay as damages up to the limit of indemnity in respect of Bodily injury or Property damage occurring during the Period of Insurance and caused by an Occurrence in connection with the Named Insured's business and in addition to such damages, to indemnify the insured for legal costs and expenses.
Indemnity Period	12 months
Sum Insured	RM20,000,000.00 on one occurrence and unlimited in the aggregate

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12. SITE LEASE AGREEMENT

This SLA was entered into between SESB and RPII on 18th December 2008 for the lease of two parcels of land, one known as Lot 35 within the Industrial Zone 4 (Z4) at the KKIP, Kota Kinabalu, Sabah (also known as Country Lease No. 015617651) and the other, a land held under Country Lease No. 015601653 (collectively the “**Land**”).

The Land includes the switchyard area which is to be handed back to SESB upon handing over of the substation to SESB in accordance with the terms and conditions of the PPA.

<u>Lease Period</u>

The lease period shall be for the term of twenty three (23) years commencing from the effective date (i.e. the date the PPA becomes unconditional in accordance with its terms) (“**Lease Period**”). In the event the PPA is extended, the SLA shall be extended upon the same terms save for the rent which is to be negotiated by the parties. In the event the PPA is terminated or the Project is abandoned, the SLA shall be deemed terminated upon either party having given a written termination notice to the other party.

<u>Rent</u>

RPII shall pay to SESB within seven (7) days from the execution of the SLA the following:

(a) The rent of the Land for the duration of the Lease Period at RM10.00;

(b) The reimbursement of the legal costs incurred by SESB at RM15,950.00;

(c) The reimbursement for the preparation of the SLA by SESB at RM10,550.00; and

(d) An administration cost for assistance rendered to RPII by SESB at RM10,000.00.

<u>RPII’s covenants</u>

RPII’s covenants are as follows;

(a) To pay the rent to SESB and discharge all charges in respect of the demised property;

(b) To pay and discharge all additional premium which may be imposed;

(c) To use the Land for the sole purpose of the Project;

(d) To insure or cause to be insured all buildings erected under construction or hereafter to be erected on the Land and keep the same so insured throughout the continuation of the SLA.

<u>SESB’s covenants</u>

SESB’s covenants are as follows;

(a) To procure the issuance of sub divided land title of the Land and ensure that the subdivided title contains “conditions on usage” sufficient for the construction and operation of the Project;

(b) To register the memorandum of sublease of the Land between SESB and RPII with the Land Registry save for the switchyard area;

(c) To permit RPII to occupy the Land for the purposes of the construction and operation of the Project;

(d) To allow RPII to peaceably and quietly hold and enjoy the Land for the purposes of the construction and operation of the Project without any disturbance or interruption by SESB;

(e) Not to withhold approval to RPII should RPII find it necessary to construct such buildings and erect such installations on the Land as RPII deems necessary for efficient operation of the business of generating and selling electrical energy;

(f) To obtain approval from the relevant authority with regard to the subleasing of the Land and if required; and

(g) The Land shall be free from any other encumbrances other than the existing 132kV transmission line wayleave with two (2) electricity towers selected thereon.

Other covenants

RPII shall be permitted to sublease a portion of the Land for the gas metering station area to PETRONAS or its subsidiary for the construction and maintenance of the gas metering station.

Presentation of Lease and Issuance of Individual Document of Title to the Land

RPII shall obtain assistance from SESB to present the Lease over the Land for registration with the State Authority, which is subject to the issuance of the documents of title to the Land to SESB. The subdivision of the Land and the issuance of the document of title of the Land to SESB is pending permission from the Director of Lands and Surveys Department.

RPII has since requested an extension of time of not less than one (1) year from 25 February 2011 from the Security Agent to present the lease over the Land for registration with the State Authority.

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13. THE POWER PURCHASER

13.1 Sabah Electricity Sdn Bhd

SESB generates, transmits and distributes electricity. It is the only power utility company in Sabah supplying electricity to 413,983 customers distributed over a wide area of 74,000 sq.km. 82.8% of the customers are domestic customers contributing only 28.8% of the sale. The total generation capacity is 866.4 MW, comprising the supply of electricity running through:-

(i) The Sabah Grid which has an installed capacity of 430.9 MW supplies electricity for major towns from Federal Territory Labuan to Tawau and the maximum demand is 760MW;

(ii) The East Coast Grid 132kV Transmission Line which has an installed capacity of 333.02MW connects the major towns in the East Coast and the maximum demand is 203.3MW;

A fully integrated grid connecting the West Coast Grid to the East Coast Grid was completed on 28 July 2007, and about 90% of the customers are now connected to this integrated grid.

The forecast demand growth of electricity is in the region of 7.7% per annum up to the year 2010. In order to support the growing demand, SESB plans to continue developing generation, transmission and distribution projects.

(Source: www.sesb.com.my as at 5 April 2011)

13.2 Shareholders of SESB

SESB is a 80% owned subsidiary of TNB and 20% by the state government of Sabah.

(Source: www.sesb.com.my as at 5 April2011)

In addition, the Ministry of Finance (Incorporated) owns a special share on behalf of the Government. The special share enables the Government, through the special shareholder, to ensure that certain major decisions affecting the operations of SESB are consistent with Government policy.

13.3 Board of Directors

Tan Sri Datuk Amar Leo Moggie Anak Irok	Chairman
Datuk Bung Moktar bin Radin	Deputy Chairman
Dato' Sri Che Khalib bin Mohamad Noh	Director
Datuk Pangiran Hassanel bin Datuk Pg. Hj Mohd Tahir	Director
Datuk Wira Ir. Md. Sidek bin Ahmad	Director
Datuk Maznah Hj. Abdul Ghani	Director
En. Yusof bin Hj. Sarangit	Director
Datuk Ir. Baharin bin Din	Director

(Source: www.sesb.com.my as at 5 April2011)

13.4 SESB's Profile and Financial Highlights

13.4.1 Background Information

SESB is the only power utility in Sabah and is involved in the generation, transmission and distribution of electricity in the state. SESB supplies electricity to 413,983 customers distributed over a wide area of 74,000 square kilometres. Of this, 82.8% of the customers are retail customers contributing only 28.8% of the sale. The total generation capacity is 866.4MW, 50.3% of the total units generated are purchased from the independent power producers.

The SESB installed capacity (excluding IPP) of the Sabah Grid which supplies electricity for major towns from the Federal Territory of Labuan to Tawau is 430.9MW and the maximum demand is 760MW (as of Jun 2010).

The demand for electricity in Sabah is expected to be within the projected growth of 7% per year until 2011. The power demand is expected to touch around 1,500MW by year 2020. In order to support the growing demand, various generations, transmission and distribution projects will be implemented.

The implementation of the integrated 275kV ring network(including upgrading of 132kV network in the East Coast of Sabah to 275kV and the establishment of 275kV Southern East-West Link) as the backbone of the transmission network system in Sabah will be given special focus and is expected to be interconnected to neighbouring Sarawak and Brunei in the future.

SESB has set a target to achieve 95% electrification coverage by year 2012 to enable more people of Sabah to enjoy the benefits of electricity supply and this is part of SESB's contribution to the socio-economic development of Sabah.

13.4.2 Performance

During 2010, total installed capacity was 1,265.05MW (SESB 533.47MW (inclusive of canopy genset 80MW) and IPP 731.58MW) and the highest maximum demand was 772.8MW. SESB sale of electricity in Sabah for FY2010 achieved a historical achievement of RM1.029 billion compared to RM954 million recorded in FY2009, indicating an increase of RM105.0 million.

In FY2010 the Federal Government has granted SESB RM419.0 million to implement initiatives to achieve SAIDI (System Average Interruption Duration Index) 700 minutes by December 2010. The trends showed significant improvement from 3996 minutes in 2005 to 577 minutes in 2010 (Year to Date).

SESB also plan to increase long term generation capacity, which will see an increase in hydro power sources as the key component in the generation mix. Amongst the long term planned power plants are as follows:-

- Construction of 100MW Power Station by IPP SPR – Year 2013
- Construction of 300MW IPP Kimanis Power Station – Year2014
- Construction of 150MW Upper Padas Hydro Power Station – Year 2017
- Construction of 150MW Liwagu HEP Power Station – Year 2018

(Source: Annual Report of Tenaga Nasional Berhad 2010)

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14. LICENSING, PERMITS AND INSURANCE

14.1 Letter of Award

RPII was awarded the right to build, own and operate the Project via a Letter of Award from the Economic Planning Unit of the Prime Minister's Department dated 24 January 2006.

14.2 License to Generate Electricity

RPII was awarded a license on 11 September 2009 by the Energy Commission with the approval of the Minister of Energy, Green Technology and Water, in exercise of the powers conferred by section 9 of the Electricity Supply Act 1990 to finance, construct, complete, own, operate and maintain the Facility for a period of twenty-three (23) years from the date of its issuance. The licence is subject to terms and conditions normally applied to IPPs, and provide for step-in rights by the Energy Commission

Among the salient terms and conditions of the License is the requirement for the prior written consent of the Minister of Energy, Green Technology and Water for assignment of the rights of RPII under the License as security under the IMTN Programme which required as a condition precedent thereunder and also pursuant to Clause 22 of the License.

14.3 Insurance

RPII have procured the necessary insurance policies for the construction phase and the operation phase of the Project, taking into account the contractual obligations imposed by the respective project documents. During the construction phase, the insurance policies procured by RPII include marine cargo insurance for material damage and delay in start-up, erection all risks insurance for material damage and delay in start-up, and industrial all risks insurance for material damage and loss of revenue. Whereas, during the operation phase, RPII shall procure comprehensive machinery insurance, public liability insurance and workmen's compensation insurance. Commensurate with the risks relating to the Insured's operation, the various insurance coverage that are in place are comprehensive and adequate. The insurance policies will include SESB and the Financiers as named Insureds.

14.4 Environmental Requirements

The EIA Consultant, Iklim Consult Sdn Bhd, has prepared a full EIA for the Project, and approval from the EIA has been granted by JAS on 22 May 2007.

The Facility was designed, constructed and operated in a manner consistent with Malaysian environmental regulations.

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15. INVESTMENT CONSIDERATIONS

The following is a summary of investment considerations and risks that affect RPII and their potential mitigating factors relating to the Sukuk. This section does not purport to be comprehensive or exhaustive and is not intended to be a substitute or replacement for an independent assessment of the risk factors that may affect the IMTN Programme. Each investor and/or recipient of this Information Memorandum are strongly encouraged to evaluate the Sukuk on its own merit and carefully undertake their own investigation into RPII, the Project, and the assumptions adopted and the risks associated with investing in the Sukuk.

15.1 Construction and Completion Risk

CNEEC was appointed as EPC Contractor. The plant has been successfully tested for its available capacity on 22 March 2011 with net output capacity of 198MW (as per the energy recorded at SESB's metering point as confirmed by a letter by Trans E dated 22 March 2011 in its capacity as ICE. The EPC Contractor is currently completing the minor civil works as well as the road, guard house, fencing, painting as required under the EPC Contract.

15.1.1 Performance upon Completion

This is the risk that the Facility will be deficient with respect to dependable capacity and/or heat rate. At any time prior to taking over, on the advice of the OE, RPII may reject such portion of the works that in its opinion is defective or does not fulfil the requirements of the EPC Contract. The EPC Contractor has the option to remedy and make good such rejected works at its own cost or pay the applicable liquidated damages.

15.1.2 Delay in Completion

(A) Delay in Completion Causes Increased Costs

If taking over of the Facility occurs after the Combined Cycle CCSCOD (i.e. 31 March 2011), RPII may incur additional costs for the delay in operations i.e. profit payments payable under the IMTN Programme and for certain fixed expenses.

Liquidated damages for delay in the completion of SCOD for the First Unit and Second Unit is payable by CNEEC at the rate of RM281,000 per day and delay in completion of combined cycle mode is payable at the rate of RM310,548 per day. This is more specifically elaborated in Section 12.2.15 of this Information Memorandum.

The liquidated damages payable under the PPA are outlined in Section 15.1.2 (B) below.

Construction delays, as a result of loss or damage caused by an insurable event, are covered by Erection All Risks – Delay in Completion insurance as covered in Section 13 of this Information Memorandum.

(B) Delay in Completion under the PPA

The PPA stipulates that the CCSCOD was earlier targeted to occur on or before 1 September 2010. However, this condition was not met by RPII by the said date.

Notwithstanding the above, the Issuer has written to the Ministry of Energy, Green Technology and Water on 25 October 2010 and to SESB on 26 November 2010 in respect of its failure to meet CCSCOD. SESB responded via its letter to the Issuer dated 2 December 2010 confirming that it is agreeable to extend the CCSCOD to 31 March 2011. The financiers of the Syndicated Facilities are aware of the delay in completion of the Project to 31 March 2011 and have agreed to the same under cover of its letter to RPII dated 25 October 2010.

Under the PPA, RPII will pay to SESB the following liquidated damages for delay in completion:-

- in the event that the COD for each Unit or the whole Facility operating on a combined cycle mode does not occur within 90 days after the respective SCOD, for every day of delay thereafter, RPII shall pay a sum of RM150,000 only for each day that the respective COD has not occurred up to a maximum of RM13.5 million only; or

- RM13.5 million in the event of any abandonment by RPII.

The maximum amount of liquidated damages payable by RPII to SESB shall be capped at RM13.5 million. No liquidated damages shall be payable by RPII for delay or termination due to a force majeure event.

Notwithstanding the above, the maximum amount of liquidated damages claimable by RPII under the EPC Contracts is 20% of the total contract price which amounts to RM17.28 million and USD17.56 million (based on the total contract price of RM86.4 million and USD87.8 million).

According to RPII, the delay in achieving CCSCOD is not attributed to the physical construction activities by CNEEC the engineering, procurement and construction contractor, but due to RPII's difficulties in obtaining project financing during the global financial crisis between the period of September 2008 and April 2009. Notwithstanding that, work on the Project commenced immediately upon RPII having secured a project financing from the financiers under the Syndicated Facilities on 25 August 2009, with actual first draw down being effected on 17 September 2009.

Despite the non achievement of the CCSCOD targeted earlier on 1 September 2010, SESB has been receiving continuous electricity supply generated from RPII's Rugading Power Station since March 2010 (currently generated by the Open Cycle Facility having capacity of up to 130MW). As of 16 March 2011 the total amount invoiced to SESB was RM77.06 million and collections amounting to RM65.3 million, have been credited into the Revenue Account, which is a security account presently charged to the financiers under the Syndicated Facilities. RPII was made to understand that this is a clear indication that SESB will not exercise any of its right under the PPA to terminate the PPA or the contractual relations between SESB and RPII thereunder.

As stated above, under the terms of the PPA, SESB is entitled to liquidated and ascertained damages of up to a maximum amount of RM13.5 million for the delay of RPII in achieving certain critical milestones, which includes the delay in achieving CCCOD. RPII has furnished a performance bond of RM13.5 million to SESB as security for its performance obligations under the PPA. Despite the entitlement to call on the Performance Bond, RPII has confirmed that no calls have been made on the performance bond to date.

Under the latest development, Trans E,as the ICE, has confirmed via its letter dated 22 March 2011 that the Facility has successfully tested for its available capacity on 22 March 2011 with the net output capacity of 198MW (as per the energy recorded at SESB's metering point). Similarly, RPII has successfully completed the mandatory reliability run of 30 days on 21st April 2011 and has dispatched 190MW to SESB.

15.1.3 EPC Cost Contract Overruns

The EPC Contract is a lump-sum, fixed price, turnkey contract providing for the comprehensive EPC of the Facility. The EPC Contractor is contractually obliged to bear all cost overruns within the specifications of the EPC Contract.

In addition, the scope of work in the EPC Contracts is detailed and comprehensive and was developed by the Owner's Engineer and will be reviewed by the ICE. Additional expenditures can only be authorised by variation orders requested by RPII and approved by the Owner's Engineer. In the construction budget, RPII has estimated a construction contingency of about RM15.6 million which can be used to fund any authorised variation orders.

To-date no additional variations have been incurred for the Main EPC Works.

15.1.4 Electricity Demand Risk

There is a risk that SESB may not dispatch electricity from RPII's plant.

Pursuant to the PPA, all of RPII's fixed operating costs, profit payments, principal repayments and return to shareholders are covered by the available capacity payments which are independent of electrical energy actually purchased by SESB as long as RPII maintains the required availability factor under the PPA. As such, the level of dispatch will not affect RPII's ability to earn available capacity payments. Thus, the available capacity payment structure in the PPA effectively protects RPII against electricity demand risk. SESB is liable for full available capacity payments as long as RPII is able to meet the required daily available capacity in Appendix G of the PPA. In the event RPII is not able to meet the minimum daily available capacity over the billing period, RPII will receive a lower available capacity payment and incur a penalty. RPII will also obtained a performance guarantee from the Operator to ensure a plant available capacity of at least 94%, failing which an agreed schedule of liquidated damages is payable as specified under the OMA. However, the liquidated damages claimable by RPII from the Operator under the OMA will not be back-to-back with the reduction in capacity payments (and penalty imposed by SESB) and is capped at RM5.0 million per OMA contract year.

The energy payments are designed back-to-back with the GSA and the OMA respectively for RPII to fully recoup actual fuel cost and other variable costs associated with power generation. Therefore, RPII is insulated from any fuel cost fluctuations through the direct pass-through mechanism in the formula for energy payment, as long as the plant operates at or below the schedule of allowable heat rates agreed between RPII and SESB. RPII will have to absorb any additional fuel costs incurred in the event the heat rate exceeds the permitted rate. Conversely, RPII will have to share any fuel cost savings with SESB if the plant operates below the scheduled of allowable heat rates.

15.1.5 Take-or-Pay Obligations under GSA

The energy payment payable by SESB pursuant to the PPA will be made only if RPII dispatches electricity to SESB. However, under the GSA, RPII is obliged to purchase the ToP quantity of seventy-five per cent (75%) of the net ACQ of natural gas in each GSA contract year. Where RPII has, in any GSA contract year, paid for any quantity of natural gas but not taken delivery of the same, RPII may, subject to PETRONAS' and Petronas Carigali's delivery capability, take delivery of such quantities of natural gas in the following GSA contract year.

Sabah is facing an electricity deficit currently, and RPSB's existing 190MW CCGT plant is heavily dispatched. The risk that RPII may not take delivery of PETRONAS and Petronas Carigali gas is therefore mitigated.

15.1.6 Gas Supply Risk

There may be a risk that PETRONAS and Petronas Carigali are unable to deliver the gas on schedule.

PETRONAS and Petronas Carigali have warranted, pursuant to GSA that there will be a supply of natural gas on a firm basis until 31 December 2020. In addition, RPII will also execute the DFSA which will ensure an adequate supply of Shell diesoline as an alternative fuel in the event natural gas is not available. RPII also has sufficient distillate reserves within the Project site that will be sufficient to operate the plant for seven (7) consecutive days. Since commencement of operations of RPSB existing power plant in 1998, PETRONAS and Petronas Carigali have consistently delivered gas on schedule.

15.1.7 Working Capital Mismatch Risk

Pursuant to the terms of the PPA, RPII will bill SESB on a monthly basis with a 30-day credit period. However, PETRONAS and Petronas Carigali will bill RPII on a weekly basis with 14-day credit terms under the GSA. There is, therefore, a mismatch in the credit periods.

To mitigate this risk, an initial working capital requirement of RM20.0 million has been provided for to fund this working capital gap.

Based from the historical revenue collection from SESB for the open cycle period, the average collection period from SESB is about 45 days. By virtue of the PPA terms, SESB is contractually obliged to pay a penalty of one per cent (1%) above Malayan Banking Berhad's base lending rate then in effect for any late payment.

15.1.8 Operating and Maintenance Risks

Operationally, RPII faces the ongoing risks of reduced dependable capacity and availability which would reduce available capacity payments. Moreover, excessive heat rates would increase fuel expenses beyond what could be passed through to SESB. These risks are addressed to a certain extent by the performance guarantees under the OMA, which specify the appropriate performance standards. Failure to achieve these standards will subject RPOM II to penalties in the form of liquidated damages. On the other hand, RPOM II stands to gain bonus payments for any achievements above these performance standards. However, under the OMA, the liquidated damages and bonus payments shall not exceed RM5.0 million and RM1.0 million respectively in any OMA contract year.

15.1.9 Technical Capability of the Operator

Revenue from available capacity and energy payments under the PPA depend on the facilities meeting targets for availability and operating performance. There is a risk that the Operator will not be able to meet these performance targets.

The Operator is obligated under the OMA to provide the agreed skilled, qualified, experienced and competent personnel to manage, supervise and operate the Facility in accordance to the prudence utility practice. In addition, 4 experienced professionals from Ranhill Power O&M Sdn Bhd ("RPOM"), the operator of Ranhill Powertron Sdn Bhd's existing 190MW CCGT plant, were recruited to spearhead the operations in RPOM II. RPOM II has established good operating record for the operating and maintenance of gas turbine during the open cycle operation since March 2010 and has consistently achieved the minimum requirements of RPII's PPA.

15.1.10 Facility Performance Risk

RPII is committed to provide both generating capacity and electrical output to SESB under the PPA. If the plant is unable to produce the expected capacity with the desired availability, payments from SESB in the form of available capacity payments will be reduced. Also if the plant heat rate is higher than the respective power purchase agreements' heat rate, then energy payments conversion using the specified power purchase agreement heat rate may not be sufficient to cover actual fuel costs. Similarly the other costs of operating the Facility such as variable operating rate and fixed operating rate can be exceeded if these are not well managed by the Operator. The risks associated with some of these factors are mitigated by virtue of RPII having obtained a plant performance guarantee from the EPC Contractor under the EPC Contract. In addition, the EPC Contractor is also required to undertake anniversary performance guarantee test to ensure that plant degradation is within the agreed degradation limits.

15.2 Technology Risk

There is unlikely to be any technology risk in respect of existing gas turbine generators. The GE Frame 6FA111+e technology is proven, reliable, has been in commercial use for 2,500,000 operating hours and has been installed in various countries. Under the LTSA, the LTSA Contractor is obligated to uprate the various components for the existing gas turbine generators in line with the research and development works carried out for the GE Frame 6FA machines for the duration of the LTSA.

In respect of the technology risk arising from the EPC works, the steam turbines, air-cooled condensers and HRSGs to be procured by the EPC Contractor under the various contracts are designed for optimum efficiency and reliability and hence resulting in substantially reduced technology risk.

Most IPPs in Malaysia operate combined cycle gas turbine plants in this 2-2-1 configuration.

15.3 Credit Risk of SESB

Since RPII earns available capacity and energy payments from SESB, RPII's ability to service its financing obligation is dependent on the latter's ability to meet its payment obligations under the respective power purchase agreements.

SESB generated sales of electricity of RM1.029 billion for FY2010 and incurred total operating loss of RM62.17 million for the same period.

The Government has been undertaking efforts to restore the financial status of SESB since 2004 as a step towards increasing the reliability of electricity supply in Sabah. The Energy Supply Division monitors the SESB Turnaround Plan to ensure a smooth implementation of the plan. The plan has demonstrated its effectiveness by successfully decreasing the SESB deficit while increasing system reliability. Among the steps undertaken under the plan were to reduce operational costs by halting the operations of old and inefficient diesel fuel power stations such as those in Lahad Datu, Semporna, Kudat, Kota Marudu, Kota Belud, Tambunan, Sipitang, Kunak and Kota Kinabatangan; increasing generation capacity by constructing new generation IPPs at Sepanggar Bay (100MW), Ranhill Powertron II (190MW), and increasing capacity at Ranhill Powertron (from 120MW to 190MW);

(Source: http://www.ktak.gov.my)

15.4 Permits and Government Approvals Risks

RPII has obtained all necessary approvals for the construction and outfitting of the Facility and has complied with the requirements of the approved scheme currently in force for the Site, which comes within the jurisdiction of the local town planning authority. In addition, RPII had obtained the IPP Licence from the Energy Commission on 11 September 2009.

15.5 Environmental Risk

All power stations are subject to environmental legislation and regulation. JAS approved the Project's EIA study based on 190MW capacity in its letter dated 22 May 2007. Having said that, there can be no assurance that future compliance with any changes in standards imposed will not lead to increased level of costs, losses or reduction in revenue for RPII that will ultimately materially affect RPII's financial position.

15.6 Force Majeure Risk

Under the PPA, notwithstanding the occurrence of a force majeure event, SESB is obliged to pay RPII the debt service portion under the financing documents relating to the financing or refinancing of the Facility.

The CCSCOD of the Facility shall be extended by one day for each day its CCCOD is delayed by a force majeure event. If a force majeure event continues for one hundred and eighty (180) days, the party not claiming the force majeure event may terminate the PPA.

15.7 Inflation Risk

This is the risk of adverse inflationary effect on operating costs.

The FOR component of available capacity payments has a built-in escalation factor of four per cent (4%) every four (4) years. The variable operating rate component in the energy payment is escalated at a similar rate.

15.8 RPII's Financing Service Ability

There is a risk that RPII may be unable to meet its obligations under the IMTN Programme. The ability of RPII to service its payment obligations under the IMTN Programme will depend on the operational and financial performance of RPII.

Pursuant to the IMTN Programme, RPII is required to maintain the Designated Accounts which include inter-alia following:-

- The Revenue Account, which is to be solely operated by the Facility Agent;
- The FSRA, which is to be solely operated by the Facility Agent;
- The FPA, which is to be solely operated by the Facility Agent;
- The MRA, which is to be solely operated by the Issuer; and
- The Operating Account, which is to be solely operated by the Issuer
- FSRA which is to be operated by the Facility Agent and shall be funded up to next six (6) months' profit payment for the IMTN Programme which shall be deposited and maintained in the account at all times from the first Issue Date.

- FPA, which is to be operated solely by the Facility Agent and shall be used to service all payments due under the Sukuk (including any payments to Danajamin by virtue of Danajamin's subrogation to the Tranche 2 Sukukholders' rights under the Transaction Documents relating to the Tranche 2 Sukuk).This account shall be funded by direct transfers from the Revenue Account. The Issuer shall deposit into the FPA:

  - An amount equivalent to the next profit payment and guarantee fee due three (3) months before the due date; and

  - An amount equivalent to the next principal instalment due six (6) months before the due date.

Under the terms of the IMTN Programme, other than for Permitted Indebtedness(as defined herein), RPII shall be prevented from incurring further indebtedness for borrowed money without the prior consent in writing of the Facility Agent during the tenure of the IMTN Programme. Additional negative covenants restrict RPII from declaring dividends and/or making principal and profit payments on subordinated loans/advances unless the following conditions have been satisfied and confirmed by the Trustee:-

(a) Upon payment of the first principal redemption under the IMTN Programme;

(b) Inter Company Financing has been fully settled;

(c) Redemption of 90,000,000 at par value of RM0.01 each at a premium of RM0.99 each of the RCNCPS by RPII has been completed;

(d) Compliance with the requirements as set out under the FSRA and FPA;

(e) Debt to Equity Ratio to be maintained at the stipulated ratio not exceeding 80:20, if calculated immediately following such payment or distribution of dividend;

(f) FSCR is more than 1.75:1 and immediately after payment, FSCR is at least 1.5:1; and

(g) No EOD has occurred or is continuing.

15.9 Cash Flow Projections

The cash flow projections of RPII are based on reasonable assumptions made by RPII that are nevertheless subject to uncertainties and contingencies. Owing to the subjective judgments and inherent uncertainties of the forecast/projections and given that events and circumstances may not occur as expected, there can be no assurance that the forecast/projections contained herein will be achieved, or, that actual results may be materially different from those forecast/projected.

15.10 Profit Rate Risk

The Sukuk are fixed income securities and may therefore see their prices fluctuate due to movements in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Sukuk. The Sukuk may be similarly affected resulting in a capital loss for the Sukukholders. Conversely, when interest rates fall, the prices of the Sukuk and the price at which the Sukuk trade may rise. Sukukholders may enjoy a capital gain but profit received may be reinvested for lower returns.

15.11 Liquidity/Market Risk for the Sukuk

There can be no assurance as to the liquidity of any market that may develop for the Sukuk, the ability of holders to sell their Sukuk or the prices at which holders would be able to sell their Sukuk.

Accordingly the purchase or subscription of the Sukuk is only suitable for investors who can bear the risks associated with any lack of liquidity for the Sukuk and the financial and other risks associated with an investment in the Sukuk.

15.12 Rating Downgrade Risk

It is a condition that the Sukuk to be issued are rated and shall meet the indicated rating requirement. The rating for the first issue of the Sukuk shall not be less than AA_{IS} (for Tranche 1 Sukuk) and $AAA_{IS(fg)}$ (for Tranche 2 Sukuk). The Sukuk are subject to rating reviews by MARC (or any other rating agency in Malaysia).

As a result of these rating reviews, there can be no assurance that the current rating of the Sukuk to be issued under IMTN Programme will remain and there is a possibility that the rating may be revised, downgraded or withdrawn by MARC.

In the event that the rating deteriorates during the tenure of the IMTN Programme, RPII is not obligated to provide any additional credit enhancement with respect to the Sukuk.

15.13 Political, Economic and Regulatory Risks

In order to own, operate and maintain the Facility, RPII has obtained an IPP Licence pursuant to Section 9 of the Electricity Supply Act 1990 from Energy Commission. In mitigating the risk of having the Licence suspended or revoked, RPII will take all steps necessary to be in compliance with all conditions of the Licence. RPII's operations are also regulated by a number of governmental agencies including JAS.

The governing laws are subject to change from time to time which is not within the control of RPII. Notwithstanding this, RPII will take all steps necessary to be in compliance with the above governing laws. Further, the PPA has provided that in the event that there is a change in law requiring RPII to make any material capital improvement or other material modification to the Facility, RPII and SESB shall determine in good faith any extension of the Term of the PPA or any adjustment to the Capacity Rate Financial necessary to ensure that the financial position of RPII shall not be affected.

15.14 Financial Guarantee

Tranche 2 Sukuk are guaranteed by Danajamin pursuant to the Kafalah Guarantee, in respect of the payment obligations of RPII of the nominal value and one semi annual profit payment of such Tranche 2 Sukuk (other than compensation on late payment and any other charges in respect of the Tranche 2 Sukuk). The payment under such financial guarantee will be dependent upon the financial strength and the ability to pay of the financial guarantor and subject to the risks inherent to the business and operations of the financial guarantor.

The prospective investors are requested to conduct their own independent assessment and evaluation of the financial guarantor.

15.15 Forward Looking Statements

Certain statements in this Information Memorandum are based on historical data that may not be reflective of future results, and others are forward-looking statements in nature which are subject to uncertainties and contingencies. All forward-looking statements, including the cashflow projections attached hereto, are based on estimates and assumptions made by RPII. Although RPII believes these forward-looking statements to be reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and unknown factors which may cause the actual results, performance or achievements to differ materially from the expected results, performance or achievements expressed or implied in such forward-looking statements. 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 RPII or its advisers that the plans and objectives of RPII will be achieved.

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16. OTHER MATERIAL CONSIDERATION

16.1 Conflict of Interest Situations

16.1.1 Affin Investment

Save as disclosed below, Affin Investment is not aware of any circumstance that would give rise to a conflict of interest or potential conflict of interest in its capacity as, amongst others, the Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers in relation to the IMTN Programme:

(a) Affin Investment together with Malayan Banking Berhad ("Maybank") are the financiers for up to RM43.0 million BL extended to RB, the ultimate holding company of RPII. As mentioned earlier, RPSB shall utilise proceeds of up to RM52.0 million from the Sukuk to advance to RB via an Inter Company Advance. Thereafter, RB in turn will utilize up to RM21.5 million of the said advances to repay Affin Investment's portion of the outstanding BL.

(b) Affin Bank Berhad ("Affin Bank") is a related company of Affin Investment by virtue of its common shareholder, Affin Holdings Berhad. Affin Bank is one of the financiers under the Syndicated Term Financing Facilities that will be refinanced from the proceeds of the Sukuk. As at 24 March 2011, Affin Bank's outstanding amount under the Syndicated Term Financing Facilities is RM77,876,000.00. Affin Bank had granted to RPSB a revolving credit and overdraft facilities of up to RM14.0 million ("RC/OD Facilities"). The RC/OD Facilities will also be refinanced from the proceeds of the Sukuk. As at 24 March 2011, Affin Bank's outstanding amount under the RC/OD Facilities is RM14.1 million including accrued interest.

16.1.2 Maybank IB

As at the date of this Information Memorandum, Maybank IBt and Maybank Islamic Berhad ("Maybank Islamic") are wholly owned by Maybank.

Save as disclosed below, Maybank IB is not aware of any circumstance that would give rise to a conflict of interest or potential conflict of interest in its capacity as, amongst others, the Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers and Facility Agent in relation to the IMTN Programme:

(a) Maybank Islamic is one of the financiers under the Syndicated Term Financing Facilities of which the outstanding amount of RM114,513,051.54 (as at 24 March 2011) shall be refinanced from part of the proceeds raised from the Sukuk; and

(b) Maybank together with Affin Investment are the financiers for up to RM43.0 million BL extended to RB the ultimate holding company of RPII. As mentioned earlier, RPSB shall utilise proceeds of up to RM52.0 million from the Sukuk to advance to RB via an Inter Company Advance. Thereafter, RB in turn may utilize up to RM21.5 million of the said advances to repay Maybank's portion of the outstanding BL.

In addition, Maybank IB is the security agent for the financiers under the Syndicated Facilities and shall also act as the security agent for Sukukholders, the Guarantor and the BG-i Financier in respect of the Security (as defined under item (j) of the PTC).

16.1.3 Malaysian Trustees Berhad

Malaysian Trustees Berhad is not aware of any circumstance that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the trustee in relation to the IMTN Programme.

16.1.4 Messrs Adnan Sundra & Low

Messrs Adnan Sundra & Low is not aware of any circumstance that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the solicitors in relation to the IMTN Programme.

16.1.5 Messrs. Deloitte KassimChan

Messrs Deloitte KassimChan is not aware of any circumstance that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the reporting accountant in relation to the IMTN Programme.

As a mitigating measure and to address the potential conflicts of interest set out above, the following measures have been taken:

(i) The above potential conflicts of interest situations have been brought to the attention of the board of directors of RPII ("Board") and hence they are fully aware of the same. Notwithstanding the aforementioned potential conflict of interest, the Board is agreeable to proceed with the implementation of the IMTN Programme based on the present arrangement and terms herein.

(ii) Affin Investment and Maybank IB are respectively committed to upholding its/their professional integrity and responsibilities in relation to the IMTN Programme.

16.2 Material Litigation

As at date of this Information Memorandum, RPII has confirmed that it is not involved, whether as plaintiff or defendant or as third party, in any material litigation (which includes inter alia, prosecutions, investigations, claims, arbitration proceedings, industrial court matters and land acquisition proceedings), whether such proceedings are actual, threatened or pending and RPSB has no knowledge of any fact likely to give rise to any proceedings which might materially and adversely affect the position or the business of RPII.

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17. PROJECT ECONOMICS

17.1 Financial Model

A financial model has been prepared for analysing the feasibility of the Project. The information and assumptions contained in the Financial Model are presented in this section.

17.2 Key Assumptions to Financial Model

The key assumptions to the Financial Model are as follows:-

17.2.1 Dependable Capacity & Availability

The net dependable capacity of the plant is assumed at 190MW. The net capacity factor is assumed at 94%. In the Financial Model, the net electrical output is assumed at 1,564,536MWh per year (190MW × 365 days × 24 hours × 94% net capacity factor).

17.2.2 Tariff

Tariff Component	Amount	Escalation Rate
Tier-1 CRF	RM36.50/kW/month	Nil
Tier-2 CRF	RM23.80/kW/month	Nil
FOR – Open Cycle	RM3.2870/kW/month	Nil
FOR – Combined Cycle	RM5.7855/kW/month	4% every 4 years
VOR – Open Cycle	2.255 sen/kWh	Nil
VOR – Combined Cycle	2.255 sen/kWh	4% every 4 years

17.2.3 Gas Price

Prior to 1 July 2008, the selling price of natural gas to IPPs had been fixed at RM6.40/mmBtu. Effective 1 July 2008, the price of gas was increased from RM6.40/mmBtu to the prevailing market price as set out in the price formula in the GSA, subject to a discount of 70% for the first year. The discount shall be reduced gradually by 5% annually for the next 15 years (i.e. 65% discount in the second year, 60% discount in the third year and so on). From the start of the 15th year (i.e. with effect from 1 July 2022), the price of gas shall be in accordance with the price formula set out in the GSA without any discount.

The applicable gas price in Peninsular Malaysia for the first year from 1 July 2008 to 30 June 2009 was set at RM14.31/mmBtu, representing a 70% discount from the prevailing market price of RM47.69/mmBtu. The applicable gas price for the second year will be set at a discount of 65% to the then prevailing gas price. Notwithstanding this, to-date, IPPs in Sabah continue to be billed for gas at the rate of RM6.40/mmBtu.

For modelling purposes, a gas price of RM6.40/mmBtu has been used for the entire period. The gas price is however assumed to be a “pass-through” cost under the PPA (i.e. whatever incurred by RPII will be billed to SESB).

17.2.4 Heat Rate

The PPA provides for a heat rate at full load of 8,526 kJ/kWh at full load under combined-cycle operations.

17.2.5 Financing Assumptions

The maximum Sukuk tenure is estimated at 18 years from the first issuance date of the Sukuk, with redemption of principal taking place from the 2nd to 18th anniversary from the date of the first issuance of the Sukuk. An average financing cost of 5.93% p.a. has been assumed in the Financial Model.

17.2.6 Tax Assumptions

For modelling purposes, the following assumptions have been made with regard to taxation:-

- Corporate taxation rate of 25% throughout the PPA term;
- Approximately 90% of the aggregate Project cost less working capital, stocks, reserves (or RM687.5 million) will qualify for capital allowance claims; and
- The capital allowance rate is assumed at 20% (initial allowance), 40% (annual allowance for capital expenditure incurred from 10 March 2009 to 31 December 2010) and 14% (annual allowance), being the rate applicable for turbines & plant.

17.2.7 Key Results

Based on the foregoing assumptions, the key financing coverage ratios are as follows:-

Minimum FSCR (including cash balances)	4.03 times
Average FSCR (including cash balances)	5.94 times

The average FSCR of 5.94 times is for projections for the financial year of 2012 to 2029.

Please refer to Appendix 5 for the cashflow forecast and projections of RPII for the financial year ending 31 December 2011 to 31 March 2032 (end of PPA term).

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18. POWER GENERATION INDUSTRY IN SABAH

Electricity started in Sabah as early as 1910 supplied by 3 separate organisations. In 1957, these 3 organisations combined to form the North Borneo Electricity Board. When North Borneo joined Malaysia in 1963 and changed its name to Sabah, this entity was renamed Sabah Electricity Board. On 1 September 1998, Sabah Electricity Board was privatised and became SESB.

SESB generates, transmits and distributes electricity. It is the only power utility company in Sabah supplying electricity to 413,983 customers distributed over a wide area of 74,000 square kilometres. Of this, 82.8% of the customers are domestic customers contributing only 28.8% of the sale. The total generation capacity is 866.4MW, 50.3% of the total units generated are purchased from the independent power producers.

The SESB installed capacity (excluding IPP) of the Sabah Grid which supplies electricity for major towns from the Federal Territory of Labuan to Tawau is 430.9MW and the maximum demand is 760MW (as of Jun 2010)

The east coast grid 132kV transmission line connecting the major towns in the east coast has an installed capacity of 333.02MW and the maximum demand is 203.3MW.

The forecast demand growth of electricity is in a region of 7.7% per annum up to the year 2010. In order to support the growing demand, various generations, transmission and distribution projects will be implemented.

A fully integrated grid connecting the existing west coast grid to the east coast grid was completed on 28 July 2007, and about 90% of the customers are now connected to this integrated grid.

(Source: www.sesb.com.my as at 5 April 2011)

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