

STRICTLY PRIVATE AND CONFIDENTIAL



Tanjung Bin Power

Tanjung Bin Power Sdn Bhd
(Company No. 459016-X)

INFORMATION MEMORANDUM

Proposed Issuance of Islamic Medium Term Notes (“**Sukuk Ijarah**”) pursuant to an Islamic Medium Term Notes Programme of up to RM4,500 million in nominal value (“**Sukuk Ijarah Programme**”) under the Islamic principle of Ijarah (“**Proposal**”)

Principal Adviser/Lead Arranger



MAYBANK INVESTMENT BANK BERHAD
(Company No. 15938-H)

Joint Lead Managers



CIMB INVESTMENT BANK BERHAD
(Company No. 18417-M)



MAYBANK INVESTMENT BANK BERHAD
(Company No. 15938-H)

Dated 9 August 2012

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Important Notice

This Information Memorandum is in relation to the proposed issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase of the Islamic medium term notes ("**Sukuk Ijarah**") pursuant to an Islamic medium term notes programme of up to RM4,500 million in nominal value ("**Sukuk Ijarah Programme**") under the Shariah principle of Ijarah ("**Proposal**") by Tanjung Bin Power Sdn Bhd ("**Issuer**" or "**TBP**").

None of the information or data contained in this Information Memorandum has been independently verified by Maybank Investment Bank Berhad ("**Maybank IB**") as the principal adviser/ lead arranger ("**Principal Adviser/Lead Arranger**") as well as Maybank IB and CIMB Investment Bank Berhad as the joint lead managers ("**Joint Lead Managers**"). Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Principal Adviser/Lead Arranger and Joint Lead Managers as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the dates stated herein or if no dates have been specifically stated, after the date of this Information Memorandum. The Principal Adviser/Lead Arranger and Joint Lead Managers have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Proposal and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum, except as provided by Malaysian laws.

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

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

This Information Memorandum has not been and will not be made to comply with the laws of any other jurisdiction ("**Foreign Jurisdiction**") other than Malaysia, 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 Ijarah or any other securities of any kind by any party in any Foreign Jurisdiction.

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

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that:-

- (i) it will keep confidential all of such information and data;
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- (ii) it is lawful for the recipient to subscribe for or purchase the Sukuk Ijarah under all jurisdictions to which the recipient is subject;
 - (iii) it has complied with all applicable laws in connection with such subscription or purchase of the Sukuk Ijarah;
 - (iv) the Issuer, the Principal Adviser/Lead Arranger and Joint Lead Managers 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 Ijarah, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk Ijarah is or shall become unlawful, unenforceable, voidable or void;
 - (v) it is aware that the Sukuk Ijarah can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;
 - (vi) 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 Ijarah, and is able and prepared to bear the economic and financial risks of investing in or holding the Sukuk Ijarah;
 - (vii) it is subscribing or accepting the Sukuk Ijarah for its own account; and
 - (viii) whether it is subscribing to the Sukuk Ijarah at the issuance of the Sukuk Ijarah, or purchasing or acquiring the Sukuk Ijarah after the said Sukuk Ijarah has been issued, it is a person falling within the relevant category of persons specified in section 4(6) of the Companies Act 1965, as amended from time to time and:
 - (a) if it is subscribing to the Sukuk Ijarah at the issuance of the Sukuk Ijarah, it is a person to whom an offer or invitation to subscribe the Sukuk Ijarah and to whom the Sukuk Ijarah are issued would fall within Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b), read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act 2007 ("**CMSA**"), as amended from time to time; and
 - (b) if it is purchasing or acquiring the Sukuk Ijarah after the said Sukuk Ijarah has been issued, it is a person to whom an offer or invitation to purchase the Sukuk Ijarah would fall within Schedule 6 or Section 229(1)(b), read together with Schedule 9 or Section 257(3) of the CMSA, as amended from time to time.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject to. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Sukuk Ijarah in relation to any recipient who does not fall within the categories of persons specified in item (viii) above, as may be applicable.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the Sukuk Ijarah is not intended to provide the basis of any credit or other evaluation, and should not be construed as, a recommendation by the Issuer and/or the Principal Adviser/Lead Arranger and Joint Lead Managers that any recipient of this Information Memorandum should subscribe or purchase the Sukuk Ijarah. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the financial condition, status and affairs, and its own appraisal of the credit worthiness and nature, of the Issuer, the terms of the Sukuk Ijarah Programme and all other relevant matters including merits and risks involved, 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 Ijarah shall in any circumstance imply that the information contained herein concerning the Issuer or any other person is correct at any time subsequent to the date stated herein or if no dates have been specifically stated, subsequent to the date of this Information Memorandum or that any other information supplied in connection with the Sukuk Ijarah Programme is correct as at any time subsequent to the date indicated in the document containing the same. Neither the Principal Adviser/Lead Arranger and Joint Lead Managers nor any other advisers undertake to review the financial condition or affairs of the Issuer during the life of the Sukuk Ijarah Programme or to advise any investor in the Sukuk Ijarah of any information coming to their attention. The recipient of this Information Memorandum or the potential investors should review, inter alia, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any Sukuk Ijarah.

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

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.

This Information Memorandum may not be reproduced in whole or in part, or used for any other purpose, or shown, given, copied to or filed, in whole or in part, with any other person including, without limitation, any government or regulatory authority except with the prior written consent of the Issuer or as required under Malaysian laws, regulations or guidelines. Should this Information Memorandum, at the request of the recipient, be sent to the recipient or is received or viewed by the recipient in an electronic format, the recipient is reminded that documents transmitted via this mode of transmission may be altered or changed during the process of electronic transmission and consequently the Issuer, the Principal Adviser/Lead Arranger and Joint Lead Managers and their respective directors, officers, employees and their agents or affiliates do not accept any liability or responsibility whatsoever in respect of the difference between the Information Memorandum distributed to such recipient or viewed by such recipient in the electronic format and the hard copy version available to the recipient.

The transaction structure relating to the Sukuk Ijarah Programme has been approved by Maybank Islamic Berhad. However, prospective holders of the Sukuk Ijarah should not rely on the approval referred to above in deciding whether to make an investment in the Sukuk Ijarah, nor as the basis for deciding whether each of the structure, the issue and the trading of the Sukuk Ijarah is in compliance with Shariah principles. In particular, any reference in this Information Memorandum to secondary trading of the Sukuk Ijarah is not to be taken as advice or confirmation that such trading is Shariah compliant. Prospective holders of the Sukuk Ijarah should obtain their own independent Shariah advice as to compliance with Shariah principles. No representation, warranty or undertaking, express or implied, is given by the Issuer as to the status of the Sukuk Ijarah's compliance with Shariah principles and the Issuer shall not be liable for any consequences of such reliance and/or assumption of any such compliance.

RESPONSIBILITY STATEMENT

This Information Memorandum has been approved by the directors of the Issuer and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge, information and belief, there are no false or misleading statements or other material facts the omission of which would in the context of the Proposal make any statement in this Information Memorandum false or misleading and that there are no material omissions in this Information Memorandum.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION

In accordance with the CMSA, a copy of this Information Memorandum will be deposited with the Securities Commission, who takes no responsibility for its contents.

The issue, offer or invitation in relation to the Sukuk Ijarah in this Information Memorandum is subject to the fulfilment of various conditions precedent including without limitation the approval from the Securities Commission. The Securities Commission has given its approval under Section 212(5) of the CMSA vide its letter dated 6 August 2012 and each recipient of this Information Memorandum acknowledges and agrees that the approval of the Securities Commission shall not be taken to indicate that the Securities Commission recommends the subscription for or purchase of the Sukuk Ijarah.

The Securities Commission 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.

THE ISSUANCE OF SUKUK IJARAH UNDER THE PROPOSAL WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE THE ISSUANCE OF SUKUK IJARAH ON ITS OWN MERITS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

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

STATEMENTS OF DISCLAIMER – SHARIAH ADVISER

The transaction structure relating to the Sukuk Ijarah has been approved by the Shariah Adviser. Prospective holders of the Sukuk Ijarah should not rely on the approval referred to above in deciding whether to make an investment in the Sukuk Ijarah and should consult their own Shariah advisers as to whether the proposed transaction described in the approval referred to above is in compliance with Shariah principles.

DOCUMENTS INCORPORATED BY REFERENCE

All supplements or amendments to this Information Memorandum circulated by the Issuer, if any, published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

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Confidentiality

This Information Memorandum and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. Accordingly, this Information Memorandum and its contents, or any information which is made available to the recipient in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is submitted to selected persons falling within the relevant category of persons specified in section 4(6) of the Companies Act 1965, as amended from time to time and includes a person falling within Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b), read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act 2007 (“CMSA”), as amended from time to time.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law or equity, including without limitation, an injunction. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered by the Issuer, in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisors, directors, employees and any other persons concerned with the Proposal.

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Glossary of Definitions & Abbreviations

Except where the context otherwise requires, the following abbreviations apply throughout this Information Memorandum:

Affiliate	: in relation to any person at a particular time: (i) any person who directly or indirectly controls, or who owns beneficially more than 50% of the issued share capital (or equivalent securities) of, that person; or (ii) any subsidiary of that person; or (iii) any other person who is controlled by any person described in (i) above
Availability	: the capability of a Unit to provide generating capacity and electrical energy to TNB using the nominated fuel, regardless of the level which the GSO despatches the Unit
Availability Target	: in respect of the Power Facility, for a given contract year, its Availability taking into account only scheduled outages and major overhaul outages in such contract year expressed as: $AT = \frac{(n \times PH) - SOH}{(n \times PH)}$ where: n = the number of Units in the Power Facility PH = the actual number of hours in such contract year SOH = the scheduled outage hours, being the aggregate of all outage hours in respect of scheduled outages or major overhaul outages for all Units comprising the Power Facility as included in the agreed annual scheduled available capacity for the given contract year
CIMB	: CIMB Investment Bank Berhad (Company No. 18417-M)
CMSA	: the Capital Markets and Services Act, 2007 (Act 671) as amended from time to time
COD	: commercial operation date
Common 1	: such of the Common Facilities required for the commercial operation of the first Unit, save that, in relation to the administrative building and the security house, it shall mean the whole of such buildings and their contents
Common 2	: such of the Common Facilities (excluding Common 1) required for the commercial operation of the second Unit
Common 3	: such part of the Common Facilities (excluding Common1 and Common 2) required for the commercial operation of the third Unit
Common Facilities	: all ancillary equipment and facilities required for the commercial operation of the Power Facility and includes each of (i) overhead travelling crane; (ii) condensate tank; (iii) chlorination plant; (iv)

	diesel generator; (v) ash handling system; (vi) waste water treatment system; (vii) water treatment system; (viii) stack; (ix) administration building; (x) security gate house; (xi) cooling water intake; (xii) cooling water outfall; (xiii) flue gas desulphurization pump and aeration systems; and (xiv) coal handling system
CSTA	: the Coal Supply and Transportation Agreement dated 25 July 2002 between the Issuer and TFS as amended by Addendum No. 1 to the CSTA dated 1 April 2010
Companies Act 1965	: the Companies Act 1965 (Act 125) as amended from time to time
DE Ratio	: the debt to equity ratio is the ratio of indebtedness of the Issuer represented by: <ul style="list-style-type: none"> (i) outstanding obligations in relation to the Sukuk Ijarah under the Proposal; (ii) outstanding obligations under all other indebtedness for borrowed monies (be it actual or contingent); (iii) hire purchase obligations; (iv) finance lease obligations; and (v) net exposure determined on a marked to market basis under any derivative instrument and obligations; <p>to the shareholders' funds which include the Issuer's common equity in the form of ordinary shares, preference shares or quasi equity instrument, reserves (including any retained earnings or losses), and/or subordinated shareholder's loans (in the form of loan stocks, subordinated debt or otherwise).</p> <p>For the avoidance of doubt any double counting shall be disregarded</p>
Designated Accounts	: collectively, (i) the Revenue Account (" RA "); (ii) the Finance Service Reserve Account (" FSRA "); (iii) the Maintenance Reserve Account (" MRA "); and (iv) the Operating Account (" OA ")
DWT	: deadweight tonnage
Energy Commission	: Energy Commission of Malaysia, a statutory body established in 2001 under the Energy Commission Act 2001
EOD	: event of default
EPC Contractors	: collectively, Sumitomo Corporation and Zelan Holdings (M) Sdn Bhd (Company No. 211033-D)
EPC Contract	: the Engineering, Procurement and Construction Contract dated 25 July 2003 entered into between the Issuer and the EPC Contractors and as supplemented by the First Supplemental Agreement dated 19 August 2003, Second Supplemental Agreement dated 23 October 2003, Third Supplemental Agreement dated 27 May 2004, Fourth Supplemental Agreement dated 20 August 2004, Fifth Supplemental Agreement dated 2 March 2006 and Sixth Supplemental Agreement dated 27 September 2006

EPF	: Employees Provident Fund Board
Existing Istisna' MTN	: the Issuer's outstanding Islamic medium term notes issued pursuant to the Islamic medium term notes programme of up to RM5,600.00 million in nominal value (" Existing Istisna' MTN Programme ")
Facility Agent	: Maybank IB
Financing Documents	: the loan agreements (including agreements for any subordinate debt), notes, bonds, indenture, guarantees, security agreements and any other documents relating to the financing or refinancing and security arrangements for the Project which have been or are to be entered into by TBP, excluding any agreements relating to the Sponsors Gross Equity Contribution
FSCR	: the finance service cover ratio is the ratio of Net Available Cash to the Total Finance Service paid, where:- (a) " Net Available Cash " is the aggregate of all cash balances in the Designated Accounts (including FSRA SBLC and Permitted Investments (both terms as defined in Section 6), where applicable) before Total Finance Service (as hereinafter defined), during the previous twelve (12) months; and (b) " Total Finance Service " is the aggregate of all principal and profit payments made by the Issuer under the Sukuk Ijarah during the previous twelve (12) months
Fuel	: coal and any combustion support or other fuels used by the Power Facility for start-up and the generation of electrical energy
Fuel Facilities	: all of the facilities, as described in the PPA, that are necessary to enable the Power Facility to receive and utilise Fuel supplied under the Fuel Supply Contracts in quantities sufficient to permit the Power Facility to operate continuously at full load despatch
Fuel Supply Contracts	: all contracts entered into by the Issuer for the supply of Fuel to the Power Facility during the term of the PPA including the CSTA
Generation Licence	: licence for generation and supply of electricity issued on 26 September 2003 pursuant to Section 9 of the Electricity Supply Act 1990 to the Issuer
Grid System	the bulk power network controlled or used by the Grid System Operator for the purpose of transmitting and distributing electricity to end users, the Works and that portion of the Interconnection Facilities to be transferred to TNB under the PPA
Grid System Operator or GSO	: has the meaning given to it in the Grid Code
Initial Financing Documents	: the loan agreements (including agreements for any subordinate debt), notes, bonds, indenture, guarantees, security agreements and any other documents relating to the financing and security arrangements for the Project and the Works which are entered into between the financing parties and TBP prior to the initial financial closing date relating to the initial financing, excluding any agreements relating to the Sponsors Gross Equity Contribution

Interconnection Facilities	: all of the facilities described in PPA including the TNB metering equipment, to enable TNB to receive electrical energy from the Power Facility and to maintain the stability of the Grid System
IPPs	: independent power producers
Issuer or TBP	: Tanjung Bin Power Sdn Bhd (Company No. 459016-X)
Joint Lead Managers	: collectively, Maybank IB and CIMB
Junior Sukuk	: the cumulative non-convertible Islamic Junior Sukuk of RM1.7 billion issued by MCB
kV	: kilovolt a unit of voltage, being equal to 1000 volts
Land Lease Agreement	: the agreement dated 18 February 2003 as amended by the supplemental agreement for lease dated 1 October 2003 entered into between the Issuer and Seaport Terminal (Johore) Sdn Bhd (Company No.221307-M) for the lease of the land on which the Power Facility is situated
Maybank IB	: Maybank Investment Bank Berhad (Company No. 15938-H)
Maybank Trustees	: Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad) (Company No. 5004-P)
MBB	: Malayan Banking Berhad (Company No. 3813-K)
MCB	: Malakoff Corporation Berhad (Company No. 731568-V)
Minister	: the minister for the time being charged with the responsibility for matters relating to electricity supply or gas supply under the Energy Commission Act 2001
MMC	: MMC Corporation Berhad (Company No. 30245-H)
MVA	: megavolt-amperes
MW	: megawatt
OMA	: the Operations and Maintenance Agreement dated 25 July 2003 entered into between the Issuer and the Operator, supplemented by the Supplemental Agreement dated 4 August 2003 and the Second Supplemental Agreement dated 17 October 2003
Operator	: Hicom Power Sdn Bhd (<i>previously known as Rangkaian Positif Sdn Bhd</i>) (Company No. 572121-P) or its successor or permitted assign from time to time who assumes the rights and obligations of the Operator in the OMA
Outstanding Indebtedness	: the aggregate amount at the calculation date (being the date of the termination of the PPA as specified in the purchase notice (" Calculation Date ") to be given by TNB pursuant to a termination event or industry restructuring) of all amounts owing (or would have been owing but for any refinancing of such amounts) to the financing parties (other than any amounts owing to the shareholders of TBP and their respective Affiliates) as incurred by TBP under the Initial Financing Documents and as amortised in accordance thereunder including any reasonable costs and fees related to accelerated

	repayment and other financing termination costs, but excluding any costs and fees relating to the Sponsors Gross Equity Contribution
PLC	: Programmable Logic Controller
PPA	: the power purchase agreement dated 25 July 2002 entered into between the Issuer and TNB as supplemented by the supplemental agreement dated 28 June 2004
Principal Adviser/Lead Arranger	: Maybank IB
Provisional Acceptance (Unit)	: the achievement of provisional acceptance of any Unit where the following conditions are met: (i) the EPC Contractor has concluded a performance test in which the relevant Unit demonstrates during such a performance test a maximum continuous net electrical output and a net heat rate of 97.223% (being 700MW)(or higher) of the electrical output guarantee and 105% (or lower) of the heat rate guarantee; (ii) the Unit has achieved, and continues to satisfy the requirements for the achievement of the Final Commissioning Completion; (iii) the reliability guarantee in relation to the Unit has been achieved; (iv) the EPC Contractor has completed performance of the services relevant to such Unit; (v) provisional acceptance of the Transmission Works have been achieved; and (vi) the provisional acceptance (Unit) of the first Unit, Common 1, second Unit, Common 2 and third Unit, Common 3 are all fully functional
Power Facility	: the electricity generating facility located at Tanjung Bin, Mukim Serkat, Johor Darul Takzim comprising three (3) coal-fired generating units of 700 MW net capacity, each unit consisting of a sub-critical boiler, steam turbine generator as well as ancillary plant and equipment
Project	: collectively, the financing, design, engineering, procurement, construction, installation, testing, commissioning, ownership, operation and maintenance of the Power Facility, the Fuel Facilities, the site, the Interconnection Facilities and associate facilities irrespective of whether construction has been completed or the COD of the first Unit has been achieved and any modification thereto
Project Documents	: collectively, (i) the PPA; (ii) the CSTA; (iii) the EPC Contract; (iv) the Lease Agreement; (v) the OMA and (vi) the SFA, and references to the Project Documents include references to any one of them
Projected FSCR	: shall be calculated for the next payment falling on the subsequent anniversary date of the Issue Date (" Anniversary Date ") as follows:

$$\frac{A + B + C}{A + D}$$

Where:

A = the actual total principal and/or profit payments made after the payment made at the previous Anniversary Date up to the date the Distribution (as defined in Section 6 below) is made ("**Distribution Date**")

B = the actual closing cash balances in the Designated

Accounts (net of the Distribution) including Permitted Investments and FSRA SBLIC as at the Distribution Date

C = the projected net cashflow before financing from the Distribution Date up to the next payment falling on the subsequent Anniversary Date

D = the projected total principal and/or profit payments due and payable from the Distribution Date up to and including the next payment falling on the subsequent Anniversary Date

For the purpose of calculating the Projected FSCR, (i) if no Distribution is made in any twelve (12)-month period between one principal payment date and the next principal payment date, the Projected FSCR need not be calculated; and (ii) the Projected FSCR shall be calculated solely by the Issuer without confirmation from any third party (including, without limitation, the Issuer's external auditors)

Proposal : the proposed issuance of Sukuk Ijarah pursuant to the Sukuk Ijarah Programme under the Islamic principle of Ijarah

Rating Agency : RAM Rating Services Berhad (Company No. 763588-T) or its successor in such capacity in respect of the Proposal

RM or Ringgit Malaysia : the lawful currency of Malaysia

SFA : the shared facilities agreement dated 27 February 2012 entered into between the Issuer and TBE

Shariah Adviser : Maybank Islamic Berhad (Company No. 787435-M)

SO₂ : sulphur dioxide

Sponsors Gross Equity Contribution : an amount certified by the auditor as at the Calculation Date as being the lesser of the aggregate of all registered and paid-up share capital issued by TBP and any share premia received by TBP, the subscription price received by TBP for all loan stocks, bonds and redeemable preference shares issued by TBP to its shareholders and their respective Affiliates, all loans (whether secured, unsecured or subordinated) received by TBP from its shareholders and their respective Affiliates and all other forms of capital contributed on or before the Calculation Date by the shareholders of TBP and their respective Affiliates for financing the Project:

(i) as committed by TBP, its shareholders and their respective Affiliates at the initial financial closing date relating to the initial financing in accordance with the Initial Financing Documents; and

(ii) as outstanding as at the Calculation Date

Sukukholders : the holders from time to time of the Sukuk Ijarah which are then outstanding

Sukuk Ijarah : the Islamic medium term notes issued pursuant to the Sukuk Ijarah Programme

TBE	: Tanjung Bin Energy Sdn Bhd (formerly known as Transpool Sdn Bhd) (Company No. 481582-X)
TFS	: TNB Fuel Services Sdn Bhd (Company No. 460430-K)
TJSB	: Teknik Janakuasa Sdn Bhd (Company No. 271559-H)
TNB	: Tenaga Nasional Berhad (Company No. 200866-W)
TOSMAP	: Toshiba Microprocessor Aided Power
275kV Transmission Lines	: comprising (i) the Interconnection Facilities; and (ii) the double circuit 275kV transmission lines connecting the Interconnection Facilities to an agreed Y-junction of the Grid System near Kukup with related substations, both with all structures, facilities, equipment, auxiliary equipment, devices and apparatus specified in the Transmission Works Agreement for the purpose of extending the Grid System to the Power Facility
500kV Transmission Lines	: the double circuit transmission lines connecting the Interconnection Facilities to the Bukit Batu 500/275kV substation and the Bukit Batu 500/275kV substation, both with related structures, facilities, equipment, auxiliary equipment, devices and apparatus specified in the Transmission Works Agreement for the purposes of extending the Grid System to the Power Facility
Transmission Works	: means the 275 kV Transmission Lines and the 500kV Transmission Lines
Transmission Works Agreement	: the agreement dated 25 July 2002 entered into between the Issuer and TNB
Trustee	: Maybank Trustees
Unit	: any one (1) of the three (3) generating sets forming a part of the Power Facility and comprising a coal fired boiler and a 700 MW nominal capacity steam turbine generator and ancillary equipment and facilities
Works	: all works carried out by TBP under the Transmission Works Agreement in or about the design, construction, engineering, installation, testing and commissioning of the transmission facilities and the construction interfaces (including the provision of all transmission plant)

Section 1

Executive Summary

1.1 Introduction

The Issuer proposes to issue the Sukuk Ijarah pursuant to the Sukuk Ijarah Programme and has mandated Maybank IB as the Principal Adviser/Lead Arranger for the Proposal.

1.2 Issuer

The Issuer is a limited liability company incorporated under the Companies Act 1965. The Issuer is an independent power producer and is principally involved in the design, engineering, procurement, construction, installation, commissioning, testing, operations and maintenance of the 2,100 MW coal-fired electricity generating facilities located at Tanjung Bin Daerah Pontian, Johor and the sale of electrical energy and generating capacity of the Power Facility. The Issuer is a 90% owned subsidiary of MCB while the Employees Provident Fund Board owns the remaining 10% shareholding in the Issuer.

The corporate information of the Issuer is more particularly set out in Section 2 below.

1.3 Power Plant Overview

The Power Facility consists of three (3) coal-fired generating units of 700 MW net capacity, each unit consisting of a sub-critical boiler, steam turbine generator as well as ancillary plant and equipment. The first, second and third generating unit ("**Units**") commenced commercial operation on 28 September 2006, 28 February 2007 and 31 August 2007 respectively

The interconnection facilities consist of the 275 kV and 500 kV substations and associated facilities at Tanjung Bin ("**Interconnection Facilities**") to interconnect the Power Facility to the Grid System.

The transmission facilities comprise a double 275 kV electrical circuit of approximately ten (10) kilometres to the Y-junction near Kukup, a double 500 kV electrical circuit of approximately seventy (70) kilometres to Bukit Batu, and a double 132 kV circuit of approximately twenty-five (25) kilometres strung from the Batang conductor on the quadruple towers from the Y-junction to the Tanjung Kupang 132 kV substation, and substation constructed at Bukit Batu ("**Transmission Facilities**"). Also included in the transmission are the interface points for the purpose of extending the Grid System to the Power Facility.

All units have been up and running for more than four (4) years. The Power Facility's operating performance has met the performance obligations stipulated in the PPA since the Issuer commenced commercial operations and has recorded an average availability target of 91.0%. This has enabled the Issuer to earn full available capacity payment (as defined under Section 5.1.2.1 below).

1.4 Description of the Structure of the Sukuk Ijarah Programme

Please refer to the Principal Terms and Conditions of the Sukuk Ijarah Programme in Section 6 below.

1.4.1 Utilisation of Proceeds

The proceeds raised from the issuance of the Sukuk Ijarah shall be utilised for the following Shariah compliant purposes and in the Shariah compliant manner:

Tranche	Purpose	Amount RM' million (Up to)
Tranche 1	Advance/payment to shareholder(s) by such mechanism to be determined, for capital expenditure, working capital or to defray expenses incurred in relation to the issuance of the Sukuk Ijarah.	300.0
Tranche 2	Redemption of the outstanding Existing Istisna' MTN. Balance, if any, for capital expenditure, working capital and/or defray expenses incurred in relation to the issuance of the Sukuk Ijarah.	4,200.0
TOTAL		4,500.0

1.4.2 Rating

The Rating Agency has, vide its letter dated 26 June 2012, assigned a preliminary rating of AA2 to the Sukuk Ijarah Programme.

1.4.3 Selling Restriction

The Sukuk Ijarah may only be offered to persons falling within the relevant category of the persons specified in section 4(6) of the Companies Act 1965, as amended from time to time and:

- (a) at issuance, may only be offered, sold, transferred or otherwise disposed off directly or indirectly to a person to whom an offer or invitation to subscribe the Sukuk Ijarah and to whom the Sukuk Ijarah are issued would fall within Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b), read together with Schedule 9 or Section 257(3) of the CMSA; and
- (b) thereafter, may only be offered, sold, transferred or otherwise disposed off directly or indirectly to a person to whom an offer or invitation to purchase the Sukuk Ijarah would fall within Schedule 6 or Section 229(1)(b), read together with Schedule 9 or Section 257(3) of the CMSA.

The Sukuk Ijarah are tradable subject to the selling restrictions above.

1.5 Key Financial Covenants

Under the terms of the Sukuk Ijarah Programme, the Issuer shall comply and maintain the following financial covenants throughout the tenure of the Sukuk Ijarah Programme and so long as the Sukuk Ijarah is outstanding:

- (i) DE Ratio of not more than 80:20 for the Issuer;
- (ii) FSCR of at least 1.25 times;
- (iii) FSCR of not less than 1.50 times before and after Distributions; and
- (iv) Projected FSCR of not less than 1.65 times after Distributions.

1.6 Project Documents

The primary contracting parties and the corresponding project documents involved in the Power Facility are as follows:

Project Documents	Contracting Counterparties	Date of Agreement
PPA	TBP and TNB	25 July 2002
EPC Contract	TBP and EPC Contractors	25 July 2003
OMA	TBP and the Operator	25 June 2003
CSTA	TBP and TFS	25 July 2002
Shared Facilities Agreement	TBP and TBE	27 February 2012
Land Lease Agreement	TBP and Seaport Terminal (Johore) Sdn Bhd	18 February 2003

For more details on the terms of the Project Documents, please refer to Section 5.1.2.

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Section 2

Information on the Issuer

2.1 Company Background

The Issuer, a private limited company was incorporated on 11 March 1998 with the name of SKS Power Sdn Bhd under the Companies Act 1965. On 6 January 2004, the Issuer changed its name to Tanjung Bin Power Sdn Bhd.

The registered office of the Issuer is at Level 8, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur.

2.2 Principal Activity

The principal activities of the Issuer involve: (i) the design, engineering, procurement, construction, installation and commissioning, testing, operations and maintenance of 2,100 MW coal-fired electricity generating facilities located at Tanjung Bin Daerah Pontian, Johor; and (ii) the sale of electrical energy and generating capacity of the Power Facility.

2.3 Share Capital

The authorised, issued and paid-up capital of the Issuer as at 12 June 2012 are as follows:-

	Number of Shares	Par Value (RM)	Total (RM)
Authorised share capital	50,000,000	1.00	50,000,000.00
Issued and paid-up capital	5,000,002	1.00	5,000,002.00

2.4 Profiles of Directors

As at 12 June 2012, the Board of Directors of the Issuer ("**Board**") and their respective profiles are as follows:

2.4.1 Zainal 'Abidin bin Abd Jalil

Encik Zainal 'Abidin bin Abd Jalil, aged 53 was appointed to the Board on 15 March 2011. He was appointed as Deputy Chief Executive Officer of MCB on 1 March 2011 and subsequently assumed the position of Chief Executive Officer of MCB on 1 June 2011. Having spent over 28 years with ExxonMobil, in significant leadership positions across North America, West Africa and the Asia Pacific region, he brings with him international experience and expertise in strategic planning, new business development, operations, capital project engineering and talent management.

His leadership experience in the high-technology capital-intensive industry will support MCB's aspiration to become a leading power industry player in the region. The appointment marks a return to Malaysia for him, who was based in Houston, Texas, United States of America as the Global Lead for the deployment of joint venture best practices for the international petroleum company's global operations. Prior to this functional assignment in ExxonMobil's headquarters, he was the Vice-President, Esso Exploration Angola and the General Manager of Operations for ExxonMobil Malaysia.

He is keen to bring global best practices in execution excellence and operating discipline to capture sustainable value from the power projects, both new and existing assets. His focus will be on profitable growth with a strong global presence. An engineer by training, He holds a Bachelor of Engineering in Civil Engineering from the University of Queensland, Australia.

2.4.2 Habib bin Husin

Encik Habib bin Husin, aged 51, was appointed to the Board on 11 October 2010. He obtained his Bachelor in Engineering (Electrical & Electronics) from University of Wales, United Kingdom. He started his career in 1983 as an Assistant Instrument Maintenance Engineer in Port Dickson Power Station for Lembaga Letrik Negara (now TNB). In 1985, he was transferred to Kapar Power Station (Phase I and II) and was later promoted to Instrument Maintenance Engineer in 1987. He then joined Sarawak Shell Berhad as Instrument Engineer in 1990 before moving to ICI Paints (Mal) Sdn Bhd as Works Engineer in 1992. He is responsible for all Engineering and Maintenance Aspect of ICI (Paints)'s plant located in Petaling Jaya and Nilai.

He joined MCB as Senior Manager of Technical Audit Department in July 1998. His role is to provide consultancy service on all engineering and management matters pertaining to the operations of the Lumut Combined Cycle Power Plant and to conduct technical and safety due diligence from time to time for new projects and proposed acquisitions. He has been redesignated and promoted to Assistant General Manager, Business Organisation & Technical Services on 1 January 2000.

His scope of work, in addition to the previous role, is to oversee the business reorganisation and strengthening the technical services within the group in order to drive MCB to be an international power player. In September 2001, he was promoted and transferred to General Manager-Projects in Segari Energy Ventures Sdn Bhd ("SEV"). In July 2004, he was promoted to Chief Operating Officer in SEV. He was re-designated to Senior Vice President of Business Operations Division in April 2006. In 2007, he was again re-designated as Senior Vice President of Asset Management Division, until his promotion to become the Chief Operating Officer of MCB in October, 2010.

2.4.3 Lee Khuan Eoi

Dr. Lee, aged 56, was appointed to the Board on 31 December 2010. She is currently the Director of Corporate Strategy at MMC. Prior to joining MMC, she had worked with JP Morgan Chase's Kuala Lumpur office as Vice President of its Investment Banking Division.

Dr. Lee is a Chartered Financial Analyst charterholder and holds a Bachelor of Accounting (First Class Honours) degree from University of Malaya, MBA (with Distinction) from University of Hull, United Kingdom and Doctor of Business Administration degree from University of Newcastle, Australia.

She is a member of the Malaysian Institute of Accountants, an Associate Member with Institut Bank-Bank Malaysia and is a Certified Business Coach.

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2.5 Shareholders of the Issuer

The shareholders and shareholding structure of the Issuer as at 12 June 2012 are as follows:

The shareholders of the Issuer comprise MCB and EPF, holding 90% and 10% equity stake respectively in the Issuer.

Shareholders	No. of ordinary shares held	Percentage of Shareholdings (%)
MCB	4,500,002	90%
EPF	500,000	10%
TOTAL	5,000,002	100%

2.5.1 MCB

MCB is a public limited liability company incorporated in Malaysia on 26 April 2006 under the Companies Act 1965. MMC holds in total, directly and indirectly through Anglo-Oriental (Annuities) Sdn Bhd, its wholly-owned subsidiary, 51% equity stake in MCB. The remaining 49% equity stake in MCB is held by EPF, Kumpulan Wang Persaraan (Diperbadankan), SEASAF Power Sdn Bhd and Standard Chartered IL & FS Asia Infrastructure Growth Fund Company Pte Limited.

The registered office of MCB is at Level 8, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business of MCB is at Level 12, Block 3B, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur.

2.5.2 EPF

EPF, a government-sanctioned statutory body was established under the Employees Provident Fund Act 1991. As at 31 December 2011, EPF has a total of 13.15 million members.

The EPF posted gross investment income of RM27.24 billion and has total investment assets of RM469.22 billion as at December 2011.

(Source: "EPF Declares Decade-High Dividend Of 6.00 Per Cent For 2011", EPF website dated 19 February 2012)

2.6 Key Financial Highlights

The summarised key financial figures of TBP are as follows:

Year ended 31 December	Audited Financial Information 2009 (RM'000)	Audited Financial Information 2010 (RM'000)	Audited Financial Information 2011 (RM'000)
Revenue	2,750,167	3,078,510	3,410,474
Profit Before Tax	243,740	355,796	416,223
Profit After Tax	191,118	286,208	320,601
Issued and fully paid up capital	5,000	5,000	5,000
Shareholders' Funds	293,870	460,078	720,067
Equity (shareholders advances + subordinated loans)	1,133,273	1,133,273	925,185

Total Assets	8,042,485	7,926,974	7,995,037
Total Liabilities	7,748,615	7,466,896	7,274,970
Total Bank Borrowings	4,800,000	4,290,000	3,730,000

Note:

The numbers for 2009 and 2010 are after restatements as a result of adopting IC Interpretation 4, Determining whether an Arrangement contains a lease in 2011 which was applied retrospectively and may not correspond to the audited financial statements of 2009 and 2010

The audited financial statements of TBP for the financial year ended 31 December 2011 is attached as **Appendix I**.

2.7 Conflict of Interest Situations

As at the date of this Information Memorandum, save as disclosed herein, the Issuer is not aware of any circumstances, which may potentially give rise to a conflict of interest situation in relation to the Sukuk Ijarah.

2.7.1 Maybank IB

Maybank IB is the Principal Adviser, the Lead Arranger, the Joint Lead Manager, the Facility Agent and the Security Agent (“**PA/LA/JLM/FA/SA**”) for the Proposal.

Maybank IB is the wholly-owned subsidiary of MBB. MBB and its subsidiaries (“**Maybank Group**”), within its ordinary course of business, is also a holder of the Existing Istisna’ MTN. The proceeds raised from the Sukuk Ijarah will be partly utilised to early redeem the Existing Istisna’ MTN in full.

In view of the above, there is a potential conflict of interest arising from Maybank IB’s roles as the PA/LA/JLM/FA/SA for the Proposal.

Maybank IB has considered the factors involved and it believes that objectivity and independence, in carrying out its roles as the PA/LA/JLM/FA/SA for the Proposal, have been and will be maintained at all times for the following reasons:

- (i) Maybank IB is a licensed investment bank and its appointment as PA/LA/JLM/FA/SA for the Proposal is in its ordinary course of business;
- (ii) The roles of Maybank IB will be governed by the relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of Maybank IB in its capacity as PA/LA/JLM/FA/SA for the Proposal and be carried out on an arms-length basis; and
- (iii) Save for the fees charged in relation to its roles as the PA/LA/JLM/FA/SA for the Proposal, Maybank IB will not be deriving any other monetary benefit from the Proposal outside its aforesaid capacity.

In order to further mitigate or address the above, the following measures have been taken:

- (i) The situation has been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest, the Board is agreeable to proceed with the implementation of the Proposal based on the present arrangement and terms; and
- (ii) Due diligence review pursuant to the Proposal has been undertaken by professional and independent advisers.

After making enquiries as were reasonable in the circumstances, Maybank IB as the PA/LA/JLM/FA/SA for the Proposal confirms that, to the best of its knowledge, there is no

other existing or potential conflict of interest situation in its capacity as the PA/LA/JLM/FA/SA for the Proposal other than as highlighted above.

2.7.2 CIMB

CIMB is the Joint Lead Manager for the Proposal.

CIMB and CIMB Bank Berhad ("**CIMB Bank**") are entities within the same group of companies. In the course of its ordinary business, CIMB Bank has holdings of the Existing Istisna' MTN which will be redeemed from part of the proceeds raised from the Sukuk Ijarah.

After making enquiries as were reasonable in the circumstances, CIMB as the Joint Lead Manager for the Proposal is not aware of any circumstances that would give rise to a conflict of interest in its capacity as the Joint Lead Manager for the Proposal save as described above.

CIMB has considered the factors involved and it believes that objectivity and independence, in carrying out its role as the Joint Lead Manager for the Proposal, have been and will be maintained at all times for the following reasons:

- (i) CIMB is a licensed investment bank and its appointment as the Joint Lead Manager for the Proposal is in its ordinary course of business. Furthermore, CIMB has acted as manager in numerous transactions in the Malaysian private debt securities market and is committed to upholding its professional integrity and responsibilities in relation to the Proposal; and
- (ii) The roles of CIMB will be governed by the relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of CIMB in its capacity as the Joint Lead Manager for the Proposal.

In order to further mitigate or address the potential conflict of interest described above, the following measures have been taken:

- (i) The situation has been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest, the Board is agreeable to proceed with the implementation of the Proposal based on the present arrangement and terms; and
- (ii) Due diligence review pursuant to the Proposal has been undertaken by professional and independent advisers.

2.7.3 Maybank Trustees

Maybank Trustees is the Trustee for the Proposal.

Maybank Trustees is the trustee for the Existing Istisna' MTN Programme and the wholly-owned subsidiary of MBB. Maybank Group, within its ordinary course of business, is also a holder of the Existing Istisna' MTN. The proceeds raised from the Sukuk Ijarah will be partly utilised to early redeem the Existing Istisna' MTN in full.

In view of the above, there is a potential conflict of interest arising from Maybank Trustees' role as the Trustee for the Proposal.

Maybank Trustees has considered the factors involved and it believes that objectivity and independence, in carrying out its role as the Trustee for the Proposal, have been and will be maintained at all times for the following reasons:

- (i) Maybank Trustees is a registered trustee and its appointment as the Trustee for the Proposal is in its ordinary course of business;

- (ii) The roles of Maybank Trustees will be governed by the relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of Maybank Trustees in its capacity as Trustee for the Proposal; and
- (iii) Save for the fees charged in relation to its role as the Trustee for the Proposal, Maybank Trustees will not be deriving any other monetary benefit from the Proposal outside its aforesaid capacity.

In addition to Maybank Trustees' declaration under Section 260(2) of the CMSA and in order to further mitigate or address the above, the following measures have been taken:

- (i) The situation has been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest, the Board is agreeable to proceed with the implementation of the Proposal based on the present arrangement and terms; and
- (ii) Due diligence review pursuant to the Proposal has been undertaken by professional and independent advisers.

After making enquiries as were reasonable in the circumstances, Maybank Trustees as the Trustees for the Proposal confirms that, to the best of its knowledge, there is no other existing or potential conflict of interest situation in its capacity as the Trustee for the Proposal other than as highlighted above.

2.8 Other Material Information

2.8.1 Consent from Existing Istisna' MTN Holders

As noted above, one of the purposes of the Sukuk Ijarah is to redeem in full the Existing Istisna' MTN. The early redemption of the Existing Istisna' MTN will be financed entirely through the proceeds from the Sukuk Ijarah. The approval from the holders of the Existing Istisna' MTN is required for the redemption whereby it has been made as part of the conditions precedent for the availability of the Sukuk Ijarah. The consent of the holders of the Existing Istisna' MTN has been procured via circular resolution, subject to fulfilment of the conditions pursuant thereto prior to first issuance of the Sukuk Ijarah under the Sukuk Ijarah Programme.

2.8.2 Bumiputra Shareholding Requirement

The Issuer noted the difference of the Bumiputra shareholding requirement in the Generation Licence and the general requirement prescribed by the Energy Commission under the guidelines for the independent power producer licence, which Bumiputra shareholding requirement is 30% (for which all applications for change of this requirement will be considered by the Energy Commission on a case by case basis).

The effective Bumiputra shareholding of the Issuer is 45.9%. The Issuer's shareholders, MCB currently holds 90% of equity in the Issuer whilst the remaining 10% equity is held by EPF. MMC, being the majority shareholder of MCB and the only Bumiputra entity, indirectly holds 45.9% equity in the Issuer.

The Issuer has in the letter to the Energy Commission ("EC") dated 24 April 2012 sought clarification from the EC on the interpretation of the Bumiputra shareholding requirement. The EC has reverted to the Issuer and advised the Issuer to seek the relevant clarification from Unit Kerjasama Awam Swasta ("UKAS") in relation to this issue. The Issuer has written to UKAS to seek their clarification vide its letter dated 13 June 2012. However, as of the date hereof, UKAS has yet to revert.

2.8.3 Tax Inspection

In 2008, a tax inspection was carried out on the Issuer by the Inland Revenue Board (“**IRB**”). The issue raised is in respect of the qualifying expenditure of the Power Facility costs for capital allowance. The Issuer has provided explanation, clarifications and information on the issues raised by the IRB. As of the date of this Information Memorandum, there has been no additional tax assessment imposed on the Issuer.

The Issuer believes the outcome from the tax matter will not have a material adverse impact to the cashflow nor the Sukukholders’ interests.

2.8.4 Environmental Audit

The environmental audit carried out (pursuant to section 33A of the Environmental Quality Act 1974) on the Issuer’s Power Facility between 28th - 29th December 2011 indicated a non-compliance on its water cooling system. The Issuer has submitted a corrective action report (as required) on 20 January 2012 to the Department of Environment on the non-compliance. Further to the submission of the corrective action report, the Issuer has not received any further correspondences from the DOE.

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Section 3

Information on the Power Facility

3.1 Description of Power Facility

The Power Facility is a conventionally designed pulverised coal fired power station consisting of three sub-critical boilers and tandem compound type turbine generator units (each a "Unit"). The units which are installed are chosen from proven designs which are operating under similar operating conditions, the nearest similar reference plant being the Mount Piper 2x660 MW coal fired power plant erected by Ishikawajima-Harima Heavy Industries Co Ltd (IHI), Japan and Toshiba at the Electricity Commission of New South Wales, Australia. The guaranteed net output of each Unit is 720 MW under the EPC Contract. The Units have a net output of 700 MW each at their respective interconnection points where sales of electricity to TNB are measured.

The Units burn bituminous coal and up to 30% sub-bituminous coal which are imported mainly from Australia, Indonesia and South Africa as the primary fuel, as well as from other countries within the nearby region with similar coal properties. Diesel is used only for start up and shall be transported via road tankers to the Diesel storage tank.

Each Unit has a flue gas desulphurisation plant ("FGD") and is supported by common systems including a coal handling system with its adjoining coal storage yard, a chimney, an ash handling system complete with ash pond, a once-through cooling water system with powerhouse and administration buildings, workshops, warehouses, Interconnection Facilities as well as other fixtures to complete the Power Facility.

Coal is received and stored by the coal handling system via ship unloaders and conveyors, leading to the coal storage yard and the Power Facility coal bunkers. The ash-handling system removes the bottom-ash and fly-ash from the Units, which is then dumped into the ash pond.

The Power Facility is connected to the Grid System via a 500 kV transmission line to Bukit Batu (approximately 70 kilometres) and a 275 kV transmission line to the existing Y-junction near Kukup (approximately 10 kilometres) and 132 kV conductor to the existing Tg. Kupang substation (approximately 25 kilometres).

3.2 Layout

The Power Facility is located at Lot 707 & 708, Tanjung Bin, Mukim Serkat, Daerah Pontian, Johor Darul Takzim and is situated adjacent to the mouth of Sungai Pulai in western Johor ("Site"). A land area measuring approximately nine hundred (900) acres in total has been leased to accommodate the Power Facility. The Site with its proximity to the sea shall provide the Power Facility with a source of cooling water for the steam/water cycle cooling system. Currently access to the site is either via road transport passing through several tarmac roads or water transport from Port of Tanjung Pelepas, which is two (2) kilometres across Sungai Pulai.

The power island, consisting of turbine hall and steam boilers with auxiliaries is located in the eastern portion of the plot. The coal yard is adjacent to the west, north of which is the ash pond. The coal jetty is located on the eastern border, in Sungai Pulai. Cooling water is taken in via a settling basin in the north of the plot from Sungai Pulai. The cooling water is discharged via culverts to the south. The switch yard for the export of the power is located to the north-west of the power island. Other ancillary systems such as water and waste water treatment plants, administration building etc. are located near the power island.

3.3 Plant Process and Technology of the Power Facility

The following is a brief description of the main equipment and systems of the Power Facility.

3.3.1 Steam Generator

The steam generator for the Power Facility is a sub-critical drum-type design, single reheat type and consisting of a water-cooled evaporator walls, superheaters, reheaters and economizers. The design pressure and temperature at superheater outlet is 172 bar (a) and 541°C and at reheater outlet is 40 bar (a) and 568°C at maximum capacity rating ("**MCR**"). The Power Facility is capable of operating at fixed and sliding steam pressure mode.

(a) Function

The function of the steam generator is to produce high pressure and high temperature superheated and reheated steam for electricity generation at the steam turbine generator end.

(b) Evaporator

The furnace water walls of the steam generator are fin-welded-tube water-wall panels, and are designed to be entirely suitable for burning the specified fuel taking volume, heat-absorbing surfaces and exit-gas temperatures into account.

The tube wall panels will form the first and second passes of the steam generator. The first pass basically will be the combustion zone and be fully empty without any further heating surfaces. The transition between the first and the second pass will be utilised to accommodate the platen and final superheaters and final reheaters. The second pass will house the primary superheaters and reheaters as well as the economiser tube bundles.

Boiler water from the drum is led to the inlet headers of water walls through downcomers. The downcomers are routed outside the boiler passes and are not heated. Each downcomer terminates in an inlet manifold, from where the feeder tubes connect to the inlet headers of the water wall. From the outlet headers of the water-cooled walls of the steam generator riser tubes take the steam/water mixture into the steam drum.

(c) Heating Surface

The heating surfaces consist of three stage superheater ("**SH**"), two stage reheater ("**RH**") and economiser. The SH steam flows from the drum into the primary SH, which is located in the second pass, the radiant platen secondary SH and the final SH, which is located at the furnace exit above the nose section. SH steam temperature control is achieved by two stage spray type desuperheaters. The RH is located in the second pass. The RH steam temperature control is achieved by gas dampers, as the second pass SH and RH is located in parallel flue gas paths. Emergency control of RH steam temperature is by way of a spray type desuperheater in the RH inlet. The economiser is located at the bottom of the second pass and consists of horizontal tubes with fins.

(d) Firing System

The coal firing system is of direct, pressurised type for pulverised coal. The firing system consists of the coal bunkers, coal feeders, coal mills, pulverised fuel ("**PF**") lines and the burners. The coal is fed from the coal bunkers via gravimetric coal feeders into the mills which are of vertical spindle medium speed type. In the mills the coal is pulverised and dried. Cold and hot primary air dries the coal and transports it

to the burners via pulverised coal piping. The burners are of dual flow, low NO_x type with a swirled air flow, and are arranged as opposed firing system in five rows. Light fuel oil is used for start-up.

3.3.2 Turbine System

(a) Arrangement

The steam turbine of the Power Facility is of the sub-critical design with steam conditions of 166 bar and 538°C. The tandem-compound turbine has a single high pressure and double-flow, intermediate pressure cylinder and four flows, low pressure ('LP') cylinder. The turbine is keyed at the centers of LP exhaust hood to prevent axial movement and the turbine expands from these points.

Reheated steam is admitted to the HP turbine through stop valves and control valves. Steam leads connect the control valve outlets to the steam turbine casing. Each lead is segmented and supplies a separate HP admission.

Steam is admitted to the intermediate portion of the combined HP-IP section through two combined-reheat stop and intercept valves. The steam exhausting from the reheat to the low pressure section exits at the generator end into a crossover pipe. The LP section is of double-flow construction. The fabricated-steel low-pressure hood is mounted directly on the foundation. The hoods contain the centerline-supported diaphragms as well as housing the LP rotor bearings. The LP section exhausts downward to the condenser.

(b) Turbine Casings

The stationary parts are designed for dynamic loads to which they are subjected, using alloy steels with properties suitable for the elevated temperatures encountered. These parts are designed to be tolerant of steady-state and transient thermal stresses. The configuration of these parts is compatible with the associated turbo machinery elements. For example, allowable design deflections are dictated by the proximity of rotating parts. The crossover pipe and LP casings are fabricated steel structures appropriate for the larger volumetric steam flows and lower pressures seen by these components. Ribs and reinforcements have been specially designed to support these structures, thereby avoiding pressure buckling and damping out vibratory response.

(c) Turbine Castings

Castings or shells are designed to meet the following requirements:

- Containment of high-pressure, high-temperature steam;
- Support of internal steam path mid packing;
- Built-in disassembly provisions, including lifting trunnions and jacking support surfaces;
- Provisions for supervisory instrumentation installation;
- Cyclic stress capability; and
- Hydrostatic test.

The materials used are of low-alloy steel, which have been developed over the years to provide the best material for each component. These materials have all been proven in service.

(d) HP Turbine Steam Admission

The first-stage nozzles are divided into four separate nozzle arcs, and each arc is connected independently to its own control valve. For operation with constant pressure, load is reduced by closing the valves sequentially. Sequential valve operation minimizes the losses associated with throttling in the first stage or governing stage. An alternative design is with single-admission, or full throttling controls load by throttling on all of the admission valves simultaneously. At rated load on the single-admission unit, less pressure is lost due to throttling. Hence, more pressure is available to produce power in the first stage, which improves the overall heat rate.

Steam admission mode selection is accomplished by the programmed opening of the main turbine's valves in a manner to provide full-arc and/or partial-arc admission throughout the full load range of the Unit. The admission mode can be changed at any load level or while the Unit is in the process of changing load. The transition between the two modes is also programmed as a continuous blend between the two modes, and thus provides maximum operational flexibility for achieving minimum starting and loading times while maintaining turbine stresses within safe limits. Steam admission mode selection is performed automatically when the control system is in the automatic mode of operation and can be initiated by the operator when the control system is in the semi-automatic and/or manual mode of operation.

(e) Crossover Piping

Crossover piping is used between the IP turbine section and the two double-flow LP turbine sections. The elements of this pipe are sized for the flow conditions of each section.

(f) LP Section

The double-flow LP section is designed to permit thermal expansion from the centre. The steam inlets are provided with bellows expansion joints permitting thermal expansion while preventing air leakage into the condenser. The bearings for supporting the LP rotor are mounted in the end cones and are fitted with adjustable shims for independent alignment. The LP hood is equipped with relief diaphragms to protect against over-pressurization in the event that condenser cooling water flow is interrupted. The turning gear is located at the generator-end of the hood.

(g) Arrangement of Steam Valves

Steam turbine generally has two independent sets of steam valves in series to control the turbine and protect it from dangerous overspeed. The main stop and control valves are in the main steam inlet and the reheat stop and intercept valves are in the reheat steam inlet. The control and intercept valves are positioned by the normal speed governing system and all the valves are responsible to the emergency overspeed system. The control system and steam valves are all fail-in closed position of electrical or hydraulic signal.

3.3.3 Draft System

The unit draft system consists of Combustion Air Flow and Flue Gas Flow path.

Air Flow system provides the air for combustion and heat transfer by convection in the furnace. Combustion air is supplied by means of forced-draft fans. Air from primary air fans is used to transport and dry the pulverized coal which is then led to the furnace through the pulverized fuel pipe and eventually used to support the combustion.

Flue gas is the result of the combustion transfer heat. This hot gas furnace flows to water wall, across the superheater and Heat Recovery Area ("**HRA**"). The combustion flue gas transfers heat to those sections. Flue gas from the HRA outlet is led to the Gas Air Heater ("**GAH**"), where the heat in the flue gas is transferred to combustion air. The flue gas flows through the electrostatic precipitators. The flue gas pressurised by the induced draft fans ("**IDF**") is then extracted into the atmosphere through the chimney, after being desulfurized by the FGD. The induced draft fans keep the draft in flue gas line to be negative in order to prevent dust from leaking out.

An Electrostatic Precipitator ("**ESP**") is installed at the outlet of boiler for the purpose of reducing the flue gas particulate concentration at the stack outlet to comply with the environmental regulations.

The FGD plant receives the flue gases downstream of the ESP. The FGD then reduces SO₂ content in the flue gas before it is discharged to the atmosphere through the chimney stack. FGD process utilizes seawater's inherent properties to absorb and neutralize the sulfur dioxide. Seawater is made available in large amount in the power plant as cooling medium used in the condenser system. The flue gas is routed to the "absorber" (part of FGD components) and the absorption of SO₂ in the flue gas takes place where flue gas and seawater are brought into contact in a counter-current flow. After reaction with the seawater, the desulfurised clean flue gas exhaust is emitted to the atmosphere via the chimney stack.

3.3.4 Cooling Water System

The circulating water pumps supply the condenser with circulating water from the sea for cooling process. The seawater condenses the steam in the condenser system by passing through the condenser tube side. After passing through the condenser tubes and removing the heat from the condenser, the circulating water is routed to the circulating water seal pit and later discharged to the cooling water outfall into the sea. For auxiliary cooling, the cooling water is taken from the condenser cooling water inlet; this is for the purpose of removing heat from the closed cooling water heat exchangers. The cooling water outlet from the heat exchanger is then discharged to the condenser outlet line which is routed into the circulating water outlet. The closed cycle cooling water system is designed as a loop and serves to transfer the heat dissipated by components or their auxiliary cooling water via the closed cooling water heat exchangers. At the condenser outlet, seawater is supplied to the FGD. Seawater which is not used in the FGD plant will be discharged to sea via CW outfall.

Seawater used in the FGD unit shall be treated before it is discharged by the following methods:

- By mixing chamber process where acidic absorber effluent and additional seawater are mixed to neutralise the pH.
- By aeration basin process where oxidation of SO₂ to sulphate, pH neutralization and oxygen saturation of the liquid are carried out.
- After the above process the treated seawater is routed to the seawater seal pit where the treated seawater is then discharged back to the sea.

Seawater is also taken from the condenser outlet as the means for bottom ash handling and mill pyrite transportation to the ash pond.

The circulating water system is unitised with individual travelling band screens and circulating water pumps with interconnecting discharge valves and piping. The system is equipped with cathodic protection for the purpose of corrosion protection.

3.3.5 Demineralised Water Treatment System

The demineralization water treatment plant provides the demineralised water for the boiler operations at the power plant. The demineralization water treatment plant is of ion exchange process, where ion regeneration system will be provided to regenerate the exhausted ions. The waste water produced from the ion regeneration process will be routed to the waste water treatment plant for treatment and it shall be recycled in the power plant if possible.

3.3.6 Waste Water Treatment System

The waste water treatment plant is designed to treat all effluents produced from the power plant operations in order to comply with the environmental regulations. The waste water treatment plant consists of the oily waste treatment system and chemical waste water treatment system.

Oily waste separation system separates oil from the oil containing effluents produced. The collected oil shall be collected into oil drums and shall be disposed to the approved waste collectors. The water based effluents produced in the power plant will be routed to the chemical waste water treatment plant, they shall be treated and the treated water shall be recycled for use in the power plant if possible.

Chemical waste water treatment system treats the chemical effluents from the plant through the processes of neutralisation system, coagulation and clarifier system, sludge thickener system and pH neutralization system. The sludge that is separated at the sludge thickener in the waste water treatment plant will be conveyed, collected and disposed to the approved waste collector for disposal.

3.3.7 Coal Handling and Diesel Storage Systems

A complete coal handling system including the coal handling control building is provided. As the coal supply is by means of ships, the plant is equipped with a coal jetty for receiving the coal. From the coal jetty, coal is unloaded by means of two continuous ship unloaders and delivered to the coal storage yard by means of the receiving conveyors. The jetty is capable of berthing coal ships from the Handimax size to the Cape-sized class and is capable to handle up to 150,000 DWT.

The coal storage has a storage area of 635 metres long and 357 metres wide. The coal storage capacity of the coal storage yard is about 45 days' supply of coal. A diesel storage tank of capacity of 3,000 tons is designed for diesel storage, the diesel storage capacity is sufficient for 3 cold start-ups of the Power Facility. The diesel fuel tank is constructed within bunded walls to mitigate for any emergency. Foam and fire water protection and water deluge systems are installed in the diesel fuel system.

The Power Facility's coal handling system consists of the following main items:

- Facilities to unload arriving coal supplies from the ships berthed at the power station's coal jetty;
 - Equipment for stacking coal at the Power Facility's coal storage yard;
 - Equipment for storing the coal in the Power Facility itself (e.g. near the boilers);
 - Coal unloader and networks of interlocked conveyors belts for transporting coal from ships to the coal yard and to the Power Facility's boilers; and
 - Equipment and arrangement that allows for coal blending of various sources of coal that is available at the coal yard.
-

3.3.8 Ash Handling and Waste Disposal System

(a) Ash System

The ash-handling system's scraper conveyer is installed to remove bottom ash, while pneumatic transportation equipment is installed for handling the fly ash.

(b) Bottom-ash disposal

The Power Facility's bottom-ash handling system is designed to remove the bottom-ash from the boiler and for transportation to the bottom-ash silo. From the bottom-ash silo the ash will be transported by ash slurry systems. A recirculating-water system is provided to supply water to the bottom-ash disposal system.

(c) Fly-ash disposal

The Power Facility's fly-ash handling system carries fly ash pneumatically from the precipitator hoppers, the economizer hoppers, and the air-heater hoppers to the fly-ash silo. The fly-ash silo is equipped with a vent filter, a fluidizing air system and dust-less unloaders. From the fly-ash silo, the fly-ash will be loaded on to dump trucks for disposal to the approved collector or brought to the ash pond.

3.3.9 Instrumentation and Control System

TOSMAP Distributed Control System ("DCS") is used for the main plant control while the PLC is used for the balance of plant control such as water treatment plant, main cooling water, coal handling etc. An interface will be provided between DCS and PLC to enable the operator in the Central Control Room ("CCR") to monitor the whole plant process areas. The control systems are designed with hierarchical control concept with the function of unit, group, sub-group and drive level control. A fully coordinated with an interlock and protection functions are some of the features for a safe operation through this DCS and PLC.

The Human/Machine Interface ("HMI") with visual display units ("VDUs") is centralised in the CCR to provide the overall plant control, monitoring, alarm and event function. The CCR operator is able to control and monitor the whole plant equipment except for the coal handling system which is performed from the coal handling control room.

3.3.10 Electrical Generator and Auxiliaries

The electrical generator rated at 934 MVA is mechanically driven by its associated steam turbine, electrically excited by the static-excitation system. The power output by each generator is fed mainly through the generator transformer to the 500 kV substation and from there via two 500 kV transmission lines to the TNB Grid System. In addition, part of the output from the generator is fed as auxiliary power supply to the power plant through the unit auxiliary transformer for its internal consumption; the generator is connected to the main transformers by isolated-phase bus ducts.

The generator is completely enclosed and during operations uses hydrogen gas as cooling medium for the rotor section. The ventilation system, including the fans and hydrogen coolers is self-contained and completely enclosed to prevent ingress of dirt and moisture. Stator winding is directly cooled by demineralised water in its cooling system. The generator casing is substantially cylindrical in shape and of welded gas tight construction. The end shields at either end of the casing are also of welded gas tight construction and support the generator bearings and shaft scars.

The stator core is supported by spring plates in the stator frame to isolate it from core vibration. The rotor is of gap pickup direct cooling type. Both ends of the rotor pass through the end shields, and shaft seals system are used to prevent hydrogen leakage. The generator is designed for continuous operation and is so constructed as to withstand sudden change in

load and three-phase short circuit. Various kinds of supervising, controlling and protection instruments are installed for maintaining the generator's safe operations.

3.3.11 Power Transformer

The power transformers required for the power plant are:

(a) Generator Transformer

The generator transformer with rated capacity of 890 MVA is designed for outdoor use, three-phase, oil immersed, 20/500 kV two-winding type. Its high voltage ("HV") terminals are connected to switchyard by means of conventional bushings. The low voltage terminals are connected via isolated phase bus.

(b) Unit Auxiliary Transformer

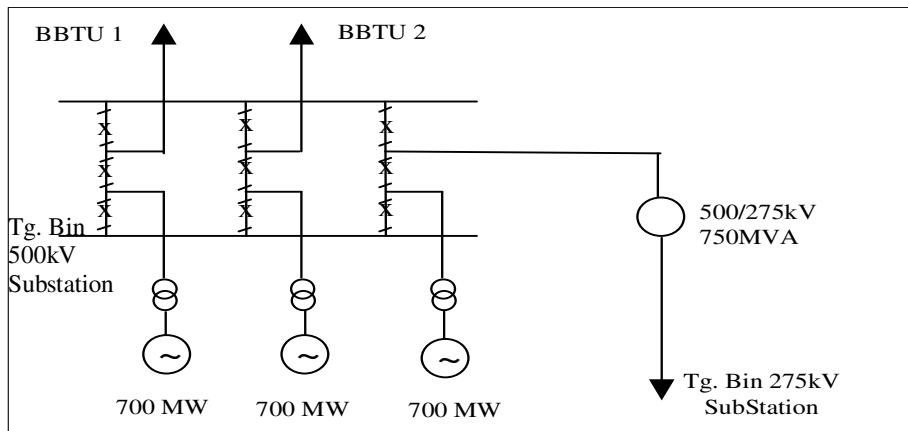
The unit auxiliary transformer with rated capacity of 120 MVA is designed for outdoor use, three-phase, oil immersed, 20/11/11 kV three-winding type. Its HV terminals are connected by means of isolated phase bus.

3.4 Description of Interconnection Facilities

3.4.1 Substation

The Tanjung Bin 500/275 kV Substation are conventional 500 kV and 275 kV outdoor types with a one and half breaker scheme for the 500 kV and double busbar system for the 275 kV.

The single line diagram is as shown below.



Major items installed at the substation are:

- Three (3) diameters of 500 kV circuit breakers for the generator transformer incomers and for the 500kV transmission line feeders.
- One (1) 750 MVA, 500/275 kV line feeders.
- Two (2) 275 kV circuit breakers for overhead auto-transformers.
- One (1) 275 kV transformer incomer circuit breaker.
- One (1) 275 kV Bus-coupler breaker.

The design of the Interconnection Facilities are capable of operation over the normal operating range, voltage, stability and loading limits. The Interconnection Facilities designs are capable of handling the load output of the Power Facility at 275 kV and 500 kV. The technical specification for the 275 kV and 500 kV substation complies with TNB technical specification furnished to TBP via TNB's letter dated 3 July 2002 to TBP. The interconnection point for each of the generators are at the connection to the surge arrestor of the HV circuit breaker feeder located at the 500 kV Tanjung Bin Substation.

3.5 Fire Protection System

3.5.1 Fire Protection and Alarm

The power plant's fire protection and alarm system is designed in accordance to the relevant National Fire Protection Association (NFTA) and BOMBA codes and guidelines; its design incorporates the latest state of the art in fire protection and alarm system engineering. All the fire protection and alarm system installed are based and conforming to NFPA850 and also in compliance with the BOMBA requirement.

3.5.2 System Description

The fire alarm central station (for control and monitoring) of the entire power plant fire protection and alarm system panel is located in the CCR. The system is continuously monitored and controlled during the power plant operations. The relevant applicable forms of fire and protection system are installed at the various parts of the power plant.

3.5.3 Fire Alarm Central Station

The fire alarm central station installed is of electronic technology using plug in units and assemblies on a modular construction panel. It is accommodated in a metal clad panel with type IP 31 enclosure for wall mounted/free standing installation.

3.5.4 Detection Systems

Various types of automatic fire detection systems are fitted at different parts of the power plant depending on its location and environment. The automatic fire detector elements (estimated to be 250 units) and its associated mountings provided are of sturdy, corrosion proof plastic housing type. It also has optical means for signalling its activation and has provision for suitable connection to an external optical alarm indication.

The various types of detectors used for the power plant fire protection and alarm systems are:

- Ionisation detector
- Smoke detector
- Flame detector
- Thermo-differential and Thermo-maximum detector
- Manual operated push buttons

3.5.5 Fire Fighting Equipment

Two fire fighting water storage tanks fitted with the fire water pumps and fittings are installed for the purpose of fire fighting. The entire power plant operating unit area is equipped with fire fighting fixed nozzles and hose reels, sprinkler system, deluge systems etc depending on their location.

Other types of fire fighting equipments that are installed at the relevant site of the power plant are:

- Fire extinguishers
- Foam fire fighting facilities
- CO2 discharge systems, some of which are designed for AUTO/MANUAL mode of operations
- Manual emergency push buttons - an estimated 250 units of manual fire alarm push-buttons are installed within the power plant

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Section 4

Financial Projection

4.1 Financial Projection

The financial projections are set out in Appendix II.

The key assumptions of the financial projections are set out in Appendix III.

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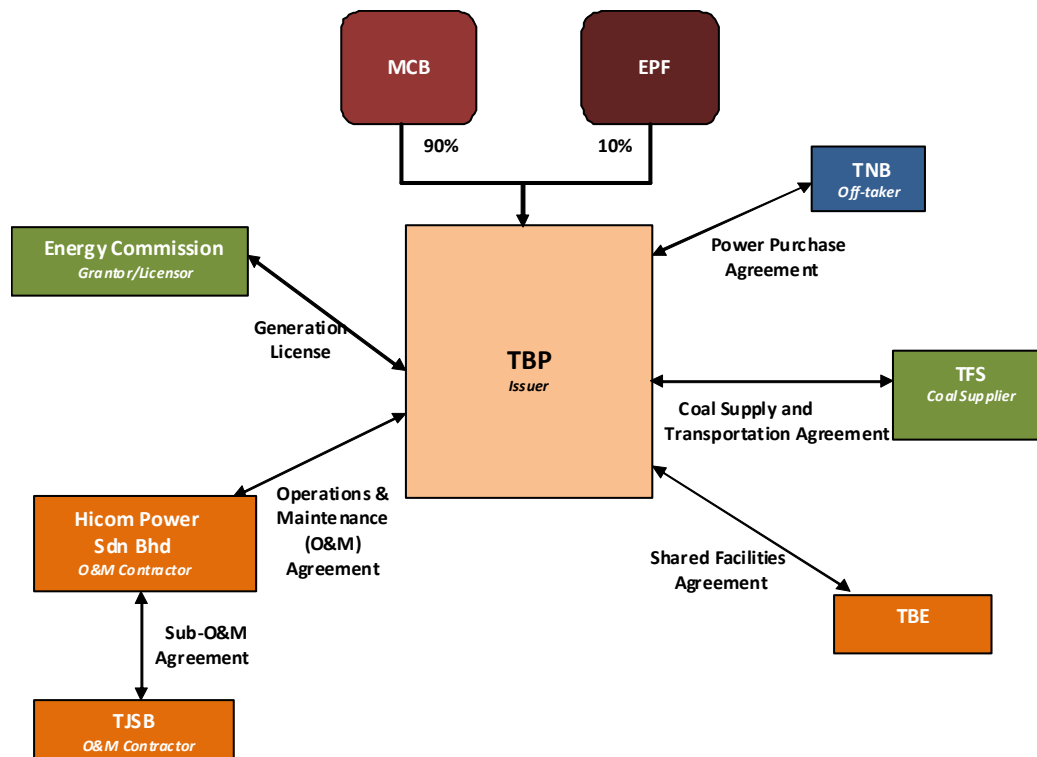
Section 5

Project Documents Overview

5.1 Summary of Project Documents and Project Parties

5.1.1 Contractual Structure

The structure of the key contractual relationships between the parties involved in the Project is shown below:



Pursuant to Section 9 of the Electricity Supply Act 1990, the Issuer has been granted the licence from the Energy Commission for, inter alia, the operation and maintenance of the Power Facility and for the delivery and sale of electrical energy and generating capacity to TNB. The Generation Licence has a term of 28 years from the issuance date of the licence.

Apart from the key contracts depicted above, the Issuer has also entered into the following Project Documents:

- EPC Contract with the EPC Contractors for the Power Facility, Interconnection Facilities and the Metering Equipment for which the obligations of the EPC Works to the Issuer is still in effect pursuant to its defect liability clauses for the Units, common facilities and the Transmission Works which the Issuer can enforce its rights against the EPC Contractors within a period of 4 years from the expiry of the warranty period in respect of each of the Unit, common facilities and the Transmission Works where the commencement of the warranty period began on the date after the Provisional Acceptance (Unit) of each of the Unit, common facilities and the Transmission Works as described under the EPC Contract (please refer to Section 5.1.2.3 for details).

Units	Warranty Period	Extended Warranty Period	Latent Defect Liability Period
First Unit & Common 1 Second Unit & Common 2 Third Unit, the Power Facility & Common 3	Warranty period in relation to each Unit shall be for a period of 24 months after the Provisional Acceptance (Unit) of each of the Unit.	Extended warranty period only applies for parts which fail during the warranty period and are replaced or repaired. The extended warranty shall be for another 24 months after the expiry of warranty period, subject to a maximum of 48 months from the start of the initial warranty period.	Latent defect period shall be for a period of 48 months after the expiry of warranty period or extended warranty, as the case may be.

5.1.2 Project Documents

The following is a summary of the material terms of the Project Documents. This summary should not be considered to be a full statement of the terms and provisions of such documents and is qualified by reference to such documents and subject to the full text thereof.

All capitalised expressions in this section of the Report (otherwise not defined herein) shall have the meanings ascribed to them in the respective agreements. The clauses set out below are the salient clauses of the said agreement.

5.1.2.1 PPA

(i) Overview

The PPA provides for the exclusive sale of generating capacity and electrical energy from the Power Facility to TNB for an initial term period of 25 years which expires on the 25th anniversary of the Commercial Operation Date (“**COD**”) of the first Unit (the “**Term**”). The initial Term may be extended for up to three additional periods of 5 years each subject to mutual agreement. The nominal capacity to be purchased from the Power Facility will be 2100 MW.

(ii) Sale and Purchase Obligations

TNB shall accept, and pay for, all test energy from the initial operation date throughout the Term. TBP shall deliver, and TNB shall accept and pay for, Net Electrical Output (“**NEO**”) as generated and Daily Available Capacity (“**DAC**”) as declared starting from the COD of each unit throughout the Term. Title and risk of loss of electrical energy generated from the Power Facility passes to TNB at the interconnection point. TNB is exempted from having to accept NEO if an Emergency Condition occurs which prevents it from doing so, or if TNB conducts necessary maintenance work on the Grid System or if the NEO delivered from the project does not conform to PPA requirements.

(iii) Payment for Energy, Availability and Start-ups

TNB shall make payments to TBP in accordance with the PPA. Payments by TNB comprises:
(i) Test Energy Payment, (ii) Energy Payment, (iii) Available Capacity Payment, (iv) Daily

Utilisation Payment and (v) Start-up Payment. All payments are to be denominated in Ringgit Malaysia.

- Test Energy Payment

TNB shall pay for any energy generated during start-up and commissioning, during any revalidation test and re-commissioning after outages. Prior to the COD of a Unit, Test Energy Payment shall be the cost of fuel used to generate the test energy. Post-COD of a Unit, TNB will pay the Energy Payment if the GSO established that the Unit would have been despatched. If the GSO established otherwise, TNB will pay the lesser of the Energy Payment calculated for the test energy delivered by the Power Facility and the amount calculated for the displaced power that would have been despatched had the Power Facility not undergone the test.

- Energy Payment

From the COD of the relevant Unit, TBP is entitled to receive from TNB Energy Payment for electrical energy delivered from the Power Facility in response to each despatch. Energy Payment is intended to compensate TBP for the variable costs of operating the Power Facility. It consists of two parts: a fuel payment to recover fuel cost and a variable payment based on the Variable Operating Rate ("**VOR**"). The fuel payment of a billing period is determined as the NEO from the Power Facility multiplied by the applicable coal price and the applicable heat rate. The applicable heat rate is based on a schedule of pre-agreed heat rates at different operating levels. The variable payment is calculated as the VOR multiplied by the NEO delivered to TNB. This VOR is expressed in sen/kWh and shall be adjusted upwards by 4% every four years.

- Available Capacity Payment ("**ACP**")

ACP is calculated to recover the project's capital cost and fixed operating costs, including debt service. ACP for Availability is based on the Tested Annual Available Capacity ("**TAAC**") of each Unit. ACP is a fixed charge that is to be paid for each Unit if that Unit is available.

The ACP comprises of two components: a Fixed Operating Rate ("**FOR**") to cover fixed operating costs, and a Capacity Rate Financial ("**CRF**") to cover capital costs. In simplified form, the ACP is calculated daily as:

$$TAAC \times [(0.85 \times CRF) + FOR].$$

The remaining 15% of the CRF is intended to be paid through Daily Utilisation Payments (as described below). The ACP is to be paid monthly. The FOR will be escalated at 4% every four years while the CRF is not subject to escalation.

TNB shall continue to make ACP to TBP as long as the relevant Unit is available, regardless of whether TNB is unable to accept electrical energy due to an Emergency Condition or repair work by TNB on the Grid System, or in the event of force majeure.

- Daily Utilisation Payment

Daily Utilisation Payments are intended to cover the remaining 15% of the CRF charge not covered through ACPs. Daily Utilisation Payment varies according to the maximum level of capacity (in MW) despatched for the day.

In simplified form, the Daily Utilisation Payment for each day is calculated as:

$$TAAC \times [(X_d - 0.85) \times CRF]$$

The despatch dependent factor X_d varies according to the Maximum Despatch Ratio ("MDR"), which is the ratio of the highest average despatched capacity (in MW) met by the Unit for the day, against the planned DAC of the relevant Unit. The factor X_d varies from 0.85 (the minimum, reflecting zero despatch level) to 1.025 (a bonus, reflecting 100% despatch level) according to an agreed table in the PPA.

For example, TBP will receive Daily Utilisation Payment for full 15% of CRF so long as it meets a daily maximum despatch of at least eighty percent (80%) of planned DAC on a weekday. Beyond 90% of the planned DAC, TBP will earn a "bonus" above the 15% of the CRF.

Because of the base-load nature of the project, TBP expects the Power Plant to be despatched at high levels such that it will receive 100% of the CRF payment (through the ACP and the Daily Utilisation Payment).

- Start-up Payment

TNB shall pay TBP for each start-up requested by TNB in excess of a pre-determined number. The amount that TNB will pay for each start-up varies according to warmth conditions prevailing at the time the start-up was requested by TNB. The PPA provides for a specific number of cold start-ups, warm start-ups and hot start-ups.

The above payments may be adjusted according to, inter alia, level of unscheduled outages and availability targets achieved by the project.

(iv) Billing and Payment

TBP is to invoice TNB on a monthly basis. TBP and TNB shall jointly read the TNB Metering Equipment on the first day of each billing period. TBP shall prepare and render monthly billing statement to TNB within 30 days of the reading. TNB shall pay TBP the ACP, Daily Utilisation Payment, Energy Payment and Start-Up Payment within 30 days from receipt of the billing statement. Payment disputes are to be settled by arbitration and the arbitration tribunal is to decide within 90 days of receipt of notice.

Any other payments due to either party shall be paid or objected to within 15 days of receipt of an itemised statement of the payment claimed. Interest of 2.0% per annum above the prevailing base lending rate of MBB is payable on overdue amounts. TBP is required to keep records, documents and other materials relating to or substantiating any charges for a minimum of seven years. TNB is entitled to inspect, examine, audit and copy such records, documents and materials.

(v) Maintenance Reserve

TBP shall establish and maintain for the term of the PPA a maintenance reserve for an amount of RM24.0 million to be built up over a three-year period from the COD of the First Unit at a rate of RM8.0 million per year. The maintenance reserve is to be used exclusively to pay for maintenance expenses for the Power Facility, and is to be replenished if withdrawn.

(vi) Despatching

At least 90 days before each contract year, TBP will issue to the Operations Committee the proposed Annual Scheduled Available Capacity ("ASAC") for each Unit for that contract year, taking into account the applicable availability target. The Operations Committee will review and agree to such ASAC, failing which the GSO will decide. The DAC (Planned) for each Unit is calculated as the weighted average of the hourly Availability in MW for that day in the agreed ASAC.

TBP shall notify the GSO each day throughout the term the Declared DAC for each Unit for the following day. TBP may redeclare any increase or deration in the Declared Daily Available

Capacity. Despatching of any Unit is at the GSO's discretion, but in accordance with Prudent Utilities Practices, the Design Limits, the Grid Code and within the generation characteristics of the PPA and not exceeding the Declared DAC for that Unit. Other than in certain defined emergency conditions, any Unit shall not be despatched at a generating level below 210 MW.

TBP shall comply with the level of generation specified in a despatch instruction. If any Unit either exceeds that level by more than 1% or fails to achieve 99% of that specified level, then that Unit will be deemed to have failed the despatch instruction. TBP is excused from such failure if the failure was caused by a force majeure event or an event attributable to TNB, the GSO or the Grid System.

If TBP fails to comply with a despatch instruction, the deemed available capacity shall be the actual generating level achieved. TBP shall pay TNB an amount equal to the capacity reduction (in kW) multiplied by the applicable Capacity Charge Rate (in RM/kW/day) multiplied by the Reference Period (as hereinafter defined) which is one-half (1/2) the period from the date on which that Unit last complied with a despatch instruction at the level of the despatch instruction that it failed to achieve until the date the availability for that Unit is next re-established pursuant to a test).

(vii) Operation, Maintenance and Testing

The Power Facility is to be operated as a fully despatchable facility. The PPA stipulates that TBP shall operate and maintain each Unit and the Power Facility in accordance with: (i) the operation and maintenance standards recommended by the Power Facility's equipment suppliers; (ii) Prudent Utility Practices; and (iii) the performance standards, operational guidelines and operating procedures prescribed in the PPA. TBP shall also operate the Power Facility in parallel with the Grid System during the term and all electrical energy delivered to TNB shall have the electrical characteristics set forth in Appendix B of the PPA.

Before the COD of a Unit, TBP shall conduct a test to determine that Unit's maximum net generating capacity ("**Contractual Available Capacity**"). Thereafter, the following tests are carried out:

- (a) on each Unit for the next Contract Year in the second half (1/2) of each contract year to establish the TAAC;
- (b) monitoring tests by TNB at any time to monitor the Declared DAC subject to a maximum of 6 tests per unit in each contract year;
- (c) revalidation tests by TBP in the following circumstances:
 - after a major overhaul outage;
 - after any TAAC test;
 - after any monitoring test or a failure by TBP to comply with a despatch instruction;
- (d) availability tests by TBP after a forced outage on any Unit.

The Contractual Available Capacity and TAAC of each Unit may not be greater than 700 MW.

The deemed declared availability of a Unit is the capacity established pursuant to a revalidation test. If TBP fails any monitoring test, the reduction in capacity shall apply for one-half (1/2) of the period from the date on which that Unit last complied with a despatch instruction at that level until the date the availability for that Unit is next re-established pursuant to a test ("**Reference Period**"). TBP shall pay TNB an amount equal to the capacity reduction (in kW) multiplied by the applicable Capacity Charge Rate (in RM/kW/day) multiplied by the Reference Period (in days or any fraction thereof).

(viii) Metering

The transfer of electrical energy across the interconnection point shall be measured using the TNB Metering Equipment. The TNB Metering Equipment shall be installed by TBP, and shall thereafter be tested and inspected jointly by TNB and TBP. If the TNB Metering Equipment is found upon testing to be inaccurate by more than +/-1%, an adjustment shall be made correcting the billing for both the amount and the period of the inaccuracy.

(ix) Fuel

Under the PPA, except as provided to be determined in accordance with the provisions thereunder, TBP shall procure all Nominated Fuel (coal) for use by the Power Facility from the nominated fuel supplier, TFS. TBP shall be responsible for the preparation and implementation of a safe, adequate and reliable coal supply plan, to be submitted to TNB 45 days prior to the beginning of each contract year.

Prior to each contract year, TNB will provide to TBP an annual despatch forecast for the Power Facility, in relation to the planning of TBP's coal supply requirements.

(x) Insurance

TBP will maintain in effect throughout the Term the following insurance policies with respect to the Power Facility:

- (a) "Comprehensive or Third Party General Liability" insurance with combined single limits for bodily injury and property damages of at least RM25.0 million per occurrence and in aggregate, where applicable, including coverage for "Operational Liability", "Contractual Liability" and "Broad Form Property Damage";
- (b) "Workers' Compensation" insurance that complies with the laws of Malaysia;
- (c) "Comprehensive Automobile Liability" or "Motor Vehicle Liability" insurance or similar insurance with combined single limit for bodily injury (to the extent that unlimited liability for bodily injury is no longer required by applicable law) and third party damage of at least RM5.0 million per occurrence and in aggregate, where applicable, covering vehicles owned, hired and non-owned;
- (d) "Contractor's All Risks" insurance and physical loss insurance against damage to the Power Facility and Interconnection Facilities in amounts not less than the construction cost of such facilities and on a replacement cost basis subject to deductibles of no more than RM2.7 million; and
- (e) "Industrial All Risks" insurance that may be required by the laws of Malaysia.

TBP shall, where applicable, cause the insurers to amend the scope of policies to include TNB, and shall apply the proceeds in accordance with the Financing Documents.

(xi) 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) strikes and/or other work stoppages or industrial action (other than those solely affecting the party claiming the same as a Force Majeure event);
- (b) acts of public enemies or terrorists or acts of war, whether or not war is declared, acts of force by a foreign nation or embargo;

- (c) public disorders, insurrection, rebellion, sabotage, riots or violent demonstrations;
- (d) explosions, fire, earthquakes, landslides, subsidence, and/or other natural calamities and acts of God;
- (e) unusually severe weather conditions;
- (f) expropriation or compulsory acquisition of the Power Facility;
- (g) failure to obtain or renew any Governmental Authorisations;
- (h) an Emergency Condition;
- (i) any Force Majeure event affecting the performance of any party to the fuel supply contracts, the EPC Contract or other contract between TBP and such person relating to the construction, operation or maintenance of the Power Facility; and
- (j) any interruption in the supply of Nominated Fuel to the Power Facility due to a Force Majeure event, default or negligence of the nominated fuel supplier under the CSTA.

Consequences of Force Majeure – Post COD

If a Force Majeure event affects TBP after the COD of any Unit, TNB shall pay TBP ACPs and Daily Utilisation Payments only to the extent the Unit is available.

If a Force Majeure event affects TNB after the COD of the First Unit, TNB shall not pay TBP in respect of the affected Unit. TNB shall continue to pay ACP and Daily Utilisation Payments in respect of all other Units to the extent available. TNB shall also pay TBP the difference between (i) its costs of debt servicing and unavoidable costs and (ii) the total ACPs and Daily Utilisation Payments due to TBP and any insurance proceeds for the period.

If a Force Majeure event prevents either party from substantially performing any material obligation for a period exceeding 180 days, that period may be extended by a further 180 days (or as agreed between the parties), or failing which, either party may terminate the PPA.

If the Energy Commission exercises its statutory right to operate the Power Facility, TNB shall continue to make Energy Payments for NEO despatched by GSO, and ACPs and Daily Utilisation Payments to the extent that the Power Facility is available and permitted by law.

(xii) Default, Termination and Step-In Rights

The PPA has provisions for events of default applicable to both TNB and TBP.

Major events of default include:

- (a) Either TBP or TNB fails to make payments due under the PPA 60 days after receipt of written notice for non-payment;
- (b) Either TBP or TNB fails to comply with any material obligation of the PPA for 180 days after being notified by the other party;
- (c) Either TBP or TNB enters receivership or becomes insolvent;
- (d) the COD for each Unit fails to occur within 6 months of the respective scheduled COD (unless excused or extended under the PPA);
- (e) TBP abandons the project after the Effective Date and fails to resume activities within a period of time agreeable to TNB;

- (f) TBP's license is suspended, revoked, terminated or expired (except due to no fault of TBP);
- (g) Without the prior written approval of the Federal Government of Malaysia, the aggregate Bumiputra interest in TBP becomes less than 51%;
- (h) Prior to the 7th anniversary of the COD of the First Unit, without the prior written approval of the Federal Government of Malaysia, save for any sale, conveyance, transfer or disposal pursuant to Islamic financing in accordance with the principles of shariah and following which TBP re-acquires title to the project, TBP sells or transfers the project or any material interest in it to any other person, or any shareholder sells or transfers any shares of TBP or there is a change in control of TBP.

If an event of default occurs which remains uncured for 180 days, the non-defaulting party may terminate the PPA by giving 14 days written notice. If the PPA is terminated by TNB due to default of TBP, then TNB has the option to purchase the Project in accordance with the pre-agreed price in Appendix K2.1 of the PPA which is equal to the Outstanding Indebtedness plus a fee of RM10.00 plus such transfer costs and deducting such retained sum held by TBP after the calculation date.

If the PPA is terminated by TBP due to default of TNB, then TBP has the option to sell the Project to TNB in accordance with the pre-agreed formula in Appendix K2.2 of the PPA. The purchase price payable post-COD of the Third Unit equals to the Outstanding Indebtedness, plus the "B" purchase price ("**B" Purchase Price**") and such transfer costs. The calculation for "B" Purchase Price is as follows:

$$\text{"B" Purchase Price} = \text{QR} + \text{SEC} - \text{SER} - \text{RS}$$

Where:

SEC = the sum of all Sponsors Gross Equity Contribution paid to TBP prior to the calculation date

SER = the sum of all Sponsors Equity Repayment paid on or prior to the calculation date

RS = the Retained Sum

QR = the quarterly return on the SEC, calculated in accordance to a prescribed formula under Appendix K of the PPA

provided that if such sum results in a negative number, the "B" Purchase Price shall be zero.

If TBP is in default and cannot perform its PPA obligations, TNB is entitled to assume responsibility for the operation of the Power Facility. TNB must first wait for the expiry of any cure period for the default in question unless requested to step-in by the financing parties. The financing parties have the right to assume, or assign to an approved assignee, the operation of the Power Facility within the cure period. TNB's step-in rights are for operation only and do not amount to a transfer of title of the project assets. TNB shall pay to TBP, in-lieu of any ACPs, Daily Utilisation Payments and Energy Payments, all scheduled debt service payments, fuel, maintenance, repairs and other operating costs. Once the default has been cured, TNB is to return the Power Facility to TBP, but not exceeding 6 months from the time TNB exercises its step in rights. Fair wear and tear excepted, TNB is obliged to return the Power Facility to TBP in a condition no worse than before stepping in. If the Energy Commission exercises its statutory right to operate the Power Facility, TNB will continue to make Energy Payments, ACPs and Daily Utilisation Payments to TBP in accordance with the PPA to the extent that the project is available and permitted by law.

(xiii) Transfers and Assignment

Except as required by the financing parties under the financing documents, TBP may not sell, convey, transfer or dispose of the project or any material part or interest therein without prior written consent of TNB. Such consent shall not be unreasonably withheld by TNB. Any transfer of controlling interest in TBP to any person who is not a shareholder of TBP on the Effective Date shall be deemed to be a transfer.

TNB shall provide its consent for assignment of rights to the financing parties and their successors for the purpose of financing or refinancing, and accept the financing parties or their agents as substitutes for TBP in event of a default. TNB shall afford the financing parties an opportunity to remedy any event of default by TBP within the relevant cure period in the PPA before termination.

(xiv) Industry Restructuring

In the event of an industry restructuring taking place, TNB and TBP shall renegotiate to amend the PPA within 6 months, failing which TNB may terminate the PPA immediately and purchase the project at the price in accordance with the pre-agreed formula and provisions of Appendix K2.3 of the PPA. The purchase price payable by TNB equals to the Outstanding Indebtedness, plus the "B" Purchase Price and such transfer costs. The calculation for "B" Purchase Price is as similar to the calculation cost where the PPA is terminated by TBP due to default of TNB.

5.1.2.2 CSTA

(i) Overview

The CSTA provides that, subject to the conditions thereof, TFS shall supply and deliver coal to the project on an exclusive basis. The term of the CSTA will mirror that of the PPA and shall, unless extended by mutual agreement, continue in effect until the expiry or earlier termination of the PPA.

(ii) Coal Supply Plan

Within 6 months of the signing of the CSTA, TFS shall prepare a master supply plan setting out the source, manner and timing in which TFS intends to procure, supply, deliver and transport coal to TBP throughout the term of the agreement. Thereafter, prior to each delivery year, TFS will provide a coal supply plan for the project, based on TBP's estimation of the amount of coal required pursuant to TNB's 5 year despatch forecast. The Coal Supply Plan is to be approved by the fuel committee as stipulated in the PPA. The fuel committee shall be established 90 days from the effective date of the PPA and will comprise 2 representatives each from TBP and TNB.

(iii) Coal Purchase Contracts

TFS will meet its coal supply obligations by entering into spot contracts, and long-term and short-term Coal Purchase Contracts ("**CPCs**"). TFS will enter into CPCs sufficient to meet 80% of the average annual coal requirement of TBP. Coal is expected to be sourced from Indonesia, Australia and South Africa.

TFS shall submit details of the intended coal producers, coal brands and CPCs for the approval of the fuel committee within 12 months from the signing of the CSTA. Upon the fuel committee's approval, TFS shall enter into the CPCs for the required amounts. If TFS fails to submit the said details to the fuel committee within the given time, TBP may terminate the CSTA and the scheduled CODs for each Unit shall be extended by 6 months.

Until the financing facilities for the project have been fully repaid, TFS is required to maintain, in each year, CPCs for 80% of the estimated coal requirement for the next delivery year.

All CPCs are subject to the approval of the fuel committee.

(iv) Coal Producers

TFS is obliged to ensure that the producers provide reasonable evidence of their ability to meet their obligations under the CPCs. TFS shall require that producers (i) maintain sufficient quantities of coal reserves required under the CPCs, (ii) are obliged to provide TBP and the financing parties with information regarding measured reserves, indicated reserves and their commitment to sell coal under other contracts, (iii) provide evidence that the respective CPCs have obtained relevant corporate authorisations and that the representations and warranties contained therein are true, and (iv) cooperate with TBP and the financing parties with any due diligence investigations and studies as may be conducted on a producer's reserves, production and delivery capacity.

(v) Delivery and Shipment of Coal

TFS is obligated to deliver coal, in accordance with a mutually acceptable delivery and shipping schedule, in the quantities specified in the monthly nomination notice submitted by TBP to TFS for each delivery month. Coal must be delivered within the specified arrival window, which is the period of 7 days when a shipment of coal is expected to arrive at the discharge port ("**Arrival Window**"), unless excused by force majeure. Title and risk of loss to any coal transfers to TBP when the coal passes over the vessel's rail at the discharge port. TBP shall be responsible for all costs of discharging the coal at the discharge port and for all stevedore charges.

TFS shall ensure that vessels used to transport coal to the Power Facility conform to the specifications of the CSTA and have sufficient insurance cover. Vessels and substitution of vessels are subject to the agreement of TBP. TFS is responsible for obtaining all consents necessary for the delivery of coal and for all costs incurred in transporting coal to the discharge port, including port costs and taxes.

TBP may cancel or reduce an order, or request TFS to divert a shipment of coal, if coal stockpiles are at a maximum due to either of the following: (i) TNB despatches the Power Facility at a lower level than TNB's prior forecast levels, (ii) forced outage, or (iii) force majeure. Any costs reasonably incurred by TFS in accommodating such requests will be borne by TBP. TBP may resell coal for purposes of stockpile management with prior written consent of TFS.

(vi) Remedial Plan and Replacement Coal

As soon as TFS is aware of any possible delay in the arrival of a shipment or availability of coal, TFS shall give written notice to TBP stating the details of such delay. If a shipment does not arrive at the discharge port by the last day of the applicable Arrival Window (unless excused by force majeure or unexpected congestion at the loading port), TFS must submit a remedial plan detailing the actions it proposes to take ("**Remedial Plan**") within three 3 days. The Remedial Plan shall be subject to TBP's approval.

TFS shall also prepare a Remedial Plan if any of the following situations occur: (i) TBP rejects a shipment of coal for failing to meet the coal quality rejection limit; (ii) a shipment is withdrawn by TFS; (iii) TFS has not specified the Arrival Window for a shipment of coal by the given period; or (v) a potential failure of delivery occurs, unless due to the fault of TBP or force majeure affecting TFS or unexpected congestion at the loading port.

If TFS fails to provide TBP with an acceptable Remedial Plan, TBP may purchase replacement coal from any other party, including existing coal producers. TFS shall use its best efforts to assist TBP in acquiring replacement coal. TFS shall reimburse TBP for any

additional costs incurred, calculated as the net difference, if any, between: (i) the reasonable actual net costs incurred by TBP for purchase and transportation of such coal and, (ii) the amount calculated by multiplying the base price with the tonnage of coal purchased adjusted for its gross calorific value.

(vii) Quality of Coal

All coal delivered by TFS shall meet the quality specifications stipulated in the CSTA and be substantially free from impurities. TBP will have the right to reject coal that fails to meet any coal quality rejection limit, as certified by the inspection company. Prior to loading, coal shall be sampled and analysed by the inspection company to determine its quality according to the specified parameters. The inspection company will transmit the results of the analysis (the "**Rejection Limit Analysis**") to all parties and such results will be final.

The marine surveyor will determine the weight of each shipment of coal. TBP may at its expense, confirm the weight of shipments using conveyor belt scales at the discharge port. If the weight difference is more than 1.0%, then the parties will co-operate to determine the cause of such difference.

TBP may reject any individual shipment of coal that exceeds any of the quality rejection limits, or if discharging the coal would cause damage to the discharge port or the Power Facility. Where coal originates from loading ports with impurities free certification, TBP may reject a shipment if the certification indicates more than negligible impurities. Upon rejection of a shipment, TFS, will at its own expense (i) promptly remove the rejected shipment; (ii) prepare and implement a Remedial Plan; (iii) reimburse TBP for any amount paid to TFS for such shipment; (iv) take steps to correct for future deliveries; and (v) compensate TBP for damage and removal costs due to spontaneous combustion or impurities (only for shipments without impurities certification). A producer is in breach of its CPC if it fails to deliver or delivers two or more shipments exceeding the quality rejection limits out of any 6 consecutive shipments. TFS has the right to terminate the defaulting producer subject to TBP's consent. In the event TBP accepts any rejectable shipment; both parties shall mutually agree on any reduction in price, in addition to applicable liquidated damages. TBP may at its option purchase replacement coal from another source in order to replace rejected coal.

(viii) Base Price, Billing and Payment

The cost of coal is a pass-through. TBP will pay the base price for coal delivered by TFS. The base price payable to TFS and the fuel payments received by TBP are calculated based on the applicable coal price.

The applicable coal price for each billing period of the PPA will be set by TNB in consultation with TFS. The applicable coal price will be set on January 1st and July 1st of each year and will be capped at a maximum price indexed to the published Japanese Benchmark Price for steaming coal ("**Cap**"). TNB will provide details of the computation of the applicable coal price and applicable coal price Cap. The base price of coal is delivered ex-ship at facility site inclusive of all costs or taxes payable by TFS and coal producers.

The base price payable by TBP to TFS will be adjusted for variations in quality parameters, such as gross calorific value, total moisture and ash content, based on certification by the inspection company. In addition, liquidated damages are payable by TFS for shipments where quality parameters exceed rejection limits.

If TBP is entitled to purchase coal from other parties under the CSTA, for instance due to a force majeure event that prevents TFS from supplying coal, then TNB will reimburse TBP for any reasonable additional costs incurred by TBP above the applicable coal price.

TFS will invoice TBP not later than the fifteenth (15th) day of each month for all shipments delivered to and accepted by TBP in the prior month. TBP shall make payment within thirty

(30) days of receipt of such invoice. Late payment charges will be levied for any undisputed amount owed by either party.

(ix) Performance Guarantee Bond

Prior to the execution of the first CPC, TFS shall deposit a performance guarantee bond for RM5.0 million to ensure its performance under the CSTA, failing which TBP may terminate the CSTA. TBP will have the right to call on the performance guarantee bond if, among others, TFS is in breach of any of its obligations or the CSTA is terminated due to TFS's default. TFS shall also require that each coal producer be obliged under its CPC to deposit with TFS a performance guarantee bond stipulating that any calls made on it will be deposited into a joint bank account of TFS and TBP. The amount of the CPC bond is equal to 5% of the cost of the annual coal quantity supplied by the coal producer.

(x) Insurances

TFS shall maintain adequate insurance as specified in the CSTA and which the financing parties may reasonably require. Insurance policies shall include TBP and its financing parties as additional insured parties.

(xi) Force Majeure

If an event or condition occurs beyond the reasonable control of either TBP or TFS and without its fault or negligence, affects its ability to perform its obligations, then for the duration of such event (defined as a force majeure event), the affected party may be excused from its obligations. Force majeure events include:

- (a) unusually severe weather conditions not reasonably foreseeable;
- (b) epidemic or plague;
- (c) acts of war (whether war has been declared or is undeclared), acts of force by a foreign nation, embargo, blockade, rationing, trade or economic sanctions;
- (d) strike, work stoppage, work to rule or other industrial action, riots or acts of terrorists;
- (e) failure (other than due to an act or omission of the affected party) to obtain or renew any required governmental approval;
- (f) accident, earthquake, flooding, sabotage or fire;
- (g) damage to, or breakdown of, any of the wharf or loading gear at the loading port or the discharge port;
- (h) unavailability or breakdown of vessels, machinery or equipment used to produce or transport coal other than due to negligence or wilful misconduct on the part of the affected party;
- (i) unavailability, obstruction or blockage of the loading port or discharge port;
- (j) unusually severe congestion or unusually long queue of vessels at the Loading Port that were not foreseeable;
- (k) any event of force majeure declared under the PPA;
- (l) any event of force majeure declared by any coal producer or TFS under the related CPC, unless due to failure to engage sufficient workforce; and

- (m) any event of force majeure declared by any transporter or TFS under related transportation contracts.

If a force majeure event occurs that prevents TFS from supplying coal to the project, TBP may purchase coal from other parties, and TNB will pay for the cost of such coal, subject to the fuel committee's approval.

(xii) Events of Default and Termination

The CSTA may be terminated by either party if TNB ceases to control TFS. If there is a change in policy allowing TBP to buy coal from other parties, then the PPA and CSTA may be amended accordingly.

Events of default include:

- (a) if either TFS or TBP fails to pay any undisputed amount when due;
- (b) any representation or warranty made in the CSTA prove to be false or misleading;
- (c) either party fails to perform its covenants or obligations within the applicable cure period, or if any obligation conflicts with legal requirements;
- (d) either TFS or TBP enters receivership or becomes insolvent.

In addition, TFS will be in default if:

- (a) three times in a delivery year, TFS fails to provide or implement an agreed Remedial Plan when due, resulting in TBP having to purchase replacement coal;
- (b) fails to make payments when due under the CPCs;
- (c) fails to maintain the required CPC quantities for each period as agreed;
- (d) fails to preserve in full force and effect the assignment to TBP of its rights in respect of the CPCs;
- (e) fails to terminate a defaulting coal producer; or
- (f) fails to submit to the fuel committee for its approval details of replacement CPCs when so required.

The CSTA provides for a program for remedies within the specified cure periods. While TFS is in default, TBP may acquire coal from any other party and TFS will bear the net incremental acquisition and transportation costs (exceeding the applicable base price). TFS may suspend any further deliveries of coal if TBP is in default.

If any event of default continues, either party may terminate the CSTA by giving 30 days written notice. If a force majeure event continues unresolved for a period of 270 days and no agreement is reached between the parties on how arrangements under the CSTA may be continued within 60 days at the end of such 270 days, either party may terminate the CSTA by giving the other party at least 30 days prior written notice of termination.

(xiii) Assignment and Financing Parties

TFS agrees to enter into an assignment and/or direct agreement with TBP and its financing parties. The assignment will provide, among others, acceptable cure rights for the financing parties and the right of the financing parties to step into the position of TBP under the CSTA.

TFS shall not, without the prior written consent of TBP, assign any of its rights or obligations under the CSTA to any person, except its rights to receive payments under the CSTA for the purpose of providing security to its financiers.

5.1.2.3 EPC Contract

(i) Overview

The EPC Contract has been completed and this includes the scope of services and obligations of the EPC Contractors. However, the defect liability period under the EPC is still running in respect of the Units and the common facilities.

(ii) Warranties and Guarantees

The EPC Contractors are obligated to re-perform their services, make replacements or repairs in order to correct any errors, defects or deficiencies, provided that such defect is discovered during the applicable warranty period. Each warranty period is twenty-four (24) months after Provisional Acceptance (Unit) of the respective Unit, common facilities and TWA Works, and in the case of a replaced or repaired part, a further 24 months from such replacement or repair. Latent defects caused by the EPC Contractor's gross negligence shall be made good by the EPC Contractors at their expense within 48 months after expiry of any applicable warranty period.

5.1.2.4 OMA

(i) Overview

Under the OMA, the Operator is to provide operations and maintenance services for the Power Facility, including the supply of parts, in consideration of which, TBP is to pay a service fee. The OMA commences from the date of the agreement and shall continue for a term of 25 years from COD of the First Unit, and may be extended subject to mutual agreement.

(ii) Obligations of the Operator

The OMA specifies the obligations of the Operator during the mobilisation period and the operating period.

During the operating period (which means the period commencing from COD of the First Unit until the end of the term), the Operator's obligations include having to provide at its cost all replacement spares, consumables and tools; operate each Unit from the Provisional Acceptance Date; carry out performance testing; prepare and deliver invoices to TNB; and implement the environmental monitoring program.

(iii) Performance Guarantee Bond

The Operator shall provide to TBP a performance guarantee bond under the OMA and such performance bond will be gradually increased upon Provisional Acceptance (Unit) of each Unit. The performance guarantee bond shall be valid until the end of the term.

(iv) Price and Payment

TBP shall pay to the Operator the following fees in accordance with Appendix 3 of the OMA:

- (a) a pre-mobilisation and mobilisation fee prior to COD of the First Unit
- (b) during the operating period, a Service Fee which consists of:

- (i) a monthly Fixed Operating Fee from COD of the First Unit
- (ii) a monthly Variable Operating Fee from COD of the First Unit, and
- (iii) start-up fees from COD of the Third Unit.

The Operator will invoice TBP monthly, and TBP is to make payment within 30 days from the date of invoice. Late payment shall accrue interest at 2% per annum above prevailing base lending rate of MBB.

(v) Curtailment of Operation

In the event that the Operator must curtail output of electricity or shut down the Power Facility due to an emergency condition or as a result of TNB or GSO's refusal to accept Net Electrical Output ("**NEO**"), TBP shall continue to pay the Service Fee and the Operator shall be excused from its performance guarantees (unless due to NEO that does not conform to electrical characteristics in the PPA).

(vi) Maintenance Reserve

The Operator will establish a maintenance reserve to be used exclusively for repair and maintenance expenses of RM36.0 million to be built up over a 3 year period from COD of the First Unit, at a rate of RM1.0 million per month. This maintenance reserve is in addition to the maintenance reserve required to be established by TBP under the PPA. Funds that are withdrawn from the maintenance reserve shall be replenished until the required level within the next 5 months, failing which TBP has the right to deduct an appropriate amount from the Variable Operating Fee to be credited into the reserve.

(vii) Variations

TBP may request the Operator to perform any additional work during the term of the agreement, with an equitable adjustment to the Service Fee and guarantees, as necessary. In addition, the Operator will be entitled to a variation order and equitable adjustments in the following situations:

- (a) change in circumstances due to a material change in law, the EPC Contract, coal brand or specifications, or site conditions that materially affect the operations of the Power Facility.
- (b) any equipment or part of the Power Facility becomes obsolete.

(viii) Insurance

It is TBP's responsibility to insure the Power Facility for their full replacement value against loss or damage. The Operator shall pay 50% of the deductibles for industrial all risks, machinery breakdown and third party general liability insurance, and in addition, pay for any increase in deductibles if such increase was a direct result of the Operator's breach or negligence. The Operator shall maintain workmen's compensation insurance and motor vehicle insurance, and shall name TBP and TNB as additional insureds. Proceeds of any claims will be paid to the relevant party except that any payment in excess of USD15.0 million shall have prior written approval of the financing parties.

(ix) Performance Guarantee

The Operator guarantees that it will meet the performance guarantees set out in the OMA, subject to each Unit passing their respective performance tests defined in the EPC Contract.

The performance guarantees relate to:

- (a) **Guaranteed Heat Rate:** the higher of applicable heat rates as set out in the PPA or the heat rate as set out in the EPC Contract multiplied by a factor of 1.04.

- (b) **Unplanned Outage Limit:** the aggregate unplanned outage should not exceed 6% of TAAC in relation to ACPs in the PPA. The aggregate unplanned outage should not exceed 3.5% of TAAC in relation to utilisation payments during peak hours. The outage limits are determined in reference to the PPA.
- (c) **TAAC:** not less than 700 MW per Unit, established in accordance with the PPA.
- (d) **Contracted Average Availability Target:** not less than the availability targets as set out in the PPA.

The Operator also guarantees that emission and discharge levels will comply with the permitted levels as stated in the EPC Contract and applicable laws.

(x) Liquidated Damages and Bonuses

If the Operator fails to achieve the performance guarantees, it shall pay to TBP liquidated damages as specified in the OMA.

The Operator's total aggregate liability shall not exceed the sum of all fixed operating fee received by the Operator for the previous 12 months preceding the date that liquidated damages first accrue.

If the Operator achieves performance levels above the performance guarantees, it is entitled to receive bonuses as specified in the OMA.

(xi) Default and Termination

(a) Events of Default

The OMA sets out events under which the Operator will be in default, and remedies available to TBP. Operator events of default include:

- wilful misconduct that is not remedied within 30 days of written notice by TBP;
- breach of any material obligation that is not remedied within 60 days of written notice by TBP;
- proceedings for insolvency, liquidation, reorganisation and similar are instituted against the Operator;
- the Operator ceases to carry on power generation and operation as its principal business;
- the Operator makes a materially false representation;

In addition, TBP has the option to either declare an event of default or exercise its step-in rights if liquidated damages become payable by the Operator and (a) TBP and the Operator fail to agree to a remedial plan within 30 days, or (b) if the Operator delays in implementation of an agreed remedial plan for more than 14 days. If TBP exercises its step-in rights, the Operator shall be entitled to the Service Fee for the duration and shall continue to pay liquidated damages.

In an event of default, TBP has the right to terminate the OMA upon 14 days written notice.

TBP will be in default if, among others, it fails to pay the Operator any payments due for 15 days and further fails to remedy within 30 days. In such an event, the Operator has the right to terminate the OMA immediately.

(b) Termination and Consequences

If the OMA is terminated, TBP will pay the Operator for work properly performed to date and reasonable termination costs. In addition, the OMA sets out the specific amounts that TBP must compensate the Operator if the OMA is terminated before, or after, COD of the First Unit for reasons other than the Operator's default.

Upon termination or expiry of the OMA, TBP will ensure that operation of the Power Facility is properly transferred to the successor operator.

The Operator acknowledges that TNB and the financing parties may exercise their step-in right for either partial or complete operational responsibility of the Power Facility.

(xii) Assignment

The OMA may not be assigned to other parties, except that TBP may assign the agreement and the performance guarantee bond to the financing parties.

(xiii) Force Majeure

A force majeure event that may excuse either party from performing its obligations include strikes or lockouts (other than those solely affecting the party), acts of terrorism or war, explosions and other acts of God, any force majeure event affecting a party to the EPC Contract or other contracts relating to ownership or construction of the project, interruption in the supply of coal due to default or force majeure under the CSTA.

If a force majeure event delays COD of the First Unit past its scheduled COD, TBP shall continue to pay a mobilisation fee until COD occurs. If a force majeure event occurs after COD of the First Unit, TBP shall continue to pay the Service Fee as long as the Unit is available, or its unavoidable costs whichever higher. However, if TNB declares a force majeure event under the PPA, then TBP shall pay only the Fixed Operating Fee to the Operator. TBP shall pay the Operator any costs incurred by the Operator to mitigate or remedy the force majeure event.

(xiv) Industry Restructuring

In the event of industry restructuring, the Operator will assist TBP by participating in any intermediate market and providing all reasonable data and advice, subject to adjustments under a variation order. If the parties fail to agree to amendments to the OMA to accommodate the restructuring within 3 months of commencement of negotiations, either party shall be entitled to terminate the agreement.

5.1.2.5 SFA

(i) Overview

Under the SFA, TBP grants a non-exclusive licence to TBE to make use of certain facilities used in the operation of the Power Facility for a period of 25 years from the date of the agreement.

(ii) Description of Shared Facilities

The shared facilities available for use by TBE include the following:

- (i) a cooling water intake;
- (ii) the coal unloading jetty;
- (iii) coal receiving belts;

- (iv) the existing ash pond and any new ash pond constructed from time to time by TBP;
- (v) the gatehouse, workshop area and chemical laboratory;
- (vi) the telecom line main distribution facility;
- (vii) the sewage treatment plant;
- (viii) the auxiliary jetty; and
- (ix) such other facilities listed in the shared facilities manual and other facilities as agreed by the parties.

(iii) Failure to provide the Shared Facilities

If TBP fails to properly operate and maintain the shared facilities and TBE is unable to make use of the shared facilities, TBE may on 7 days notice to TBP take over the operation of the shared facilities and repair and replace the shared facilities.

TBE will not be required to pay TBP amounts under the SFA where it is not able to use the shared facilities or where it assumes control of the shared facilities. TBP must reimburse TBE for its costs in operating the shared facilities.

(iv) Force Majeure

The SFA includes a general definition of force majeure events which are consistent with the PPA. The SFA provides for the suspension or excuse from the performance of obligations affected by a force majeure event. If a force majeure event affecting either party occurs, no amount will be payable by TBE under the SFA.

Neither party may terminate the SFA during the force majeure event.

5.1.2.6 Land Lease Agreement

(i) Overview

Under the land lease agreement, Seaport grants a lease of the land comprising the acquired land, jetty area and a portion of the mudflat and seafront area (collectively, the “**Land**”) to TBP for a period of 45 years and expiring on 31 January 2048 (“**Lease**”).

(ii) Assignment

Subject to TBP not being in default under this Lease, TBP shall be entitled without Seaport’s approval, to (i) assign any or all of its right under this Lease as security to the financing parties, and (ii) assign any or all of its rights under the Lease to any transferee of the project or a substantial portion thereof.

(iii) Force Majeure

The parties agree that in the event of a force majeure continuing and shall result in either party being unable to perform its respective obligations, this Lease shall not be terminated.

5.2 Generation Licence

The Power Facility is operated under a licence granted by the Energy Commission pursuant to the Electricity Supply Act 1990. The Generation Licence shall come into force from the date of issuance of licence (i.e. 26 September 2003), and shall expire 28 years from such issuance unless otherwise revoked. The Generation Licence to operate the Power Facility may be suspended or revoked by the Energy Commission upon breach of any of the conditions stipulated in the licence.

5.3 Project Insurance

5.3.1 Overview

The primary objective of the insurance policies described in this section is to protect the interests of shareholders and financiers via the protection of the assets and the operational revenue stream. The insurance policies aim to achieve these risk management objectives by mitigating risks of loss from the project to selected insurance underwriters. The insurance policies also consider the contractual obligations imposed on TBP by the respective project documents

A summary of the terms for the classes of insurance described above are set out below. For full details of the policy coverage, exclusions, terms and conditions, reference should be made to the actual policy documents.

5.3.2 Insurance for the Operation Phase

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

- Industrial All Risks - Material Damage / Loss of Revenue;
- Machinery Breakdown - Material Damage / Loss of Revenue; and
- Public Liability.

The insurance policies for the operation phase will commence upon the substantial completion of the First Unit.

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

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

The Public Liability insurance is to provide the named insureds i.e. TBP, TNB, the financiers, the Operator and other parties with an interest in the project, insurance coverage for any legal action brought against them by third parties for bodily injury, or death, or loss or damage to third party property from sudden and accidental means.

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5.3.2.1 Industrial All Risk – Material Damage and Business Interruption

Insured:	TBP, CIMB as the security agent, the Operator, TJSB as sub-contractor for O&M and TNB for their respective rights and interests
Insurers:	Allianz General Insurance Company (Malaysia) Berhad and other co-insurers (limited to the proportion of the participation)
Period:	12 months from 1 July 2012
Property covered:	Material Damage on Electricity Generating Facility of every kind and description but not limited to Buildings, Plant and Machinery, Storage Tanks and its Contents, Pipelines, Foundations of the Turbines, Boilers, Generators, Stock of Coal, Coal Yard Facilities, Jetty and all Ancillary and Common Facilities comprising of Unit 01, Unit 02 and Unit 03; and Business Interruption
Total Sum insured:	RM 7,922,455,315.07
Deductibles:	On Material Damage: (i) Full Theft: RM10,000 each and every loss (ii) All Other losses: RM1,000,000 each and every loss

5.3.2.2 Machinery Breakdown – Material Damage and Business Interruption

Insured:	TBP, CIMB as the security agent, the Operator, TJSB as sub-contractor for O&M and TNB for their respective rights and interests
Insurers:	Allianz General Insurance Company (Malaysia) Berhad (limited to the proportion of the participation)
Period:	12 months from 1 July 2012
Property covered:	Material Damage on all plant and property; and Business Interruption
Total Sum insured:	RM 6,172,455,315.07
Deductibles:	On Material Damage: (i) Steam Turbine Generating Sets: RM2,000,000 eel (ii) Generating Transformers/Boilers: RM2,000,000 eel (iii) All Other Items/Equipments: RM500,000 eel

5.3.2.3 Public Liability Insurance

Insured:	TBP, TNB, CIMB as security agent, the Operator and TJSB as sub-contractor for O&M
Insurers:	Allianz General Insurance Company (Malaysia) Berhad (limited to the proportion of the participation)
Period:	12 months from 1 July 2012

Coverage:	On the legal liability of the insured parties in respect of: (a) bodily injury to or illness of any person (b) loss of or damage to property including all costs and expenses of litigation
Limits of liability:	RM 25,000,000.00 any one occurrence and unlimited for any one period of insurance subject to RM 25,000,000.00 any one occurrence and in the aggregate in respect of Products Liability claims (limit of Indemnity is inclusive of legal costs and expenses)
Deductible:	RM 7,500.00 each and every loss in respect of Third Party Property Damage only

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Section 6

Principal Terms and Conditions

Words and expression used and defined in this Section 6 shall, in the event of inconsistency with the definition section of this Information Memorandum, only be applicable for this Section 6.

- (a) **Names of the parties involved in the proposed transaction, (where applicable)**
- (i) **Principal Adviser** : Maybank Investment Bank Berhad ("**Maybank IB**")
 - (ii) **Lead Arranger** : Maybank IB
 - (iii) **Co-arranger** : Not applicable
 - (iv) **Solicitor** : Messrs Albar & Partners, acting for Maybank IB
 - (v) **Financial Adviser** : Not applicable
 - (vi) **Technical Adviser** : Not applicable
 - (vii) **Trustee** : Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad) ("**MTB**")
 - (viii) **Guarantor** : Not applicable
 - (ix) **Valuer** : Not applicable
 - (x) **Facility Agent** : Maybank IB
 - (xi) **Primary Subscriber (under a bought-deal arrangement) and amount subscribed** : To be identified prior to the issuance of the Sukuk Ijarah (as defined in item 2(b) herein)
 - (xii) **Underwriter and amount underwritten** : The Sukuk Ijarah are to be issued on a non-underwritten basis
 - (xiii) **Shariah Adviser** : Maybank Islamic Berhad
 - (xiv) **Central Depository** : Bank Negara Malaysia ("**BNM**")
 - (xv) **Paying Agent** : BNM
 - (xvi) **Reporting Accountant** : KPMG
 - (xvii) **Calculation Agent** : Not applicable
 - (xviii) **Others (please specify)**
 - (1) **Joint Lead Managers** : Maybank IB and CIMB Investment Bank Bhd
 - (2) **Security Agent** : Maybank IB
 - (3) **Servicing Agent/ Seller/ Lessee/ Obligor** : Tanjung Bin Power Sdn Bhd

(4) Lessor	: MTB
(b) Facility Description (including the description of Islamic principle)	<p data-bbox="738 262 1362 430">: Issuance of Islamic medium term notes ("Sukuk Ijarah") pursuant to a Sukuk Ijarah programme of up to Ringgit Malaysia Four Billion and Five Hundred Million (RM4,500,000,000.00) only in nominal value based on the Islamic principle of Ijarah ("Sukuk Ijarah Programme").</p> <p data-bbox="738 462 1362 745">1. The Trustee, on behalf of the potential investors ("Sukukholders"), shall from time to time purchase certain Shariah compliant leasable assets ("Lease Assets") from the Issuer (in such capacity as the "Seller") by way of transfer of the beneficial ownership at the asset purchase price ("Asset Purchase Price") pursuant to the asset purchase agreement ("Asset Purchase Agreement"). The Asset Purchase Price will be equivalent to the Sukuk Ijarah proceeds of the relevant issuance.</p> <p data-bbox="787 777 1362 976">The value of the Lease Assets shall be in compliance with the Securities Commission ("SC") Shariah Advisory Council ("SAC") asset pricing requirements under the Islamic Securities Guidelines (Sukuk Guidelines) as may be replaced, substituted, amended or revised from time to time ("SAC Pricing Requirements").</p> <p data-bbox="787 1008 1362 1407">As the Lease Assets are currently encumbered under the Existing Istisna' MTN Programme (as defined in item 2(v)(19) herein), the Issuer shall obtain the relevant consent from the holders of the outstanding Existing Istisna' MTN (as defined in item 2(v)(19) herein) ("Noteholders") to utilize the Lease Assets for the Sukuk Ijarah. Letter of undertaking shall be procured from the security agent on behalf of the Noteholders and addressed to the Trustee that it will discharge/release the security interest created over the said Lease Assets within a stipulated period of time after receiving the redemption sums from the proceeds of the Sukuk Ijarah.</p> <p data-bbox="787 1438 1362 1638">Additionally, the Issuer shall obtain a letter of consent from the security agent on behalf of the Noteholders for (i) the incurrence of the indebtedness under the Sukuk Ijarah; and (ii) the creation of the security interests over the securities granted in respect of the Existing Istisna' MTN Programme.</p> <p data-bbox="738 1669 1362 1890">2. The Trustee (on behalf of the Sukukholders) (in such capacity as the "Lessor") shall then, from time to time enter into an agreement with the Issuer to lease the Lease Assets to the Issuer (in such capacity as the "Lessee") ("Ijarah Agreement") for a pre-determined rental amount ("Rental") and lease period from the date of the issuance of the Sukuk Ijarah up to the maturity of</p>

the Sukuk Ijarah ("**Lease Period**") pursuant to the Ijarah Agreement.

In order to ensure no duplicate usage of proportionate interest of Lease Assets for different Ijarah Agreements, as long as any Sukuk Ijarah remains outstanding, the proportionate interest of Lease Assets used under the Ijarah transaction in respect of such outstanding Sukuk Ijarah shall not be used as Lease Assets for Sukuk Ijarah to be issued unless the outstanding Sukuk Ijarah are redeemed.

3. The Issuer as Lessee shall declare a trust ("**Declaration of Trust**") over, amongst others, the Lease Assets, the present and future rights and interest in the Ijarah Agreement, the Purchase Undertaking (as defined in item 2(v)(1) herein) and the proceeds of the foregoing and Transaction Documents (as defined in item 2(v)(15) herein) (collectively the "**Ijarah Trust Assets**") in favour of the Sukukholders and issue the Sukuk Ijarah to represent the Sukukholders' undivided proportionate ownership and interest over the Ijarah Trust Assets. The Sukuk Ijarah proceeds of the relevant issuance shall be utilised by the Trustee to pay the Asset Purchase Price to the Issuer under the relevant Asset Purchase Agreement.
4. The Issuer (in such capacity as the "**Obligor**") shall grant a Purchase Undertaking to the Trustee (for the benefit of the Sukukholders), under which the Issuer shall purchase the relevant Lease Assets from the Trustee (acting on behalf of the Sukukholders) at the relevant Exercise Price (as defined in item 2(v)(2)) for the relevant Sukuk Ijarah on the earlier of:
 - (a) the maturity date of the relevant Sukuk Ijarah ("**Maturity Date**"); or
 - (b) the declaration of Event of Default (as defined in item 2(s) herein).

Pursuant to the Asset Substitution Undertaking, the Issuer shall also have the right to substitute all or part of the Lease Assets from time to time throughout the tenure of the Sukuk Ijarah Programme with qualified assets approved by the Shariah Adviser ("**Substitute Lease Assets**"), save and except in a Total Loss Event (as defined in item 2(v)(6) herein) duly notified to the Sukukholders via Trustee. The beneficial ownership of the Substitute Lease Asset will be transferred to the Trustee via an asset exchange agreement pursuant to the Asset Substitution Undertaking. The Substitute Lease Assets shall form part of the Lease Assets and thereby form

part of the Ijarah Trust Assets.

5. Under the terms of the Servicing Agency Agreement (as defined in item 2(v)(5) herein), the Issuer as the Lessee shall be appointed as the servicing agent ("**Servicing Agent**") by the Trustee as Lessor (on behalf of the Sukukholders) and will, amongst other things, be responsible, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Lease Assets and/or the related payment and/or ownership expenses in respect of the Lease Assets ("**Ownership Expenses**"), which are to be reimbursed by the Trustee (on behalf of the Sukukholders) to the Issuer upon the payment of Exercise Price pursuant to the Purchase Undertaking. This amount will be set-off against the Exercise Price.

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

6. Upon full settlement of the Exercise Price pursuant to the sale agreement or purchase notice under the Purchase Undertaking or upon the occurrence of Total Loss Event which will trigger the Mandatory Redemption (as defined in item 2(u)(3) herein) (as the case may be), the Ijarah Agreement will be terminated and the trust created under the Declaration of Trust will also be subsequently dissolved and neither the Trustee nor the Sukukholders shall thereafter have further rights and/or obligations to the Ijarah Trust Assets.

Please refer to **Annexure 1** for the structure diagram of the Sukuk Ijarah.

(c) **Issue/programme size**

- : The aggregate outstanding nominal value of the Sukuk Ijarah shall not exceed Ringgit Malaysia Four Billion and Five Hundred Million (RM4,500,000,000.00) at any point in time and shall be subject to the reduction schedule as follows ("**Sukuk Ijarah Reduction Schedule**"):

Sukuk Ijarah Reduction Schedule

Anniversary from First Issue Date (Years)	Reduction Amount (RM' million)	Programme Limit (RM' million)
1	nil	4,500
2	nil	4,500
3	nil	4,500
4	nil	4,500
5	nil	4,500
6	370	4,130
7	610	3,520

8	500	3,020
9	320	2,700
10	300	2,400
11	320	2,080
12	340	1,740
13	360	1,380
14	360	1,020
15	360	660
16	360	300
17	300	nil

The Issuer shall not reissue the Sukuk Ijarah of at least RM4,000.0 million under the first issuance of the Sukuk Ijarah Programme with tenures ranging from seven (7) to seventeen (17) years after those Sukuk Ijarah have been redeemed on their respective maturity dates.

(d) **Tenure of issue/sukuk : Tenure of the Sukuk Ijarah Programme**
programme

The Sukuk Ijarah Programme shall have a tenure of seventeen (17) years from the first issue date, wherein the first issuance of the Sukuk Ijarah shall be made within two (2) years from the date of the SC's approval.

Tenure of the Sukuk Ijarah

Each Sukuk Ijarah issued shall have tenure of more than one (1) year and up to seventeen (17) years as the Issuer may select in consultation with the Joint Lead Managers, subject to (i) the Sukuk Ijarah Reduction Schedule; and (ii) the maturity date of the respective Sukuk Ijarah not extending beyond the expiry of the tenure of the Sukuk Ijarah Programme.

(e) **Availability period of sukuk : The period commencing from the date of compliance of**
programme all conditions precedent as set out in item 2(q) below and other applicable conditions which are agreeable to the Issuer to the satisfaction of the Lead Arranger and ending on the date falling seventeen (17) years from the first issue date.

(f) **Profit/coupon/rental rate : To be determined prior to the issuance of the Sukuk**
Ijarah ("**Periodic Payment Rate**").

The "**Periodic Payment**" shall be calculated at the Periodic Payment Rate on the nominal value of the Sukuk Ijarah based on the Periodic Payment Basis (as defined in item 2(h) herein).

(g) **Profit/coupon/rental : The Periodic Payment of the Sukuk Ijarah shall be**
payment frequency payable semi-annually in arrears from the issue date of the relevant Sukuk Ijarah with the last Periodic Payment to be made on the Maturity Date of the relevant Sukuk Ijarah ("**Periodic Payment Period**").

"**Periodic Payment Date**" means the last day of the Periodic Payment Period.

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- (h) **Profit/coupon/rental payment basis** : The Periodic Payment shall be calculated based on an actual/365 number of days basis ("**Periodic Payment Basis**").
- (i) **Security/collateral (if any)** : The obligations of the Issuer and payment due under the relevant Transaction Documents, shall be secured by the following security:
- (i) Upon receipt of the consent from the relevant authorities, (1) a first fixed charge over lease of land on which the Power Plant is situated (excluding the portion of land sub-leased to Tanjung Bin Energy Sdn Bhd ("**TBE**") and such parts of land leased directly to TBE) ("**Land**") by the Issuer ("**Charge**") or, (2) the assignment over the lease of Land by the Issuer (in the event the Charge cannot be created pending the change of the categories of land use of the Land or pending the issuance of separate issue document of title of the Land) and upon the completion of the change of categories of land use of the Land or issuance of the new issue document of title, to immediately create the Charge.
 - (ii) A first ranking debenture comprising fixed and floating charges over all present and future assets of the Issuer.
 - (iii) A legal assignment over all rights, titles and benefits of the Issuer under the Designated Accounts (as defined in item 2(k) herein) and all monies standing to the credit of the Designated Accounts.
 - (iv) A legal assignment over the Issuer's rights, titles and interests under the Project Documents (as defined in item 2(v)(14) herein).
 - (v) A legal assignment over all the Issuer's takaful/insurance policies taken out or effected by the Issuer in relation to its assets and takaful/insurance proceeds arising thereunder.
 - (vi) A legal assignment of all the rights, interests and benefits of the Issuer under any performance bonds and performance guarantees issued in favour of the Issuer, if any, under the Project Documents.
 - (vii) A legal assignment over all the rights, interests and benefits of the Issuer in all the applicable licences and permits related to the Power Plant (save and except the Generation Licence issued by Ministry of Energy, Water and Communication for the operation of the Power Plant and to the extent that such licences and permits are assignable and no further consents are required to be obtained for such assignment).
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- (viii) Such other securities as may be advised by the Solicitor to the Lead Arranger and agreed with the Issuer.

Note:

The above security arrangement represents the ultimate pool of securities for the Sukuk Ijarah Programme. Pending the redemption of the Existing Istisna' MTN and as a condition precedent to the Sukuk Ijarah Programme as provided for in item 2(q) herein, the Sukuk Ijarah Programme shall be secured by item (iii) above and second debenture comprising fixed and floating charges over all present and future assets of the Issuer, provided always such creation is approved by the Noteholders and the necessary redemption statement cum letter of undertaking is issued by the facility agent/security agent of the Existing Istisna' MTN Programme to discharge, inter alia, the existing debenture, the existing assignment of takaful/insurances, the existing assignment of Project Documents that secure the Existing Istisna' MTN Programme within a stipulated period after receiving the redemption sums.

- (j) **Details on utilisation of proceeds by Issuer. If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable** : The proceeds raised from the issuance of the Sukuk Ijarah under each tranche shall be utilised for the following Shariah compliant purposes and in the Shariah compliant manner:

Tranche	Purpose	Amount RM' million (Up to)
Tranche 1	Advance/payment to shareholder(s) by such mechanism to be determined, for capital expenditure, working capital or to defray expenses incurred in relation to the issuance of the Sukuk Ijarah.	300.0
Tranche 2	Redemption of the outstanding Existing Istisna' MTN. Balance, if any, for capital expenditure, working capital and/or defray expenses incurred in relation to the issuance of the Sukuk Ijarah.	4,200.0
TOTAL		4,500.0

(k) **Sinking fund and designated accounts (if any)** : The Issuer is required to open and maintain the following Shariah compliant accounts (collectively referred to as the “**Designated Accounts**”) with a financial institution acceptable to the Security Agent:

- (i) Revenue Account (“**RA**”);
- (ii) Finance Service Reserve Account (“**FSRA**”);
- (iii) Maintenance Reserve Account (“**MRA**”); and
- (iv) Operating Account (“**OA**”).

The RA shall be operated jointly by the Issuer and the Security Agent, the FSRA shall be operated solely by the Security Agent whereas the OA and MRA shall be operated solely by the Issuer. However, upon occurrence of an Event of Default which remains unremedied or unwaived after five (5) business days of the occurrence of such Event of Default (save and except for items (i) and (ii) of item 2(s) below), the Security Agent shall be the sole signatory of all the Designated Accounts.

The Issuer may from time to time utilize the funds held in the Designated Accounts to invest in the Permitted Investments (as defined in item 2(v)(17) herein).

RA

The Issuer shall open and maintain a Shariah compliant RA for the purpose of depositing the following:

- (i) any balance in the revenue account of the Existing Istisna’ MTN Programme after redemption in full of the Existing Istisna’ MTNs and execution of the discharge documents in relation to the security created over the accounts in respect of the Existing Istisna’ MTN Programme;
 - (ii) any balances from the proceeds raised under the Sukuk Ijarah;
 - (iii) equity contributions and/or advances from the shareholders and all other forms of equity, if applicable;
 - (iv) any claims received in respect of third party performance bonds, maintenance bonds, guarantees or any other compensation received;
 - (v) FSRA amounts in excess of the Minimum Required Balance (as defined below) which are being released to the RA;
 - (vi) all revenues and/or compensation due under the PPA (as defined in item 2(v)(14) herein) and any
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other income/payments/collections received by the Issuer including but not limited to those in relation to the Power Plant, the shared facility, and/or income earned from Permitted Investments; and

- (vii) insurance/takaful proceeds in respect of insurance/takaful policies taken and maintained by the Issuer in relation to the Power Plant.

The credit balances in the RA shall be transferred to the respective Designated Accounts for application in accordance with the Priority of Cash Flow (as defined below).

Priority of Cash Flow

The credit balances in the RA shall be utilised by the Issuer for application in accordance with the priority application of cash flow as follows:

- (i) transfer of a sum to the OA for payment of operating and maintenance, taxes, duties and capital expenditure in accordance with the Operating Budget and as supported by certified true copies/originals of relevant invoices/documentary evidences;
- (ii) for payment of Periodic Payment, fees, commission and other payments payable (excluding payment of principal obligation under the Sukuk Ijarah);
- (iii) for payment of all principal obligations under the Sukuk Ijarah;
- (iv) transfer of a sum to the FSRA and MRA for compliance with FSRA and MRA requirements respectively;
- (v) for payment of permitted distributions to shareholders as contemplated under the Transaction Documents which may include payments of profit and principal for subordinated debt and loan stock, dividend payment, redemption of preference shares and/or repurchase of the Sukuk Ijarah subject to requisite terms and conditions of the Transaction Documents being met; and
- (vi) for Permitted Investments.

FSRA

The Issuer shall open and maintain a Shariah compliant FSRA and deposit any balance in the debt service reserve account of the Existing Istisna' MTN Programme into the FSRA after redemption in full of the Existing Istisna' MTNs and execution of the

discharge documents in relation to the security created over the accounts in respect of the Existing Istisna' MTN Programme, which may be drawn by the Security Agent to the extent that funds in the RA, in accordance with the Priority of Cash Flow, are insufficient to fulfil the Issuer's scheduled payment obligations under the Sukuk Ijarah.

The FSRA shall have a balance at least equal to the estimated total finance service (profit and principal payment) of the outstanding Sukuk Ijarah in the next six (6) months ("**Minimum Required Balance**"). Such Minimum Required Balance is to be maintained throughout the tenure of the Sukuk Ijarah Programme and so long as the Sukuk Ijarah is outstanding, unless withdrawn for the purposes referred to in the paragraph above, in which event the Issuer shall top-up such amount utilised (so as to maintain the relevant Minimum Required Balance) within thirty (30) days from the date of such withdrawals, failing which it shall constitute an Event of Default.

For the avoidance of doubt, if the balance in FSRA exceeds the Minimum Required Balance, the difference will be transferred to the RA for utilisation in accordance with the Priority of Cash Flow.

Funds may be withdrawn from the FSRA by the Issuer at any time provided that each withdrawal made shall be substituted with one or more irrevocable and unconditional standby letter of credit ("**FSRA SBLC**") of an equal amount given by any of the Issuer's shareholders, of which the Issuer is the beneficiary. The FSRA SBLC shall satisfy the following:

- (i) cover the amount withdrawn from the FSRA (which is substituted with such FSRA SBLC) on the issue date of such FSRA SBLC;
- (ii) FSRA SBLC must be procured prior to any withdrawal from FSRA;
- (iii) issued by a licensed financial institution with a short-term rating of P1 and a minimum long-term rating of AA2 by the Rating Agency or their local or foreign equivalents;
- (iv) If the ratings of the issuing licensed financial institution falls below the minimum rating, the shareholders will have to replace the existing FSRA SBLC with another FSRA SBLC from a licensed financial institution with an equal or higher long-term credit rating within thirty (30) days. Otherwise, the Security Agent can call on the existing FSRA SBLC and the proceeds shall be deposited into the FSRA;
- (v) provide for no recourse to the Issuer; and

- (vi) provided always that the Issuer will assign its rights, title, interest and benefits under the FSRA SBLC to the Security Agent (including but not limited to enforcing the Issuer's rights under the FSRA SBLC).

The FSRA SBLC shall be called upon if:

- (i) *such FSRA SBLC is not renewed within twenty (20) business days prior to its expiry date; or*
- (ii) *seven (7) days prior to the date of profit and/or principal payments, there is insufficient amount standing to the credit of the RA and FSRA to meet such profit and/or principal payments.*

The Security Agent shall make a claim under such FSRA SBLC and transfer the proceeds received under such claim into the FSRA.

MRA

The Issuer shall open and maintain a Shariah compliant MRA and deposit any balance in the maintenance reserve account of the Existing Istisna' MTN Programme into the MRA after redemption in full of the Existing Istisna' MTNs and execution of the discharge documents in relation to the security created over the accounts in respect of the Existing Istisna' MTN Programme. A sum of not less than Ringgit Malaysia Twenty-Four Million (RM24,000,000.00) shall be maintained in the MRA at all times. The MRA is to be used exclusively to pay for the maintenance expenses of the Power Plant.

OA

The Issuer shall open and maintain a Shariah compliant OA for the purposes of depositing:

- (i) any balance in the operating account of the Existing Istisna' MTN Programme after redemption in full of the Existing Istisna' MTNs and execution of the discharge documents in relation to the security created over the accounts in respect of the Existing Istisna' MTN Programme; and
- (ii) amounts transferred from the RA for the payment of operating and maintenance expenses, taxes, duties and recurring capital expenditures in respect of the Power Plant in accordance with the Operating Budget (as defined in item 2(v)(16) herein).

(I) Rating

- **Credit assigned** **rating(s) (please** : A preliminary rating of AA2 has been accorded to the Sukuk Ijarah Programme.

specify is this is an
indicative rating)

- **Name of rating agency** : RAM Rating Services Bhd (“**RAM**”)
- (m) **Mode of issue** : The Sukuk Ijarah may be issued via bought deal or book-building on a best effort basis or direct placement on a best effort basis.
- (n) **Selling restriction, including tradability (i.e. tradable or non-tradable)** : **Selling Restriction at Issuance**

The Sukuk Ijarah may only be offered, sold, transferred or otherwise disposed directly or indirectly to persons falling within the relevant category of the persons specified in Section 4(6) of the Companies Act, 1965, as amended from time to time, and persons to whom an offer or invitation to subscribe the Sukuk Ijarah may be made and to whom the Sukuk Ijarah are issued would fall within:

 - (i) Schedule 6 or Section 229(1)(b); and
 - (ii) Schedule 7 or Section 230(1)(b),

read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act, 2007 (“**CMSA**”), as amended from time to time.

Selling Restriction Thereafter

The Sukuk Ijarah may only be offered, sold, transferred or otherwise disposed directly or indirectly to persons falling within the relevant category of the persons specified in Section 4(6) of the Companies Act, 1965, as amended from time to time, and persons to whom an offer or invitation to subscribe the Sukuk Ijarah may be made and to whom the Sukuk Ijarah are issued would fall within Schedule 6 or Section 229(1)(b), read together with Schedule 9 or Section 257(3) of the CMSA, as amended from time to time.

The Sukuk Ijarah are tradable subject to the selling restrictions above.
- (o) **Listing status and types of listing** : The Sukuk Ijarah will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.
- (p) **Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)** : None.
- (q) **Conditions precedent** : Usual and customary conditions precedent for a facility of such nature, which shall include but not limited to the following:

A. Main Documentation

- (i) The Transaction Documents (save for the

subscription agreement, the relevant underlying agreements evidencing the underlying Shariah transaction which can only be executed after issuance of issue request and the security documents which can only be executed after the redemption of the Existing Istisna' MTN Programme and discharge/release of the security interest created thereunder by the security agent of the Existing Istisna' MTN Programme) have been executed and endorsed as exempted under Stamp Duty Exemption (No 23) Order 2000 and presented for registration, if applicable; and

- (ii) all relevant notices and acknowledgements (save and except for the notices and acknowledgements in respect of the security documents which can only be executed after the redemption of the Existing Istisna' MTN Programme and discharge/release of the security interest created thereunder by the security agent of the Existing Istisna' MTN Programme, which shall be a condition subsequent to first issuance of the Sukuk Ijarah) shall have been made or received, as the case may be.

B. The Issuer

Receipt from the Issuer of:

- (i) certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer;
- (ii) certified true copies of Forms 24, 44 and 49 of the Issuer;
- (iii) certified true copies of the board of directors' resolution of the Issuer authorising, amongst others, the establishment of the Sukuk Ijarah Programme, the issuance of the Sukuk Ijarah and the execution of the Transaction Documents;
- (iv) a list of the Issuer's authorised signatories and their respective specimen signatures;
- (v) a report of the relevant company search of the Issuer; and
- (vi) a report of the relevant winding up search of the Issuer.

C. General

- (i) Evidence that the approval from the SC in respect of the establishment of the Sukuk Ijarah Programme has been obtained;

- (ii) delivery of the certified true copy of the Generation Licence issued by Ministry of Energy, Water and Communication for the operation of the Power Plant;
 - (iii) confirmation from takaful/insurance broker acceptable to the Lead Arranger that the takaful/insurance cover is adequate, in full force and effect and in compliance with the Issuer's obligations under the Project Documents and that the Security Agent will be named as the loss-payee in respect of such takaful/insurance;
 - (iv) evidence that the Sukuk Ijarah Programme has received a minimum long term rating of AA2 from RAM;
 - (v) evidence that all the Designated Accounts have been opened;
 - (vi) evidence that the Trustee's Reimbursement Account for Sukukholders' Actions (as defined in item 2(v)(20) herein) has been opened in the name of the Trustee, having a credit balance of Ringgit Malaysia Thirty Thousand (RM30,000.00);
 - (vii) receipt of satisfactory legal opinion from the Solicitor to the Lead Arranger advising with respect to, among others, the legality, validity and enforceability of the Transaction Documents and that all the conditions precedent (other than those which have been waived by the Lead Arranger) in relation to the relevant Transaction Documents have been fulfilled (save for legal opinion in respect of the subscription agreement, the relevant underlying agreements evidencing the underlying Shariah transaction (which can only be executed after issuance of issue request) and the security documents (which can only be executed after the redemption of the Existing Istisna' MTN and discharge of the security interest by the security agent of the Existing Istisna' MTN Programme) which shall be received upon execution of such Transaction Documents);
 - (viii) evidence that the Shariah approval from the Shariah Adviser in respect of the Sukuk Ijarah Programme has been obtained;
 - (ix) receipt of the requisite approval(s) from the Noteholders, amongst others, for the early redemption of the Existing Istisna' MTN and for the use of the charged asset(s) as the Lease Assets to facilitate the sale and lease-back transaction in accordance with the Shariah principle of Ijarah contemplated herein;
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- (x) evidence of the completion of satisfactory legal due diligence exercise on the Issuer and receipt of the relevant due diligence report and confirmation/opinion from the Solicitor to the Lead Arranger;
 - (xi) receipt of redemption statement from the existing facility agent of the Existing Istisna' MTN Programme on the outstanding redemption sum due together with the details of the accounts which the redemption amount shall be remitted to;
 - (xii) evidence that the Reporting Accountant has reviewed the cash flows projections and assumptions and receipt of confirmation from the Issuer acceptable to the Lead Arranger;
 - (xiii) the letter of undertaking from the security agent of the Existing Istisna' MTN Programme to execute the relevant documents for the discharge of the existing security interests created to secure the Existing Istisna' MTN Programme and deliver to the Security Agent, the original security documents securing the Existing Istisna' MTN Programme within seven (7) business days after receiving the redemption sums from the proceeds of the Sukuk Ijarah;
 - (xiv) the letter of instruction from the Issuer to instruct the account bank of (1) the revenue account, (2) the maintenance reserve account and (3) the operating account of the Existing Istisna' MTN Programme to withdraw all the balances in the abovementioned accounts to be deposited into the RA, MRA and OA respectively upon receiving the redemption sums from the proceeds of the Sukuk Ijarah;
 - (xv) the letter of instruction from the monitoring agent of the Existing Istisna' MTN Programme to instruct the account bank of (1) the revenue account and (2) the debt service reserve account of the Existing Istisna' MTN Programme to withdraw all the balances in the abovementioned accounts to be deposited into the RA and FSRA respectively upon receiving the redemption sums from the proceeds of the Sukuk Ijarah;
 - (xvi) the letter of instruction from the Issuer to instruct the monitoring agent of the Existing Istisna' MTN Programme to withdraw all the balances in (1) the revenue account and (2) the debt service reserve account of the Existing Istisna' MTN Programme to be deposited into the RA and FSRA respectively upon receiving the redemption sums from the proceeds of the Sukuk Ijarah;
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- (xvii) the letter of undertaking from the monitoring agent of the Existing Istisna' MTN Programme to withdraw all the balances in (1) the revenue account and (2) the debt service reserve account of the Existing Istisna' MTN Programme to be deposited into the RA and FSRA respectively upon receiving the redemption sums from the proceeds of the Sukuk Ijarah;
 - (xviii) the letter of undertaking from the Issuer to withdraw all the balances in (1) the revenue account, (2) the maintenance reserve account and (3) the operating account of the Existing Istisna' MTN Programme to be deposited into the RA, MRA and OA respectively upon receiving the redemption sums from the proceeds of the Sukuk Ijarah;
 - (xix) the letter of undertaking from the senior intercreditor agent of TBE to undertake to cause a third party to accept the novation of the Shared Facilities Agreement (as defined in item 2(v) below) and assume all TBE's rights and obligations under the Shared Facilities Agreement in the event TBE's rights and obligations under the Shared Facilities Agreement are taken over by/transferred to the relevant third party for whatsoever reason, including but not limited to upon enforcement of the security by the financiers of TBE, to ensure the Issuer's rights and interests under the Shared Facilities Agreement are not affected pursuant thereto;
 - (xx) all transaction fees, costs and expenses have been fully paid or documentary evidence that it will be paid in full from the proceeds of the Sukuk Ijarah; and
 - (xxi) such other conditions precedent as set out in the relevant Transaction Documents as may be advised by the Solicitor to the Lead Arranger and mutually agreed between the Lead Arranger and the Issuer.
- (r) **Representations and warranties** **and** : Usual and customary representations and warranties for a facility of such nature, which shall include but not limited to the following:
- (i) The Issuer is a private limited company duly incorporated with limited liability under the law of Malaysia and is validly existing. No steps (other than as disclosed in the information memorandum which is to be issued in respect of the Sukuk Ijarah Programme ("**Information Memorandum**")) have been taken by the Issuer nor have any legal proceedings including winding up proceeding been commenced, instituted,
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threatened for the dissolution or for the appointment of a receiver, receiver and manager, liquidator, judicial manager or such similar officer which has not been set aside by the Issuer within forty five (45) days of such action coming to the knowledge of the Issuer.

- (ii) The Memorandum and Articles of Association of the Issuer incorporate provisions which authorise, and all necessary corporate action has been taken to authorise, and all authorisations of any governmental or other authority have been duly and unconditionally obtained and are in full force and effect which are required to authorise the Issuer to own its assets, carry on its business as it is being conducted and which, if not obtained, would have a Material Adverse Effect (as defined in item 2(v)(18) herein), sign and deliver, and perform the transaction contemplated in the Transaction Documents and the Project Documents, to issue the Sukuk Ijarah and to perform its obligations specified therein and under the Sukuk Ijarah in accordance with its terms.
 - (iii) Neither the execution and delivery of the Transaction Documents nor the issue of the Sukuk Ijarah nor the performance of any of the transaction contemplated in the Transaction Documents will (a) contravene or constitute a default under any provision contained in any agreement, instrument, judgment, order, license, permit or consent by which the Issuer or any of its assets is bound or affected or (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its Memorandum and Articles of Association or in any other law, order, judgment, agreement, instrument or otherwise, to be exceeded or (c) contravene or constitute a default under any provision contained in any law by which the Issuer or any of its assets is bound or affected.
 - (iv) No event has occurred which constitutes, or which with the giving notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under, any agreement or instrument by which the Issuer or any of its assets is bound or affected, being a contravention of default which would have a Material Adverse Effect.
 - (v) No litigation, arbitration or administrative proceeding or claim which would by itself or together with any other such proceedings or claims have a Material Adverse Effect is presently in progress or pending or, to the best of the knowledge, information and belief of the Issuer, threatened against the Issuer or any of its
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assets and which has not been set aside, settled or had any defence entered in respect thereof by the Issuer within thirty (30) days of the institution thereof.

- (vi) All necessary returns have been delivered by or on behalf of the Issuer to the relevant taxation authorities and the Issuer is not in default of the payment of any taxes save and except for taxes that are being contested in good faith and by appropriate means and an adequate reserve has been set aside with respect to taxes which is not disclosed in the Issuer's latest audited financial statements.
- (vii) The audited financial statements of the Issuer have been prepared on a basis consistently applied and in accordance with approved accounting standards in Malaysia and give a true and fair view of the results of its operations for each respective year and the state of affairs at that date, and in particular disclose all material liabilities (actual or contingent) of the Issuer.
- (viii) Save and except as disclosed in the Information Memorandum and the Security Interest which is created in respect of the Existing Istisna' MTN Programme, none of the assets of the Issuer is affected by any mortgage, charge, pledge, lien, caveat, right of set off or any security whatsoever, howsoever created or arising ("**Security Interest**"), and the Issuer is not a party to, nor is it or any of its assets bound by any order, agreement or instrument under which the Issuer is, or in certain events may be required to create, assume or permit to arise any Security Interest (other than permitted under the Transaction Documents).
- (ix) The Information Memorandum and the written information furnished or to be furnished by the Issuer in connection with the Transaction Documents do not contain any statement or information that is false or misleading and there is no material omission in respect thereof, and all expressions or expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful enquiry by the Issuer.
- (x) The Issuer is in compliance and will comply with any applicable laws and regulation where non-compliance would have a Material Adverse Effect.
- (xi) Such other representations and warranties as may be advised by the Solicitor to the Lead Arranger and to be mutually agreed between the Lead Arranger and the Issuer.

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- (s) Events of Default** : Usual and customary Events of Default for facility of such nature, which shall include but not limited to the following:
- (i) The Issuer fails to pay any sum due under the Sukuk Ijarah on the due date thereof or upon written demand by the Trustee.
 - (ii) The Issuer fails to pay any amount (other than such amount due under the Sukuk Ijarah) due under the Transaction Documents on the due date or, if so payable, on demand and such failure to pay is not remedied within seven (7) days from the date such amount is due or demanded.
 - (iii) The Issuer fails to observe or perform its obligations under any of the Sukuk Ijarah or under any of the Transaction Documents or under any undertaking or arrangement entered into in connection thereof (other than any covenant to pay as set out under paragraphs (i) and (ii) above) and which, in the opinion of the Trustee, is capable of remedy, is not remedied within thirty (30) days after the Issuer becomes aware of such default or after notice to the Issuer from the Trustee or the Security Agent requesting action to remedy the same.
 - (iv) Any of the Project Documents is terminated or there has been a breach of any material obligations by the project counterparties under any of the Project Documents which would have Material Adverse Effect and which, if capable of remedy, has not been remedied to the satisfaction of the Trustee within thirty (30) days after the Issuer become aware or having been notified of such breach.
 - (v) Any indebtedness for borrowed moneys of the Issuer of more than RM50,000,000 becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged or disputed in good faith by the Issuer in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call, or the Issuer goes into default under, or commits a breach of, any agreement or instrument relating to any such indebtedness, guarantee or other obligations, and such default has a Material Adverse Effect or any security created to secure such indebtedness becomes enforceable;
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- (vi) An encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or substantial part of the business or assets of the Issuer, or distress, legal process, sequestration or any form of execution is levied or enforced or instituted against the Issuer, or any Security Interest which may for the time being affect any of its assets becomes enforceable.

For the purpose of this paragraph (vi), references to “**substantial**” shall mean such value which would have a Material Adverse Effect;

- (vii) Any representation or warranty made under any provision of the Transaction Documents or any information, notice, opinion or certificate or other document delivered pursuant to the terms of the Transaction Documents proves to have been incorrect or misleading in any material respect as of the date at which such representation or warranty is made or repeated or such information, notice, opinion or certificates or other document is delivered in reference to the facts and circumstances existing at such date.

- (viii) Any of the following events occurs in respect of the Issuer or TNB:

- (a) any step is taken for the winding up, dissolution or liquidation of the relevant party or a resolution is passed for the winding up of the relevant party or a petition for winding up is presented against the relevant party and the relevant party has not taken any action in good faith to set aside such petition within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the relevant party;
 - (b) an application is made to a court for an order appointing a liquidator or provisional liquidator in respect of the relevant party, or one of them is appointed, whether or not under an order;
 - (c) a receiver, receiver and manager, liquidator, trustee or similar officer is appointed in respect of any part of the property of the relevant party and such appointment is not discharged within thirty (30) days;
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- (d) the relevant party convenes a meeting of any one or more of its creditors or proposes or makes any arrangement including any scheme of arrangement or composition or begins negotiations with any one or more of its creditors, or takes any proceedings or other steps, with a view to a readjustment or rescheduling or deferral of all or any part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any part of its indebtedness or makes any assignment for the benefit of its creditors (other than for the purposes of and followed by a reconstruction previously approved in writing by the Trustee, unless during or following such reconstruction the relevant party becomes or is declared to be insolvent);
 - (e) a scheme of arrangement under Section 176 of the Companies Act, 1965 has been instituted against the relevant party;
 - (f) the relevant party is deemed unable to pay any of its debts within the meaning of Section 218(2) of the Companies Act, 1965 or become unable to pay any of its debts as and when they fall due or suspend or threaten to suspend making payments in relation to all or any class of its debts;
 - (g) the relevant party fails to satisfy any judgment exceeding Ringgit Malaysia Five Million (RM5,000,000.00) passed against it by any court of competent jurisdiction and no appeal against such judgment has been made to any appropriate appellate court within the time prescribed by law or such appeal has been dismissed; or
 - (h) anything analogous or having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction.
- (ix) Any of the assets, undertakings, rights or revenue of the Issuer is seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body, which in the opinion of the Trustee, may have a Material Adverse Effect on the Issuer
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- (x) Any consent, authorisation, license or approval of the Issuer is modified, revoked, invalidated or withheld that either (a) impairs or prejudices the Issuer's ability to comply with the terms and conditions of the Sukuk Ijarah or the Transaction Documents or (b) is required and necessary for the Power Plant, and the Trustee is of the opinion that such event would have a Material Adverse Effect;
- (xi) For whatever reason any of the Security Interests created under any of the security documents cannot be perfected or is in jeopardy or rendered invalid or defective in any way;
- (xii) Any non-compliance in relation to the Minimum Required Balance unless such non-compliance is remedied within thirty (30) days from the date the Minimum Required Balance is to be deposited.
- (xiii) Such other events of default as prescribed by the SC's Trust Deeds Guidelines with appropriate remedy periods and materiality thresholds as may be advised by the Solicitor to the Lead Arranger and to be mutually agreed between the Issuer and the Lead Arranger.

Upon occurrence of an Event of Default, which is continuing, the Trustee may, or if instructed by the Sukukholders (by way of an extraordinary resolution) in writing, shall declare that an Event of Default has occurred and the Trustee/Security Agent shall be entitled to enforce its rights under the Transaction Documents. Notwithstanding the stated maturity of the Sukuk Ijarah, the Exercise Price shall be immediately due and payable pursuant to the (deemed) acceptance by the Issuer of the purchase notice under the Purchase Undertaking issued by the Trustee (on behalf of the Sukukholders). Further, the Sukuk Ijarah Programme shall be cancelled and the Issuer shall not be entitled to issue any further Sukuk Ijarah pursuant to the Sukuk Ijarah Programme.

(t) Covenants

: Positive Covenants

Usual and customary positive covenants for a facility of such nature, which shall include but not limited to the following:

- (i) The Issuer shall promptly furnish to the Trustee one (1) copy (or additional copies as may be requested) of every notices or other document:

- (1) received by the Issuer from any of its

shareholders or its creditors which contents relate to any matter that could materially and adversely affect the interests of the Sukukholders; and

- (2) dispatched by the Issuer to its shareholders (or any class of them) in their capacity as shareholders or its creditors generally at the same time as these documents are dispatched to these shareholders or creditors;
 - (ii) As soon as they become available, the Issuer shall, at some date not later than one hundred eighty (180) days after the end of each of its financial year, cause to be delivered to the Trustee, copies (in sufficient number for the Sukukholders as notified by the Trustee) of its financial statements for that particular year (including income statements and balance sheet of the Issuer) duly audited and certified by the auditors;
 - (iii) As soon as they become available, the Issuer shall in respect of each half-year of the Issuer's financial year, and in any case within ninety (90) days of the expiration of such half-year, cause to be delivered to the Trustee copies of its unaudited half-yearly financial statements for that period (including income statements and balance sheet) of the Issuer signed by any of its directors;
 - (iv) The Issuer shall promptly give to the Trustee, such additional financial or other information relating to the Issuer's business and its operations, which shall include but not limited to any information relating to the Power Plant, as the Trustee may from time to time reasonably request or as is required for the purpose of the discharge of the duties and obligations of the Trustee under the trust deed relating to the Issuer's affairs to the extent permitted by law;
 - (v) The Issuer will exercise reasonable diligence in carrying out and conducting its business in a proper and efficient manner and in accordance with sound financial and commercial standards and practices of the power industry;
 - (vi) The Issuer shall maintain in full force and effect and shall comply with all relevant authorisations, approvals, consents, licenses, rights, permits (governmental or otherwise) and environmental laws and will promptly obtain any further authorisations, approvals, consents, licenses, rights and permits (governmental or otherwise) which is or may
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become necessary (a) to enable it to own its assets, to comply with all relevant environmental laws and regulations, to carry on its business, where the absence of such authorizations, consents, licenses, approvals and permits will have a Material Adverse Effect or (b) for the Issuer to enter into or perform its obligations under the Transaction Documents or to ensure the validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the Sukukholders under the Transaction Documents;

- (vii) The Issuer shall promptly comply with all applicable provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by the SC, BNM and any other relevant regulatory authorities from time to time in relation to the Sukuk Ijarah.
 - (viii) The Issuer will comply with its obligations under the Central Securities Depository and Paying Agency Rules and, without prejudice to the generality of the foregoing, at all times maintain a Paying Agent with a specified office in Malaysia.
 - (ix) The Issuer will procure that the Paying Agent will notify the Trustee in the event that the Paying Agent does not receive payment from the Issuer on the due dates as required under the trust deed and the terms and conditions of the Sukuk Ijarah;
 - (x) The Issuer shall notify the Trustee in writing immediately in the event that the Issuer becomes aware of the following events:
 - (a) the occurrence of any Event of Default or any event that has caused or could cause any amount secured or payable under the Sukuk Ijarah to become immediately payable or the Sukuk Ijarah to become immediately enforceable or any other right or remedy under the terms, provisions and covenants of the Sukuk Ijarah and the trust deed have become immediately enforceable or any event which, upon the giving of notice and/or lapse of time and/or the issue of a certificate and/or the fulfilment of the relevant requirement as contemplated under the relevant Transaction Document would constitute an Event of Default ("**Potential Event of Default**"), and it shall take all reasonable steps and/or such other
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steps as may reasonably be requested by the Trustee to remedy and/or mitigate the effect of the Event of Default or the Potential Event of Default and will provide, upon demand from the Trustee, a certificate signed by a director confirming whether any Event of Default has occurred or is continuing;

- (b) any circumstance that has occurred that may materially prejudice the Issuer, the interests of the Sukukholders or any security created pursuant to the Sukuk Ijarah or the trust deed and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer before any court or tribunal or administrative agency which would have a Material Adverse Effect;
 - (c) any change in the utilisation of proceeds from the Sukuk Ijarah from that set out in the Information Memorandum or any agreement entered into in connection with the Sukuk Ijarah which sets out a specific purpose for which proceeds are to be used;
 - (d) any change in the nature of the business of the Issuer or change in the board of directors of the Issuer;
 - (e) any change in the withholding tax position or taxing jurisdiction of the Issuer;
 - (f) any event of default in relation to other indebtedness of the Issuer or any occurrence that in its reasonable opinion might adversely affect its ability to perform and fully comply with its obligation under the trust deed; and
 - (g) any other matter that may materially prejudice the interests of the Sukukholders.
- (xi) The Issuer shall promptly perform and carry out all its obligations under the Sukuk Ijarah, the Transaction Documents and the Project Documents (save and except for the Shared Facilities Agreement) in accordance with their terms (including but not limited to the redemption of the Sukuk Ijarah on the relevant maturity date) and ensure that it shall immediately notify the Trustee in the event that
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the Issuer is unable to fulfill or comply with any of such provisions.

- (xii) The Issuer shall promptly perform and carry out all its obligations under the Shared Facilities Agreement in accordance with its terms and ensure that it shall immediately notify the Trustee in the event that the Issuer is unable to fulfill or comply with any of such provisions which would have a Material Adverse Effect.
 - (xiii) The Issuer shall prepare and provide the Trustee with a certificate at the end of each financial year of the Issuer signed by a director certifying that the Issuer has complied with all its covenants, representations, warranties and other obligations under the relevant Transaction Documents and the Sukuk Ijarah and that there does not exist and there has not at any time existed, from the date of issuance of the Sukuk Ijarah (or the date of the previous certificate, as the case may be) any Event of Default and if such is not the case, the certificate should specify the same.
 - (xiv) The Issuer will promptly pay all taxes and any other governmental charges save for those being contested in good faith by the Issuer and for which the Issuer has adequately set aside or reserved a sum of money for.
 - (xv) The Issuer shall maintain adequate takaful/insurance which a prudent company carrying on a business similar to the Issuer would normally insure and shall notify the Trustee of any event which will or may give rise to any claim or right of action under any such takaful/insurances;
 - (xvi) The Issuer shall deliver a certified true copy of additional Project Documents entered into from time to time (if any) to the Trustee.
 - (xvii) The Issuer shall keep proper book and accounts and provide to the Trustee and any person appointed by it, during business hours, upon the receipt of three (3) days' prior written notice, access to such books and accounts and further, if required by the Trustee cause its auditors to examine its books, accounts and other records and investigate its affairs and furnish the Trustee with such certificate or information pertaining thereto as the Trustee will require for the performance of its duties under the trust deed or as the Trustee may from time to time require in connection with any calculation or matter arising under these presents and/or the Transaction Documents.
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- (xviii) The Issuer will do all acts and take all steps necessary or expedient to safeguard and preserve its assets and each part thereof or the title or ownership thereto and the Security Interests created pursuant to the security documents (save and except for any assets which are required to be transferred under the PPA).
- (xix) The Issuer shall grant TBE continual access to and usage of the shared facilities pursuant to the Shared Facilities Agreement at all times, including, but not limited to the event where TBE's financing parties exercise their step-in rights pursuant to TBE's financing documents.
- (xx) The Issuer shall subordinate all shareholders' advances save and except that dividends and/or principal/profit payments on subordinated loans/shareholders' advances may in certain circumstances be declared as permitted under the Transaction Documents.
- (xxi) The Issuer shall ensure that MCB shall hold no less than fifty one percent (51%) of the shareholding in the Issuer.
- (xxii) The Issuer shall deliver to the Trustee and the Facility Agent at least sixty (60) days in advance of the beginning of each financial yearly period, the Operating Budget.
- (xxiii) The Issuer shall ensure that the terms in the trust deed do not contain any matter which is inconsistent with the provisions of the Information Memorandum unless it has obtained the approval of the Sukukholders by way of an extraordinary resolution or the written consent of the Trustee (which consent may be given where in its opinion, it is not materially prejudicial to the interest of the Sukukholders to give such approval) for the negative covenants relating to the amendment, supplement and variation to the Memorandum and Articles of Association of the Issuer and the change in the utilization of proceeds from the Sukuk Ijarah.
- (xxiv) Such other covenants as may be advised by the Solicitor to the Lead Arranger and to be mutually agreed between the Lead Arranger and the Issuer and/or such other covenants as prescribed by the SC's Trust Deeds Guidelines.

Negative Covenants

Usual and customary negative covenants for a facility of

such nature, which shall include but not limited to the following. The Issuer shall not, unless otherwise consented to in writing by the Trustee:

- (i) cancel, surrender, abandon or otherwise change in a material manner the nature or scope of its existing business nor suspend or threaten to suspend a substantial part of its business in any manner which would have a Material Adverse Effect;
- (ii) create or permit to exist any Security Interest over any of its assets whatsoever other than:
 - (a) any Security Interest pursuant to or as allowed by the Security Documents;
 - (b) any Security Interest which has been disclosed by the Issuer to the Facility Agent prior to the execution of the Transaction Documents;
 - (c) any Security Interest over specific assets being financed by hire purchase and leasing facilities; and
 - (d) any Security Interest created by TBE in favour of its financiers in respect of the sub-lease granted by the Issuer to TBE and such parts of land leased directly to TBE;
- (iii) obtain or permit to exist any borrowings and/or financing other than the following:-
 - (a) the Sukuk Ijarah;
 - (b) a bank guarantee facility of up to RM5.0 million and USD10.0 million granted by United Overseas Bank Malaysia;
 - (c) a financing facility of up to RM10.0 million and USD30.0 million granted by Bank Muamalat Malaysia Berhad;
 - (d) indebtedness in respect of any hire purchase or leasing of any equipment or goods or vehicles incurred or assumed by the Issuer in the ordinary course of business in respect of which the aggregate principal amount granted by such lenders does not at any time exceed RM10,000,000;
 - (e) the subordinated redeemable convertible unsecured loan stocks ("RCULS") of up to Ringgit Malaysia Seven Hundred Million

(RM700,000,000.00) subscribed or to be subscribed by any of its shareholder(s) or Malakoff Power Berhad; and

- (f) all subordinated loans from the Issuer's shareholders in any form including subordinated debt which shall include, amongst others, terms such that in the event of insufficient funds to pay any payments under the subordinated debt, the Issuer shall not be obliged to make the payments thereunder so long as any Sukuk Ijarah shall remain outstanding;
 - (iv) save as otherwise provided or expressly permitted under the Transaction Documents, the Shared Facilities Agreement and the sub-lease in favour of TBE and/or as required under the Project Documents, transfer, sell, lease or otherwise dispose of or in any case cease to exercise control over, whether by a single transaction or a number of transactions, related or not, the whole or part of the Issuer's undertaking, business or assets save and except for (a) a sale or disposal of the Issuer's undertaking, business or assets which is in the ordinary course of business and on ordinary commercial terms on the basis of arms-length transaction and which will not have a Material Adverse Effect on the Issuer or (b) a disposal of any of the Issuer's undertaking, business or assets due to obsolescence and/or deterioration and which will not have a Material Adverse Effect on the Issuer;
 - (v) reduce or in any way whatsoever alter except increase, its authorised or paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or convert any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares;
 - (vi) enter into any transaction, whether directly or indirectly with Interested Persons (as defined in SC's Trust Deeds Guidelines) unless:
 - (a) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not Interested Persons; and
 - (b) with respect to transactions involving an aggregate payment or value such that any of the percentage ratios (as
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defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) in respect of such transaction exceeds 25% in relation to the holding company of the Issuer (for so long as such holding company is a public listed company), the Issuer obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms;

provided that:

- (i) the Issuer certifies to the Trustee that the transaction complies with paragraph (a) above;
- (ii) the Issuer has received the certification referred to in paragraph (b) above (where applicable); and
- (iii) the transaction has been approved by the majority of the board of directors or shareholders of the Issuer in a general meeting as the case may require;
- (vii) utilise or allow the utilisation of the proceeds from the Sukuk Ijarah for any purposes other than for the purposes set out in item 2(j) above;
- (viii) save and except for inter company advances to its shareholders, lend any money to any party other than to the directors of the Issuer or the Issuer's officers or employees as part of their terms of employment;
- (ix) make any investments other than Permitted Investments allowed under the Transaction Documents;
- (x) open and maintain any accounts other than the Designated Accounts and the Trustee' Reimbursement Account for Sukukholders' Actions;
- (xi) permit any amendment, supplement and variation to its Memorandum and Articles of Association in a manner which may be materially prejudicial to the interests of the Sukukholders;
- (xii) do or suffer to be done any act, matter or thing whereby any takaful/insurance may be rendered void, voidable or incapable of being effected, maintained or renewed, where such event would materially and adversely affect the ability of the Issuer to perform its material

obligations under the Transaction Documents;

- (xiii) such other undertakings as may be advised by the Solicitor to the Lead Arranger and to be mutually agreed between the Lead Arranger and the Issuer.

Financial Covenants

The Issuer shall comply with the following financial covenants throughout the tenure of the Sukuk Ijarah Programme and so long as the Sukuk Ijarah is outstanding:

- (i) debt to equity ratio ("**DE Ratio**") of not more than 80:20 for the Issuer; and
- (ii) finance service cover ratio ("**FSCR**") of at least 1.25 times.

The Issuer shall not declare or pay any dividends, make any inter-company advance to shareholders, make any principal payment and/or profit payment or interest on the subordinated-debt (such payments and distributions shall be referred to collectively as "**Distributions**" and singularly as "**Distribution**") if:

- (a) the FSCR is below 1.50 times before the Distributions and would fall below 1.50 times after such Distributions;
- (b) the requirements with respect to the FSRA, MRA and the DE Ratio have not been met or will not be met after such Distributions;
- (c) an Event of Default has occurred or is continuing or would occur following such Distributions; or
- (d) the Projected FSCR (as defined below) to be calculated on each Distribution Date (as defined below) would fall below 1.65 times after any such Distributions,

save and except for the following payments which are required to be made notwithstanding the restrictions set out in the paragraph above:

- (a) within thirty (30) days from the relevant issue date of Sukuk Ijarah of which the proceeds are utilised for the ensuing purpose, the advance/payment to shareholder(s) by such mechanism to be determined of up to Ringgit Malaysia Three Hundred Million (RM300,000,000.00);
- (b) the dividend reinvestment plan of up to Ringgit Malaysia Seven Hundred Million (RM700,000,000.00) ("**DRP**") subject to the

shareholders consenting to the DRP; and

- (c) within thirty (30) days from the first issue date, the accrued profit of the Existing Istisna' MTN to be made upon first issuance of the Sukuk Ijarah.

For the avoidance of doubt, the DE Ratio, FSCR and Projected FSCR shall be defined as follows:

DE Ratio

The DE Ratio is the ratio of indebtedness of the Issuer represented by:

- (vi) outstanding obligations in relation to the Sukuk Ijarah under the Sukuk Ijarah Programme;
- (vii) outstanding obligations under all other indebtedness for borrowed monies (be it actual or contingent);
- (viii) hire purchase obligations;
- (ix) finance lease obligations; and
- (x) net exposure determined on a marked to market basis under any derivative instrument and obligations;

to the shareholders' funds which include the Issuer's common equity in the form of ordinary shares, preference shares or quasi equity instrument, reserves (including any retained earnings or losses), and/or subordinated shareholder's loans (in the form of loan stocks, subordinated debt or otherwise).

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

FSCR

The ratio of Net Available Cash to the Total Finance Service paid, where:-

- (c) **"Net Available Cash"** is the aggregate of all cash balances in the Designated Accounts (including FSRA SBLC and Permitted Investments, where applicable) before Total Finance Service, during the previous twelve (12) months; and
- (d) **"Total Finance Service"** is the aggregate of all principal and profit payments made by the Issuer under the Sukuk Ijarah Programme during the previous twelve (12) months.

The DE Ratio and FSCR shall be calculated for each financial year during the tenure of the Sukuk Ijarah

Programme based on the latest audited accounts of the Issuer and duly confirmed by the Issuer's external auditors. For the avoidance of doubt, any double counting shall be disregarded.

Projected FSCR

Following any Distribution, the Projected FSCR shall be calculated for the next payment falling on the subsequent anniversary date of the first issuance ("**Anniversary Date**") as follows:

$$\frac{A + B + C}{A + D}$$

Where:

- A = the actual total principal and/or profit payments made after the payment made at the previous Anniversary Date up to the date the Distribution is made ("**Distribution Date**")
- B = the actual closing cash balances in the Designated Accounts (net of the Distribution) including Permitted Investments and FSRA SBLC as at the Distribution Date
- C = the projected net cashflow before financing from the Distribution Date up to the next payment falling on the subsequent Anniversary Date
- D = the projected total principal and/or profit payments due and payable from the Distribution Date up to and including the next payment falling on the subsequent Anniversary Date

For the avoidance of doubt, any double counting shall be disregarded. For the purpose of calculating the Projected FSCR, (i) if no Distribution is made in any twelve (12)-month period between one principal payment date and the next principal payment date, the Projected FSCR need not be calculated; and (ii) the Projected FSCR shall be calculated solely by the Issuer without confirmation from any third party (including, without limitation, the Issuer's external auditors).

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

- (1) Redemption : Unless redeemed earlier by the Issuer, the Issuer shall redeem the Sukuk Ijarah at nominal value on its respective Maturity Date.

- (2) Repurchase Cancellation and : The Issuer may at any time purchase the Sukuk Ijarah in the open market at any price or by private treaty. The Sukuk Ijarah purchased will be cancelled and may not be re-sold or re-issued.

For avoidance of doubt, the Sukuk Ijarah held by the Issuer or any interested person (director, major shareholder and chief executive officer) of the Issuer shall not be counted for purposes of voting.

- (3) Mandatory Redemption : Upon occurrence of a Total Loss Event with respect to the relevant Lease Assets in a particular Ijarah Agreement, the Issuer shall notify the Trustee immediately and redeem all the outstanding Sukuk Ijarah at the Dissolution Payment Amount (as defined in item 2(v)(2) herein), using the proceeds of takaful/insurance (including, where applicable, the amount payable by the Servicing Agent pursuant to the Servicing Agency Agreement) as soon as practicable upon receiving the same.

If the takaful/insurance proceeds are insufficient to cover the Dissolution Payment Amount, the Servicing Agent shall irrevocably and unconditionally undertake to make good the difference, for not taking full takaful/insurance coverage on the relevant Lease Assets pursuant to the terms of the Servicing Agency Agreement and shall immediately make the requisite payment to the Issuer if sufficient proceeds of takaful/insurance have not been received within thirty (30) days after the occurrence of a Total Loss Event. Any excess from the takaful/insurance proceeds shall be paid to the Servicing Agent as an incentive fee.

(v) Other principal terms and conditions for the issue

- (1) Purchase Undertaking : The Issuer as the Obligor shall provide Purchase Undertaking pursuant to which the Obligor shall undertake to the Trustee (for the benefit of the Sukukholders) to purchase the relevant Lease Assets from the Sukukholders, on the earlier of:

- (a) the Maturity Date; or
- (b) the declaration of an Event of Default

at the relevant Exercise Price and the Sukuk Ijarah held by the Sukukholders shall be cancelled.

- (2) Exercise Price : Pursuant to the Purchase Undertaking, the Exercise Price for the purchase of the relevant Lease Assets is as follows:

- (i) in the case of a purchase of all the Lease Assets due to declaration of an Event of Default, the Exercise Price shall be an amount equal to the Dissolution Payment Amount plus the Ownership Expenses; and

- (ii) in the case of a purchase of the relevant Lease Assets on the Maturity Date, the Exercise Price shall be an amount equal to the Scheduled Payment Amount (as defined below) for the relevant Sukuk Ijarah plus the Ownership Expenses.

The “**Dissolution Payment Amount**” means the aggregate of the following in respect of all outstanding Sukuk Ijarah:

- (a) the nominal value of the Sukuk Ijarah; and
- (b) the accrued but unpaid Periodic Payments (if any), accrued up to the date of the declaration of Event of Default, as the case may be and shall be calculated in accordance with Operational Procedures for Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd (“**MyClear**”) (“**MyClear Procedures**”).

The “**Scheduled Payment Amount**” means the aggregate of the following in respect of the relevant Sukuk Ijarah:

- (a) the nominal value of the relevant Sukuk Ijarah; and
- (b) the accrued but unpaid Periodic Payments (if any), accrued up to the Maturity Date of the relevant Sukuk Ijarah and shall be calculated in accordance with MyClear Procedures.

The Exercise Price payable by the Issuer to the Trustee (on behalf of the Sukukholders) shall be set off against reimbursement of the Ownership Expenses.

- (3) **Rental** : The Rental is lease payment which the Lessee is obliged to pay to the Lessor (on behalf of the Sukukholders) pursuant to the Ijarah Agreement. The Rental shall consist of the Periodic Payment payable on each Periodic Payment Date and the nominal value of the Sukuk payable on the Maturity Date.
- (4) **Ijarah Agreement** : Pursuant to the terms of the Ijarah Agreement to be entered between the Lessee and the Lessor from time to time, the Lessor will agree to lease to the Lessee, and the Lessee will agree to lease from the Lessor, the Lease Assets for the Rental and during the Lease Period.
- (5) **Servicing Agency Agreement** : Under the Servicing Agency Agreement, the Issuer (in such capacity as the Servicing Agent) will be responsible, on behalf of the Lessor, for among others, the performance of all major maintenance and Ownership Expenses in respect of the Lease Assets.
- (6) **Total Loss Event** : The total loss or destruction of, or damage to the whole (and not part only) of the Lease Assets or any event or occurrence that renders the whole (and not part only)

of the Lease Assets permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical.

(7) **Issue Price** : The Sukuk Ijarah may be issued at a discount and/or at par to the nominal value, to be determined prior to the issuance of the relevant Sukuk Ijarah and the issue price shall be computed in accordance with the formula specified in MyClear Procedures.

(8) **Status** : The Sukuk Ijarah will represent the Sukukholders' undivided proportionate ownership and interest in the Ijarah Trust Assets. The Sukuk Ijarah will constitute direct, unconditional and secured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future secured and unsubordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.

(9) **Compensation for late payments (Ta'widh)** : In the event of any overdue payments of any Rental and Exercise Price, the Issuer shall pay the compensation on such overdue amounts at the rate and manner prescribed by the SC's SAC from time to time.

(10) **Yield to Maturity (%)** : The yield to maturity shall be determined prior to issuance of the relevant Sukuk Ijarah.

(11) **Form and Denomination** : **Form**
The Sukuk Ijarah shall be issued in accordance with:
i. the Participation and Operation Rules of Payment and Securities Services issued by MyClear ("**MyClear Rules**") and
ii. MyClear Procedures;

or their replacement thereof (collectively the "**MyClear Rules and Procedures**") applicable from time to time.

Each tranche of the Sukuk Ijarah shall be represented by a global certificate to be deposited with the Central Depository and is exchanged for definitive bearer form only in certain limited circumstances.

Denomination

The denomination of the Sukuk Ijarah shall be Ringgit Malaysia One Thousand (RM1,000.00) or in multiples of Ringgit Malaysia One Thousand (RM1,000.00) at the time of issuance or such other denomination as agreed between the Issuer and the Facility Agent at the time of issuance, subject to the MyClear Rules and Procedures.

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- (12) **Lease Assets** : The Shariah compliant leasable assets which the Trustee (acting on behalf of the Sukukholders) purchases from the Issuer from time to time by way of transfer of the beneficial ownership and leases back to the Issuer, the undivided proportionate interest of such Shariah compliant leasable assets, consisting of plant and machinery assets of the Power Plant, Land and/or such other Shariah compliant leasable assets approved by the Shariah Adviser.
- (13) **Minimum Level of Subscription** : The minimum level of subscription for each issue under the Sukuk Ijarah Programme shall be 100% of the size of the particular issue.
- (14) **Project Documents** : The Project Documents shall include but not limited to:
- (i) the power purchase agreement (“**PPA**”) dated 25 July 2002 between Tenaga Nasional Berhad (“**TNB**”) and the Issuer;
 - (ii) the coal supply and transportation agreement dated 25 July 2002 and the supplemental agreement dated 1 April 2010 between TNB Fuel Services Sdn Bhd and the Issuer;
 - (iii) the agreement for engineering, procurement and construction dated 25 July 2003 between the Issuer, Sumitomo Corporation and Zelan Holdings (M) Sdn Bhd (“**EPC Contractors**”) and associated bonds and guarantees from on behalf of the EPC Contractors;
 - (iv) the agreement for lease of Land dated 18 February 2003 and the supplemental agreement for lease dated 1 October 2003 between Seaport Terminal (Johore) Sdn Bhd and the Issuer;
 - (v) the operations and maintenance agreement dated 25 July 2003 between the Issuer and Hicom Power Sdn Bhd (formerly known as Rangkai Positif Sdn Bhd); and
 - (vi) the shared facilities agreement dated 27 February 2012 between the Issuer and TBE (“**Shared Facilities Agreement**”).
- (15) **Transaction Documents** : The Sukuk Ijarah Programme shall be governed by documentation standard for a transaction of this nature to be in the form and substance acceptable to the Lead Arranger and the Issuer and shall include, but not limited to the following:
- (i) Trust Deed;
 - (ii) Programme Agreement;
 - (iii) Asset Purchase Agreement(s);
-

- (iv) Asset Declaration of Trust;
- (v) Asset Substitution Undertaking;
- (vi) Purchase Undertaking;
- (vii) Ijarah Agreement(s);
- (viii) Servicing Agency Agreement;
- (ix) Security Agency Agreement;
- (x) Security documents;
- (xi) Securities Lodgement Form for Central Securities Depository and Paying Agency Services;
- (xii) Subscription Agreement(s); and
- (xiii) Such other documents as advised by the Solicitor to the Lead Arranger and agreed with the Issuer.

(16) Operating Budget : An annual operating budget prepared by the Issuer based on the projected financial statements provided to the Trustee and the Facility Agent. In the event of insufficient funds as a result of variance between the operating budget and actual amount to be incurred during the budgeted period, the Issuer shall be entitled to additional funds subject to documentary evidence and reason(s) to be furnished by the Issuer.

(17) Permitted Investments : Permitted Investments shall comprise investments in products approved by the SAC, BNM's Shariah Advisory Council or other recognised Shariah authorities. For the purpose of the Sukuk Ijarah Programme, Permitted Investments shall mean:

- (i) Mudharabah, wadiah and other deposits under Shariah principles with licensed financial institutions (as defined in the Banking and Financial Institutions Act 1989 ("**BAFIA**")) and/or the Islamic Banking Act 1983 ("**IBA**")), scheduled institutions (as defined in BAFIA) and development financial institutions prescribed under the Development Financial Institutions Act 2002 ("**DFIA**");
- (ii) Islamic accepted bills and other money market instruments issued under Shariah principles by licensed financial institutions (as defined in BAFIA and/or IBA), scheduled institutions (as defined in BAFIA) and development financial institutions prescribed under the DFIA with a short term rating of P1 and a minimum long term rating of AA3 or their equivalent;
- (iii) Islamic money market funds which are

principal guaranteed and are approved by the SC;

- (iv) Principal guaranteed Islamic structured investments approved by BNM and issued by licensed financial institutions with a short terms rating of P1 and a minimum long term rating of AA3 or their local or foreign equivalents;
- (v) Islamic treasury bills, Islamic money market instruments and other Islamic securities or Sukuk issued under Shariah principles by BNM or the Government of Malaysia; or
- (vi) Debt securities issued under Shariah principles by corporations, financial institutions or guaranteed by licensed financial institutions with a short term rating of P1 or a minimum long term rating of AA3 or their equivalent.

For the avoidance of doubt, the Issuer shall at all times ensure that the funds held in the Designated Accounts are invested in Shariah approved investments having maturities that match the utilisation of the monies to meet any payment obligations of the Issuer under the Sukuk Ijarah and being denominated in Ringgit Malaysia.

Funds utilized for the Permitted Investments shall be remitted to the respective Designated Accounts at least one (1) business day before the next payment obligation of the Issuer is due and payable.

However, funds held in the FSRA are only allowed to be invested in investment set forth in item (i) to (iv) above.

- (18) Material Adverse Effect** : Material Adverse Effect means an effect that:
- (a) is material and adverse on the ability of the Issuer to perform its material obligations under the Transaction Documents or Project Documents; or
 - (b) materially and adversely affects any of the Project Documents in so far as it will have adverse impact on the Power Plant; or
 - (c) has resulted or would reasonably result in a material adverse effect in the financial condition, operation or business of the Issuer.
- (19) Existing Istisna' MTN Programme** : The RM5,600.00 million Istisna' Medium Term Notes Programme emplaced in year 2003 to inter alia, part finance the design, construction, operation and maintenance of the Power Plant. The Islamic medium term notes issued pursuant to the Existing Istisna' MTN

programme shall be referred to as the “**Existing Istisna’ MTN**”.

- (20) **Trustee’s Reimbursement Account for Sukukholders’ Actions** : The Trustee shall open and maintain a Shariah compliant Trustee’s Reimbursement Account for Sukukholders’ Actions in the name of the Trustee with a bank to be appointed by the Issuer which is acceptable to the Trustee with a sum of Ringgit Malaysia Thirty Thousand (RM30,000.00).

The account shall be operated by the Trustee and the money shall only be used strictly by the Trustee in carrying out its duties in relation to the declaration of an Event of Default in the manner as provided in the trust deed. This sum of money in the Trustee’s Reimbursement Account for Sukukholders’ Actions shall be maintained at all time throughout the tenure of the Sukuk Ijarah Programme and so long as the Sukuk Ijarah is outstanding.

The moneys in the Trustee’s Reimbursement Account for Sukukholders’ Actions may be invested in Shariah compliant bank deposit or Shariah compliant instruments or securities in the manner as provided in the trust deed, with profit from the investment to be accrued to the Issuer. The moneys in the Trustee’s Reimbursement Account for Sukukholders’ Actions shall be returned to the Issuer upon full redemption of the Sukuk Ijarah if no Event of Default or enforcement takes place.

- (21) **Trustee’s Undertaking** : The Trustee (acting for and on behalf of the Sukukholders) shall undertake to cause a third party to accept the novation of the Shared Facilities Agreement and assume all the Issuer’s rights and obligations under the Shared Facilities Agreement in the event the Issuer’s rights and obligations under the Shared Facilities Agreement are taken over by/transferred to the relevant third party for whatsoever reason, including but not limited to upon enforcement of the security by the Sukukholders, to ensure TBE’s rights and interests under the Shared Facilities Agreement are not affected pursuant thereto.

- (22) **Taxation** : All payments shall be made free and clear of all present and future taxes, duties, withholdings or other deductions whatsoever imposed by the Government or any political sub-division or tax authority thereof. In the event that any such taxes are in future imposed, the Issuer will not be required to make such additional payments as are necessary to cause the participating institution(s) under the Sukuk Ijarah to receive the net amount that they would otherwise have received.

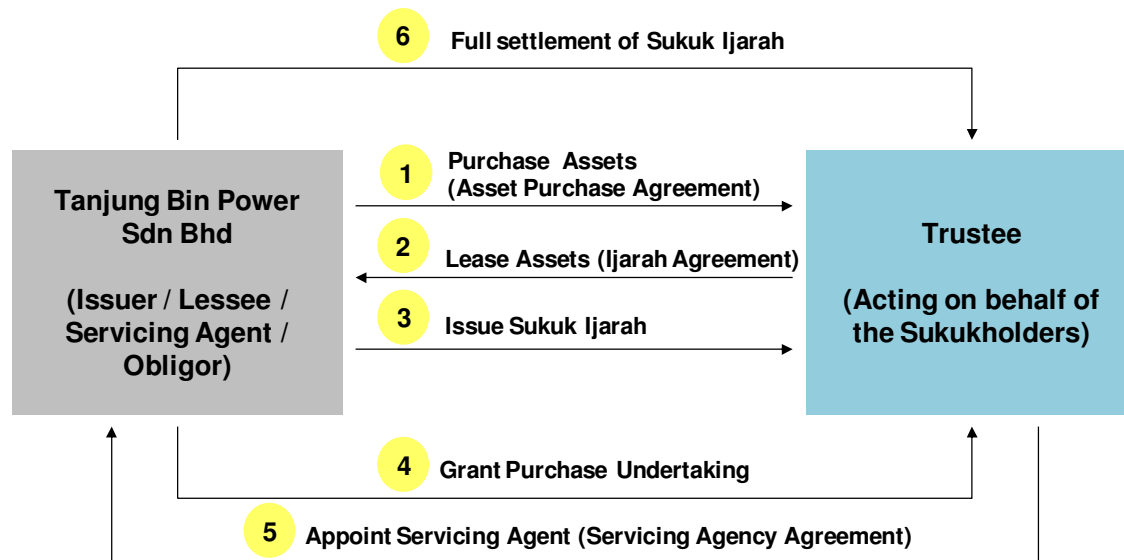
- (23) **Adverse Market** : The issuance of the Sukuk Ijarah may be terminated prior to the issue date if in the opinion of the Lead Arranger, there shall have been a significant change in the market conditions or condition of the Issuer which would, in the reasonable opinion of the Lead Arranger

be likely to prejudice the successful completion of this transaction.

(24) Governing Law & Jurisdiction : Laws of Malaysia and the exclusive jurisdiction of the Courts of Malaysia.

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ANNEXURE 1 – STRUCTURE DIAGRAM OF THE SUKUK IJARAH



Step 1 The Trustee, on behalf of the potential investors (“**Sukukholders**”), shall from time to time purchase certain Shariah compliant leasable assets (“**Lease Assets**”) from the Issuer (in such capacity as the “**Seller**”) by way of transfer of the beneficial ownership at the asset purchase price (“**Asset Purchase Price**”) pursuant to the asset purchase agreement (“**Asset Purchase Agreement**”). The Asset Purchase Price will be equivalent to the Sukuk Ijarah proceeds of the relevant issuance.

Step 2 The Trustee (on behalf of the Sukukholders) (in such capacity as the “**Lessor**”) shall then, from time to time enter into an agreement with the Issuer to lease the Lease Assets to the Issuer (in such capacity as the “**Lessee**”) (“**Ijarah Agreement**”) for a pre-determined rental amount (“**Rental**”) and lease period from the date of the issuance of the Sukuk Ijarah up to the maturity of the Sukuk Ijarah (“**Lease Period**”) pursuant to the Ijarah Agreement.

In order to ensure no duplicate usage of proportionate interest of Lease Assets for different Ijarah Agreements, as long as any Sukuk Ijarah remains outstanding, the proportionate interest of Lease Assets used under the Ijarah transaction in respect of such outstanding Sukuk Ijarah shall not be used as Lease Assets for Sukuk Ijarah to be issued unless the outstanding Sukuk Ijarah are redeemed.

Step 3 The Issuer as Lessee shall declare a trust (“**Declaration of Trust**”) over, amongst others, the Lease Assets, the present and future rights and interest in the Ijarah Agreement, the Purchase Undertaking and the proceeds of the foregoing and Transaction Documents (collectively the “**Ijarah Trust Assets**”) in favour of the Sukukholders and issue the Sukuk Ijarah to represent the Sukukholders’ undivided proportionate ownership and interest over the Ijarah Trust Assets. The Sukuk Ijarah proceeds of the relevant issuance shall be utilised by the Trustee to pay the Asset Purchase Price to the Issuer under the relevant Asset Purchase Agreement.

Step 4 The Issuer (in such capacity as the “**Obligor**”) shall grant a Purchase Undertaking to the Trustee (for the benefit of the Sukukholders), under which the Issuer shall purchase the relevant Lease Assets from the Trustee (acting on behalf of the Sukukholders) at the relevant Exercise Price for the relevant Sukuk Ijarah on the earlier of:

- (a) the maturity date of the relevant Sukuk Ijarah (“**Maturity Date**”); or

(b) the declaration of Event of Default (as defined in item 2(s) herein).

Step 5

Under the terms of the Servicing Agency Agreement, the Issuer as the Lessee shall be appointed as the servicing agent ("**Servicing Agent**") by the Trustee as Lessor (on behalf of the Sukukholders) and will, amongst other things, be responsible, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Lease Assets and/or the related payment and/or ownership expenses in respect of the Lease Assets ("**Ownership Expenses**"), which are to be reimbursed by the Trustee (on behalf of the Sukukholders) to the Issuer upon the payment of Exercise Price pursuant to the Purchase Undertaking. This amount will be set-off against the Exercise Price.

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

Step 6

Upon full settlement of the Exercise Price pursuant to the sale agreement or purchase notice under the Purchase Undertaking or upon the occurrence of Total Loss Event which will trigger the Mandatory Redemption (as defined in item 2(u)(3)) (as the case may be), the Ijarah Agreement will be terminated and the trust created under the Declaration of Trust will also be subsequently dissolved and neither the Trustee nor the Sukukholders shall thereafter have further rights and/or obligations to the Ijarah Trust Assets.

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Section 7

Investment Considerations

The purchase or subscription of the Sukuk Ijarah may involve substantial risk and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Sukuk Ijarah.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Sukuk Ijarah, but the inability of the Issuer to pay any amounts on or in connection with any Sukuk Ijarah may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Sukuk Ijarah are exhaustive.

Prospective investors of the Sukuk Ijarah should consider carefully all information set out in this Information Memorandum and, in particular, the following risks involved. The Sukuk Ijarah is subject to certain risks that could adversely affect the business of the Issuer.

The following section does not purport to be complete or exhaustive. Prospective investors should undertake their own investigations and analysis on the Issuer, its business and risks associated with the Sukuk Ijarah.

7.1 Considerations Relating to the Sukuk Ijarah Programme

7.1.1 Rating of the Sukuk Ijarah Programme

The Rating Agency has assigned a preliminary rating of AA2 for the Sukuk Ijarah Programme. A rating is not a recommendation to purchase, hold or sell the Sukuk Ijarah. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be downgraded, suspended or withdrawn entirely by the Rating Agency in the future, if, in its judgment, circumstances in the future so warrant. Further, such a rating is not a guarantee of repayment or that there will be no default by the Issuer under the Sukuk Ijarah Programme. In the event that the rating initially assigned to the Sukuk Ijarah Programme is subsequently downgraded, suspended or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Sukuk Ijarah Programme. Any downgrading, suspension or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Sukuk Ijarah. Any downgrading, suspension or withdrawal of a rating will not constitute an EOD with respect to the Sukuk Ijarah Programme or an event by itself that warrants the Sukuk Ijarah to be immediately due and payable.

7.1.2 No Prior Market for the Sukuk Ijarah

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

Trading prices of the Sukuk Ijarah may also be influenced by numerous factors, including the operating results and/or financial condition of the Issuer, political, economic, financial and any other factors that can affect the capital markets, the industry or the Issuer. Adverse economic developments could have a material adverse effect on the market value of the Sukuk Ijarah.

7.1.3 Suitability of Investments

Each potential investor in the Sukuk Ijarah must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk Ijarah, the merits and risks of investing in the Sukuk Ijarah and the information contained in this Information Memorandum;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk Ijarah and the impact the Sukuk Ijarah will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk Ijarah;
- (iv) understand thoroughly the terms of the Sukuk Ijarah Programme and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

7.1.4 Shariah Compliance

Notwithstanding the approvals of Maybank Islamic Berhad as the Shariah Adviser of the Sukuk Ijarah Programme, case law in Malaysia indicates that the courts in Malaysia may still examine the issue of whether there has been compliance with Shariah and if held to be non-Shariah compliant, the recoverability of the profit element under the Sukuk Ijarah may be affected. No assurance is given that the approvals of Maybank Islamic Berhad will not be subject to challenge on grounds that the Sukuk Ijarah Programme is not Shariah compliant.

7.1.5 Risk of Mandatory Prepayment

In the event of a total loss event occurring, the Issuer has to mandatorily redeem the Sukuk Ijarah by using the insurance proceeds and top up the shortfall, if any. The provision for mandatory prepayment to the Sukukholders earlier than the fixed maturity date may result in the Sukukholders incurring capital loss as this will impact the Sukukholders who have bought the Sukuk Ijarah at above par.

7.2 Risks Relating to the Issuer

7.2.1 Issuer's Ability to Meet its Obligations under the Sukuk Ijarah

The ability of the Issuer to meet its obligations to the Sukukholders in terms of payment of amounts due in respect of the Sukuk Ijarah will depend on the Issuer's revenue pursuant to the PPA entered into with TNB and the Issuer's operation to generate sufficient and positive cashflows. Payments of all amounts due and payable in respect of the Sukuk Ijarah will be the Issuer's obligation alone. In particular, the Sukuk Ijarah will not be obligations or responsibilities of, or guaranteed by, any of the Issuer's related corporations, the Lead Arranger, the Joint Lead Managers, the advisers of the Issuer, the Trustee or any subsidiary or affiliate thereof, or any other person involved or interested in the transaction. None of such persons will accept any liability whatsoever to the Sukukholders in respect of any failure of the Issuer to pay any amount due in respect of the Sukuk Ijarah.

7.3 Project Risks

7.3.1 Renewal of Licence/Permit Risks

The Issuer requires various approvals, licences, permits and certificates to operate its business and the Power Facility and will be required to renew these approvals, licences, permits and certificates or to obtain new approvals, licences, permits and certificates. Whilst the Issuer may not have experienced any significant difficulty in renewing and maintaining the approvals, licences, permits and certificates granted, there will not be any assurance that in the future the relevant authorities will issue or renew any required approvals, licences, permits or certificates in a timely manner or at all. Failure to renew, maintain or obtain the required approvals, licences, permits and certificates may interrupt the operations or delay or prevent the implementation of any capacity expansion or other new projects and may have a material adverse effect on the Issuer's business, financial condition and results of operations.

7.3.2 Force Majeure

Force majeure provisions are found in the PPA, the CSTA, the OMA and the Land Lease Agreement ("**the Agreements**").

A force majeure event is an event, condition, or circumstance, which is beyond the reasonable control of the parties and occurs without fault or negligence on the part of the party claiming it. Such an event would result in delay or disruption in the performance of obligation under the affected Agreements despite all reasonable efforts of the party claiming it to prevent it or mitigate its effects.

There is a risk that the Issuer may be adversely affected by a force majeure event either directly or indirectly if the other project counterparties to the affected Agreements are relieved of their contractual obligations thereunder.

7.3.3 Despatch Risk

Under the PPA, TNB is required to make ACPs to the extent the Power Facility makes capacity available to TNB and meets the specified availability targets. The ACPs, which represent eighty-five percent (85%) of the CRF, is expected to be the primary source of repayment for the finance service under the Sukuk Ijarah and is not subject to despatch risk. The Issuer is exposed to despatch risk on only fifteen percent (15%) of the CRF, as paid under the utilisation payment component of the tariff. The Issuer has achieved an average Daily Utilisation Payment of RM13.77 million per month over the past four (4) years after the third Unit achieving COD.

7.3.4 Operation and Maintenance Risk

Failure to achieve Availability Targets, higher than anticipated heat rates and unexpected breakdowns may result in reduced revenue, penalties and/or increased costs. The PPA provides an outage bank of 6% for forced outages, which a prudent operator may reasonably be expected to meet. If actual forced outages are within the 6% outage bank, ACPs remain unaffected. For every MW decrease in availability from the 6% outage limit to the second outage limit of 8%, the Power Facility is expected to lose approximately RM600,000 in annual ACPs. For every MW decrease in availability where accumulated forced outages exceed 8%, an additional penalty of RM600,000 will be incurred.

The Issuer has procured insurance cover for industrial all risks, machinery breakdown and public liability. The Operator is obligated to achieve heat rate, outage limit and availability target guarantees that mirror PPA requirements, and is liable for fifty percent (50%) of any loss in revenue suffered by the Issuer if these guarantees are not met.

The Power Facility is currently operated by the Operator under the OMA. The Operator signed a Sub-contract OMA ("**Sub-OMA**") with TJSB, a wholly owned subsidiary of MCB, on

12 October 2004. TJSB is an experienced and financially sound Operating & Maintenance (“O&M”) company in Malaysia which currently provides O&M services to the other 3 MCB-owned power plants.

7.3.5 Coal Supply Risk

The fuel supplier for the Power Facility is TFS, a wholly-owned subsidiary of TNB, whose core business is the supply of fuel (including coal) to TNB generation plants and IPPs with long-term power purchase agreements with TNB in Peninsular Malaysia.

Under the CSTA, TFS is obliged to enter into a coal purchase contract for an amount equal to 4.32 million tons or if less, eighty percent (80%) of the Issuer’s annual coal requirements, through the combination of short-term, medium-term and long-term contracts. TFS sources coal on a portfolio basis from Indonesia, South Africa and Australia. Diversification of suppliers and countries reduces the risk of disruption due to force majeure or other factors affecting one particular supplier or region.

Pursuant to the terms in the PPA, the Issuer is required to keep an on-site coal stockpile equivalent to thirty (30) days of full load despatch for the Power Facility to cope with supply disruptions.

The Issuer may purchase replacement coal from any other party, including existing CPC parties if the Issuer faces unacceptable delays in the delivery of coal from TFS. TFS shall reimburse the Issuer for any reasonable additional costs incurred in purchasing such replacement coal from third parties.

7.3.6 Coal Quality

All coal delivered by TFS shall meet quality specifications stipulated in the CSTA and be substantially free from impurities. The Issuer may reject any individual shipment of coal that exceeds any of the quality rejection limits, or if discharging the coal would cause damage to the discharge port of the Power Facility.

7.3.7 Coal Price

The coal price, including insurance, transportation charges and certain taxes, is a pass-through to TNB in the form of Energy Payment payable under the PPA based on an agreed-upon heat rate table.

7.4 Financial Considerations

7.4.1 Adequacy of Insurance

The Issuer maintains insurance policies to mitigate certain risks in accordance with the provisions of the PPA. One of the conditions precedent for the issuance of Sukuk Ijarah is the receipt by the Lead Arranger the confirmation from the takaful/insurance broker that the takaful/insurance cover is adequate, in full force and effect and in compliance with the Issuer’s obligations under the Project Documents and that the Security Agent will be named as the loss-payee in respect of such takaful/insurance

However, there can be no assurance that there will be sufficient coverage to fully protect against interruption to business, generation of revenue, increased expenditure or any other liabilities associated with the business of the Issuer.

7.4.2 Inflation

The Issuer enjoys some protection against Malaysian inflation risk as the fixed operating rate and variable operating rate components of the tariff are escalated at a rate of four per cent (4%) every four years. Only circa three per cent (3%) out of the operating expenses of the

Issuer is exposed to spot price and subject to inflation. The rest of its operating expenses are locked-in under long term contracts. Hence, the impact of inflation is expected to be minimal.

7.4.3 Interest Rate

The Issuer's interest rate risk is to a large extent mitigated through the use of fixed rate financing instrument for its financing requirements. The Issuer is not expected to be exposed to interest rate risk for the Sukuk Ijarah, as the periodic payment rates for the Sukuk Ijarah will be fixed over the term of the Sukuk Ijarah.

7.4.4 TNB Credit Risk

TNB is obligated under the PPA to purchase all of the Power Facility's available capacity and any electrical output despatched. The Issuer is therefore dependent on the credit quality of a single buyer which is TNB to make timely payments to the Issuer. In the past, TNB has so far been able to meet its obligations under the PPA with the Issuer. However there can be no assurance that TNB will continue to be able to meet its obligations under the PPA in the future.

TNB is rated BBB+ by Standard & Poor's, one notch down from Malaysia's sovereign rating of A-. TNB is rated AAA by RAM, with a stable outlook. Based on TNB's annual report for financial year ended 31 August 2011, the thirty (30) largest shareholders of TNB holds up to 84.31%, equivalent to 4,551,901,984 shares. The Government of Malaysia indirectly holds seventy four point seventy five per cent (74.75%) (via Khazanah Nasional Berhad (being the largest shareholder holding 35.55% of shares), EPF Board, Amanahraya Trustees Berhad, Lembaga Tabung Haji, Kumpulan Wang Persaraan (Diperbadankan), Permodalan Nasional Berhad, Pertubuhan Keselamatan Sosial, Valuecap Sdn Bhd and etc.) in TNB.

7.5 Regulatory and Environmental Risks

7.5.1 Project Risk

Pursuant to the PPA, if an industry restructuring event occurs (defined as the revamping of the electricity industry with a view to set up a power pool or other market system), the Issuer and TNB will negotiate amendments to the PPA. If agreement is not reached within six (6) months from commencement of the negotiations, TNB may terminate the PPA and pay to the Issuer a termination sum covering outstanding financing amounts and a portion of the sponsor's return.

Section 5.1.2.1(xii) of this Information Memorandum sets out the circumstances in which the PPA may be terminated by the contracting parties and the payment of compensation (if any). If the PPA is terminated, there may be an adverse material effect on the operations and financial conditions of the Issuer, and its ability to repay the Sukuk Ijarah when they become due and payable. However, the Issuer has no intention of terminating the PPA and will take all reasonable steps to ensure their continuity. Furthermore, the Issuer being the owner of a brownfield plant with construction risk fully mitigated as well as a satisfactory operational track record will ensure that the probability of PPA termination is minute. Sukukholders are to note that the termination payments might not be sufficient to cover the outstanding Sukuk Ijarah if PPA is terminated.

7.5.2 Political, Economic and Regulatory Risks

Like all businesses, adverse developments in political, economic and regulatory conditions in the country could materially affect the financial and operational condition as well as the overall profitability of the Issuer. Other political and economic uncertainties include the risk of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in rates of interest and methods of taxation.

7.5.3 Generation Licence

The Generation Licence granted by the Energy Commission may be revoked by the Energy Commission where any of the conditions imposed in the Generation Licence is breached by the Issuer or where the PPA is terminated by TNB.

7.5.4 Environmental and Social Risks

The Power Facility, as with all other IPPs, is subject to environmental legislations, policies and regulations. These include compliance with air, water and noise emission standards. There can be no assurance that the standards imposed by the environmental legislations and regulations will not change or otherwise result in the increase in costs or losses of or reductions in revenue to the Issuer. Non-compliance with environmental standards could also result in the suspension or revocation of the Generation Licence and/or the imposition of fines.

7.6 Forward Looking Statement

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

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Section 8

Industry Overview

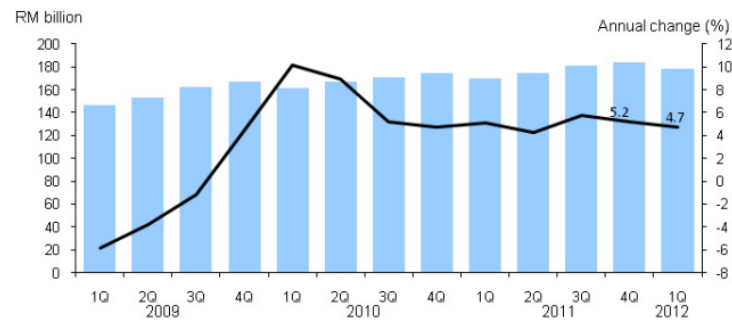
8.1 Outlook on the Malaysian Economy

8.1.1 Growth of the Malaysian economy moderated in the first quarter

Global economic growth expanded at a slower pace in the first quarter of 2012. While growth in the US improved, several European economies slipped into recession. In Asia, economic activity continued to expand, albeit at a moderate pace, due to slower export growth during the quarter. Domestic demand continued to provide support to economic activity. Notwithstanding the challenging external environment, growth of the Malaysian economy was sustained at 4.7% (4Q 11: 5.2%). Domestic demand remained firm, supported by both private and public sector economic activity, while exports moderated amid weaker external demand. On the supply side, growth in most major economic sectors moderated in the first quarter, as the more modest growth in export-oriented activity more than offset the sustained growth in domestic-oriented activity.

Domestic demand remained resilient, increasing by 9.6% (4Q 11: 10.4%). Growth of private consumption remained strong at 7.4% (4Q 11: 7.3%), supported mainly by continued income expansion and stable labour market conditions and reinforced by high commodity prices, improved consumer sentiments, and the disbursement of the income support programmes. Public consumption grew by 5.9% (4Q 11: 22.9%) amid continued expansion in spending on emoluments and supplies and services. Gross Fixed Capital Formation increased at a faster pace of 16.1% (4Q 11: 8.4%), supported by capital spending by both the private and public sectors. Private investment expanded strongly, supported by the implementation of investment projects, particularly in the oil and gas sector. For public investment, the Federal Government's development expenditure was mainly channeled into the trade and industry, and public utilities sectors, while capital spending by the non-financial enterprises (NFPEs) was channeled mainly into the transportation and mining sectors.

Economic activity moderated in the first quarter
(at constant prices)



Source: Department of Statistics, Malaysia

On the supply side, both the services and manufacturing sectors moderated further in the first quarter, reflecting the more modest growth in trade-related activity and continued expansion in domestic-related activity. Growth in the construction sector strengthened further, supported by the implementation of civil engineering projects and development of residential projects. The agriculture sector moderated on account of slower production of crude palm oil and rubber, while the mining output turned around to record a marginal growth.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), moderated to 2.3% in the first quarter of 2012 (4Q 11: 3.2%). Inflation in the food and

non-alcoholic beverages category was lower due mainly to a smaller increase in meat prices and a decline in the price of vegetables. Inflation in the transport category moderated as the impact from the adjustment to the price of RON97 petrol in January and February 2011 tapered off.

In the external sector, the current account surplus narrowed in the first quarter, but remained sizeable at RM18.1 billion, equivalent to 8.4% of GNI. The lower surplus reflected the smaller goods surplus and larger income outflows. The goods surplus narrowed to RM32.0 billion as import growth outpaced the expansion in exports.

The financial account recorded a larger net outflow of RM10.3 billion during the quarter (4Q 11: -RM0.2 billion), due mainly to net outflows in other investments which more than offset the large inflows of foreign portfolio funds. FDI increased further to RM7.5 billion (4Q 11: +6.5 billion) during the quarter, supported by larger inflows of equity capital and higher earnings retained by the existing multinational companies (MNCs) operating in Malaysia. Direct investment abroad by Malaysian companies increased further to RM16.9 billion in the first quarter (4Q 11: -RM14.7 billion), reflecting substantially higher extensions of inter-company loans to subsidiaries abroad and higher outflows of equity capital. The overall balance of payments turns around to record a deficit of RM7.2 billion in the first quarter (4Q 11: +6.2 billion), following a lower current account surplus and a higher net outflow from the financial account.

The international reserves of Bank Negara Malaysia amounted to RM416.1 billion (equivalent to USD135.7 billion) as at 30 March 2012. The reserves level has taken into account the quarterly adjustment for foreign exchange revaluation loss, following the strengthening of ringgit against major and regional currencies during the quarter. As at 15 May 2012, the reserves position amounted to RM417.5 billion (equivalent to USD136.1 billion), sufficient to finance 9.3 months of retained imports and is 4.1 times the short-term external debt.

Source:

Economic and Financial Developments in Malaysia in the First Quarter of 2012, Press Release dated 23 May 2012, Bank Negara Malaysia

8.1.2 Monetary policy remained supportive of economic activity

The Overnight Policy Rate (OPR) was left unchanged at 3.00% in the first quarter. At the prevailing level of the OPR, monetary conditions remain supportive of economic activity.

Reflecting the unchanged OPR, the average interbank rates of all maturities were relatively stable. In terms of retail interest rates, the average quoted fixed deposit (FD) rates of commercial banks were stable during the quarter. The average base lending rate (BLR) of commercial banks was unchanged at 6.53% throughout the period. The weighted average lending rate (ALR) on loans outstanding remained stable, standing at 5.63% as at end-March 2012 (end-December 2011: 5.66%). The cost of borrowing for businesses and households remained below pre-crisis levels.

In the first quarter, total gross financing raised by the private sector through the banking system and the capital market increased to RM259.9 billion (4Q 11: RM240.6 billion). The higher financing was attributable mainly to the increase in net private debt securities (PDS) issuances. On a net basis, banking system loans and PDS outstanding expanded at an annual growth rate of 13.3% as at end-March (4Q 11: 12.5%).

Net funds raised in the capital market increased to RM43.5 billion during the quarter (4Q 11: RM19.4 billion). The bulk of funds were raised by the private sector, particularly through the issuance of private debt securities. After adjusting for redemptions, net funds raised by the private sector amounted to RM29.8 billion (4Q 11: 3.5 billion). In the public sector, net funds raised amounted to RM13.6 billion (4Q 11: 15.9 billion).

The monetary aggregates continued to grow in the first quarter. M3, or broad money, recorded an annual growth rate of 15.0% as at end-March (end- December 2011: 14.4%), reflecting the continued extension of credit to the private sector.

The ringgit appreciated by 3.6% against the US dollar in the first quarter, in line with the trend of other regional currencies. Better-than-expected economic data, particularly from the US, resulted in increased investors' optimism and renewed interest for financial assets in the region. Against other major currencies, the ringgit appreciated against the Japanese yen (9.6%) and the euro (0.4%), but depreciated against the pound sterling (-0.1%). The ringgit also strengthened against other regional currencies in the range of 0.1% to 3.8%. During the period of 1 April to 21 May 2012, the ringgit appreciated against the euro (2.3%), but depreciated against the Japanese yen (-5.4%), the US Dollar (-2.0%) and the pound sterling (-1.1%). Against regional currencies, the ringgit appreciated against the Korean won (0.7%), but depreciated against the Thai baht, Singapore dollar, Indonesian rupiah, Philippine peso and Chinese renminbi by between -0.6% and -1.6%.

Source:

Economic and Financial Developments in Malaysia in the First Quarter of 2012, Press Release dated 23 May 2012, Bank Negara Malaysia

8.1.3 Financial stability continued to be preserved

Financial stability was maintained throughout the first quarter of the year, underpinned by sound financial institutions and orderly financial market conditions. The continued effective functioning of financial intermediation has provided a supportive environment for economic activity.

The banking sector remained resilient during the quarter, continuing to maintain healthy prudential buffers, profitability and liquidity positions. The core capital ratio and risk-weighted capital ratio of the banking system remained firm at 13.0% and 14.7% respectively. Similarly, the insurance sector remained resilient with a strong capital adequacy ratio of 224.8%.

Source:

Economic and Financial Developments in Malaysia in the First Quarter of 2012, Press Release dated 23 May 2012, Bank Negara Malaysia

8.1.4 Recovery to continue at a modest pace but downside risks remain

Going forward, the European sovereign debt crisis remains a risk to the global economy. The continued high oil prices, driven mainly by geopolitical tensions, further adds to uncertainty in the global environment. Nevertheless, the ongoing gradual recovery in the US is expected to provide an upside potential to global growth prospects. For Asia, whole economic activity may be affected by external development, growth will continue to be underpinned by sound domestic macroeconomic fundamentals and policy flexibility.

For the Malaysian economy, while the challenging external environment will remain a risk to Malaysia's growth prospects, domestic demand is expected to remain resilient. The continued expansion in spending by the private sector, further supported by public sector expenditure, are expected to underpin the overall growth performance.

Source:

Economic and Financial Developments in Malaysia in the First Quarter of 2012, Press Release dated 23 May 2012, Bank Negara Malaysia

8.2 Overview of the Utilities Sector

The 2012 Budget is anchored on the national transformation agenda, comprising four pillars to drive change. The New Economic Model (NEM) to be achieved through the Economic Transformation Programme (ETP) constitutes a key pillar which will propel Malaysia to a developed and high-income economy that is both inclusive and sustainable. The ETP comprises two parts, namely the Strategic Reform Initiatives (SRIs) and National Key Economic Areas (NKEAs). The two other pillars are the 1Malaysia, People First, Performance Now concept and the Government Transformation Programme (GTP). The 1Malaysia, People First Performance Now concept permeates all public sector programmes and aims to unite all Malaysians to face the challenges ahead as a nation. Meanwhile, the GTP was formulated to strengthen public services as well as facilitate and enable the outcomes defined under the National Key Result Areas (NKRAs) and NKEAs. The Tenth Malaysia Plan (10MP), the fourth pillar, provides the policy support for various programmes from 2011 to 2015.

The utilities sub-sector is expected to expand by 3.1% in 2011 (2010: 8.2%) mainly due to higher electricity consumption in the industrial and commercial segments. During the first seven months of 2011, electricity generation and sales rose 2.6% and 2.7% (January – July 2010: 10.7%; 13.6%), respectively. The industrial segment accounted for 43.9% of total electricity consumption, followed by the commercial (33.8%) and household (20.8%) segments. Maximum demand for electricity peaked at 15,476 megawatts (MW) in May 2011 (January – July 2010: 15,072 MW in May). Meanwhile, water supply to consumers increased 4.2% to 14,648 million litres per day (mld) (January – July 2010: 4.2%; 14,060mld). As of September 2011, five states have participated in the water asset restructuring programme aimed at ensuring sustainability and efficiency of water supply. Meanwhile, negotiations with Kelantan and Perak are expected to be concluded by end-2011.

Source:

Economic Report 2011/2012, Ministry of Finance Malaysia

8.2.1 Key Trends and Recent Developments

During the period 2012 - 2021, Malaysia's overall power generation is expected to increase by an annual average of 5.11%, reaching 182.4 terawatt hours (TWh). Driving this growth are annual 6.47% and 6.14% in gains in coal-fired and renewables generation respectively, augmenting a 4.83% average increase in gas-fired electricity supply.

Following an estimated 4.5% increase in 2011 real GDP, the average annual growth of 4.10% is forecasted between 2012 and 2021. The population is expected to rise slightly from the current level of 28.99 million to around 33.4 million during the period 2012 – 2021, but net power consumption looks set to increase from 107.8TWh to 167TWh. During the period 2012 – 2021, the average annual growth rate for electricity demand is forecast at 4.53%.

Due to the projected rise in net generation, growth of which slightly exceeds the underlying demand trend, any modest supply shortfall should be eradicated and a growing surplus for export should become available. A stable percentage of transmission and distribution losses, of around 3.8-4.0% will help balance the market.

Source:

Malaysia Power Report Q2 2012 – Business Monitor International (BMI)

8.2.2 Future Developments

The electricity supply plan for West Malaysia are five combined cycle gas turbine (CCGT) which are expected to come on stream between 2017 and 2019. Each of the plants will have a capacity of 750 MW. In addition, there will be a new 1,000 MW capacity coal fired plant that is scheduled to be commissioned in 2020, as well as TNB's two hydropower plants in Hulu Terengganu and Ulu Jerai, which are due to come online in 2015 and 2016 respectively. TNB's additional 1,000MW from its Janamanjung coal-fired plant is targeted to start

contributing from 2015 onwards, while Malakoff's Tanjung Bin 1,000MW will come onstream by 2016. The Energy Commission estimates that the country will require an additional 7,372MW between 2015 and 2020, with another 15,724MW needed from 2021 to 2030.

Source:


The Edge Malaysia – "New Generation of IPPs to draw familiar names", 30 December 2011

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Appendix I

Audited Financial Statements – 31 December 2011

CERTIFIED TRUE COPY


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Yeoh Boo Mei
Secretary
MAICSA 7032259

*For purpose of Statute Issued
use only*

Tanjung Bin Power Sdn. Bhd.

(Company No. 459016-X)
(Incorporated in Malaysia)

**Financial statements for the financial
year ended 31 December 2011**

Tanjung Bin Power Sdn. Bhd.

(Company No. 459016-X)

(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2011.

Principal activities

The principal activities of the Company consist of the design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of 2,100 MW coal-fired electricity generating facilities and sale of electrical energy and generating capacity of the power plant located at Tanjung Bin, Daerah Pontian, Johor Darul Takzim. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Profit for the year	320,601 =====

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividend

Since the end of the previous financial year, the Company paid an interim single tier dividend amounting to RM60,000,000 (RM12 net per share) in respect of the financial year ended 31 December 2011 on 28 January 2011.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2011.

Directors of the Company

The Directors who served since the date of the last report are:

Habib bin Husin

Lee Khuan Eoi

Zainal Abidin bin Abd Jalil (appointed on 15 March 2011)

Directors' interests in shares

None of the Directors holding office at 31 December 2011 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the statement of financial position and statement of comprehensive income of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, except for the effects arising from the change in accounting policies as disclosed in the financial statements, the financial performance of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 459016-X

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Zainal Abidin bin Abd Jalil



.....
Habib bin Husin

Kuala Lumpur,

Date: 22 February 2012

Tanjung Bin Power Sdn. Bhd.

(Company No. 459016-X)

(Incorporated in Malaysia)

Statement of financial position at 31 December 2011

	Note	31.12.2011 RM'000	31.12.2010 RM'000 restated	1.1.2010 RM'000 restated
Assets				
Property, plant and equipment	3	5,749,225	5,928,284	6,116,126
Prepaid lease payments	4	74,032	77,614	81,196
Deferred tax assets	5	327,550	258,050	189,964
Total non-current assets		6,150,807	6,263,948	6,387,286
Inventories	6	301,201	203,110	230,230
Trade and other receivables	7	708,216	648,960	361,707
Current tax assets		-	14,253	14,253
Cash and cash equivalents	8	834,813	796,703	1,049,009
Total current assets		1,844,230	1,663,026	1,655,199
Total assets		7,995,037	7,926,974	8,042,485
Equity				
Share capital	9	5,000	5,000	5,000
Other reserve	9	2,973	3,585	3,585
Retained profits		712,094	451,493	285,285
Total equity		720,067	460,078	293,870
Liabilities				
Loans and borrowings	10	4,065,185	4,863,273	5,423,273
Deferred tax liabilities	5	600,464	442,631	304,957
Deferred income	11	1,310,199	1,032,200	759,856
Total non-current liabilities		5,975,848	6,338,104	6,488,086
Loans and borrowings	10	590,000	560,000	510,000
Trade and other payables	12	704,805	568,792	750,529
Current tax liabilities		4,317	-	-
Total current liabilities		1,299,122	1,128,792	1,260,529
Total liabilities		7,274,970	7,466,896	7,748,615
Total equity and liabilities		7,995,037	7,926,974	8,042,485

The notes on pages 10 to 44 are an integral part of these financial statements.

Tanjung Bin Power Sdn. Bhd.

(Company No. 459016-X)

(Incorporated in Malaysia)

Statement of comprehensive income for the year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000 restated
Revenue	13	3,410,474	3,078,510
Cost of sales		(2,499,122)	(2,145,109)
Gross profit		911,352	933,401
Other income		24,115	6,304
Administrative expenses		(22,631)	(25,823)
Other operating expenses		(58,302)	(58,477)
Operating profit		854,534	855,405
Interest income		29,160	23,715
Finance costs	14	(467,471)	(523,324)
Profit before tax		416,223	355,796
Income tax expense	16	(95,622)	(69,588)
Profit for the year/Total comprehensive income for the year	15	320,601	286,208

The notes on pages 10 to 44 are an integral part of these financial statements.

Tanjung Bin Power Sdn. Bhd.

(Company No. 459016-X)

(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2011

		Share capital	Fair Value Reserve	<i>Distributable</i> Retained profits	Total
	Note	RM'000	RM'000	RM'000	RM'000
At 1 January 2010, as previously stated		5,000	3,585	855,177	863,762
Effect of adopting IC Interpretation 4		-	-	(569,892)	(569,892)
At 1 January 2010, restated		5,000	3,585	285,285	293,870
Total comprehensive income for the year, restated		-	-	286,208	286,208
Dividend to the owners of the Company	17	-	-	(120,000)	(120,000)
At 31 December 2010/ 1 January 2011, restated		5,000	3,585	451,493	460,078
Total comprehensive income for the year		-	-	320,601	320,601
Dividend to the owners of the Company	17	-	-	(60,000)	(60,000)
Fair value realised		-	(612)	-	(612)
At 31 December 2011		5,000	2,973	712,094	720,067
	Note 9				

The notes on pages 10 to 44 are an integral part of these financial statements.

Tanjung Bin Power Sdn. Bhd.

(Company No. 459016-X)

(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2011

	2011 RM'000	2010 RM'000 restated
Cash flows from operating activities		
Profit before tax	416,223	355,796
Adjustments for:		
Amortisation of prepaid lease payments	3,582	3,582
Depreciation of property, plant and equipment	198,014	195,993
Plant and equipment written off	-	125
Finance costs	467,471	523,324
Interest income	(29,160)	(23,715)
Impairment loss on trade receivables	7,804	2,092
Reversal of impairment loss on trade receivables	(7,524)	-
Operating profit before changes in working capital	1,056,410	1,057,197
Changes in working capital:		
Inventories	(98,091)	27,120
Trade and other receivables	(59,536)	(289,345)
Trade and other payables	456,839	90,607
Cash generated from operations	1,355,622	885,579
Tax paid	(2,789)	-
Tax refund	14,070	-
Net cash from operating activities	1,366,903	885,579
Cash flows from investing activities		
Acquisition of property, plant and equipment	(18,955)	(8,276)
Interest received	29,160	23,715
Net cash from investing activities	10,205	15,439
Cash flows from financing activities		
Interest paid	(510,298)	(523,324)
Repayment of loans and borrowings	(560,000)	(510,000)
Dividend paid	(60,000)	(120,000)
Repayment of RULS	(208,700)	-
Net cash used in financing activities	(1,338,998)	(1,153,324)

Statements of cash flows for the year ended 31 December 2011 (continued)

	2011 RM'000	2010 RM'000 restated
Net increase/(decrease) in cash and cash equivalents	38,110	(252,306)
Cash and cash equivalents at 1 January	796,703	1,049,009
Cash and cash equivalents at 31 December	<u>834,813</u>	<u>796,703</u>

The notes on pages 10 to 44 are an integral part of these financial statements.

Tanjung Bin Power Sdn. Bhd.

(Company No. 459016-X)

(Incorporated in Malaysia)

Notes to the financial statements

Tanjung Bin Power Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and the registered office of the Company are as follows:

Principal place of business

Level 13, Block 3B

Plaza Sentral

Jalan Stesen Sentral 5

50470 Kuala Lumpur

Registered office

Level 8, Kompleks Antarabangsa

Jalan Sultan Ismail

50250 Kuala Lumpur

The principal activities of the Company consist of the design, engineering, procurement, construction, installation and commissioning, testing, operations and maintenance of 2,100 MW coal-fired electricity generating facilities and sale of electrical energy and generating capacity of the power plant located at Tanjung Bin, Daerah Pontian, Johor Darul Takzim.

The immediate holding company is Malakoff Corporation Berhad, a company incorporated in Malaysia. The penultimate holding company is MMC Corporation Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding company is Indra Cita Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 22 February 2012.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(i) Lease accounting

Effective 1 January 2011, the Company has adopted IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, which prescribes that the determination of whether an arrangement is or contains a lease shall be based on the substance of the arrangement. It requires an assessment of whether the fulfillment of the arrangement is dependent on the use of specific assets and whether the arrangement conveys a right to use such assets. The adoption of IC Interpretation 4 has resulted in operating lease accounting being applied to the Company as lessor for the Power Purchase Agreement with their off-taker.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements other than disclosed in Note 2(d) – Leases. The comparative in the financial statements have been restated to take into account the effect of adopting IC Interpretation 4, *Determining whether an Arrangement contains a Lease* (see Note 25).

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The gain or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other operating expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Power plant	25 years
• Office equipment	5 years
• Computer and software	3 years
• Renovation	5 years
• Motor vehicles	5 years
• Tools and equipment	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period.

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(iv) Residual value

The Company charges depreciation on its depreciable property, plant and equipment based on the useful lives and residual values of the assets. Estimating the useful lives and residual values of property, plant and equipment involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual useful lives and residual values of the assets however, may be different from expected.

The Power Purchase Agreements ("PPAs") provide for the disposal of the power plants at the end of the initial concession period, in the event that the PPAs are not extended. In assessing the appropriateness of the residual values adopted, management considered the recoverable values of the assets based on the discounted cash flow method ("DCF"). The discounted cash flows were derived using the following critical assumptions:

- (1) minimum extension of five years of the Power Purchase Agreements ("PPAs") at the end of the initial concession period, in view of:
 - (i) limited new power plants being constructed;
 - (ii) increase in demand for power; and
 - (iii) Tenaga Nasional Berhad ("TNB")'s continued reliance on Independent Power Producers ("IPPs").

The existing PPA expires in the year 2031 with the power plant having a residual value of RM1.92 billion.

- (2) an estimated Variable Operating Rate ("VOR") during the extension period which management deems to be reasonable based on the expected demand and the VOR rate at the end of the PPA;
- (3) an average despatch factor of 75% to reflect the future demand for power by the industry; and
- (4) the discount rate of 7.5% (pre tax: 10%).

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

(i) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2(h)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Leases

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

(a) *Company as lessee*

Leasehold land

Leases, where the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, the leased assets are not recognised in the statement of financial position.

2. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Operating lease (continued)

(a) *Company as lessee (continued)*

Leasehold land (continued)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(b) *Company as lessor*

PPA

Effective 1 January 2011, the Company has adopted IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, which prescribes that the determination of whether an arrangement is or contains a lease shall be based on the substance of the arrangement. It requires an assessment of whether the fulfillment of the arrangement is dependent on the use of specific asset and whether the arrangement conveys a right to use such assets. An arrangement that contains a lease is accounted for as a finance lease or an operating lease. Payment for services and the cost of inputs of the arrangement are excluded from the calculation of the minimum lease payments.

The operating lease income is recognised over the term of the lease on a straight-line basis.

2. Significant accounting policies (continued)

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

(f) Receivables

Trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks.

(h) Impairment

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the "cash-generating unit").

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(i) Equity instruments

All equity instruments are measured at cost on initial recognition and are not remeasured subsequently.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2. Significant accounting policies (continued)

(k) Revenue recognition

(i) Energy payments

Revenue is measured at the fair value of the consideration received or receivable and is recognised in profit or loss as it accrues.

(ii) Capacity payment

Revenue is recognised on a straight-line basis where the PPA is considered to be or to contain an operating lease.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(l) Deferred income

Deferred income comprise the capacity payments received from Tenaga Nasional Berhad in relation to the PPA. The amount is credited to profit or loss on a straight-line basis over the term of the PPA under "Revenue" in the statement of comprehensive income.

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. Significant accounting policies (continued)

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Company No. 459016-X

3. Property, plant and equipment

<i>Cost</i>	Power plant and machinery RM'000	Office equipment RM'000	Computer and software RM'000	Renovation RM'000	Motor vehicles RM'000	Tools and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
At 1 January 2010	6,647,558	1,825	4,205	1,018	1,843	10,180	7,454	6,674,083
Additions	1,680	238	950	18	340	1,669	3,381	8,276
Write-off	-	(271)	-	-	-	-	-	(271)
At 31 December 2010/ 1 January 2011	6,649,238	1,792	5,155	1,036	2,183	11,849	10,835	6,682,088
Additions	4,991	587	10,093	112	138	1,073	1,961	18,955
At 31 December 2011	6,654,229	2,379	15,248	1,148	2,321	12,922	12,796	6,701,043
<i>Depreciation</i>								
At 1 January 2010	548,340	828	2,719	345	1,062	4,663	-	557,957
Depreciation for the year	191,968	385	777	201	417	2,245	-	195,993
Write-off	-	(146)	-	-	-	-	-	(146)
At 31 December 2010/ 1 January 2011	740,308	1,067	3,496	546	1,479	6,908	-	753,804
Depreciation for the year	191,451	358	3,193	212	382	2,418	-	198,014
At 31 December 2011	931,759	1,425	6,689	758	1,861	9,326	-	951,818

3. Property, plant and equipment (continued)

	Power plant and machinery RM'000	Office equipment RM'000	Computer and software RM'000	Renovation RM'000	Motor vehicles RM'000	Tools and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
<i>Carrying amounts</i>								
At 1 January 2010	6,099,218	997	1,486	673	781	5,517	7,454	6,116,126
At 31 December 2010/ 1 January 2011	5,908,930	725	1,659	490	704	4,941	10,835	5,928,284
At 31 December 2011	5,722,470	954	8,559	390	460	3,596	12,796	5,749,225

Security

At 31 December 2011, the property, plant and equipment with a carrying amount of RM5,731,451,000 (2010: RM5,911,061,000) were charged as securities for debt securities issued by the Company.

4. Prepaid lease payments

	Leasehold land Unexpired period less than 50 years RM'000
Cost	
At 1 January 2010/31 December 2010/1 January 2011/ 31 December 2011	105,376 =====
Amortisation	
At 1 January 2010	24,180
Amortisation for the year	3,582

At 31 December 2010/1 January 2011	27,762
Amortisation for the year	3,582

At 31 December 2011	31,344 =====
Carrying amounts	
At 1 January 2010	81,196 =====
At 31 December 2010/1 January 2011	77,614 =====
At 31 December 2011	74,032 =====

5. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000 restated	2011 RM'000	2010 RM'000 restated	2011 RM'000	2010 RM'000 restated
Property, plant and equipment	-	-	(650,119)	(494,477)	(650,119)	(494,477)
Deductible temporary differences	49,655	51,846	-	-	49,655	51,846
Deferred income	327,550	258,050	-	-	327,550	258,050
Tax assets/(liabilities)	377,205	309,896	(650,119)	(494,477)	(272,914)	(184,581)
Set-off of tax	(49,655)	(51,846)	49,655	51,846	-	-
Net tax assets/(liabilities)	327,550	258,050	(600,464)	(442,631)	(272,914)	(184,581)

Movement in temporary differences during the year

	At 1.1.2010 restated RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2010/ 1.1.2011 restated RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2011 RM'000
Deferred tax assets					
Deductible temporary differences	61,807	(9,961)	51,846	(2,191)	49,655
Deferred income	189,964	68,086	258,050	69,500	327,550
Tax assets	251,771	58,125	309,896	67,309	377,205
Set-off of tax	(61,807)	9,961	(51,846)	2,191	(49,655)
Net tax assets	189,964	68,086	258,050	69,500	327,550

5. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year (continued)

	At 1.1.2010 restated RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2010/ 1.1.2011 restated RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2011 RM'000
Deferred tax liabilities					
Property, plant and equipment	(366,764)	(127,713)	(494,477)	(155,641)	(650,119)
Tax liabilities	(366,674)	(127,713)	(494,477)	(155,641)	(650,119)
Set-off of tax	61,807	(9,961)	51,846	(2,191)	49,655
Net tax liabilities	(304,957)	(137,674)	(442,631)	(157,832)	(600,464)

6. Inventories

	2011 RM'000	2010 RM'000
At cost		
Coal	182,373	89,472
Diesel	5,014	3,863
Spares and consumables	113,814	109,775
	<u>301,201</u>	<u>203,110</u>

7 Trade and other receivables

	2011 RM'000	2010 RM'000
Trade		
Trade receivables	642,134	616,212
Less: Allowance for impairment loss	(3,665)	(3,385)
	<u>638,469</u>	<u>612,827</u>
Non-trade		
Other receivables	69,747	36,133
	<u>69,747</u>	<u>36,133</u>
	<u>708,216</u>	<u>648,960</u>

8. Cash and cash equivalents

	2011 RM'000	2010 RM'000
Deposits with:		
Licensed banks	590,916	551,674
Other licensed corporations	238,946	231,821
	<hr/>	<hr/>
	829,862	783,495
Cash and bank balances	4,951	13,208
	<hr/>	<hr/>
	834,813	796,703
	<hr/> <hr/>	<hr/> <hr/>

9. Share capital and reserves

	Amount 2011 RM'000	Number of shares 2011 '000	Amount 2010 RM'000	Number of shares 2010 '000
<i>Share Capital</i>				
Authorised:				
Ordinary shares of RM1 each	50,000	50,000	50,000	50,000
	<hr/>	<hr/>	<hr/>	<hr/>
Issued and fully paid:				
Ordinary shares of RM1 each	5,000	5,000	5,000	5,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Ordinary shares</i>				

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Other reserve

This represents fair value on initial recognition on Redeemable Unsecured Loan Stocks ("RULS").

10. Loans and borrowings

	2011 RM'000	2010 RM'000
Non-current		
Redeemable unsecured loan stocks ("RULS")	925,185	1,133,273
Istisna medium term notes - secured	3,140,000	3,730,000
	<u>4,065,185</u>	<u>4,863,273</u>
Current		
Istisna medium term notes - secured	590,000	560,000
	<u>590,000</u>	<u>560,000</u>
Total	<u>4,655,185</u>	<u>5,423,273</u>

The RULS bear interest at a rate at 6% - 16% (2010: 6% - 16%) per annum whereas the Istisna medium term notes are subject to interest rates ranging from 7.4% to 8.9% (2010: 7.0% to 8.9%) per annum.

Significant covenants

The Istisna Medium Term Notes are subject to the fulfilment of the following significant covenants:

- (i) A Debt-to-Equity ratio of not more than 4:1.
- (ii) A minimum Debt Service Coverage Ratio of 1.25 times.

Terms and debt repayment schedule

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2011						
Istisna medium term notes - secured	2012-2018	3,730,000	590,000	590,000	1,600,000	950,000
Redeemable loan stocks - unsecured	2031	925,185	-	-	-	925,185
		<u>4,655,185</u>	<u>590,000</u>	<u>590,000</u>	<u>1,600,000</u>	<u>1,875,185</u>

10. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2010						
Istisna medium term notes - secured	2011 - 2018	4,290,000	560,000	590,000	1,190,000	1,950,000
Redeemable loan stocks - unsecured	2031	1,133,273	-	-	-	1,133,273
		<u>5,423,273</u>	<u>560,000</u>	<u>590,000</u>	<u>1,190,000</u>	<u>3,083,273</u>

The RULS are repayable over a period of twenty one (21) years.

The Istisna medium term notes are repayable over a period of one (1) to eight (8) years.

11. Deferred income

	2011 RM'000	2010 RM'000 restated
At 1 January	1,032,200	759,856
Additions	277,999	272,344
At 31 December	<u>1,310,199</u>	<u>1,032,200</u>

12. Trade and other payables

	Note	2011 RM'000	2010 RM'000
Trade			
Trade payables		402,469	251,024
		-----	-----
Non-trade			
Other payables and accrued expenses	12.1	122,942	116,250
Amount due to an immediate holding company	12.2	179,394	201,518
		-----	-----
		302,336	317,768
		-----	-----
		704,805	568,792
		=====	=====

12.1 Other payables and accrued expenses

Included in other payables and accrued expenses of the Company is interest payable on borrowings amounting to RM48,858,000 (2010: RM52,184,000).

12.2 Amount due to an immediate holding company

The amount due to an immediate holding company is unsecured, interest free and repayable on demand.

13. Revenue

	2011 RM'000	2010 RM'000 restated
Energy payments	2,253,480	1,897,501
Capacity payments	1,156,994	1,181,009
	-----	-----
	3,410,474	3,078,510
	=====	=====

14. Finance costs

	2011 RM'000	2010 RM'000
Interest expenses on:		
Redeemable unsecured loan stocks	131,447	150,447
Istisna medium term notes	336,024	372,877
	-----	-----
	467,471	523,324
	=====	=====

15. Profit for the year

	2011 RM'000	2010 RM'000
Profit before tax is arrived at after charging:		
Amortisation of prepaid lease payments	3,582	3,582
Auditors' remuneration		
- Audit fees		
- KPMG Malaysia	50	45
- Non-audit fees		
- Affiliates of KPMG Malaysia	15	15
- KPMG Malaysia	24	21
Depreciation of property, plant and equipment	198,014	195,993
Impairment loss on trade receivables	7,804	2,092
Interest expense	467,471	523,324
Plant and equipment written off	-	125
Rental of office premises	-	30
Rental of equipment	7	26
	=====	=====
and after crediting:		
Interest income	29,160	23,715
Reversal of impairment of trade receivables	7,524	-
	=====	=====

16. Income tax expense

	2011 RM'000	2010 RM'000 restated
<i>Recognised in profit or loss</i>		
Current tax expense		
Current year	7,290	-
	-----	-----
Deferred tax expense		
Origination and reversal of temporary differences	101,908	93,580
Over provision in prior year	(13,576)	(23,992)
	-----	-----
	88,332	69,588
	-----	-----
	95,622	69,588
	=====	=====

16. Income tax expense (continued)

	2011 RM'000	2010 RM'000 restated
Reconciliation of effective tax expense:		
Profit for the year	320,601	286,208
Total income tax expense	95,622	69,588
	<hr/>	<hr/>
Profit before tax	416,223	355,796
	<hr/>	<hr/>
Income tax calculated using Malaysian tax rate of 25%	104,056	88,949
Non-deductible expenses	1,149	1,142
Other items	3,993	3,489
Over provision in prior year	(13,576)	(23,992)
	<hr/>	<hr/>
Tax expense	95,622	69,588
	<hr/>	<hr/>

17. Dividends

Dividends recognised by the Company are as follows:

	RM per share (net of tax)	Total amount RM'000	Date of payment
2011			
First Interim 2011 ordinary	12.00	60,000	28 January 2011
		<hr/>	
2010			
First Interim 2010 ordinary	12.00	60,000	28 January 2010
Second Interim 2010 ordinary	7.63	38,143	28 April 2010
Second Interim 2010 ordinary	4.37	21,857	28 April 2010
		<hr/>	
Total amount		120,000	
		<hr/>	

18. Capital commitments

	2011 RM'000	2010 RM'000
Plant and equipment		
Authorised but not contracted for	77,837	59,267
	=====	=====

19. Contingencies

	2011 RM'000	2010 RM'000
Unsecured:		
Bank guarantees issued by financial institution to Royal Malaysian Customs Department	2,838	930
	=====	=====

20. Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The significant related party transactions of the Company, other than those disclosed elsewhere in the financial statements, are as follows:

	Transactions amount for the year ended 31 December RM'000	Gross balance outstanding at 31 December RM'000	Net balance outstanding at 31 December RM'000
2011			
Immediate holding company			
Interest expense on redeemable unsecured loan stocks	(119,734)	(127,462)	(127,462)
Management fee	(11,820)	(51,932)	(51,932)
	=====	=====	=====

20. Related parties (continued)

	Transactions amount for the year ended 31 December RM'000	Gross balance outstanding at 31 December RM'000	Net balance outstanding at 31 December RM'000
2010			
Immediate holding company			
Interest expense on redeemable unsecured loan stocks	(136,731)	(161,546)	(161,546)
Management fee	(11,820)	(39,972)	(39,972)

The terms and conditions for the above transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to be settled in cash.

21. Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company.

There were no fees and remuneration paid to the Directors of the Company during the year (2010: Nil).

22. Financial instruments

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R); and
- (b) Other financial liabilities measured at amortised cost (OL).

2011	Carrying amount RM'000	L&R/ (OL) RM'000
Financial assets		
Trade and other receivables	708,216	708,216
Cash and cash equivalents	834,813	834,813
	<u>1,543,029</u>	<u>1,543,029</u>
Financial liabilities		
Loans and borrowings	(4,655,185)	(4,655,185)
Payables and accruals	(704,805)	(704,805)
	<u>(5,359,990)</u>	<u>(5,359,990)</u>
2010	Carrying amount RM'000	L&R/ OL RM'000
Financial assets		
Trade and other receivables	648,960	648,960
Cash and cash equivalents	796,703	796,703
	<u>1,445,663</u>	<u>1,445,663</u>
Financial liabilities		
Loans and borrowings	(5,423,273)	(5,423,273)
Payables and accruals	(568,792)	(568,792)
	<u>(5,992,065)</u>	<u>(5,992,065)</u>

22. Financial instruments (continued)

22.2 Net gains and losses from financial instruments

	Interest income		Interest expense	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Loans and receivables	29,160	23,715	-	-
Other liabilities	-	-	(467,471)	(523,324)
	<u>29,160</u>	<u>23,715</u>	<u>(467,471)</u>	<u>(523,324)</u>
	=====	=====	=====	=====

22.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally in receivables from the Company's sole customer, Tenaga Nasional Berhad which represents approximately 90% (2010 - 95%) of total receivables of the Company. The maximum exposure of credit risk for the Company is represented by the carrying amount of each financial asset.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of receivables ageing.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Company uses ageing analysis to monitor the credit quality of the receivables.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2011			
Not past due	308,424	-	308,424
Past due 0 - 30 days	329,368	-	329,368
Past due 31 - 120 days	699	(699)	-
Past due more than 120 days	3,643	(2,966)	677
	<u>642,134</u>	<u>(3,665)</u>	<u>638,469</u>

	Gross RM'000	Individual impairment RM'000	Net RM'000
2010			
Not past due	322,464	-	322,464
Past due 0 - 30 days	292,209	(2,092)	290,117
Past due 31 - 120 days	3	-	3
Past due more than 120 days	1,536	(1,293)	243
	<u>616,212</u>	<u>(3,385)</u>	<u>612,827</u>

22. Financial instruments (continued)

22.4 Credit risk (continued)

Receivables (continued)

The movements in the allowance for impairment losses of trade receivables during the year were:

	2011 RM'000	2010 RM'000
At 1 January	3,385	1,293
Impairment loss	7,804	2,092
Reversal of impairment loss	(7,524)	-
	<hr/>	<hr/>
At 31 December	3,665	3,385
	<hr/>	<hr/>

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

22.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2011							
<i>Financial liabilities</i>							
Istisna medium term notes	3,730,000	7.40 - 8.90	4,910,493	884,438	851,946	2,126,273	1,047,836
Redeemable unsecured loan stocks	925,185	6.00 - 16.00	1,499,024	258,977	318,014	459,938	462,095
Trade and other payables	704,805	-	704,805	704,805	-	-	-
	<u>5,359,990</u>		<u>7,114,322</u>	<u>1,848,220</u>	<u>1,169,960</u>	<u>2,586,211</u>	<u>1,509,931</u>
2010							
<i>Financial liabilities</i>							
Istisna medium term notes	4,290,000	7.00 - 8.90	5,806,517	896,024	884,438	2,462,987	1,563,068
Redeemable unsecured loan stocks	1,133,273	6.00 - 16.00	1,878,666	379,642	258,977	714,365	525,682
Trade and other payables	568,792	-	568,792	568,792	-	-	-
	<u>5,992,065</u>		<u>8,253,975</u>	<u>1,844,458</u>	<u>1,143,415</u>	<u>3,177,352</u>	<u>2,088,750</u>

22. Financial instruments (continued)

22.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates and other prices will affect the Company's financial position or cash flows.

22.6.1 Interest rate risk

The Company's investments in fixed rate debt securities and its fixed rate borrowings are exposed to risk of change in their fair value due to changes in interest rates.

All interest rate exposures are monitored and managed proactively by the Company's management.

The interest rate profile of the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

	2011 RM'000	2010 RM'000
Fixed rate instruments		
Financial liabilities	4,655,185	5,423,273
	=====	=====
Financial assets	829,862	783,495
	=====	=====

22.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The fair values of other liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities				
Istisna medium term notes	3,730,000	4,140,248	4,290,000	5,806,517
Redeemable unsecured loan stocks	925,185	1,499,024	1,133,273	1,878,666
	=====	=====	=====	=====
	4,655,185	5,639,272	5,423,273	7,685,183
	=====	=====	=====	=====

22. Financial instruments (continued)

22.7 Fair value of financial instruments (continued)

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Non-derivative financial liabilities

Fair value of the unquoted bonds, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

23. Capital management

During 2011, the Company's strategy, which was unchanged from 2010, was to maintain debt-to-equity ratio of not more than 4:1 and a debt service cover ratio of at least 1.25 times. The debt-to-equity and debt service cover ratios at 31 December 2011 and at 31 December 2010 were as follows:

(i) Debt-to-equity ratio	Note	2011	2010
		RM'000	RM'000 restated
Istisna Medium Term Notes		3,730,000	4,290,000
Deemed total debt	[A]	3,730,000	4,290,000
Redeemable Unsecured Loan Stocks		925,185	1,133,273
Share capital		5,000	5,000
Retained profits		712,094	451,493
Fair value reserve		2,973	3,585
Deemed total equity	[B]	1,645,252	1,593,351
Debt-to-equity ratios	[A : B]	2.27:1	2.69:1
(ii) Debt service cover ratio			
		2011	2010
		RM'000	RM'000
Total net available cash	[A]	1,362,768	1,214,310
Total debt service	[B]	353,420	621,283
Debt service cover ratios	[A : B]	3.85:1	1.95:1

There were no changes in the Company's approach to capital management during the financial year.

24. Significant changes in accounting policies

Lease accounting

The Company has adopted IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, which prescribes that the determination of whether an arrangement is or contains a lease shall be based on the substance of the arrangement. It requires an assessment of whether the fulfillment of the arrangement is dependent on the use of specific assets and whether the arrangements conveys a right to use such assets. The adoption of IC Interpretation 4 has resulted in the PPA entered into by the Company being accounted for as operating lease. In prior years, these arrangements were accounted for as normal sale and purchase contracts.

The change in this accounting policy has been applied retrospectively with comparative figures restated accordingly. The effects of the resulting changes are summarised as follows and in Note 25:

Statement of financial position as at 31 December

	2011 RM'000	2010 RM'000
Increase in deferred income	(1,310,199)	(1,032,200)
Increase in deferred tax assets	327,550	258,050
	<u>(982,649)</u>	<u>(774,150)</u>
Increase in net liabilities	<u>(982,649)</u>	<u>(774,150)</u>

Statement of comprehensive income for the year ended 31 December

	2011 RM'000	2010 RM'000
Decrease in revenue	(277,999)	(272,344)
Decrease in income tax expense	69,500	68,086
	<u>(208,499)</u>	<u>(204,258)</u>
Decrease in profit for the year	<u>(208,499)</u>	<u>(204,258)</u>

25. Comparative figures

Following the adoption of the IC Interpretation 4, *Determining whether an Arrangement contains a Lease* (see Note 24), certain comparatives have been restated as follows:

	31.12.2010		1.1.2010	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Statements of financial position				
Deferred tax assets	258,050	-	189,964	-
Retained profits	451,493	1,225,643	285,285	855,177
Deferred income	1,032,200	-	759,856	-
	=====	=====	=====	=====
Statements of comprehensive income				
Revenue	3,078,510	3,350,854		
Income tax expense	69,588	137,674		
	=====	=====		
Statements of cash flows				
<i>Changes in working capital</i>				
Trade and other payables	90,607	(185,369)		
	=====	=====		

Tanjung Bin Power Sdn. Bhd.

(Company No. 459016-X)

(Incorporated in Malaysia)

**Statement by Directors pursuant to Section 169(15)
of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 5 to 44 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Zainal Abidin bin Abd Jalil



.....
Habib bin Husin

Kuala Lumpur,

Date: 22 February 2012

Tanjung Bin Power Sdn. Bhd.

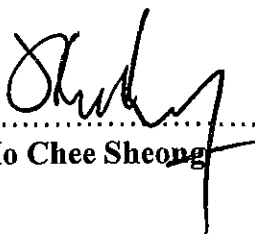
(Company No. 459016-X)

(Incorporated in Malaysia)

**Statutory declaration pursuant to
Section 169(16) of the Companies Act, 1965**

I, **Ho Chee Sheong**, the officer primarily responsible for the financial management of Tanjung Bin Power Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 44 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on
22 February 2012.


.....
Ho Chee Sheong

Before me:



Suite 8-8-2, Menara Mutiara Bangsar,
Jalan Liku, Off Jalan Riong
Bangsar,
59100 Kuala Lumpur



KPMG (Firm No. AF 0758)
Chartered Accountants
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Selangor Darul Ehsan, Malaysia

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Independent Auditors' Report to the members of Tanjung Bin Power Sdn. Bhd.

(Company No.459016-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Tanjung Bin Power Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 44.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 459016-X

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



KPMG
Firm Number: AF 0758
Chartered Accountants



Muhammad Azman Bin Che Ani
Approval Number: 2922/04/12(J)
Chartered Accountant

Petaling Jaya,

Date: 22 February 2012

Appendix II

Financial Projections

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Tanjung Bin Power Sdn Bhd																		
Operating Revenue	3,865	3,869	3,804	4,009	3,913	3,885	3,889	3,753	3,285	3,198	3,202	3,213	3,215	3,215	3,219	3,230	3,232	3,232
Interest Income	24	36	43	56	67	79	86	99	89	72	61	51	38	25	20	18	16	14
Total Revenue	3,888	3,905	3,847	4,066	3,980	3,965	3,975	3,851	3,374	3,271	3,263	3,264	3,253	3,240	3,239	3,248	3,248	3,246
Operating Cost	(2,576)	(2,587)	(2,549)	(2,983)	(2,880)	(2,873)	(2,884)	(2,858)	(2,735)	(2,729)	(2,736)	(2,750)	(2,757)	(2,763)	(2,774)	(2,793)	(2,805)	(2,815)
Operating Cash Flow	1,312	1,319	1,298	1,083	1,100	1,091	1,091	994	639	542	527	514	497	478	465	455	443	432
Maintenance Capex	(68)	(75)	(5)	(7)	(14)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
Cash Available For Finance Service	1,244	1,244	1,293	1,076	1,086	1,084	1,084	987	632	535	520	507	490	471	458	448	436	425
Proceed from Sukuk Ijarah	3,646	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Sukuk Istisna	(3,530)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Service	(432)	(357)	(202)	(202)	(202)	(202)	(202)	(727)	(678)	(474)	(439)	(445)	(449)	(452)	(433)	(415)	(396)	(316)
Cash Flow after Finance Service	928	886	1,091	875	885	883	883	260	(46)	60	81	63	41	19	24	33	41	108
Shareholders Distribution	(556)	(659)	(643)	(521)	(480)	(654)	(467)	(587)	(507)	(427)	(427)	(477)	(476)	(185)	(103)	(102)	(101)	(200)
Net Cashflow for the year	371	227	448	354	405	229	416	(327)	(553)	(366)	(346)	(414)	(435)	(166)	(79)	(69)	(60)	(92)
Opening Balance	835	1,206	1,433	1,881	2,235	2,640	2,869	3,285	2,958	2,405	2,039	1,693	1,279	844	678	599	530	470
Closing Balance	1,206	1,433	1,881	2,235	2,640	2,869	3,285	2,958	2,405	2,039	1,693	1,279	844	678	599	530	470	378

Appendix III

Key Assumptions on Financial Projections

Tanjung Bin Power Sdn. Bhd. (“TBP” or the “Company”)

The principal bases and assumptions upon which the cash flow projections have been made for by the Board of Directors are as follows:

General assumptions

1. There will be no significant changes in the principal activities of TBP.
 2. There will be no significant changes in TBP's existing management, accounting and operational policies that will adversely affect the activities and performance of TBP.
 3. There will be no significant changes in the present legislation and Government regulations, rates and duties, tariffs, levies and taxes, which will adversely affect the operations of TBP or the market in which it operates.
 4. The power plant will operate as planned and there are no factors which would significantly affect its operations. The power plant is not expected to be decommissioned throughout the cash flow projection period.
 5. There will be no major breakdown or disruption or termination to the Company's operating activities, industrial disputes, and disruption in the supplies of materials or any other abnormal factor, both domestic and overseas, which will adversely affect the operations of the power plant.
 6. There will be no significant changes in the current demand and in the prevailing market conditions in Malaysia which will adversely affect the demand of electricity from the power plant.
 7. There will be no significant changes to the prevailing economic and political conditions in Malaysia and elsewhere that will have direct or indirect effects on TBP.
 8. There will be no material litigation against TBP throughout the cash flow projection period.
 9. There will be no significant changes in the terms and conditions of the significant agreements i.e. the Power Purchase Agreement (“PPA”) and Operation and Maintenance Agreement (“O&M Agreement”).
 10. There will be no expropriation or termination of the PPA prior to the end of the agreement period.
 11. There will be no significant changes in the prices of major raw materials, and other major operating costs.
 12. Tenaga Nasional Berhad (“TNB”) will be paying for all the invoices billed. It is assumed that there will be no disputes between TNB and TBP.
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Revenue assumptions

1. Revenue comprised of the following as stipulated in the PPA:
 - a) Capacity Rate Financial (“**CRF**”) Revenue;
 - b) Fixed Operating Rate (“**FOR**”) Revenue;
 - c) Variable Operating Rate (“**VOR**”) Revenue;
 - d) Daily Utilisation Payment (“**DUP**”) Revenue; and
 - e) Fuel Revenue.
2. The turnover period for revenue is assumed to be 2 months.
3. The tariff will remain unchanged in accordance with the PPA.
4. The FOR is escalated at a rate of 4% in every 4 years as stated in the PPA.
5. The VOR is escalated at a rate of 4% in every 4 years as stated in the PPA.

Operating costs assumptions

1. Operating costs comprises the following:
 - a) Fixed operation and maintenance cost;
 - b) Variable operation and maintenance cost;
 - c) Fuel cost;
 - d) Heat rate bonus payment;
 - e) Cess funds;
 - f) Insurance cost;
 - g) Administrative expense; and
 - h) Other expenses.
 2. It is assumed that the turnover period is two months for all operating costs as stated above, (except for item (c)). For item (c), the turnover period is one month.
 3. It is assumed that the fixed operation and maintenance cost and variable operation and maintenance cost remain unchanged in accordance with the O&M Agreement.
 4. It is assumed that the fuel cost is based on 97.50% of the fuel revenue.
 5. It is assumed that the heat rate bonus payment is based on 50% of the excess of fuel revenue over the fuel cost. However, the amount is capped at RM24 million per annum.
 6. It is assumed that the cess fund is based on 1% of total revenue which consists of capacity rate financial revenue, fixed operating rate revenue, variable operating rate revenue and daily utilisation payment revenue.
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Operating costs assumptions (continued)

7. The insurance cost is assumed to be as follows:

Year	Insurance cost (RM million)
2012	34
2013	36
2014	38
2015	40
2016	42
2017	44
2018	46
2019	48
2020	51
2021	53
2022	56
2023	59
2024	61
2025	65
2026	68
2027	71
2028	75
2029	78
2030	82
2031	65

It is assumed that there is a 5% inflationary rate on the insurance cost.

Operating costs assumptions (continued)

8. The administrative expense is assumed to be as follows:

Year	Administrative cost (RM million)
2012	35
2013	35
2014	35
2015	35
2016	35
2017	35
2018	35
2019	35
2020	35
2021	35
2022	35
2023	35
2024	35
2025	35
2026	35
2027	35
2028	35
2029	35
2030	35
2031	26

It is assumed that no inflationary rate on administrative expense. Administrative expenses consist of maintenance fee payable to immediate holding company, site maintenance costs and general administrative expenses and office expenses, which inflationary increases is not material and insignificant.

9. It is assumed that TBP will incur other expenses amounting to RM10 million for year 2012 and is escalated at a rate of 4% per annum until year 2031.

Other income

1. It is assumed that TBP will receive coal ash sales amounting to RM7 million per annum from year 2012 until year 2030 and RM5 million in year 2031.

Other assumptions

1. It is assumed that there will be no material disposal of property, plant and equipment.
2. It is assumed that the residual value of the property, plant and equipment at the end of the PPA period is RM1,920 million.
3. It is assumed that additional capital expenditures for property, plant and equipment are as follows:

Year	Capital expenditure (RM million)
2012	68
2013	75
2014	5
2015	7
2016	14
2017	7
2018	7
2019	7
2020	7
2021	7
2022	7
2023	7
2024	7
2025	7
2026	7
2027	7
2028	7
2029	7
2030	7
2031	5

4. There will be adequate fuel supply throughout the projection period.
5. It is assumed that tax exempt dividends will be distributed under the single-tier system in accordance with current tax regulations in Malaysia.

Financing assumptions

1. TBP's Redeemable Unsecured Loan Stock ("**RULS**") will be repaid in the following manner, subject to the distribution restriction covenants being met:

Year	Principal repayment (RM million)
2012	115
2013	188
2014	171
2015	56
2017	396

2. RUL's interest rate is at 16% based on the terms of the Deed Poll.
3. TBP shall undertake a Dividend Reinvestment Plan ("**DRP**") that allows shareholders to reinvest their dividends in the new Redeemable Convertible Loan Stocks ("**RCULS**") to be issued by TBP amounting to RM300 million during the financial year ending 31 December 2012.
4. RCULS will be repaid in the following manner, subject to the distribution restriction covenants being met:

Year	Principal repayment (RM million)
2023	50
2024	50
2025	50
2026	50
2027	50
2028	50

5. It is assumed that the RCULS issued will be charged an interest rate of 9% per annum.
6. TBP will repay part of the existing Istisna Medium Term Notes ("**IMTN**") bond maturing on 11 May 2012 amounting to RM200 million during the financial year ending 31 December 2012.
7. It is assumed that the issuance of the new Sukuk amounting to RM4.195 billion at a targeted rating of AA2 with profit rates ranging from 3.85% to 5.45% per annum.
8. It is expected that the Sukuk will consist of twelve (12) series, with tenures ranging from one (1) to seventeen (17) years.
9. The profit payments are expected to commence six (6) months from the date of issuance of the Sukuk whereas the payment of principal will be in accordance with the maturity profile as stated in the Principal Terms and Conditions of the Sukuk Ijarah.

Financing assumptions (continued)

10. It is assumed that all payments in respect of the Sukuk will be made on a timely manner.
11. All the following financial covenants will be met:
 - a) A Debt-to-Equity Ratio of not more than 4:1;
 - b) A Finance Service Cover Ratio of at least 1.25 times; and
 - c) Establish and maintain a Maintenance Reserve Account of not less than RM24 million to fund the repair and replacement expenses of the power plant throughout the term of the PPA.
12. It is assumed that the interests are paid in the year that it is incurred.
13. All cash and bank balances are assumed to be placed in fixed deposits with licensed banks. The placements are assumed to earn interest at a rate of 3% per annum based on the closing cash and bank balances in the prior year.

Tax assumptions

a) Accounting basis assumption

1. It is assumed that the tax computation was prepared based on the Company's gross business income pursuant to the terms of the PPA.
2. It is assumed that capital allowances ("CA") and/or industrial building allowances ("IBA") have been claimed on the assets (i.e. qualifying plant and machinery and/or industrial buildings) on the basis that those assets are used by the Company in the production of its gross business income, notwithstanding that it is treated as an operating lease for accounting purposes.

b) Capital allowance assumption

1. It is assumed that there is no addition, disposal and/or write off of fixed assets in the cash flow projections for years 2012 to 2031.

c) Cess fund contribution

1. It is assumed that the Company will contribute a cess contribution of 1% of total revenue which consists of capacity rate financial revenue, fixed operating rate revenue, variable operating rate revenue and daily utilisation payment revenue to Akaun Amanah Industry Bekalan Elektrik ("the Fund") after deducting the fuel costs incurred to the Fund. The payment made to the Fund will be allowed for full deduction as it is a contribution to an approved fund. It is assumed that the Company will make payment to the Fund in the year it is incurred.

d) Deductibility of interest expense assumption

1. It is assumed that the new Sukuk to be issued by the Company is in accordance with the principle of Shariah and will be used to redeem the existing Sukuk Istisna and as working capital purposes. The interest expense arising from the new Sukuk which attributes to the redemption of existing Sukuk Istisna should be allowed tax deduction for income tax purposes.

e) Other income tax adjustment assumption

1. It is assumed that the tax deduction on interest expense arising from the RULS is restricted to the fixed interest rate of 9% instead of 16% on the RULS on the basis that this is reflective of arm's length transaction.
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2. It is assumed that the non-deductible expense for tax purposes will be 2% of earnings before interest, tax, depreciation and amortisation ("**EBITDA**").
 3. It is assumed that the CA rates will not change subsequent to YA 2011.
 4. The corporate tax rate is assumed at the current Malaysian corporate tax rate of 25% per annum throughout the projection period and is to be paid at the end of each financial year.
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