Strictly Private & Confidential

# CERAH SAMA SDN BHD

**(Company No. 315282-P)**

# INFORMATION MEMORANDUM

PROPOSED ISSUANCE OF ISLAMIC MEDIUM TERM NOTES BASED ON THE ISLAMIC PRINCIPLE OF MUSHARAKAH PURSUANT TO A SUKUK PROGRAMME OF UP TO RM750.0 MILLION NOMINAL VALUE
("SUKUK PROGRAMME")

**Principal Adviser, Lead Arranger, Lead Manager**

Maybank Investment Bank Berhad
(Company No. 15938-H)

This Information Memorandum is dated 21 January 2013

## IMPORTANT NOTICE

## RESPONSIBILITY STATEMENT

This Information Memorandum has been approved by the directors of Cerah Sama Sdn Bhd (Company No. 315282-P) ("**Cerah Sama**" or 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 information and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Information Memorandum false or misleading and there is no material omission in this Information Memorandum. Whilst the directors of Cerah Sama believe that all reasonable care have been taken in ensuring the accuracy of the information in relation to the Sukuk Programme (as defined hereunder) and all information obtained from public sources and the directors of Cerah Sama are not, as at the date of this Information Memorandum, aware of any inaccuracy in relation to such information, the responsibility of the directors of Cerah Sama is limited to ensuring reasonable care in the reproduction of such information.

## GENERAL STATEMENT OF DISCLAIMER AND IMPORTANT NOTICE

This Information Memorandum is in connection with the issue of up to RM750.0 million nominal value of Islamic Medium Term Notes (the "**Sukuk**") under a Sukuk Programme based on the Islamic principle of Musharakah (the "**Sukuk Programme**") by the Issuer.

The Issuer has authorised Maybank Investment Bank Berhad ("**Maybank IB**") (Company No. 15938-H) ("**Principal Adviser**" and/or "**Lead Arranger**" and/or "**Lead Manager**") to distribute this Information Memorandum, which is now being provided by the Lead Arranger on a strictly confidential basis to potential investors to whom an issue, offer or invitation to subscribe or purchase the Sukuk (as hereinafter defined) would constitute an excluded issue, excluded offer or excluded invitation, at issuance to persons specified or set out in Schedule 6 (or section 229(1)(b)) or Schedule 7 (or section 230(1)(b)) read together with Schedule 9 (or section 257(3)) of the Capital Markets & Services Act 2007 ("**CMSA**"), as amended from time to time and to persons falling within the relevant category of the persons specified in Section 4(6) of the Companies Act, 1965 of Malaysia ("**CA**"), and post issuance to persons as prescribed in 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 and to persons falling within the relevant category of the persons specified in Section 4(6) of the CA for the sole purpose of assisting them to decide whether to subscribe for or purchase the Sukuk. This Information Memorandum may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer and the Lead Arranger 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 subject to interruptions, transmission blackout, delayed transmission due to internet traffic, incorrect data transmission due to the public nature of the internet, data corruption, interception, unauthorised amendment, tampering, viruses or other technical, mechanical or systemic risks associated with internet transmissions. The Issuer and/or the Lead Arranger have not accepted and will not accept any responsibility and/or liability 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.

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None of the information or data contained in this Information Memorandum has been independently verified by the Lead Arranger. No representation or warranty, express or implied, is given or assumed by the Lead Arranger as to the authenticity, origin, validity, accuracy or completeness of information and data contained in this Information Memorandum or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum.

The Lead Arranger has not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Sukuk Programme and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum, except as provide by Malaysian laws.

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 Lead Arranger or any other person.

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. 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 jurisdiction other than Malaysia (each such jurisdiction as "**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any Foreign Jurisdiction and it does not constitute an issue or offer of, or an invitation to apply for, the Sukuk of any other securities of any kind by any party in any Foreign Jurisdiction.

The distribution or possession of this Information Memorandum in Malaysia or in any Foreign Jurisdiction may be restricted or prohibited by law. Each recipient is required by the Issuer and the Lead Arranger to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the Lead Arranger accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in Malaysia or in any Foreign Jurisdiction. This Information Memorandum is not and is not intended to be a prospectus and has not been registered or lodged under the laws of Malaysia or of any Foreign Jurisdiction as a prospectus.

**(b) Recipient Confirmation**

By accepting delivery or electronic transmission 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 information and data in this Information Memorandum;

(ii) It is lawful for the recipient to subscribe for or purchase the Sukuk under all jurisdictions to which the recipient is subject;

(iii) The recipient has complied with all applicable laws in connection with such subscription or purchase of the Sukuk;

(iv) The Issuer, the Lead Arranger and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Sukuk, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk is or shall become unlawful, unenforceable, voidable or void;

(v) It is aware that the Sukuk can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;

(vi) It has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Sukuk, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk;

(vii) It is subscribing or accepting the Sukuk for its own account;

(viii) It is a person to whom an issue, offer or invitation to purchase the Sukuk would fall within any one(1) of the category of the persons specified in Schedule 6 (or section 229(1)(b)) or Schedule 7 (or section 230(1)(b)) read together with Schedule 9 (or section 257(3)) of the CMSA, as amended from time to time and to persons specified in Section 4(6) of the CA and after the issuance of the Sukuk, and/or it is a person to whom an issue or offer of the Sukuk would fall within any one of the categories or persons specified in Schedule 6 (or section 229(1)(b)) and Schedule 9 (or section 257(3)) of the CMSA, as amended from time to time and to persons falling within the relevant category of the persons specified in Section 4(6) of the CA.

(ix) For the avoidance of doubt, this Information Memorandum shall constitute an offer or invitation to purchase the Sukuk in relation to any recipient who does not fall within sub-paragraph (viii) above.

This Information Memorandum is not an offer to sell securities and is not soliciting an offer to buy securities described herein in any jurisdiction where the offer or sale is not permitted.

**(c) Independent Investigation and Analysis Required**

This Information Memorandum is not, and should be construed as, a recommendation by the Issuer, the Lead Arranger or any other party to the recipient to subscribe for or purchase the Sukuk. Further, neither the Lead Arranger nor any of its employees or agents makes or gives or purports to make or give any representation or warranty, expressed or implied, as to the merits the Sukuk, or the purpose or acquisition thereof, the creditworthiness or the financial condition or otherwise of the Issuer or any other person mentioned in this Information Memorandum. This Information Memorandum is not as substitute for, and should not be regarded as, an independent evaluation and analysis. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Sukuk and all other relevant matters, and each recipient should consult its own professional financial, legal and other appropriate professional advisers.

**(d) Review of Updated Information**

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Sukuk Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Arranger expressly does not undertake to review the financial condition or affairs of the Issuer or any members of the Cerah Sama Group (as defined herein) during the tenure of the Sukuk Programme or to advise any investor of the Sukuk 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 to this Information Memorandum when deciding whether or not to purchase any Sukuk.

**(e) Forward Looking Statements**

This Information Memorandum includes “forward looking statements”. These statements include, among other things, Cerah Sama Group’s future operations, profitability, financial position and cashflow projection. All these statements are based on estimates and assumptions made by the Issuer and/or Cerah Sama Group and/or third party consultants that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of the Issuer to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward looking statement in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved.

**(f) Third Party Information**

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

**(g) Rounding**

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after, rounding. Where this Information Memorandum contains or refers to a summary of a document or agreement, the summary is not meant to be exhaustive and potential investors should refer to or read the document or agreement in its entirety.

**STATEMENTS OF DISCLAIMER – SECURITIES COMMISION MALAYSIA**

In accordance with the CMSA as amended from time to time, a copy of this Information Memorandum will be deposited with the Securities Commission Malaysia ("**SC**"), who takes no responsibility for its contents.

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

The approval from the SC under section 212(5) of the CMSA was obtained for the Sukuk Programme on 21 January 2013. Each recipient of this Information Memorandum acknowledges and agrees that the approval of the SC shall not be taken to indicate that the SC recommends an investment in or purchase of the Sukuk.

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

**EACH ISSUE OF THE SUKUK WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH ISSUE ON ITS RESPECTIVE MERITS AND RISKS OF THE INVESTMENT.**

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

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

**CONFIDENTIALITY**

To the recipient of this Information Memorandum:

This Information Memorandum and its contents are strictly confidential and are provided 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 in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is provided to prospective investors solely with reference to their own evaluation of the Sukuk and may not be reproduced or used, in whole or in part, for any purpose, nor furnished to any person other than those to whom copies have been sent by the Lead Arranger.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, Cerah Sama may, at its discretion, apply for any remedy available to Cerah Sama whether at law or equity, including without limitation, injunctions. Cerah Sama is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, 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 who may receive this Information Memorandum (or any part of it) from the recipient.

The recipient must return this Information Memorandum and all reproductions whether in whole or in part and any other information in connection therewith to the Lead Arranger promptly upon the Lead Arranger's request, unless that recipient provides proof of a written undertaking satisfactory to the Lead Arranger with respect to destroying these documents as soon as reasonably practicable after the said request from the Lead Arranger.

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## DEFINITIONS OF KEY TERMS AND ABBREVIATIONS

Except where the context otherwise requires, the following definitions and abbreviations shall apply throughout this Information Memorandum:-

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| **"Agreed Toll"** | means in relation to the Concession Year, the toll payable by a particular class of vehicle using the Cheras-Kajang Highway as set out in the Concession Agreement. |
| **"Assignment and Charge over Designated Accounts"** | means the assignment and charge to be created by the Issuer in favour of the Security Agent for the assignment of the Designated Accounts. |
| **"Assignment of Revenue and Income"** | means the assignment to be created by the Issuer in favour of the Security Agent for the assignment of revenue and Income of the Issuer. |
| **"BNM"** | means Bank Negara Malaysia. |
| **"Board of Directors"** | means the board of directors of Cerah Sama. |
| **"Bursa Securities"** | means Bursa Malaysia Securities Berhad (Company No. 635998-W). |
| **"Business Day"** | means a day on which banks are open for business in Kuala Lumpur excluding Saturday and Sunday. |
| **"CAGR"** | means compound annual growth rate. |
| **"Central Depository"** | means BNM as the Central Depository of the global certificate(s) for the Sukuk. |
| **"Cerah Sama Group"** | means Cerah Sama and its material subsidiaries (namely, Grand Saga, Peak Synergy, Europlex and Trupadu). |
| **"Cerebro International"** | means Cerebro International Ltd. (BVI Co No. 1685826), a company incorporated under the laws of the British Virgin Islands. |
| **"Cheras-Kajang Highway"** | means a four-lane dual carriageway located along the 11.5km stretch of Kuala Lumpur-Kajang Road of the existing Federal Route 1, commencing from the Connaught Interchange at the Selangor/Kuala Lumpur Boundary and terminating at the Saujana Impian Interchange. |
| **"CMSA"** | means Capital Markets and Services Act 2007 (as amended from time to time). |
| **"Companies Act"** | means Companies Act 1965 (as amended from time to time). |
| **"Concession"** | means the concession granted by the Government to Grand Saga pursuant to the terms and conditions of the Concession Agreement. |

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| **"Concession Agreement"** | means the concession agreement dated 19 September 1995 made between the Government and Grand Saga. |
| **"Concession Area"** | means the land on, under or through which the Cheras-Kajang Highway is located including the Right of Way. |
| **"Concession Period"** | means the period specified as the duration of the Concession being a period of thirty (30) years from 19 September 1995. |
| **"Concession Year"** | means the period commencing on the Effective Date and ending on 31 December 1995 and thereafter each period of one (1) year ending on 31 December but so that the final Concession Year shall end on the Termination Date. |
| **"Designated Accounts"** | means collectively the Finance Service Reserve Account and the Revenue Account. |
| **"Director"** | means a person falling within the meaning given in Section 4 of the Companies Act. |
| **"Effective Date"** | means 19 September 1995. |
| **"Europlex"** | means Europlex Consortium Sdn Bhd (Company No. 357103-X). |
| **"Facility Agent"** | means Maybank IB |
| **"Federal Route 1"** | means the roads and bridges from Alor Star-Jitra Road in Kedah to Malaysia/Singapore International Border – Johor Causeway – Senal Road in the State of Johor declared as Federal Trunk Roads (Route 1) pursuant to the Federal Roads (West Malaysia) Order 1989. |
| **"Finance Service Reserve Account"** | means a Shariah compliant account opened and maintained by the Issuer and solely operated by the Security Agent. |
| **"Government"** | means the Government of Malaysia. |
| **"Government Support Loan"** | means the fixed rate term loan of RM59.0 million granted by the Government to Grand Saga pursuant to the Support Loan Agreement. |
| **"Grand Saga" or the "Concession Company"** | means Grand Saga Sdn Bhd (Company No. 221844-T). |
| **"Issue Documents"** | means the agreements related to and executed in connection with the issue of Sukuk and include but not limited to the following:<br>(a) the Programme Agreement;<br>(b) the Trust Deed;<br>(c) the Musharakah Agreement;<br>(d) the Management Agreement; |

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| | (e) the Purchase Undertaking;<br>(f) the Security Documents; and<br>(g) all other documents of whatsoever nature executed or to be executed in connection with or pursuant to any of the above documents or otherwise in connection with the Sukuk. |
| **“Issuer” or “Cerah Sama” or “Company”** | means Cerah Sama Sdn Bhd (Company No. 315282-P). |
| **“Jejak Melewar”** | means Jejak Melewar Sdn. Bhd. (Company No. 1010950-W). |
| **“Maturity Date”** | means, in respect of each Series, the date on which the principal amount of that Series is to be redeemed in accordance with the Trust Deed. |
| **“MARC”** | means Malaysian Rating Corporation Berhad (Company No. 364803-V), the rating agency. |
| **“Memorandum Of Charge”** | means the memorandum of charge to be created by the Issuer in favour of the Security Agent over the Issuer’s shares in Grand Saga, Trupadu, Peak Synergy and Europlex. |
| **“Memorandum of Deposit”** | means the memorandum of deposit executed by the Issuer in favour of the Security Trustee for the charging of the Issuer’s shares in Grand Saga, Trupadu, Peak Synergy and Europlex Consortium. |
| **“Maybank IB”** | means Maybank Investment Bank Berhad (Company No. 15938-H). |
| **“Paying Agent”** | means BNM as Paying Agent for the Sukuk. |
| **“Peak Synergy”** | means Peak Synergy Sdn Bhd (Company No. 476135-M). |
| **“Principal Adviser/Lead Arranger/Lead Manager”** | means Maybank IB. |
| **“Programme Agreement”** | means the agreement to be executed between the Issuer, the Lead Arranger/Lead Manager and the Facility Agent in connection with the issue of the Sukuk. |
| **“Profit” or “Coupon”** | means the amount specified under the terms of the Trust Deed as the agreed interest in respect of each Series of the Sukuk. |
| **“Profit Distribution Date”** | means each date for the payment and distribution of Profits on the Sukuk. |
| **“RM”** | means Ringgit Malaysia. |
| **“RENTAS”** | means Real Time Electronic Transfer of Funds and Securities System. |

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| **"Right of Way"** | means the road reserve for Cheras-Kajang Highway. |
| **"Second Supplemental Concession Agreement"** | means the second supplemental concession agreement dated 13 December 2002 made between the Government of Malaysia and Grand Saga. |
| **"Securities Commission"** | means the Securities Commission of Malaysia. |
| **"Security Agent"** | means Maybank IB. |
| **"Security Agency Agreement"** | means the security agency agreement providing inter-alia the terms and conditions governing the role of the Security Agent with regards to the Issue Documents to be entered by the Issuer, the Trustee and the Security Agent. |
| **"Security Documents"** | means each of the following documents:-<br><br>(i) the Assignment and Charge (Designated Accounts);<br>(ii) the Assignment and Charge (Revenue & Income)<br>(iii) the Memorandum of Charge; and<br>(iv) the Security Agency Agreement,<br><br>and references to the "Security Documents" shall where the context so requires be a reference to any one or more of them; |
| **"Series"** | means each series of the Sukuk issued by the issuer having the same Maturity Date. |
| **"SSTS"** | means the Scripless Securities Trading System. |
| **"Solicitors"** | means Messrs Adnan Sundra & Low. |
| **"Sukuk"** | means the RM750,000,000 nominal value Islamic Medium Term Notes to be issued by the Issuer pursuant to the Sukuk Programme. |
| **"Sukukholder"** | means the person who is for the time being a beneficial owner of the Sukuk and "Sukukholders" shall be construed accordingly. |
| **"Sukuk Programme"** | means the proposed issue of RM750,000,000 nominal value of Islamic Medium Term Notes under an Islamic Sukuk Musharakah Medium Term Notes Programme. |
| **"Supplemental Concession Agreement I"** | means the First Supplemental Concession Agreement I dated 3 December 1999 made between the Government of Malaysia and Grand Saga. |
| **"Supplemental Concession Agreement II"** | means the Second Supplemental Concession Agreement II dated 13 December 2002 made between the Government of Malaysia and Grand Saga. |
| **"Supplemental** | means the Third Supplemental Concession Agreement III |

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| **Concession Agreement III"** | dated 21 July 2011 made between the Government of Malaysia and Grand Saga. |
| **"Supplemental Concession Agreement IV"** | means the Fourth Supplemental Concession Agreement I dated 29 February 2012 made between the Government of Malaysia and Grand Saga. |
| **"Supplemental Support Loan Agreement"** | means the Supplemental Support Loan Agreement dated 3 March 2003 made between the Government of Malaysia and Grand Saga. |
| **"Support Loan Agreement"** | means the Support Loan Agreement dated 25 March 1996 made between the Government of Malaysia and Grand Saga. |
| **"Shariah Adviser"** | means Maybank Islamic Berhad (Company No. 787435-M). |
| **"Termination Date"** | means the earlier of the:-<br>(a) date of expiry of the Concession; or<br>(b) termination of the Concession Agreement; or<br>(c) expropriation of the Concession or Grand Saga in accordance with the Concession Agreement. |
| **"Traffic Volume Threshold"** | means traffic volume of 160,000 vehicles per toll plaza per day. |
| **"Trupadu"** | means Trupadu Sdn Bhd (Company No. 619282-X). |
| **"Trustee"** | means Malaysian Trustees Berhad (Company No. 21666-V). |
| **"Trust Deed"** | means the trust deed between the Issuer, the Trustee and the Security Trustee relating to the Sukuk and appointing the Trustee and the Security Trustee to act for and on behalf of the Sukukholders. |

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# 1. EXECUTIVE SUMMARY

## 1.1 Introduction of the Issuer

Cerah Sama was incorporated on 12 September 1994 under the Companies Act as a private limited company. Its principal activity is investment holding. As at the date of this Information Memorandum, Cerah Sama has six (6) subsidiaries (including the material subsidiaries), which are Grand Saga, Trupadu, Europlex, Peak Synergy, Cerebro International, and Jejak Melewar.

Grand Saga was incorporated on 26 July 1991 under the Companies Act as a private limited company. Its principal activities are to undertake the design, construction, maintenance and operation of the Cheras-Kajang Highway pursuant to the Concession Agreement.

Trupadu was incorporated on 23 June 2003 under the Companies Act as a private limited company. Its principal activities include highway toll operations and maintenance and the other related activities. Since 2003, Trupadu has been engaged by Grand Saga to operate, manage and maintain the toll plazas on the Cheras-Kajang Highway.

Europlex and Peak Synergy were incorporated under the Companies Act on 28 August 1995 and 27 January 1999 respectively as private limited companies. Both Europlex and Peak Synergy only carry on business as investment holding companies.

Cerebro was incorporated in the British Virgin Islands as a BVI business company on 19 December 2011, with its principal activity being as an investment holding company.

Jejak Melewar was incorporated on 23 July 2012 under the Companies Act as a private limited company. It is currently dormant.

## 1.2 Rating

The first issuance of Sukuk of up to RM430.0 million under the Sukuk Programme has been accorded a final rating of $AA-_{IS}$ by MARC vide its letter dated 21 Janaury 2013. The rating of the Sukuk by MARC will be done on a per issuance basis and the subsequent issuances will be rated by way of confirmation of no rating downgrade by MARC.

## 1.3 Approval Obtained

The Sukuk Programme has been approved by the Securities Commission vide its letter dated 21 January 2013.

## 1.4 Key Financial Highlights

### 1.4.1 Key financial highlights of Cerah Sama (Group) for the financial years ended 31 December 2009, 31 December 2010, and 31 December 2011

| | **Financial year ended 31 Dec 2011 (RM'000)** | **Financial year ended 31 Dec 2010* (RM'000)** | **Financial year ended 31 Dec 2009* (RM'000)** |
|---|---|---|---|
| Revenue | 100,419 | 89,904 | 75,118 |
| Profit before taxation | 36,200 | 34,169 | 22,549 |
| Profit after taxation | 28,042 | 21,547 | 15,334 |
| Shareholders' Funds | 150,352 | 135,302 | 120,805 |
| Total Borrowings | 380,000 | 380,001 | 380,063 |

### 1.4.2 Key financial highlights of Grand Saga for the financial years ended 31 December 2009, 31 December 2010, and 31 December 2011

| | **Financial year ended 31 Dec 2011 (RM'000)** | **Financial year ended 31 Dec 2010* (RM'000)** | **Financial year ended 31 Dec 2009* (RM'000)** |
|---|---|---|---|
| Revenue | 100,419 | 89,904 | 75,118 |
| Profit before taxation | 62,200 | 62,039 | 48,085 |
| Profit after taxation | 44,962 | 46,379 | 35,947 |
| Shareholders' Funds | 129,531 | 130,573 | 155,009 |
| Total Borrowings | 0 | 1 | 63 |

* The figures have been restated to conform to changes in accounting policies in 2011

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## 2. STRUCTURE OVERVIEW

### 2.1 Purpose of the Sukuk Programme

The proceeds from the first issue under the Sukuk Programme of up to RM430.0 million in nominal value shall be utilised for the following Shariah compliant purposes:

(1) To refinance the Issuer's existing Islamic medium term notes ("**Existing IMTN**") under the Islamic medium term notes programme of up to RM600.0 million in nominal value ("**Existing IMTN Programme**") and payment of costs in relation to the refinancing; and

(2) The balance shall be used to finance the Issuer's and/or its subsidiaries' working capital, and other general purposes, all of which shall be Shariah-compliant.

Subsequent issues under the Sukuk Programme shall be used for the following Shariah-compliant purposes:

(3) To finance the Issuer's and/or its subsidiaries' acquisitions of or investments in concession-based projects in Malaysia and/or overseas; and

(4) To finance working the Issuer's and/or its subsidiaries' working capital, and other general purposes, all of which shall be Shariah-compliant.

### 2.2 Description of the transaction and structure of the Sukuk Programme

The Sukuk shall be issued based on the Islamic principle of Musharakah pursuant to a Sukuk Programme.

The Issuer will identify its Shariah-compliant business ("**Business**") which will be used as the underlying asset for the Musharakah Venture (as defined herein).

In respect of the issuance of the Sukuk Musharakah, the investor(s) of the Sukuk Musharakah ("**Sukukholders**") shall from time to time via the Trustee, form a Musharakah partnership with the Issuer to invest directly into the Business ("**Musharakah Venture**") by entering into a Musharakah agreement as partners (each a "**Partner**" and collectively the "**Musharakah Partners**").

The contribution of the Sukukholders to the Musharakah Venture shall be the proceeds raised from the Sukuk Musharakah ("**Musharakah Capital**") while the Issuer will contribute the Business into the Musharakah Venture. Simultaneously, the Issuer shall make a declaration that it holds on trust a percentage of the interest in the Business for the benefit of the Sukukholders pursuant to the Musharakah Venture.

The Issuer shall issue the Sukuk Musharakah and the Sukukholders shall subscribe to the Sukuk Musharakah issued by the Issuer where the Sukuk Musharakah shall represent the Sukukholders' undivided proportionate interest in the Musharakah Venture.

Income from the Musharakah Venture shall be distributed to each Partner based on a profit sharing ratio which will be determined prior to the issuance of the Sukuk

Musharakah. Any losses incurred in the Musharakah Venture shall be borne by each Partner in proportion to each Partner's respective capital contribution in the Musharakah Venture.

The Sukukholders shall appoint the Issuer as the manager to manage the Musharakah Venture ("**Manager**"). The Sukukholders agree that any excess income from the relevant Musharakah Venture over and above the Periodic Distribution Amount (as defined below) shall be retained by the Manager as an incentive fee.

The Issuer shall issue a purchase undertaking ("**Purchase Undertaking**") to the Trustee (for and on behalf of the Sukukholders) wherein the Issuer undertakes to purchase the Sukukholders' interest in the Musharakah Venture from the Trustee (for and on behalf of the Sukukholders) at the relevant Exercise Price (as defined below) upon:

(i) the declaration of any Dissolution Event (as defined in 2(s) of the Principal Terms and Conditions of the Sukuk Programme); or

(ii) any maturity date of the respective outstanding Sukuk Musharakah; or

(iii) any Early Redemption of the Sukuk Musharakah.

The distributable income generated from the Musharakah Venture (after deducting the Issuer's entitlement to the distribution) shall be shared and distributed to the Sukukholders.

With respect to Sukuk Musharakah with periodic distribution, the periodically distributed income from the relevant Musharakah Venture of up to an amount equivalent to a certain percentage of the nominal value of the Sukuk Musharakah per annum ("Periodic Distribution Amount") shall be distributed to the Sukukholders on each Periodic Distribution Date. "Periodic Distribution Date" means the date Periodic Distribution Amount will be distributed in arrears, being the date falling six (6) months after the issue date and every six (6) months thereafter, or such period to be agreed between the Issuer and the Lead Manager prior to each issuance of the Sukuk Musharakah.

With respect to Sukuk Musharakah without periodic distribution, income from the Musharakah Venture of up to the Expected Return (as defined below) shall be distributed on a one-off basis to the Sukukholders of that particular series, upon the declaration of a Dissolution Event, the maturity date or the early redemption of the Sukuk Musharakah, whichever is applicable.

The return expected by the Sukukholders from the Musharakah Venture ("**Expected Return**") shall be the yield for the Sukuk Musharakah up to the maturity date or the date of declaration of a Dissolution Event.

Any shortfall between the Expected Return and the actual income generated from the Musharakah Venture for such relevant period shall be paid by the Issuer as advance part payments of the Exercise Price ("**Advance Part Payments**") to make good the difference. The Advance Part Payments will be set-off against the Exercise Price (as defined below) pursuant to the Purchase Undertaking.

A diagrammatical illustration of the Musharakah transaction is set out in **Appendix I**.

## 3. PRINCIPAL TERMS AND CONDITIONS OF THE SUKUK PROGRAMME

The information set out in this Section 3 is the principal terms and conditions of the Sukuk Programme which the Securities Commission has approved on 21 January 2013. The information set out in this Section 3 is not intended as a summary of the legal documentation entered or to be entered into in connection with the Sukuk Programme. To understand all the terms and conditions of the Sukuk Programme, the investors are advised to read the legal documentation concerned and obtain such necessary professional advice on the same.

Words and expression used and defined in this Section 3 shall, in the event of inconsistency with the definition section of this Information Memorandum, only be applicable for this Section 3.

The Principal Terms and Conditions of the Sukuk Programme is set out in **Appendix 1A**.

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# 4. CORPORATE INFORMATION ON CERAH SAMA GROUP

## 4.1 Introduction of Cerah Sama Group

Cerah Sama was incorporated on 12 September 1994 under the Companies Act as a private limited company. Its principal activity is investment holding. As at the date of this Information Memorandum, Cerah Sama has six (6) subsidiaries, namely, Grand Saga, Trupadu, Europlex, Peak Synergy, Cerebro International, and Jejak Melewar. As at 30 November 2012, Cerah Sama holds a 100.0% of the issued and paid-up share capital in five subsidiaries, except for Jejak Melewar with a 75% stake. The corporate structure of Cerah Sama Group as at the date of this Information Memorandum is illustrated in **Appendix II**.

The principal activity of Grand Saga is that of a highway concessionaire for which it has been granted the exclusive right to essentially design, construct, improve, operate and maintain the Cheras-Kajang Highway pursuant to the Concession Agreement.

Trupadu has since 2003, provided highway toll operations, services as a general contractor and maintenance services to Grand Saga for the operation and maintenance of the Cheras-Kajang Highway. However, as of April 2012, Trupadu has ceased its business, terminated its maintenance services contracts with Grand Saga and novated all its other material contracts to Grand Saga and Grand Saga has assumed all of Trupadu's rights and obligations thereto. Based on the Trupadu's Annual Return made up to 28 June 2012, Trupadu is now a dormant company.

Europlex and Peak Synergy do not carry on any other business other than investment holding by owning and holding shares in Grand Saga.

## 4.2 Corporate Profile of Cerah Sama Group

### 4.2.1 Corporate Profile of Cerah Sama as at the date of this Information Memorandum

| | | | |
|---|---|---|---|
| i. | Name: | : | Cerah Sama Sdn Bhd |
| ii. | Address | : | Registered Office:-<br><br>Room 803, 8th Floor<br>Sun Kompleks, Jalan Bukit Bintang<br>55100 Kuala Lumpur<br><br>Business Address:-<br><br>Wisma Grand Saga,<br>KM 16, Lebuhraya Cheras-Kajang<br>43200, Cheras<br>Selangor Darul Ehsan |
| iii. | Business Registration No. | : | 315282-P |
| iv. | Date/Place of Incorporation | : | 12 September 1994, Malaysia |

v. Date of Listing : Not applicable

vi. Status : Resident Controlled Company
Non-Bumiputra Controlled Company

vii. Principal Activities : Investment holding

viii. Board of Directors :
1. Y. Bhg. Dato' Lim Chee Meng
2. Ahmad Ishak bin Haron
3. Lim Yew Boon
4. Phang Kwai Sang
5. Kanoklada Rerkasem
6. Minhat bin Mion (Alternate to Ahmad Ishak bin Haron)

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

| **Shareholders** | **Direct** | |
|---|---|---|
| | **No. of Ordinary Shares** | **%** |
| Taliworks | 327,250 | 55.0 |
| SEASAF Highway Sdn Bhd | 208,250 | 35.0 |
| Trinitywin Sdn Bhd | 59,500 | 10.0 |

x. Authorised and paid-up share capital : Authorised Capital:-
RM2,000,000 comprising 1,500,000 Ordinary Shares of RM1.00 each and 50,000,000 Redeemable Non-Cumulative Preference Shares of RM0.01 each.

Issued and fully paid-up share capital:-
RM595,000.00 divided into 595,000 ordinary share of RM1.00 each.

Cerah Sama's shareholders have undertaken the following corporate exercise ("**Corporate Exercise**"):

(i) Bunga Abadi Sdn Bhd ("**Bunga Abadi**") entered into a sale and purchase agreement dated 16 July 2007 ("**Sale and Purchase**") for the disposal of its 55% equity in Cerah Sama to Taliworks Corporation Berhad ("**Taliworks**");

(ii) Bunga Abadi, Ahmad Ishak Bin Haron and Yahya Bin Che Him entered into a sale and purchase agreement dated 12 July 2007 for the disposal of their respective equity of 20.923%, 8.057% and 6.020%, totaling 35% in Cerah Sama to Semarak Jayamaju Sdn. Bhd, now known as Seasaf Highway Sdn Bhd. ("**Seasaf Highway**"), a wholly-owned subsidiary of The South East Asian Strategic Assets Fund ("**SEASAF**")"; and

(iii) Encik Ahmad Ishak bin Haron and Encik Yahya bin Che Him subsequently transferred their respective shareholdings of 8.95% and 1.05% in Cerah Sama to Trinitywin Sdn. Bhd. ("**Trinity**").

* *SEASAF is established as a Cayman Islands exempted limited partnership and is jointly sponsored by CIMS Group Sdn Bhd by holding a 30% stake and Standard Bank Plc by holding a 20% stake, and co-sponsored by the Employees Provident Fund by holding 50% stake to provide equity to commercially viable private sector ventures in the infrastructure, energy and natural resources sectors and their associated industries in the South East Asian region.*

To date, the Corporate Exercise has been completed resulting in the present shareholding structure of Cerah Sama which is as follows :

| Shareholder | No. of ordinary shares held | % of shareholding |
|---|---|---|
| Taliworks Corporation Berhad | 327,250 | 55 |
| SEASAF Highway Sdn. Bhd. | 208,250 | 35 |
| Trinitywin Sdn. Bhd. | 59,500 | 10 |
| | **595,000** | **100** |

(iv) A Deed of Adherence dated 29 February 2008 ("Deed") was entered into between Taliworks, Semarak and Trinitywin; wherein Taliworks has acquired the entire interest of Bunga Abadi in Cerah Sama pursuant to the Sale and Purchase, and Trinitywin had acquired all the shares of Ahmad Ishak Bin Haron and Yahya Bin Che Him in Cerah Sama. Pursuant to the Deed, Taliworks and Trinity accede to the terms of the Shareholders' Agreement dated 16 November 2007 ("**Shareholders' Agreement**") between: (a) Bunga Abadi; (b) Ahmad Ishak Bin Haron; (c) Yahya Bin Che Him; (d) Semarak; and (e) Cerah Sama (the "**Parties**"), agreeing to be bound by all the terms and conditions covenanted to be observed and performed by the Parties in the Shareholders' Agreement from the date Taliworks and Trinitywin are registered as a shareholder in Cerah Sama respectively.

### 4.2.2 Board of Directors of Cerah Sama as at the date of this Information Memorandum

The Board of Directors of Cerah Sama as at 30 November 2012 and their respective profiles are as follows:

**Ahmad Ishak Bin Haron**

Malaysian, aged 52, was appointed as a Director of Cerah Sama Sdn Bhd on 10 October 1994. He holds an Honours degree in Quantity Surveying from Universiti Teknologi Malaysia.

En.Ahmad Ishak has more than 20 years of experience in the business of managing highway, 7 years of which was with Malaysian Highway Authority. He was also involved in the construction of highways, having served a year as a Project Manager with Bina Masyur Sdn Bhd and 3 years as the Managing Director of Highway Resources Sdn Bhd from mid-1991 to 1993.

En.Ahmad Ishak currently sits on the board of directors of Grand Saga Sdn Bhd and is also acting as the Executive Chairman of Lembah Setia Sdn Bhd, positions he has held since October 1994 and May 1993, respectively.

**Dato' Lim Chee Meng**

Malaysian, aged 40, was appointed as a Director of Cerah Sama Sdn Bhd on 22 February 1999.

Dato' Lim holds a Bachelor of Civil Engineering (Hons) Degree from University of Wales, United Kingdom. Upon graduation, Dato' Lim began his career with Vivendi Water in Paris, France as an engineer, specialising in water production and distribution.

Dato' Lim presently sits on the board of directors of Central Industrial Corporation Berhad and various companies which are involved in, inter alia, manufacturing, business development, infrastructure and utility projects and oversees the management of these companies.

**Kanoklada Rerkasem**

Thai, aged 50, was appointed as Director of Cerah Sama Sdn Bhd on 15 June 2011.

She is a Director and Country Head for Thailand for Capital Advisors Partners Asia Pte Ltd. Ms Rerkasem has 25 years' experience in corporate finance, investment banking and distressed debt and private equity.

Prior to joining the Capital Advisors Partners Asia Pte Ltd, Ms Rerkasem was a director of Babcock and Brown Limited, where she was involved in principal investments focused on infrastructure in Thailand.

Prior to Babcock and Brown, Ms Rerkasem was the Head of Marketing and Sales at Aberdeen Asset Management Company Limited. Before that, Ms Rerkasem was a Country Head of Thailand for Lone Star Investments Company Limited. At Lone Star, she set up the Thailand representative office where she was involved in acquisition of non-performing loans and distressed assets.

From 1996 to 2000, Ms Rerkasem was the Managing Director of Fieldstone Private Capital Group where she was responsible for strategic and directional plans and was involved in financial advisory including M&A, debt restructuring and project financing.

From 1986 to 1995, Ms Rerkasem was the Chief of Corporate Division 4 at the Siam Commercial Bank where she assisted local and international corporations from various sectors on their funding needs.

Ms Rerkasem holds a Masters in Arts, majoring in General Economics from Northern Illinois University, U.S. and a Bachelor in Arts majoring in Banking and Finance from Chulalongkorn University, Thailand.

**Lim Yew Boon**

Malaysian, aged 54 was appointed as a Director of Cerah Sama Sdn Bhd on 17 March 2008.

Mr Lim holds a diploma in Civil Engineering and started his career in the field of construction with consultant engineers. With over 30 years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

Mr Lim presently sits on the board of directors of various companies which are involved in inter-alia, manufacturing, business development, infrastructure and utility projects.

**Phang Kwai Sang**

Malaysian, aged 60 was appointed as a Director of Cerah Sama Sdn Bhd on 17 March 2008.

Mr Phang holds a Civil Engineering degree from the University of Alberta, post graduate diplomas in Certified Accounting and Finance and Arbitration, and MBA from University of Hull. He is a professional engineer registered with the Board of Engineers Malaysia, a member of the Institute of Engineers, Malaysia and a fellow member of the Chartered Institute of Arbitrators (UK).

Mr Phang has more than 30 years of experience in various fields in engineering consultancy, constructions, management, operations and investments.

Mr Phang presently sits on the board of directors of various companies which are involved in inter-alia, construction, investment and operations.

**Minhat bin Mion**

Malaysian, aged 65, was appointed as an Alternate Director to Encik Ahmad Ishak bin Harun on 2 August 2010.

Encik Minhat bin Mion holds a Bachelor of Arts (Honours) degree from Universiti Malaya in 1972 and a postgraduate Diploma in Management Science from Institut Tadbiran Awam Negara (INTAN) in 1975.

Prior to joining the private sector, Encik Minhat bin Mion had served in the Malaysian civil service from 1972 to 1991 in the administrative and diplomatic services. During his tenure as a civil servant, he served at the Kuala Lipis Land Office, Ministry of Defence, INTAN, Public Service Department, Ministry of Works, and Ministry of Health. His last position was as Undersecretary in the Prime Minister's Department. Since 1992, Encik Minhat bin Mion conducts his own business concentrating on the, tourism and construction industries.

Encik Minhat bin Mion currently sits on the board of directors of GPA Holdings Berhad acting as an Independent Non-Executive Director, a position he has held since 31 May 2000.

### 4.2.3 Corporate Profile of Grand Saga as at the date of this Information Memorandum

| | | | |
|---|---|---|---|
| i. | Name: | : | Grand Saga Sdn Bhd |
| ii. | Address | : | <u>Registered Office:-</u> |

| | | | |
|---|---|---|---|
| | | | Unit C-6-5, 6th Floor, Block C<br>Megan Avenue II<br>No. 12, Jalan Yap Kwan Seng<br>50450 Kuala Lumpur<br><br><u>Business Address:-</u><br>Wisma Grand Saga<br>KM16, Lebuhraya Cheras-Kajang<br>43200 Kajang<br>Selangor Darul Ehsan |
| iii. | Business Registration No. | : | 221844-T |
| iv. | Date/Place of Incorporation | : | 26 July 1991, Malaysia |
| v. | Date of Listing | : | Not applicable |
| vi. | Status | : | Resident Controlled Company<br>Non-Bumiputra Controlled Company |
| vii. | Principal Activities | : | Design, planning, construction and operation of highway |
| viii. | Board of Directors | : | (a) Minhat Bin Mion<br>(b) Ahmad Ishak Haron<br>(c) Dato' Wan Puteh Bin Wah Mohd Saman<br>(d) Chee Lean Thong<br>(e) Lim Yew Boon<br>(f) Datin Lee Li-May |
| ix. | Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders | : | |

| **Shareholder** | **Direct Interest** | **%** |
|---|---|---|
| Cerah Sama | 11,111,112<br>Ordinary Shares of RM1.00 each | 100.0 |
| Peak Synergy | 22,222,222<br>Non-Cumulative Irredeemable Preference Shares of RM1.00 each | 57.0 |
| Europlex Consortium | 16,666,666<br>Non-Cumulative Irredeemable Preference Shares of RM1.00 each | 43.0 |

| | | | |
|---|---|---|---|
| x. | Authorised and paid-up share capital | : | Authorised Capital:-<br>RM50,000,000.00 comprising 11,111,112 Ordinary Shares of RM1.00 each and 38,888,888 Non-Cumulative Irredeemable Preference Shares of RM1.00 each.<br><br>Issued and fully paid-up share capital:-<br>RM50,000,000.00 comprising 11,111,112 Ordinary Shares of RM1.00 each and 38,888,888 Non-Cumulative Irredeemable Preference Shares of RM1.00 each. |

**4.2.4 Corporate Profile of Trupadu as at the date of this Information Memorandum**

| | | | |
|---|---|---|---|
| i. | Name: | : | Trupadu Sdn Bhd |
| ii. | Address | : | Registered Office:-<br><br>Unit C-1-7, Level 3<br><br>Block C, Menara Uncang Emas (Ue3)<br>85, Jalan Loke Yew<br>55200 Kuala Lumpur<br><br>Business Address:-<br><br>Wisma Grand Saga<br>KM16, Lebuhraya Cheras-Kajang<br>43200 Kajang<br>Selangor Darul Ehsan |
| iii. | Business Registration No. | : | 619282-X |
| iv. | Date/Place of Incorporation | : | 23 June 2003, Malaysia |
| v. | Date of Listing | : | Not applicable |
| vi. | Status | : | Resident Controlled Company<br>Non-Bumiputra Controlled Company |
| vii. | Principal Activities | : | Engaged in the business as toll operator, general contractor and related activities |
| viii. | Board of Directors | : | (a) Teh Siok Wah<br>(b) Chee Lean Thong<br>(c) Lim Siew Ling |
| ix. | Structure of shareholdings and names of shareholders or, in the case of public company, names of | : | **Shareholder** / **Direct Interest** / **%**<br><br>Cerah Sama / 100,000 ordinary shares of RM1.00 each / 100 |

| | | | |
|---|---|---|---|
| | all substantial shareholders | | |
| x. | Authorised and paid-up share capital | : | Authorised Capital:-<br>RM100,000.00 divided into 100,000 ordinary share of RM1.00 each.<br><br>Issued and fully paid-up share capital:-<br>RM100,000.00 divided into 100,000 ordinary share of RM1.00 each. |

**4.2.5 Corporate Profile of Peak Synergy as at the date of this Information Memorandum**

| | | | |
|---|---|---|---|
| i. | Name: | : | Peak Synergy Sdn Bhd |
| ii. | Address | : | Registered Office:-<br><br>Unit C-6-5, 6th Floor, Block C,<br>Megan Avenue II<br>No. 12, Jalan Yap Kwan Seng<br>50450 Kuala Lumpur<br><br>Business Address:-<br><br>Wisma Grand Saga<br>KM16, Lebuhraya Cheras-Kajang<br>43200 Kajang<br>Selangor Darul Ehsan |
| iii. | Business Registration No. | : | 476135-M |
| iv. | Date/Place of Incorporation | : | 27 January 1999, Malaysia |
| v. | Date of Listing | : | Not applicable |
| vi. | Status | : | Resident Controlled Company<br>Non-Bumiputra Controlled Company |
| vii. | Principal Activities | : | Investment holding |
| viii. | Board of Directors | : | (a) Neoh Sing Cheong @ Neoh Seng Chong<br>(b) Lim Hang Seng<br>(c) Ahmad Ishak Bin Haron |
| ix. | Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders | : | see below |

| Shareholder | Direct Interest | % |
|---|---|---|
| Cerah Sama | 49,920,000 ordinary shares of RM1.00 each | 100 |

| | | | |
|---|---|---|---|
| x. | Authorised and paid-up share capital | : | Authorised Capital:-<br>RM50,000,000.00 divided into 50,000,000 ordinary share of RM1.00 each.<br><br>Issued and fully paid-up share capital:-<br>RM49,920,000.00 divided into 49,920,000 ordinary share of RM1.00 each. |

### 4.2.6 Corporate Profile of Europlex as at the date of this Information Memorandum

| | | | |
|---|---|---|---|
| i. | Name: | : | Europlex Consortium Sdn Bhd |
| ii. | Address | : | Registered Office:-<br><br>Room 803, 8th Floor, Sun Complex<br>Jalan Bukit Bintang<br>55100 Kuala Lumpur<br><br>Business Address:-<br><br>Wisma Grand Saga<br>KM16, Lebuhraya Cheras-Kajang<br>43200 Kajang<br>Selangor Darul Ehsan |
| iii. | Business Registration No. | : | 357103-X |
| iv. | Date/Place of Incorporation | : | 28 August 1995, Malaysia |
| v. | Date of Listing | : | Not applicable |
| vi. | Status | : | Resident Controlled Company<br>Non-Bumiputra Controlled Company |
| vii. | Principal Activities | : | Investment holding |
| viii. | Board of Directors | : | (a) Minhat Bin Mion<br>(b) Dato' Wan Puteh Bin Wan Mohd Saman<br>(c) Phang Kwai Sang |
| ix. | Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders | : | |

| **Shareholder** | **Direct Interest** | **%** |
|---|---|---|
| Cerah Sama | 16,500,000 ordinary shares of RM1.00 each | 100 |

| | | | |
|---|---|---|---|
| x. | Authorised and paid-up share capital | : | Authorised Capital:-<br>RM25,000,000.00 divided into 25,000,000 ordinary share of RM1.00 each.<br><br>Issued and fully paid-up share capital:-<br>RM16,500,000.00 divided into 16,500,000 ordinary share of RM1.00 each. |

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## 5. BUSINESS OVERVIEW ON CERAH SAMA, GRAND SAGA AND TRUPADU

### 5.1 Business of Cerah Sama

Cerah Sama was incorporated on 12 September 1994 as a private limited company in Malaysia under the Companies Act. It is an investment holding company.

### 5.2 Business of Grand Saga

Grand Saga was incorporated on 26 July 1991 under the Companies Act as a private limited company. Its principal activities are to undertake the design, construction, maintenance and operation of the Cheras-Kajang Highway pursuant to the Concession Agreement.

In order to improve Grand Saga's administrative efficiency and operational productivity, Grand Saga has streamlined its business activities by outsourcing the operations and maintenance aspects of the Cheras-Kajang Highway. In this respect, Grand Saga had on 26 June 2003 entered into an Operation Agreement (as supplemented by a supplemental agreement dated 2 July 2004) with Trupadu ("Operation Agreement") and on 5 July 2004 entered into a Maintenance Agreement with Trupadu ("Maintenance Agreement") to appoint Trupadu to carry out the operations and maintenance aspects of Cheras-Kajang Highway respectively.

However, as of 1 April 2012, Trupadu has ceased all business and novated all the maintenance services agreements to Grand Saga and Grand Saga has effectively taken over in the operations and maintenance of the Cheras-Kajang Highway.

### 5.3 Business of Trupadu

Trupadu has been declared a dormant company as per the Annual Return made up to 28 June 2012. All of Trupadu's existing rights and obligations under its material contracts have been duly novated to Grand Saga. The Operation Agreement dated 26 June 2003, the Supplemental Operation Agreement dated 2 July 2004 and the Agreement on Maintenance of Cheras-Kajang Highway dated 5 July 2004 were terminated with effect from 1st April 2012 by mutual consent of all contractual parties.

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## 6. OVERVIEW OF THE CHERAS-KAJANG HIGHWAY AND THE CONCESSION

### 6.1 Information relating to the Cheras-Kajang Highway

#### 6.1.1 Background

The Cheras-Kajang Highway, which is located along the existing Federal Route 1, is a four-lane dual carriageway measuring approximately 11.5km. It commences from the Connaught Interchange at the Selangor/Kuala Lumpur Boundary to the Saujana Impian Interchange. Construction works of the Cheras-Kajang Highway officially commenced in fate June 1996 and was completed within the schedule set out in the Concession Agreement on 15 November 1998 and a Sijil Kesempurnaan Pembinaan Lebuhraya (SKPL) No. Sijil: LLM/WT/21 dated 9 December 1998 was issued to Grand Saga as the concession company. Manual toll operations commenced on 15 January 1999 while electronic tolling was introduced on 1 March 2000.

The Cheras-Kajang Highway has eight (8) interchanges, which comprise among others, the Police Field Force Interchange, Hulu Langat Interchange, Telekom Interchange and Saujana Impian Interchange. These interchanges serve to direct and enhance the traffic flows from the surrounding township developments into the Cheras-Kajang Highway.

The operation of the Cheras-Kajang Highway is based on an 'open' toll system, whereby vehicles are charged a flat rate based on vehicle classification rather than the precise distance travelled on the road. The Cheras-Kajang Highway operates with two (2) mainline toll plazas located at Batu 9, Hulu Langat and at Batu 11, Cheras.

For the convenience of road users and to cater to high traffic volumes during peak hours, twelve (12) additional manual toll booths were constructed at the Batu 9 Tall Plaza (six (6) lanes Kajang Bound and six (6) lanes Kuala Lumpur Bound).

The Batu 9 Toll Plaza has sixteen (16) lanes whereas the Batu 11 Toll Plaza has eleven (11) lanes. The toll booths are equipped with dedicated cash lanes, mixed mode lanes (Cash and Touch ‘n Go), and dedicated electronic toll collection system lanes comprising Smart Tag and Touch n' Go, modes of payment as follows:

**BATU 9 TOLL PLAZA**

- Six (6) cash
- Five (5) mixed mode
- Three (3) Smart Tag
- Two (2) Touch ‘n Go

**BATU 11 TOLL PLAZA**

- Six (6) mixed mode
- Three (3) Smart Tag
- Two (2) Touch ‘n Go

In 2011, an additional access road linking the Bandar Mahkota Cheras development to the Bandar Hussein Onn Interchange (“Access Road”) was opened pursuant to the Supplemental Concession Agreement III.

In March 2012, pursuant to the Supplemental Concession Agreement IV, parties have agreed to the closure of one bound (and cease toll collection and discontinue the operation) at each of two toll plazas. The Cheras-Kajang Highway now only operates with one (1) mainline toll plazas each located at Kajang bound of the Batu 9 Toll Plaza and the Kuala Lumpur bound at Batu 11 Toll Plaza.

### 6.1.2 Historical Performance

The Cheras-Kajang Highway has registered a traffic CAGR of more than 4% since 1999.. The historical traffic and revenue data is illustrated below:

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Traffic (m) | 57.4 | 62.1 | 66.1 | 65.5 | 68.4 | 71.6 | 74.3 | 72.5 | 70.1 | 72.8 | 80.7 | 85.2 | 54.5 |
| Traffic Growth (%) | 19.0 | 8.2 | 6.4 | (0.9) | 4.4 | 4.7 | 3.8 | (2.4) | (3.3) | 3.8 | 10.9 | 5.6 | (36.0) |
| Toll Revenue (RM m) | 26.8 | 29.0 | 30.8 | 44.0 | 45.9 | 48.0 | 49.7 | 70.8 | 68.6 | 70.9 | 78.6 | 83.0 | 52.9 |

Based on the above table, it is evident that the total traffic grew rapidly in the initial ramp up years until year 2002. As is typical in the highway industry, the Cheras-Kajang Highway experienced its first traffic volume contraction in year 2003 in tandem with the toll rate increase implemented in that year. Thereafter, the highway saw positive growth in the total traffic until the year 2007 when another toll rate increase resulted in 2.4% reduction in total traffic.

In 2008, the Cheras-Kajang Highway's traffic volume contracted by 3.3%, mainly due to the forced opening of the untolled Bandar Mahkota Cheras (access road into the highway. The traffic CAGR for period until year 2009 would otherwise been higher than 4.2%. The compensation claim pursued against the government was resolved in 2011 with the company being compensated in line with the provisions of the Concession Agreement.

The year 2010 witnessed the completion of the long outstanding Taman Len Seng road upgrading works initiated by the Kuala Lumpur City Council just outside the northern boundary of the Cheras-Kajang Highway. The RM276 million project initiated in year 2003 comprising flyovers, tunnels and road widening works had caused serious bottlenecks and congestion for traffic exiting from the Batu 9 Toll Plaza at peak periods in the mornings and the evenings. This had stifled the traffic growth at the highway as commuters were deterred by the traffic congestion upon exiting from the highway. With the official opening of the road works in April 2010, the commuters now enjoy a free flowing ride to the city.

The completion of the Taman Len Seng project coupled with the opening of the LEKAS Highway in 2010 saw the growth in the Average Daily Traffic ("**ADT**") for 2010 at both the toll plazas exceeding 10%, a growth rate last seen only in the initial ramp up year of 2000. These two factors are expected to provide further impetus for traffic growth on the Cheras-Kajang Highway.

On 1 March 2012, the Government announced the abolishment of toll collection at Plaza Batu 9 for the Kuala Lumpur bound and the Plaza Batu 11 for the Kajang bound effective 2 March 2012 effectively reducing by half the toll payable for each bound. The reduction in toll payable is expected to provide further impetus for traffic growth on the Highway. In fact, the ADT for the period of March 2012 (since the closure of one bound) to November 2012 has shown encouraging growth as evident in the table below:

**Average Daily Traffic From March 2012 to December 2012**

| Month | Plaza Batu 9 | Growth | Plaza Batu 11 | Growth | Overall | Growth |
|---|---|---|---|---|---|---|
| March | 67,402 | - | 57,161 | - | 124,563 | - |
| April | 70,156 | 4.09% | 57,413 | 0.44% | 127,570 | 2.41% |
| May | 71,494 | 1.91% | 58,717 | 2.27% | 130,211 | 2.07% |
| June | 73,340 | 2.58% | 60,124 | 2.40% | 133,464 | 2.50% |
| July | 71,723 | -2.20% | 59,332 | -1.32% | 131,055 | -1.80% |
| August | 71,620 | -0.14% | 58,776 | -0.94% | 130,397 | -0.50% |
| September | 74,372 | 3.84% | 62,217 | 5.85% | 136,589 | 4.75% |
| October | 72,407 | -2.64% | 60,651 | -2.52% | 133,058 | -2.59% |
| November | 73,583 | 1.62% | 61,728 | 1.78% | 135,311 | 1.69% |
| December | 75,064 | 2.01% | 63,437 | 2.77% | 138,500 | 2.36% |

### 6.2 Information in relation to the Concession

The Concession Agreement for the Cheras-Kajang Highway was executed between Grand Saga and the Government on 19 September 1995 and will, unless terminated earlier, expire at the end of the Concession Period but may be extended by the mutual written agreement between Grand Saga and the Government. Upon the expiry of the Concession, Grand Saga shall hand over the Cheras-Kajang Highway to the Government in a well-maintained and operational condition subject to the terms and conditions contained in the Concession Agreement.

The Supplemental Concession Agreement I was entered into to vary the alignment of the Cheras-Kajang Highway.

Pursuant to the Supplemental Concession Agreement II, the Government has agreed to extend the Concession Period for another two (2) years and waived the repayment obligations under the Support Loan Agreement dated 25 March 1996. The Government further agreed to extend the Concession Period for another three (3) years in exchange for opening the Access Road pursuant to the Supplementary Concession Agreement III. With the closure of one bound at the toll plazas, the Supplemental Concession Agreement IV was entered into to extend the Concession Period by 15 years; waiver of income tax for 10 years and rescind the toll revenue sharing arrangement. Accordingly, the Concession shall expire on 18 September 2045.

Under the terms of the Concession .Agreement, Grand Saga was granted the exclusive right to design, construct, improve and upgrade the Cheras-Kajang Highway. Additionally, Grand Saga was also given the right to do the following:¬

(a) supply and install tolling and other equipment at the toll plazas of the Cheras-Kajang Highway and manage, operate and maintain the same during the Concession Period;

(b) demand, collect and retain toll for its own benefit from vehicles using Cheras-Kajang Highway during the Concession Period;

(c) operate and maintain at its own cost and expenses (including without limitation, utility charges incurred thereby) the Cheras-Kajang Highway during the Concession Period;

(d) design, construct, manage, operate and maintain the administrative office adjacent to the Batu 11 Cheras Toll Plaza;

(e) design, construct, manage, operate and maintain the rest and service area, emergency parking bay and any other amenities constructed and operated on the Cheras-Kajang Highway, including the right to retain any income received from the operation and maintenance thereof; and

(f) carry out the traffic management programme pursuant to the Supplemental Concession Agreement IV.

The summary of some other salient terms of the Concession Agreement, Supplemental Concession Agreement I, the Supplemental Concession Agreement II, the Supplemental Concession Agreement III and the Supplemental Concession Agreement IV are set out in Appendix V.

## 6.3 Government Support Loan

Under the terms of the Concession Agreement, the Government shall provide a loan to Grand Saga up to the maximum aggregate principal sum of RM59,000,000.00 to part finance the construction works on the terms and conditions of a loan agreement to be entered between the parties. The Support Loan Agreement was entered into on 25 March 1996 with the principal and accrued interest repayment in equal instalment scheduled to be made between 2011 and 2014.

Grand Saga executed in favour of the Government, a charge over all toll proceeds as security for the drawn amount, all interest accrued thereon and all other amounts whatsoever payable by Grand Saga to the Government. The said charge in favour of the Government ranks pari passu with the security granted or to be granted to the commercial lenders of Grand Saga (being the lenders who financed the Cheras-Kajang Highway) pursuant to the financing document.

Pursuant to the Supplemental Concession Agreement II, the Government and Grand Saga have agreed to reduce the Agreed Toll rates for the Concession Years commencing 1 January 2003 up to the expiry of the Concession Period and in consideration of Grand Saga agreeing to the said reduction, the Government have agreed:-

(a) to pay Grand Saga the total amount of RM104,930,000.00 to be paid in 2 instalments whereby the first payment of RM52,000,000.00 shall be paid by 31 December 2003 and the second payment of RM52,930,000.00 shall be paid by 31 December 2004;

(b) to extend the Concession Period by two (2) years only; and

(c) to rescind the Government Support Loan granted pursuant to the Support Loan Agreement and interest accruing thereon.

On 3 March 2003, in consideration of Grand Saga agreeing to the Government's proposal to vary the Concession Agreement, the parties agreed to review and vary Grand Saga's repayment obligations under and pursuant to the Support Loan Agreement. Pursuant thereto, a Supplemental Support Loan Agreement was entered into between the Government and Grand Saga wherein the Government shall on each and every interest payment date as set out in the agreement, and repayment date as set out in the agreement, waive all payments and repayments due and payable on such interest payment date and repayment date, provided always that on or before each and every interest payment date and repayment date:-

(a) no event of default as set out in the Support Loan Agreement, other than the failure of Grand Saga to pay any principal sum or interest under the Support Loan Agreement within 30 business days from respective due date, shall have occurred; and

(b) Grand Saga is not in breach of any of its obligations under the Concession Agreement as maybe amended from time to time, which if capable of being remedied, is not remedied within the time stipulated in the Concession Agreement as may be amended from time to time.

In the event that on or before any interest payment date and repayment date as set out in the agreement:

(a) an event of default as set out in the Support Loan Agreement, other than the failure of Grand Saga to pay any principal sum or interest under the Support Loan Agreement within 30 business days from respective due date, shall have occurred; or

(b) Grand Saga is in breach of any of its obligations under the Concession Agreement as maybe amended from time to time and such breach is not remedied within the period stipulated in the Concession Agreement as may be amended from time to time.

then and in any such case, notwithstanding the waiver by the Government pursuant to the above, all sums drawn down together with all interest accrued thereto shall become due and payable to the Government.

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# 7. RISK ANALYSIS AND INVESTMENT CONSIDERATIONS

An investment in the Sukuk involves risks and such investment is only suitable for investors who have knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of such an investment. The following section summarises certain of such risks associated with the investment in the Sukuk and may not be exhaustive. Only sophisticated investors who have 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 should consider any investment therein. In addition to the other information contained in this Information Memorandum, prospective purchasers of the Sukuk are strongly advised to read and carefully consider, in light of their own financial circumstances and investment objectives, the factors discussed below and to conduct their own independent investigation of the risks posed by the Sukuk and consult their own financial and legal advisors on the risks associated with the investment in the Sukuk prior to making an investment in the Sukuk.

Any investment in debt securities carries risks. Different debt securities carry different risks and an investment in any debt securities has to be evaluated on its own merits. An investment in the Sukuk is in that respect no different. Potential investors in the Sukuk are strongly encouraged to evaluate the Sukuk on their own merit and not by reference to any other debt securities whether of a comparable nature or otherwise.

## 7.1 Considerations Relating to the Sukuk Programme

### 7.1.1 Debt Servicing Ability of the Issuer

The ability of the Issuer to meet its obligations to the Sukukholders in terms of payment of amounts due under the Sukuk will depend on the its income and revenue which in turn is dependent on the financial performance of the Issuer's subsidiaries, in particular Grand Saga. However, the repayment of the Sukuk will be Cerah Sama's obligation alone. The Sukuk will not be obligations or responsibilities of, or guaranteed by, any of its subsidiaries, material or otherwise, the Lead Arranger/Lead Manager, the Trustee or any subsidiary or affiliate thereof, and any other person involved or interested in the transactions. 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 under the Sukuk.

### 7.1.2 Rating of the Sukuk

The rating of the Sukuk by MARC will be done on a per issuance basis, wherein MARC will give a confirmation of no downgrade rating for each series of the Sukuk which are issued by the Cerah Sama. The first issuance of Sukuk are assigned a rating of "AA-$_{IS}$" by MARC vide its letter dated 21 January 2013. The ratings address the likelihood of full and timely payment of profits and principal to Sukukholders. A rating is not a recommendation to purchase, hold or sell the Sukuk as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by an assigning rating organization in the future, if, in its judgment, circumstances in the future so warrant. In such circumstances, the market price and liquidity of the Sukuk may decrease, and no person or entity would be obligated to provide any additional credit enhancement with respect to the Sukuk. Any reduction, suspension or withdrawal of a rating of the Sukuk will not constitute an event of default with respect to the Sukuk.

### 7.1.3 No Prior Market for the Sukuk

The Sukuk may be considered a new issue of securities for which there is currently no established secondary market. There can therefore be no assurance that a secondary market will develop or, if a secondary market does develop, as to the liquidity of that market for the Sukuk or that it will continue for the entire tenure of the Sukuk, as to the ability of the Sukukholders to sell their Sukuk, or the prices at which Sukukholders would be able to sell the Sukuk. Therefore, the purchase or subscription of the Sukuk is suitable only for investors who can bear the risk associated with a lack of liquidity in the Sukuk and the financial and other risks associated with an investment in the Sukuk.

### 7.1.4 Market Value for the Sukuk

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

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

### 7.1.5 Interest Rate Risk

The holders of the Sukuk may be exposed to unforeseen losses due to fluctuations in interest rates. Although the Sukuk are Islamic securities which do not pay interest, they are similar to fixed income securities and may therefore see their price fluctuate due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices. The Sukuk may be similarly affected resulting in a capital loss for the holders of the Sukuk. Conversely, when interest rates fall, bond prices and the prices at which the Sukuk trade may rise. The holders of the Sukuk may enjoy a capital gain but profit received may be reinvested for lower returns.

### 7.1.6 Inflation Risk

The holders of Sukuk may suffer erosion on the return of their investments due to inflation. The holders of Sukuk would have an anticipated rate of return based on the expected inflation rates on the purchase date of the Sukuk. An unexpected increase in inflation could reduce the real return derived from the Sukuk.

### 7.1.7 Musharakah Structure

The Investors from time to time, by virtue of their subscription of any Sukuk Musharakah will enter into a Musharakah arrangement with the Issuer as partners by entering into a Musharakah Agreement for the purpose of participating in a Musharakah Venture to invest directly into the Business. In consideration of the Investors' participation via payment of the Musharakah Capital to acquire an undivided proportionate interest in the Musharakah Venture, the Issuer will issue and the Investors shall subscribe to, the relevant Sukuk Musharakah as evidence of their undivided proportionate interest in the relevant Musharakah Venture. The relevant Sukukholders agree to share the income (which for this purpose, includes the Periodic Distribution, if any, and payments of the Exercise Price, including Advance Part Payments paid by the Issuer in respect thereof) for the Sukuk Musharakah pro rata based on the proportion of the nominal value of the Sukuk Musharakah held by the relevant Sukukholders. Each of the relevant Sukukholders hereby agrees that the issue proceeds of the Sukuk Musharakah shall represent its contribution by way of capital into the Musharakah Venture, which shall be made on the Issue Date. Income from the Musharakah Venture shall be distributed to each Musharakah Partner based on the Profit Sharing Ratio which will be determined prior to the issuance of the Sukuk Musharakah. Any losses from the Musharakah Venture shall be borne based on and limited to each of the Musharakah Partners' respective capital contribution under the Musharakah Venture.

Pursuant to the relevant Sukukholders' Musharakah Capital contribution, each of the relevant Sukukholders shall be entitled to:-

(a) an undivided proportionate interest in the Musharakah Venture (the amount of which is evidenced by the Sukuk Musharakah held by it);

(b) a right to share the income generated from the Musharakah Venture (in proportion to their undivided proportionate interest which is evidenced by the Sukuk Musharakah held by it) which sharing shall be satisfied by the payment of the Periodic Distribution or One off Distribution as the case may be; and

(c) the benefit of the Purchase Undertaking.

By virtue of the undivided proportionate interest of the relevant Sukukholders in the Musharakah Venture, the relevant Sukukholders shall be beneficially entitled to the income generated from the Musharakah Venture.

The Sukukholders shall further appoint the Issuer as the manager of the Musharakah Venture. The Sukukholders agree that the manager shall be entitled to the incentive fee in accordance with the Management Agreement. The terms of such appointment shall be as set out in detail in the Management Agreement.

## 7.2 Risk During Operating Period

### 7.2.1 Traffic Volume Risk

Traffic volume is a key risk factor to the viability of the Cheras-Kajang Highway as the traffic revenue is not guaranteed by the Government. The number of vehicles using the Cheras-Kajang Highway is dependant on factors outside the control of Grand Saga. These include, but may not be limited to, alternative and/or parallel toll-free routes, easier convenience of access into the highways of ancillary roads which are not maintained by Grand Saga, completion and/or upgrading of alternative highways, changes in traffic management policies or the development of alternative means of transport. The traffic volumes may also be affected by the general economic conditions, incidence of fuel hikes and affordability of road users served by the highways.

There are limits to the number of vehicles that can efficiently use the Cheras-Kajang Highway in any given period. As the traffic volume on the Cheras-Kajang Highway approaches the capacity limit, increase in costs or decline in traffic growth could occur and thereafter affect the business, operations and financials of the operator. Although the Cheras-Kajang Highway is currently operating within its capacity limits, there is no assurance that the traffic growth of the Cheras-Kajang Highway in the future will not adversely affect the effectiveness of the Cheras-Kajang Highway.

The Cheras-Kajang Highway however, serves a highly populated catchment area. The average daily composition of traffic at Batu 9 and Batu 11 Cheras Tall Plaza indicates that more than 90% of vehicles traversing the toll road comprises of Class 1 or passenger vehicles. This is attributed to the fact that the toll road is an intra-urban road network that links several densely populated townships, industrial area, popular tourists spots and public amenities.

### 7.2.2 Toll Rate Risk

The Concession Agreement stipulates the Agreed Toll throughout the Concession Period. The Second Supplemental Agreement to the Concession Agreement dated 13 December 2002 further provides that Grand Saga is allowed to increase the toll rates in year 2003 and 2007 and two further increases until the end of the Concession. The implementation of the increase in the toll rates shall be decided by the Government prior to the end of the preceding Concession year and the decision shall be published in the Government Gazette. In the event that the Government approves a toll rate which is lower than the Agreed Toll, the Government is contractually required to compensate Grand Saga for the reduction in toll collections.

However, besides the possibility of a delay in the toll-rate revision, the Government may impose, and has imposed in the past, toll rates lower than the Agreed Toll rates under the Concession Agreement for a variety of reasons. This includes having to manage negative consumer perception of increases in toll rates especially after the hikes in fuel prices.

Although the Government may compensate Grand Saga if the Government-imposed toll rates in any period are lower than the Agreed Toll, the amount or manner of compensation that may be received by Grand Saga may not equal the amount of toll revenue lost as a result of the lower toll rates. In addition, any non-cash incentives that may form part of the Government's compensation may adversely affect Grand Saga's revenues and cashflows. Nonetheless, based on the past record, the company has been fairly compensated in accordance with the provisions of the Concession Agreement for any deviations from the agreed toll rate schedule as evident in the Supplemental Concession Agreements II, III and IV.

### 7.2.3 Operation and Maintenance Risk

Grand Saga shall bear all operating and maintenance expenditures in operating the Cheras - Kajang Highway. However, as highlighted in Section 5.3, Grand Saga has appointed Trupadu, (as at present date, a related company by virtue of Cerah Sama having 100% effective shareholdings in both companies) to carry out the operations and maintenance aspects of the Cheras-Kajang Highway based on the Operation Agreement and Maintenance Agreement which are valid until the expiry of the Concession Period. However, effective from 1st April 2012 onwards, all operations and maintenance aspects of the Cheras-Kajang Highway will be managed by Grand Saga and all the existing obligations of the maintenance service contracts have been novated to Grand Saga.

## 7.3 Other Risks relating to the Cheras-Kajang Highway

### 7.3.1 Force Majeure Risk

There are risks associated with Grand Saga being unable to perform its obligations under the Concession Agreement which are attributable to the occurrence of events as set out in Paragraph 8 of Appendix V of this Information Memorandum which are not within its control or those which Grand Saga is unable to prevent, avoid or remove.

There can be no assurance that the loss in the toll revenue due to such force majeure events will not impair the ability of Grand Saga to service the payments due under the Sukuk. Further, there can no assurance the extension of the Concession Period, if any, will adequately compensate Grand Saga for the loss in toll revenue.

### 7.3.2 Termination of Concession

Subject to giving three (3) months written notice, the Government may terminate the Concession Agreement by expropriation of Grand Saga or of the Concession itself, if the Government considers such action to be in the national interest. Under such circumstances, the Government shall pay compensation to Grand Saga or its shareholders (as the case may be) and the Government will further compensate the lenders who have provided financing to Grand Saga in connection with the Concession. The determination of such compensation is set out in the Concession Agreement.

There can be no assurance that such expropriation will not occur.

### 7.3.3 Adequacy of Insurance Policies

The use of the Cheras-Kajang Highway may be interrupted or otherwise affected by a variety of events, including serious traffic accidents, natural disasters, defective design and construction, slope failure, bridge and tunnel collapse, road subsidence, labour disputes and other unforeseen circumstances and incidents. Certain of these events have affected the Cheras-Kajang Highway in the past, and if the use of the Cheras-Kajang Highway is interrupted in whole or In part for any period as a result of any such events, this may reduce Grand Saga's toll revenue and increase in cost of maintenance or restoration as well as reduce overall public confidence in the Cheras¬Kajang Highway.

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

There can be no assurance that Grand Saga's insurance would adequately cover liabilities resulting from claims relating to the design, construction, maintenance or operation of the Cheras-Kajang Highway, lost toll revenues or increased expenses resulting from damage to the Cheras-Kajang Highway. Grand Saga's insurance arrangements include an insurance limit which may not be sufficient to cover the costs. Should the loss in excess of insured limit occur, Grand Saga could lose future revenue and may be required to fund the repair or replacement of any asset damaged or lost. Any such loss could adversely affect the results of operations and financial conditions of Grand Saga arise therein.

### 7.3.4 Disputes involving Grand Saga

In view of the nature of the business which Grand Saga is in, the risk of dispute relating to or arising out of the Cheras-Kajang Highway may arise. Concurrently to the date of this Information Memorandum, there are no outstanding disputes involving the Cerah Sama Group or Jejak Melewar Sdn. Bhd. or Cerebro International Ltd.

## 7.4 General Considerations

### 7.4.1 Political, Economic and Regulatory Considerations

Like all other businesses, adverse developments in political, economic and regulatory conditions in Malaysia could materially affect the financial and operational condition as well as the overall profitability of the Cerah Sama Group and especially Grand Saga. Other political and economic uncertainties include the risk of war, expropriation, nationalisation, renegotiation or nullification of existing contracts and methods of taxation.

Investors should note that whilst the Issuer strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there can be no assurance that adverse political and economic factors will not materially affect the Cerah Sama Group. The operations of the Cerah Sama Group are subject to the jurisdiction of numerous governmental agencies with respect to regulatory matters. These regulations and requirements may limit the operations of the Cerah Sama Group or result in high compliance costs. Any failure of the Cerah Sama Group to comply with such regulations could result in material penalties being imposed on the Cerah Sama Group. No assurance can be given that any future changes to the present regulation or any introduction of new regulation, or laws, by relevant authorities will not have a material adverse impact on the businesses of the Cerah Sama Group.

### 7.4.2 Change of Law

The structure of the transaction and the issue of the Sukuk are based on Malaysian law, tax and administrative practice as at the date of this Information Memorandum. No assurance can be given that Malaysian law, tax (or changes in tax rates) or administrative practice will not change after the date hereof or that such change will not adversely impact the structure of the transaction and the treatment of the Sukuk.

### 7.4.3 Forward Looking Statements

Certain statements in this Information Memorandum are based on historical data which may not be reflective of future results. Other statements are forward-looking in nature are also subject to uncertainties and contingencies.

All forward-looking statements are based on estimates acid assumptions made by the Directors of the Issuer, and although believed to be reasonable by the Directors of the Issuer, are 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 that the plans and objectives of the Issuer will be achieved.

### 7.4.4 Cashflow Projections

The cashflow projections of the Issuer as set out in this Information Memorandum are prepared based on the Issuer's assessment of the present economic and operating conditions and using a set of assumptions that are expected to occur over an extended period of time that include hypothetical assumptions about future events and management's actions that may not necessarily take place. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the cashflow projections since other anticipated events frequently do not occur as expected and the variation may be material. Investors will be deemed to have read and understood the descriptions of the assumptions underlying the cashflow projections contained in the Information Memorandum.

### 7.4.5 Further approval of the Government of Malaysia

Any disposal of shares in Grand Saga pursuant to an enforcement of the securities charged under the Memorandum of Charge of (the “**Charged Securities**”) in relation to Grand Saga will be subject to the Government of Malaysia’s approval pursuant to the Concession Agreement and all the supplemental agreements entered into thereto. As such, the ability of the Security Agent to successfully sell the aforesaid Charged Securities and the timing of such enforcement will to a certain extent be dependent on factors outside the control of the Security Agent of the Sukuk Programme. There can be no assurance that (i) the Government of Malaysia will grant its approval for the transfer of the Charged Securities pursuant to such enforcement as aforesaid; and/or (ii) if the approval of the Government of Malaysia were granted, that such approval will be on terms favourable to the Sukukholders.

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# 8. MALAYSIA ECONOMY AND INDUSTRY OUTLOOK

## 8.1 Overview of the Malaysian Economy in 2012

Malaysia made further progress towards a high income and developed nation in 2012 despite heightened uncertainties in the external sector. Prospects for global growth remain challenging, weighed down by the ongoing sovereign debt crisis in the euro area as well as the slower than expected recovery in the United States (US). The spillover from these episodes has affected growth in the advanced and emerging economies to varying degrees, through trade and financial channels. Against this backdrop, the Government introduced the National Transformation Policy (NTP) in the 2012 Budget which consolidates several innovative transformation programmes to strengthen domestic demand and steer the nation in achieving its mission of inclusive and sustainable growth. The timely implementation of programmes under the NTP, including the Tenth Malaysia Plan (10MP) projects, partly cushioned the domestic economy from the effects of a weaker external sector and enabled the nation to record a credible growth of 5.1% in the first half of 2012. With the implementation of programmes under the NTP intensifying and the related multiplier effects gaining traction, the economy is expected to expand further in the second half of 2012 and beyond.

The 1Malaysia, People First, Performance Now principle which permeates all programmes under the NTP is aimed at uniting all Malaysians to face the challenges ahead as a nation. The Government Transformation Programme (GTP), an initiative under the NTP, was launched to strengthen public service delivery to facilitate the outcomes under the seven National Key Result Areas (NKRAs) and 12 National Key Economic Areas (NKEAs). The Economic Transformation Programme (ETP) another effort under the NTP, sets the targets for the development of the NKEAs towards a high-income and developed economy. Likewise, the Political Transformation Programme (PTP) is aimed at creating a functional democracy by balancing the nation's security needs and individual freedom, taking into account the complex national plurality and threats of global terrorism. To leverage digital technology, an important enabler for the country's transformation, the Digital Transformation Programme or Digital Malaysia was launched in 2011 with strong emphasis on productivity, innovation and creativity. A new initiative under the 2012 Budget is the Rural Transformation Programme (RTP) which complements the national transformation agenda for rural areas.

In addition to the transformation initiatives and active involvement of the private sector in these programmes, Malaysia's strong economic fundamentals provide sufficient buffers against further shocks from the external sector. Despite uncertainties in global growth, the Malaysian economy is expected to expand between 4.5% and 5% in 2012, mainly supported by domestic demand. On the demand side, strong private consumption and investment activities will support growth, while economic expansion on the supply side will be driven by improvements in technology and labour productivity as well as the efficient use of capital. With the external sector gradually improving in 2013, the forecast for the nation's Gross Domestic Product (GDP) growth is between 4.5% and 5.5% mainly driven by domestic demand.

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

## 8.2 Industry Overview

The civil engineering subsector registered a sterling growth of 27.5% (January - June 2011: -3.4%) supported by the implementation of large infrastructure projects. These include the Ipoh - Padang Besar electrified double-tracking, LPT2 Jabur-Kuala Terengganu, Second Penang Bridge, Besraya Eastern Extension (BEE) and LRT line extension projects. Growth was also boosted by the ongoing projects under the National Key Result Area (NKEA) on O&G such as the Kimanis Power Plant and LNG Regasification Terminal, Melaka as well as rural infrastructure development, particularly in Sabah and Sarawak. In addition, several corridor development projects contributed significantly to the growth of the subsector. Among the projects are the upgrading of coastal roads in Iskandar Malaysia, Palm Oil Industrial Cluster (POIC) project in Sabah Development Corridor (SDC) and construction of the Central Spine Federal Road between Kota Bharu (Kelantan) - Simpang Pelangai (Pahang) in the East Coast Economic Region (ECER). Meanwhile, several HIPs namely, the Refinery and Petrochemicals Integrated Development Project (RAPID) in Pengerang, Johor; Sipitang Oil and Gas Industrial Park, Sabah; and SBKMRT will have a positive impact on the property market and provide strong impetus for growth in the construction sector over the medium term.

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

## 8.3 Prospects for 2013

With global growth expected to be moderate in 2013, the Malaysian economy is expected to grow between 4.5% and 5.5%, supported by resilient domestic demand underpinned by income growth as well as strong private sector activity generated by the ongoing initiatives under the Economic Transformation Programme. Barring any adverse developments, inflation is expected to remain low. Monetary policy will continue to focus on ensuring price stability and support sustainable economic growth while preventing the build-up of financial imbalances.

The domestic financial system is expected to remain resilient, notwithstanding the lingering uncertainties over the euro area sovereign debt and banking sector issues. With major projects being implemented to move the economy on its growth trajectory, financing through the banking system and capital market is expected to increase. The financial landscape is expected to be further shaped by the launch of the Tun Razak Exchange (TRX), (formerly the Kuala Lumpur International Financial District, KLIFD) in July 2012. This 70-acre exchange will create new investment opportunities with wide-ranging high multiplier economic activities. Furthermore, the financial sector developments will continue to be driven by the Blueprint (2011-2020) and the CMP2 (2011-2020). The Blueprint will continue to be the enabler and catalyst of economic growth, reinforcing the ongoing Government initiatives, while the CMP2 will expand the role of the capital market in financing economic activities.

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

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## 9 OTHER MATERIAL INFORMATION

### 9.1 Material Litigation

As at the date of this Information Memorandum, there is no outstanding material litigation as against the Issuer or its subsidiaries.

### 9.2 Material Contracts

#### 9.2.1 Material Contracts entered into by Cerah Sama

The material contracts entered into by Cerah Sama which are still subsisting as at 30 November 2012 are as follows:-

(1) Shareholders' Agreement dated 16 November 2007 and made between (i) Cerah Sama; (ii) Bunga Abadi Sdn Bhd; (Iii) Ahmad Ishak Bin Haron; (iv) Yahya Bin Che Him; and (v) Semarak Jayamaju Sdn Bhd.

(2) Deed of Adherence dated 29 February 2008 and made between (i) Cerah Sama; (ii) Minhat Bin Mion Bunga Abadi Sdn Bhd; (iii) Ahmad Ishak Bin Haron; (iv) Yahya Bin Che Him; and (v) L.G.B. Holdings Semarak Jayamaju Sdn Bhd.

#### 9.2.2 Material Contracts entered into by Grand Saga

The material contracts entered into by Grand Saga which are still subsisting as at 30 November 2012 are as follows:-

(1) A Concession Agreement dated 19 September 1995 and made between (i) Grand Saga; and (ii) the Government of Malaysia.

(2) A Supplemental Concession Agreement dated 3 December 1999 and made between (i) Grand Saga; and (ii) the Government of Malaysia.

(3) A Second Supplemental Concession Agreement dated 13 December 2002 and made between (i) Grand Saga; and (ii) the Government of Malaysia.

(4) A Third Supplemental Concession Agreement dated 21 July 2011 and made between (i) Grand Saga; and (ii) the Government of Malaysia.

(5) A Settlement Agreement dated 6 June 2011 and made between (i) Grand Saga; and (ii) the Government of Malaysia.

(6) A Fourth Supplemental Concession Agreement dated 29 February 2012 and made between (i) Grand Saga; and (ii) the Government of Malaysia.

(7) A Support Loan Agreement dated 25 March 1996 and made between (i) Grand Saga; and (ii) the Government of Malaysia. The same is supplemented by the Supplemental Agreement dated 3 March 2003.

(8) A Toll Proceeds Charge dated 25 March 1996 and made between (1) Grand Saga; and (fi) the Government of Malaysia. The same is supplemented by the Supplemental Agreement to the Toll Proceeds Charge dated 24 June 1996.

(9) An Operation Agreement dated 26 June 2003 and made between (i) Grand Saga; and (ii) Trupadu. The same is supplemented by the Supplemental Agreement dated 2 July 2004.

(10) An Agreement on Maintenance of Cheras-Kajang Highway dated 5 July 2004 and made between (i) Grand Saga; and (ii) Trupadu.

(11) A Service Provider Agreement dated 10 June 2003 and made between (i) Grand Saga and (ii) Rangkaian Segar Sdn Bhd.

(12) The Deed of Adherence dated 10 June 2003 made between (i) Grand Saga and (ii) Universal Trustee (Malaysia) Bhd.

(13) A Letter of Award for the proposed partial toll removal/modification and lanes realignment at Batu 9 Toll Plaza Kuala Lumpur bound and Batu 11 Kajang bound dated 19 September 2012 and made between (i) Grand Saga; (ii) Sungai Long Industries Sdn Bhd.

(14) A Letter of Award for the proposed realignment to existing monsoon drain at KM21.1 to KM21.3 Kajang bound (Saujana Impian Interchange) dated 10 July 2012 and made between (i) Grand Saga; and (ii) Panelworks Construction (M) Sdn Bhd.

(15) A Letter of Award for the rehabilitation works dated 29 February 2012 and made between (i) Grand Saga; and (ii) Siab (M) Sdn Bhd.

(16) A Letter of Award for the toll removal/modification dated 8 May 2012 and made between (i) Grand Saga; and (ii) Vision Team Engineering (M) Sdn Bhd.

### 9.2.3 Material Contracts entered into by Trupadu

The Operation Agreement dated 26 June 2003, the Supplemental Operation Agreement dated 2 July 2004 and the Agreement on Maintenance of Cheras-Kajang Highway dated 5 July 2004 has been terminated by mutual consent of all contractual parties effective from 1 April 2012. Further, Trupadu has novated all its rights and obligations from the other existing material contracts to Grand Saga effective April 2012.

## 9.3 Material Contingent Liabilities

As at 30 November 2012, the Cerah Sama Group does not have any material contingent liabilities.

## 9.4 Significant Related Party Transactions

As at 30 November 2012, a related party transaction for services between Grand Saga and Exitra Sdn. Bhd. ("**Exitra**"), a company in which Y. Bhg. Dato' Lim Chee Meng is a director and has a controlling interest, is subsisting whereby Exitra provides information technology outsourcing services and support to Grand Saga.

The board of directors of Grand Saga gave their approval on 20 August 2008 for the IT outsourcing services and support by Grand Saga.

## 9.5 Potential Conflict of Interest

### 9.5.1 Lead Arranger

Maybank IB is not aware of any circumstance that would give rise to a conflict of interest situation in its capacity as, amongst others, the Lead Arranger in relation to the Sukuk Programme.

### 9.5.2 Trustee

Malaysian Trustees Berhad is not aware of any circumstances that would give rise to a conflict of interest situation in its capacity as a Trustee in relation to the proposed Sukuk Programme.

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# APPENDIX 1A

# PRINCIPAL TERMS AND CONDITIONS

## PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

### 1. BACKGROUND INFORMATION

### (a) Issuer

| | | | |
|---|---|---|---|
| **(i)** | **Name** | : | Cerah Sama Sdn Bhd ("**Cerah Sama**" or the "**Issuer**") |
| **(ii)** | **Address** | : | **Registered Office**<br><br>Room 803, 8th Floor, Sun Kompleks<br>Jalan Bukit Bintang,<br>55100 Kuala Lumpur<br><br>**Principal Place of Business**<br><br>Wisma Grand Saga<br>KM 16, Lebuhraya Cheras-Kajang<br>43200 Cheras,<br>Selangor Darul Ehsan |
| **(iii)** | **Business registration no.** | : | 315282-P |
| **(iv)** | **Date and place of incorporation** | : | 12 September 1994; Malaysia |
| **(v)** | **Date of listing** | : | Not applicable |
| **(vi)** | **Status** | : | Resident controlled company |
| **(vii)** | **Principal activities** | : | The principal activity of Cerah Sama is investment holding. Its subsidiaries' principal activities are the designing, planning and construction, as well as the operations and maintenance of Cheras-Kajang Expressway. |
| **(viii)** | **Board of Directors as at 30 November 2012** | : | 1. Y. Bhg. Dato' Lim Chee Meng<br>2. Ahmad Ishak bin Haron<br>3. Lim Yew Boon<br>4. Phang Kwai Sang<br>5. Kanoklada Rerkasem<br>6. Minhat bin Mion (Alternate to Ahmad Ishak bin Haron) |
| **(ix)** | **Structure of shareholdings and names of** | : | |

| Shareholders | Direct Shareholdings |
|---|---|

| | | |
|---|---|---|
| **shareholders or, in the case of a public company, names of all substantial shareholders as at 30 November 2012** | | |

| | No. of Ordinary Shares | % |
|---|---|---|
| Taliworks Corporation Berhad | 327,250 | 55.0 |
| SEASAF Highway Sdn Bhd | 208,250 | 35.0 |
| Trinitywin Sdn Bhd | 59,500 | 10.0 |

**(x) Authorised and paid-up capital as at 30 November 2012** :

**Authorised capital:**

RM2,000,000 comprising 1,500,000 Ordinary Shares of RM1.00 each and 50,000,000 Redeemable Non-Cumulative Preference Shares of RM0.01 each;

**Paid-up capital:**

RM595,000 divided into 595,000 ordinary shares of RM1.00 each

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**2. Principal Terms and Conditions**

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

| | | | |
|---|---|---|---|
| **(i)** | **Principal Adviser** | : | Maybank Investment Bank Berhad (15938-H) (“**Maybank IB**”) |
| **(ii)** | **Lead Arranger** | : | Maybank IB |
| **(iii)** | **Co-arranger** | : | Not applicable |
| **(iv)** | **Solicitor** | : | Messrs. Adnan Sundra & Low |
| **(v)** | **Financial Adviser** | : | Not applicable |
| **(vi)** | **Technical Adviser** | : | Not applicable |
| **(vii)** | **Trustee** | : | Malaysian Trustees Berhad |
| **(viii)** | **Guarantor** | : | Not applicable |
| **(ix)** | **Valuer** | : | Not applicable |
| **(x)** | **Facility Agent** | : | Maybank IB |
| **(xi)** | **Primary subscriber (under a bought-deal arrangement) and amount subscribed** | : | The primary subscribers (applicable under a bought deal arrangement) for any issuance will be determined prior to the Sukuk Musharakah (as defined below) issuance |
| **(xii)** | **Underwriter and amount underwritten** | : | The Sukuk Musharakah (as defined below) will not be underwritten. |
| **(xiii)** | **Shariah Adviser** | : | Maybank Islamic Berhad (Company No.: 787435-M) |
| **(xiv)** | **Central Depository** | : | Bank Negara Malaysia (“**BNM**”) |
| **(xv)** | **Paying Agent** | : | BNM |
| **(xvi)** | **Reporting Accountant** | : | Messrs. KPMG |
| **(xvii)** | **Calculation Agent** | : | Not applicable. |
| **(xviii)** | **Others (please specify)** | : | <u>Lead Manager</u><br>Maybank IB |

Security Agent
Maybank IB

**(b) Facility Description** : Islamic medium term notes based on the Islamic principle of Musharakah ("**Sukuk Musharakah**") pursuant to a Sukuk programme of up to RM750.0 million in nominal value ("**Sukuk Programme**").

The Issuer will identify its Shariah-compliant business ("**Business**") which will be used as the underlying asset for the Musharakah Venture (as defined herein).

In respect of the issuance of the Sukuk Musharakah, the investor(s) of the Sukuk Musharakah ("**Sukukholders**") shall from time to time via the Trustee, form a Musharakah partnership with the Issuer to invest directly into the Business ("**Musharakah Venture**") by entering into a Musharakah agreement as partners (each a "**Partner**" and collectively the "**Musharakah Partners**").

The contribution of the Sukukholders to the Musharakah Venture shall be the proceeds raised from the Sukuk Musharakah ("**Musharakah Capital**") while the Issuer will contribute the Business into the Musharakah Venture. Simultaneously, the Issuer shall make a declaration that it holds on trust a percentage of the interest in the Business for the benefit of the Sukukholders pursuant to the Musharakah Venture.

The Issuer shall issue the Sukuk Musharakah and the Sukukholders shall subscribe to the Sukuk Musharakah issued by the Issuer where the Sukuk Musharakah shall represent the Sukukholders' undivided proportionate interest in the Musharakah Venture.

Income from the Musharakah Venture shall be distributed to each Partner based on a profit sharing ratio which will be determined prior to the issuance of the Sukuk Musharakah. Any losses incurred in the Musharakah Venture shall be borne by each Partner in proportion to each Partner's respective capital contribution in the Musharakah Venture.

The Sukukholders shall appoint the Issuer as the manager to manage the Musharakah Venture ("**Manager**"). The Sukukholders agree that any excess income from the relevant Musharakah Venture over and above the Periodic

Distribution Amount (as defined below) shall be retained by the Manager as an incentive fee.

The Issuer shall issue a purchase undertaking ("**Purchase Undertaking**") to the Trustee (for and on behalf of the Sukukholders) wherein the Issuer undertakes to purchase the Sukukholders' interest in the Musharakah Venture from the Trustee (for and on behalf of the Sukukholders) at the relevant Exercise Price (as defined below) upon:

(i) the declaration of any Dissolution Event (as defined in paragraph 2(s) below); or

(ii) any maturity date of the respective outstanding Sukuk Musharakah; or

(iii) any Early Redemption of the Sukuk Musharakah.

The distributable income generated from the Musharakah Venture (after deducting the Issuer's entitlement to the distribution) shall be shared and distributed to the Sukukholders.

With respect to Sukuk Musharakah with periodic distribution, the periodically distributed income from the relevant Musharakah Venture of up to an amount equivalent to a certain percentage of the nominal value of the Sukuk Musharakah per annum ("**Periodic Distribution Amount**") shall be distributed to the Sukukholders on each Periodic Distribution Date. "**Periodic Distribution Date**" means the date Periodic Distribution Amount will be distributed in arrears, being the date falling six (6) months after the issue date and every six (6) months thereafter, or such period to be agreed between the Issuer and the Lead Manager prior to each issuance of the Sukuk Musharakah.

With respect to Sukuk Musharakah without periodic distribution, income from the Musharakah Venture of up to the Expected Return (as defined below) shall be distributed on a one-off basis to the Sukukholders of that particular series, upon the declaration of a Dissolution Event, the maturity date or the early redemption of the Sukuk Musharakah, whichever is applicable.

The return expected by the Sukukholders from the Musharakah Venture ("**Expected Return**") shall be the yield for the Sukuk Musharakah up to the maturity date or

| | | | |
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| | | | the date of declaration of a Dissolution Event.<br><br>Any shortfall between the Expected Return and the actual income generated from the Musharakah Venture for such relevant period shall be paid by the Issuer as advance part payments of the Exercise Price ("**Advance Part Payments**") to make good the difference. The Advance Part Payments will be set-off against the Exercise Price (as defined below) pursuant to the Purchase Undertaking.<br><br>A diagrammatical illustration of the Musharakah transaction is set out in **Annexure I**. |
| **(c)** | **Issue/Programme Size** | : | The outstanding nominal value of the Sukuk Musharakah issued under the Sukuk Programme at any point in time shall not exceed RM750.0million.<br><br>Any amount of Sukuk Musharakah redeemed shall not be available for reissuance. |
| **(d)** | **Tenure of Issue/ Sukuk Programme** | : | **<u>Programme Tenure</u>**<br><br>The Sukuk Programme shall have a tenure of twenty (20) years from the date of the first issuance of the Sukuk Musharakah under the Sukuk Programme which shall be made within two (2) years from the date of approval by the Securities Commission Malaysia ("**SC**").<br><br>**<u>Issue Tenure</u>**<br><br>The tenure of the Sukuk Musharakah shall be more than one (1) year and up to twenty (20) years as may be determined by the Issuer and the Principal Adviser/Lead Arranger provided always that the maturity of the Sukuk Musharakah shall not exceed the tenure of the Sukuk Programme. |
| **(e)** | **Availability Period of Sukuk Programme** | : | The period commencing from the date of completion of documentation and, unless waived by the Principal Adviser/Lead Arranger, compliance of all conditions precedent and all other applicable conditions to the satisfaction of the Principal Adviser/Lead Arranger provided that the Sukuk Musharakah shall mature prior to the expiry of the Sukuk Programme. |
| **(f)** | **Profit/ Coupon/ Rental Rate** | : | The Sukuk Musharakah may be non-profit bearing or bear profit ("**Periodic Distribution**") at a rate as may be agreed between the Issuer and the Principal Adviser/Lead |

| | | | |
|---|---|---|---|
| | | | Arranger. The expected profit rate (if any) shall be determined at the point of issuance. |
| **(g)** | **Profit/ Coupon/ Rental Payment Frequency** | : | The Periodic Distribution Dates of the Periodic Distribution for the Sukuk Musharakah with Periodic Distribution shall be on a semi annual basis or such period to be agreed between the Issuer and the Lead Manager prior to each issuance of the Sukuk Musharakah with the last Periodic Distribution to be made on the relevant maturity dates.<br><br>For Sukuk Musharakah without Periodic Distribution, this item is not applicable. |
| **(h)** | **Profit/ Coupon/ Rental Payment Basis** | : | <u>Sukuk Musharakah with Periodic Distribution</u><br>Actual/365 days.<br><br><u>Sukuk Musharakah without Periodic Distribution</u><br>Not applicable. |
| **(i)** | **Security/ Collateral (if any)** | : | Including but not limited to the following ("**Security Documents**") :<br><br>(1) Assignment of and charge over the Issuer's title, benefits, and interest in and to the Designated Accounts (as defined below) and balances therein;<br><br>(2) Assignment of the Issuer's revenues and income including but not limited to any dividends and distributions, whether income or capital in nature, from its group of companies;<br><br>(3) Assignment of and charge over the Issuer's shares in Grand Saga Sdn Bhd, Trupadu Sdn Bhd ("**Trupadu**"), Peak Synergy Sdn Bhd ("**PSSB**") and Europlex Consortium Sdn Bhd ("**ECSB**"). Collectively hereinafter, reference to Trupadu, PSSB and ECSB shall also be known as "**the Companies**"; and<br><br>(4) Such other security as advised by the Solicitor of the Principal Adviser/Lead Arranger or the Principal Adviser/Lead Arranger or as may be required by the Rating Agency to achieve the required rating |
| **(j)** | **Details on utilisation of proceeds by the Issuer. If proceeds are to be utilized for project or capital expenditure, description** | : | The proceeds from the first issue under the Sukuk Programme of up to RM430.0 million in nominal value shall be utilised for the following Shariah compliant purposes: |

| | | | |
|---|---|---|---|
| | **of the project or capital expenditure, where applicable** | | (1) To refinance the Issuer's existing Islamic medium term notes ("**Existing IMTN**") under the Islamic medium term notes programme of up to RM600.0 million in nominal value ("**Existing IMTN Programme**") and payment of costs in relation to the refinancing; and<br><br>(2) The balance shall be used to finance the Issuer's and/or its subsidiaries' working capital, and other general purposes, all of which shall be Shariah-compliant.<br><br>Subsequent issues under the Sukuk Programme shall be used for the following Shariah-compliant purposes:<br><br>(3) To finance the Issuer's and/or its subsidiaries' acquisitions of or investments in concession-based projects in Malaysia and/or overseas; and<br><br>(4) To finance working the Issuer's and/or its subsidiaries' working capital, and other general purposes, all of which shall be Shariah-compliant. |
| **(k)** | **Sinking fund and designated accounts (if any)** | : | **<u>Sinking Fund</u>**<br>Not applicable.<br><br>**<u>Designated Accounts</u>**<br><br>The Issuer is required to open and maintain the following Shariah-compliant Designated Accounts with a financial institution which is acceptable to the Principal Adviser/Lead Arranger:<br><br>**1. <u>Finance Service Reserve Account ("FSRA")</u>**<br><br>The Issuer shall open and maintain a FSRA with a financial institution which is acceptable to the Lead Manager. The FSRA shall be operated solely by the Security Agent.<br><br>The Issuer shall ensure that funds are deposited into and maintained in the FSRA from the first issue date of the Sukuk Musharakah until the balance held in the FSRA is at least equivalent to 100% of the aggregate value of profits and/or principal repayments of the Sukuk Musharakah which will become due and payable in the next six (6) months, six (6) months prior |

to the relevant due date(s).

The balance in the FSRA shall hereinafter be referred to as the "**Minimum Required Balance**". For the avoidance of doubt, any double-counting shall be disregarded.

The Minimum Required Balance shall be deposited into and maintained in the FSRA in the above described manner. In the event that the balance held in the FSRA exceeds the Minimum Required Balance, the excess may be released to the Issuer.

The Issuer may only withdraw sums from the FSRA for the payment of Periodic Distributions/Advance Part Payments and/or redemption of the Sukuk Musharakah and other payments due under the Sukuk Programme if at any time the payments are due, the Issuer has insufficient funds to make full payments from its internally generated funds. However, any shortfall arising from the withdrawals from the FSRA to pay the Periodic Distribution/Advance Part Payment and/ redemption of the Sukuk Musharakah and other payments due under the Sukuk Programme must be topped up by the Issuer until the balance is equivalent to the Minimum Required Balance within fourteen (14) days from the date of withdrawal.

Pending disbursements from the FSRA, all monies standing to the credit of the FSRA shall be managed by the Security Agent. At the instruction of the Issuer, the Security Agent may utilise such monies to make permitted investments as defined below ("**Permitted Investments**"), provided that such monies utilised for Permitted Investments shall be remitted to the FSRA in a timely manner to meet any payment obligations of the Issuer when due and payable as permitted under the preceding paragraph;

**2. <u>Revenue Account ("RA")</u>**

The Issuer shall open and maintain the RA with a financial institution which is acceptable to the Principal Adviser/Lead Arranger. The RA shall be operated solely by the Issuer, unless a Dissolution Event has occurred, in which event the RA shall be solely operated by the Security Agent.

The Issuer shall ensure that all revenue and income (including but not limited to proceeds from the Sukuk Musharakah issued) received by the Issuer are deposited into the RA and shall firstly be applied to meet the following as set out in the following order of priority:

(i) For payment of operation and maintenance of the assets under the Concession Agreement (as defined below), taxes and duties;

(ii) To meet the FSRA Minimum Required Balance;

(iii) For payment of Periodic Distribution on the Sukuk Musharakah, fees, commissions and such other amounts payable for each issuance under the Sukuk Programme;

(iv) Subject to compliance with the Financial Covenants as set out herein and all requisite terms and conditions being met, for utilisation as set out in para 2(j) or payment of permitted distribution to shareholders; and

**3.** Such other accounts as may be required by the Rating Agency to achieve the required rating.

| | | | |
|---|---|---|---|
| **(l)** | **Rating**<br>**Credit rating(s) assigned (Please specify if this is an indicative rating)** | : | The Sukuk Musharakah have been accorded an indicative long term rating of AA-. |
| | • **Name of rating agency** | : | Malaysian Rating Corporation Berhad ("**MARC**") |
| **(m)** | **Mode of issue** | : | Via direct placement or book running on a best efforts basis or bought deal basis.<br><br>Issuance of the Sukuk Musharakah under the Sukuk Programme shall be in accordance with the (1) "Participation and Operation Rules for Payment Securities Services" issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") ("**MyClear Rules**") and (2) "Operational Procedures for Securities Services issued MyClear ("**MyClear Procedures**"), as amended or substituted from time to time (collectively, "**MyClear Rules and Procedures**"), subject to such exemptions (if any) granted from time to time. |

| | | | |
|---|---|---|---|
| **(n)** | **Selling restriction, including tradability (i.e. tradable or non-tradable)** | : | <u>**Selling restriction at issuance**</u><br><br>The Sukuk Musharakah may only be offered, sold, transferred, or otherwise disposed of directly or indirectly to persons falling within Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) read together with Schedule 9 (or Section 257(3)) of the Capital Market and Services Act 2007 ("**CMSA**"), as amended from time to time and to persons falling within the relevant category of the persons specified in Section 4(6) of the Companies Act, 1965 of Malaysia ("**CA**")<br><br><u>**Selling restriction thereafter**</u><br><br>The Sukuk Musharakah may only be offered, sold, transferred, or otherwise disposed of directly or indirectly to persons falling 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 and to persons falling within the relevant category of the persons specified in Section 4(6) of the CA. |
| **(o)** | **Listing status and types of listing** | : | The Sukuk Musharakah 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** | : | To include but not limited to the following (all would have to be in form and substance acceptable to the Principal Adviser/Lead Arranger and/or Facility Agent):<br><br><u>**Conditions precedent for first issuance(s) of the Sukuk Musharakah:**</u><br><br>**A. <u>Main Documentation</u>**<br><br>(i) All Transaction Documents (as defined below) have been executed and, where applicable, stamped or duly endorsed as exempted under Stamp Duty Exemption (No 23) Order 2000, and presented for registration; |

(ii) All relevant notices and acknowledgements (where applicable) shall have been made or received as the case may be;

**B. Issuer**

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

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

(iii) A certified true copy of board resolutions of the Issuer authorizing, among others, the issuance of the Sukuk Musharakah, the execution of the Transaction Documents;

(iv) A list of the Issuer's authorised signatories who will execute all Transaction Documents, notices, correspondence or otherwise in relation to the Sukuk Programme and their respective specimen signatures;

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

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

**C. Grand Saga**

(i) Certified true copies of the Certificates of Incorporation, and the Memorandum and Articles of Association of Grand Saga;

(ii) Certified true copies of the respective latest Forms 24 and 49 of Grand Saga;

(iii) Certified true copies of the board resolutions of Grand Saga authorizing, among others, the execution of the Transaction Documents (to which it is a party);

(iv) A report of the relevant company searches of Grand Saga;

(v) A report of the relevant winding up searches or the relevant statutory declarations of Grand Saga.

**D. Companies**

(i) A report of the relevant company searches of the Companies;

(ii) A report of the relevant winding up searches or the relevant statutory declarations of the Companies.

**E. General**

(i) The approval from the SC and, where applicable, all other regulatory authorities;

(ii) Evidence that the Sukuk Musharakah have received their respective requisite rating of AA- from the Rating Agency;

(iii) The Sukuk Programme has received the approval of the Shariah Adviser;

(iv) Evidence that the Designated Accounts have been opened as stipulated;

(v) The requisite notices to the Existing IMTN Programme's Trustee, the redemption statement, and the consent and/or indulgence from the Issuer's Existing IMTN holders and/or existing lenders (where applicable) for the issuance of the Sukuk Musharakah to redeem the Existing IMTN (the "**Existing MTN Documentation**");

(vi) Receipt by the Principal Adviser/Lead Arranger of the letter of undertaking from the Existing IMTN's Trustee to release the security created pursuant to the Existing IMTN upon full redemption of the Existing IMTN (the "**Existing IMTN Trustee LOU**");

(vii) Evidence that the Transaction Documents (as defined in paragraph 2(v)(iii) below) to or in connection to the Sukuk Musharakah have been executed, and all associated notices of assignments have been served on the relevant counterparties;

(viii) The Principal Adviser/Lead Arranger has received from its Solicitor a satisfactory legal opinion addressed to it and the Trustee advising with respect to, among others, the legality, validity, and enforceability of the Transaction Documents and a confirmation addressed to the Principal Adviser/Lead Arranger that all the conditions precedent have been fulfilled;

(ix) Confirmation by the Principal Adviser/Lead Arranger's Solicitor that all appropriate actions, consents, undertakings and discharges obtained or to be obtained from the Existing IMTN holders, their agents or trustees, as the case may be, will be sufficient to perfect the security interests granted under the relevant Security Documents;

(x) Receipt by the Principal Adviser/Lead Arranger of the letter of undertaking from the Trustee to release the security created pursuant to the Existing IMTN upon full redemption of the Existing IMTN;

(xi) Such other conditions precedent as advised by the Solicitor of the Principal Adviser/Lead Arranger.

**Conditions subsequent for first issuance(s) of the Sukuk Musharakah:**

(i) Confirmation by the Principal Adviser/Lead Arranger's Solicitor that the security interests granted under the relevant security documents which were not perfected by virtue of paragraph (q)(E)((ix) above, shall be perfected by or before the expiry of three(3) months commencing from the date of first issuance, or such other extended period of time as may be agreed in writing between the Principal Adviser/Lead Arranger, the Facility Agent and the Issuer.

**Conditions precedent for subsequent issuance(s) of the Sukuk Musharakah:**

(i) Reaffirmation from the Rating Agency that there is no rating downgrade on the prevailing rating for such issuance(s);

(ii) Issuer's certification that it is in compliance with all Representations and Warranties and Covenants under the Transaction Documents;

(iii) No Dissolution Event has occurred or shall occur if the relevant issuance is made; and

(iv) Such other conditions as may be deemed necessary by the Lead Manager and the Solicitor.

**(r) Representations and warranties** : **<u>Issuer</u>**

Including but not limited to the following:-

(i) the Issuer is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has full power to carry on its business and to own its property and assets;

(ii) the Memorandum and Articles of Association of the Issuer incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise (if any), the Issuer to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;

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

(iv) the Sukuk Musharakah and each of the Transaction Documents, is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the Issuer enforceable in accordance with their respective terms; and

(v) any other representations and warranties as advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and the Issuer.

**<u>The Companies</u>**
To include but not limited to the following to be provided by the Issuer:

(i) each of the Companies is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has power to carry on its business and to own its property and assets;

(ii) the Memorandum and Articles of Association of each of the Companies incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise (if any), each of the Companies to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;

(iii) neither the execution and delivery of any of the Transaction Documents (to which it is a party) nor the performance of any of the transactions contemplated by the Transaction Documents did or does as at the date this representation and warranty is made or repeated (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit, or consent by which each of the Companies or any of its assets is bound or which is applicable to each of the Companies or any of its assets, (b) cause any limitation on each of the Companies or the powers of its directors, whether imposed by or contained in its Memorandum and Articles of Association or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Companies' assets;

(iv) each of the Transaction Documents (to which it is a party) is or will when executed, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the enforceable in accordance with its terms; and

(v) any other representations and warranties as advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and the Companies.

**Grand Saga**

To include but not limited to the following:

(i) Grand Saga is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has power to carry on its business and to own its property and assets;

(ii) the memorandum and articles of association of Grand Saga incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise, Grand Saga to execute and deliver and perform the transactions contemplated in the transaction documents in accordance with their terms;

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

(iv) each of the Transaction Documents (to which it is a party) is or will when executed be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of Grand Saga enforceable in accordance with its terms; and

(v) any other representations and warranties as advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and Grand Saga.

**(s) Dissolution Events (or enforcement event, where applicable)** : Dissolution Events to include but not limited to the following:

(i) the Issuer fails to pay any amount due from it under any of the Transaction Documents on the due date or, if so payable, on demand;

(ii) the Issuer fails to maintain the required Minimum Required Balance and the Issuer does not remedy the failure within a period of fourteen (14) days after the relevant deposit dates as stipulated under the FSRA provisions;

(iii) any representation or warranty made or given by the Issuer and/or Grand Saga under the Transaction Documents or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of the Sukuk Musharakah and/or any of the Transaction Documents proves to have been incorrect or misleading in any material respect on or as of the date made or given or deemed made or given, and in the case of a failure which in the reasonable opinion of the Trustee is capable of being remedied, the Issuer and/or Grand Saga do not remedy the failure within a period of thirty (30) days after the Issuer and/or the Companies and/or Grand Saga became aware or having been notified by the Trustee of the failure;

(iv) the Issuer and/or any of the Companies and/or Grand Saga:-

(1) fails to observe or perform their obligations (where applicable) under any of the Transaction Documents or the Sukuk Musharakah (as the case may be) or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in paragraphs 2(s)(i) and (ii) above, where such event has or would have a Material Adverse Effect; or

(2) breaches any obligation under any of the Issuer’s and/or the Companies’ and/or Grand Saga’s existing contractual obligations (where applicable) which has or may have a Material Adverse Effect;

(v) and, if in the reasonable opinion of the Trustee such failure(s) and/or breach(es) is/are capable of being remedied, the Issuer and/or the Companies and/or Grand Saga do not remedy such failure(s) and/or breach(es) within a period of thirty (30) days after the Issuer and/or the Companies and/or Grand Saga became aware of such failure(s) and/or breach(es) or having been notified by the Trustee in writing of such failure(s) and/or breach(es);

(vi) any indebtedness for borrowed monies/financing of the Issuer and/or any of the Companies and/or Grand Saga becomes due or payable or capable of being declared due of payable prior to its stated maturity or any guarantee or similar obligations of the Issuer and/or any of the Companies and/or Grand Saga is not discharged at maturity or when called and such declaration of indebtedness being due or payable or any guarantee or similar obligations is not discharged or disputed in good faith by the Issuer and/or the Companies and/or Grand Saga, as the case may be, in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call, or the Issuer and/or any of the Companies and/or Grand Saga goes into default under, or commits a breach of, any agreement or instrument relating to any such indebtedness, other obligations, or any security created to secure such indebtedness becomes enforceable, in each case where such event has or may have a Material Adverse Effect;

(vii) an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or other similar officer is appointed in respect of the whole or substantial part of the business or assets of the Issuer and/or any of the Companies and/or Grand Saga, or distress, legal process, sequestration or any form of execution is levied or enforced or sued out against the Issuer and/or any of the Companies and/or Grand Saga, or any security interest which may for the time being affect any of its assetsbecomes enforceable;

For the purpose of this paragraph 2(s)(vii), references to "substantial" shall mean such value equivalent to or more than 5% of the Issuer's and/or the Companies' and/or Grand Saga's respective net assets ("**NA**") (whichever is applicable) as reflected in their respective latest annual audited financial statements.

(viii) the Issuer and/or any of the Companies and/or Grand Saga fail to satisfy any judgement passed against it for sums in excess of RM1.0 million by any court of competent jurisdiction and no appeal against such judgement or an application for a stay of execution has been made to any appropriate appellate court within the time prescribed by law or such appeal or application for a stay of execution has been dismissed;

(ix) save for paragraph 2(t)(iv)(a)(ii) below, any step is taken for the winding up, dissolution, or liquidation of the Issuer and/or any of the Companies and/or Grand Saga or a resolution is passed for the winding up of the Issuer and/or any of the Companies and/or Grand Saga or a petition for winding up is presented against the Issuer and/or any of the Companies and/or Grand Saga (provided that it is not frivolous, vexation or scandalous) and the Issuer, and/or the Companies and/or Grand Saga as the case may be, have not taken any steps to set aside such petition within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the Issuer and/or any of the Companies and/or Grand Saga, as the case may be;

(x) the Issuer and/or any of the Companies and/or Grand Saga convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement or composition or begins negotiations with its creditors, or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or any part of its indebtedness (for sums in excess of RM1.0 million) or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any part of its indebtedness or any assignment for the benefit of its creditors (other than for the purposes of and followed by a reconstruction previously approved in writing by the Trustee, unless during or following such reconstruction the Issuer and/or the Companies and/or Grand Saga, as the case may be, become or are declared to be insolvent) or where a scheme of arrangement under section 176 of the Companies Act 1965 has been instituted against the Issuer and/or any of the Companies and/or Grand Saga, as the case may be;

(xi) where there is an expiry , cessation, withdrawal, invalidation, termination, revocation, withholding or modification of any license, permit, authorisation, approval, or consent (whichever is applicable) which in the reasonable opinion of the Trustee may materially and adversely impair or prejudice the ability of the Issuer and/or any of the Companies and/or Grand Saga to perform its obligations in compliance with the terms and conditions of the Sukuk Musharakah or the Transaction Documents, as the case may be;

(xii) the Issuer and/or any of the Companies and/or Grand Saga are deemed unable to pay any of their debts within the meaning of section 218(2) of the Companies Act 1965, as amended from time to time, or becomes unable to pay any of their debts as and when they fall due or suspend or threaten to suspend making payments with respect to all or any class of its debts and the Issuer and/or any of the Companies and/or Grand Saga has not taken any action in good faith to set aside such claims of debt payment within (30) days from the date of service of such claims for debt payment;

(xiii) the Issuer and/or any of the Companies and/or Grand Saga change or threaten to change the nature or scope of a substantial part of their businesses, or suspend, or threaten to suspend or cease, or threaten to cease the operation of a substantial part of their businesses which they now conduct directly or indirectly, and such change or suspension or cessation in the reasonable opinion of the Trustee has a Material Adverse Effect;

(xiv) at any time any material provision of the Transaction Documents, the Concession Agreement between Grand Saga and the Government of Malaysia ("**GOM**") dated 19 September 1995 ("**Concession Agreement**"), the Supplemental Concession Agreement between Grand Saga and GOM dated 3 December 1999 ("**Supplemental Concession Agreement I**"), the Supplemental Concession Agreement between Grand Saga and GOM dated 13 December 2002 ("**Supplemental Concession Agreement II**"), the Supplemental Concession Agreement between Grand Saga and GOM dated 21 July 2011 ("**Supplemental Concession Agreement III**"), the Supplemental Concession Agreement between

Grand Saga and GOM dated 29 February 2012 ("**Supplemental Concession Agreement IV**"), the Government Support Loan Agreement between Grand Saga and GOM dated 25 March 1996 ("**GSL Agreement**"), the Supplemental Government Support Loan Agreement between Grand Saga and GOM dated 3 March 2003 ("**Supplemental GSL Agreement**"), (collectively referred to as "**the Agreements**") and/or the Toll Proceeds Charge is or becomes illegal, void, voidable or unenforceable;

(xv) the Issuer repudiates any of the Transaction Documents (to which it is a party) and/or any of the Companies and/or Grand Saga repudiate any of the Transaction Documents, the Agreements, and the Toll Proceeds Charge to which they are parties, or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents (to which it is a party) and/or any of the Companies and/or Grand Saga do or cause to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents, the Agreements, and/or the Toll Proceeds Charge to which they are parties;

(xvi) any of the assets, business, rights, or revenue of the Issuer and/or any of the Companies and/or Grand Saga is seized, nationalised, expropriated, or compulsorily acquired by or under the authority of any governmental body which in the reasonable opinion of the Trustee has or may have a Material Adverse Effect;

(xvii) any event or events has or have occurred or a situation exists which in the reasonable opinion of the Trustee would have a Material Adverse Effect, and in the case of the occurrence of such event or situation which in the reasonable opinion of the Trustee is capable of being remedied, the Issuer and/or any of the Companies and/or Grand Saga does not remedy it within a period of thirty (30) days after the Issuer and/or the Companies and/or Grand Saga became aware of having been notified in writing by the Trustee of the event or situation; and

(xviii) such other event as may be advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and the Issuer and/or the Companies and/or Grand Saga.

"**Material Adverse Effect**" means any material adverse effect on: (i) the business or condition (financial or otherwise) or results of the operations of the Issuer or Grand Saga or any of the Companies (whichever is relevant); (ii) the ability of the Issuer or Grand Saga or any of the Companies (whichever is relevant) to perform any of its obligations under any of the Transaction Documents; or (iii) the validity or enforceability of the Transaction Documents or the right of remedies of the Trustee, Security Agent, or the Sukukholders thereunder.

"**Toll Proceeds Charge**" means the Toll Proceeds Charge between Grand Saga and GOM dated 25 March 1996 and the Supplemental Agreement to the Toll Proceeds Charge between Grand Saga and GOM dated 24 June 1996 as a security for the GOM.

In the circumstances where any of the events above occurs, the Trustee may and shall, if instructed by the Sukukholders, declare a Dissolution Event has occurred whereupon (i) the Trustee shall enforce its rights under the Transaction Documents, including requiring the Issuer as stipulated under the Purchase Undertaking to purchase the Sukukholders' undivided proportionate interest in the Musharakah Venture immediately by entering into a sale agreement with the Trustee (on behalf of the Sukukholders) and the Musharakah Venture shall be dissolved; (ii) the Exercise Price payable under the Purchase Undertaking shall become immediately due and payable; and (iii) upon payment of the Exercise Price, the Sukuk Musharakah held by the Sukukholders shall be cancelled.

**(t) Covenants**

**(i) Financial** To include, inter alia, the following:

**Covenants**

(a) Debt to Equity Ratio ("**D:E Ratio**") not exceeding 4.5 times throughout the tenure of the Sukuk Programme.

(b) Finance Service Cover Ratio **("FSCR**") not less than 1.75 times throughout the tenure of the Sukuk Programme.

The FSCR on any date is the ratio of Available Cash Flow (as defined below) for the preceding 12 month period ending on that date, to the aggregate of:

(i) all payments made by the Issuer under the Sukuk Musharakah during the previous 12 months;

(ii) all principal obligations paid by the Issuer under any other borrowings/financing during the previous 12 months;

(iii) all profit/interest payments paid under any other borrowings/financing during the previous 12 months.

For the avoidance of doubt, (i), (ii) and (iii) shall exclude the payments to refinance the Existing IMTN for the relevant annual period.

<u>Available Cashflows</u>
In any annual period, the sum of:

(1) all income received by the Issuer and any other receipts of a capital or revenue nature under any agreement or contract during such annual period;

(2) return on Permitted Investments received by the Issuer during such annual period;

(3) all accounts credit balances at the beginning of the relevant 12-month period, including the FSRA and the Revenue Account and excluding any proceeds raised from the Sukuk Programme;

(4) the amount utilised from the FSRA for Permitted Investments at the beginning of the relevant 12-month period; and

(5) all proceeds of insurance claim and amounts received

by the Issuer during such annual period;

Less:

(1) the total amount paid on insurances/takaful, operations, maintenance, administration, management and overheads and fees for that period;

(2) taxes paid or such other contributions paid by the Issuer for that period;

(3) capital expenditure incurred and paid by the Issuer; and

(4) dividends paid or any distribution paid whether income or capital in nature to its shareholders.

The FSCR shall be calculated for each financial year during the tenure of the Sukuk Programme based on the latest audited financial statements of the Issuer and as and when required under item (vi) of the Negative Covenants of the Issuer clause (stated below) and duly confirmed by the Issuer's external auditors.

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

**(ii) Information Covenants** : To include, inter alia, the following:

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

(b) the Issuer shall deliver to the Trustee the following:

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

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

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

(iv) promptly, all notices or other documents received by the Issuer from any of its shareholders or its creditors which contents may materially and adversely affect the interests of the Sukukholders, and a copy of all documents dispatched by the Issuer to its shareholders (or any class of them) in their capacity as shareholders or its respective creditors generally at the same time as these documents are dispatched to these shareholders or creditors.

(c) the Issuer shall promptly notify the Trustee of any change in its board of directors or shareholders;

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

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

(f) any other covenants as advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and the Issuer.

**(iii) Positive Covenants**

(a) **<u>Issuer</u>**

To include but not limited to the following:

(i) the Issuer shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals, and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licences, approvals, and permits (governmental and otherwise) which is or may become necessary to enable the Issuer to own its assets, to carry on its business or for the Issuer to enter into or perform its obligations under the Transaction Documents or to ensure the validity, enforceability, admissibility in evidence of the obligations of the Issuer, or the priority or rights of the financiers under the Transaction Documents and the Issuer shall comply with the same;

(ii) the Issuer shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents;

(iii) the Issuer shall exercise reasonable diligence in carrying out its businesses and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;

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

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

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

(vii) such other undertakings as may be advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and the Issuer.

(b) **<u>The Companies</u>**

To include but not limited to the following to be provided and ensured by the Issuer:

(i) The Companies not to restrict or prevent the distribution of dividends or any other form of income, capital, distribution to the Issuer unless such distribution will result in a breach of the Agreements and the Toll Proceeds Charge;

(ii) PSSB and ECSB not to restrict or prevent the distribution of dividends or any other form of income, capital, distribution from Grand Saga to PSSB and ECSB respectively, unless such distribution will result in a breach of the Agreements or the Toll Proceeds Charge;

(iii) The Companies shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents;

(iv) The Companies shall exercise reasonable diligence in carrying out their businesses and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;

(v) The Companies shall promptly perform and carry out all their obligations under all the Transaction Documents (to which it is a party) and ensure that they shall immediately notify the Trustee in the event that they are unable to fulfil or comply with any of the provisions of the Transaction Documents;

(vi) Save and except in the case of (a) PSSB, upon commencement of the voluntary winding up proceedings in respect of itself pursuant to the provisions of paragraph 2(t)(iv)(a)(ii) below; and/or (b) ECSB, upon commencement of the voluntary winding up proceedings in respect of itself pursuant to the provisions of paragraph 2(t)(iv)(a)(ii) below, the Companies shall prepare their financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia and those financial statements shall give a true and fair view of the results of the operations of the Companies for the period to which the financial statements are made up and shall disclose or provide against all liabilities (actual or contingent) of the Companies;

(vii) The Companies shall promptly comply with all applicable provisions of the CMSA and/or the notes, circulars, conditions, or guidelines issued by SC from time to time; and

(viii) Such other undertakings as may be advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and/or the Companies.

(c) **<u>Grand Saga</u>**

To include but not limited to the following:

(i) Grand Saga not to restrict or prevent the distribution of dividends or any other form of income, capital, distribution to the Issuer unless such distribution will result in a breach of the Agreements and the Toll Proceeds Charge;

(ii) Grand Saga shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals, and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licences, approvals, and permits (governmental and otherwise) which is or may becomes necessary to enable Grand Saga to own its assets, to carry on its businesses or for Grand Saga to enter into or perform its obligations under the Transaction Documents or to ensure the validity, enforceability, admissibility in evidence of the obligations of Grand Saga or the priority or rights of the Sukukholders under the Transaction Documents and Grand Saga shall comply with the same;

(iii) Grand Saga shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents;

(iv) Grand Saga shall exercise reasonable diligence in carrying out its businesses and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;

(v) Grand Saga shall promptly perform and carry out all its obligations under all the Transaction Documents (to which it is a party) and ensure that it shall immediately notify the Trustee in the event that it is unable to fulfill or comply with any of the provisions of the Transaction Documents;

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

(vii) Grand Saga shall promptly comply with all applicable provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by SC from time to time; and

(viii) such other undertakings as may be advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and/or Grand Saga.

**(iv) Negative Covenants**

(a) **<u>Issuer</u>**

To include but not limited to the following:

(i) the Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding (i) liens arising in the ordinary course of business (a) by operation of law and not by way of contract; (b) on an arms-length basis and as permitted under the provisions of its Memorandum and Articles of Association (ii) future toll road assets to be acquired by the Issuer;

(ii) the Issuer shall not reduce its shareholdings in any of the Companies below 100% each save and except where either PSSB and/or ECSB may be voluntarily wound up PROVIDED THAT (a) there is a prior disposal or transfer of PSSB's and/or ECSB's the entire shareholding in Grand Saga to the Issuer; or (b) such winding up results in an accompanying disposal or transfer of the PSSB's and/or ECSB's entire shareholding in Grand Saga to the Issuer;

(iii) subject to paragraph 2(t)(iv)(a)(ii) above, the Issuer shall not dispose any assets in excess of 5% of its shareholders' funds ("**SHF**") or RM10,000,000.00, whichever is higher, in any financial year to third parties;

(iv) the Issuer shall not add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents;

(v) the Issuer shall not reduce or in any way whatsoever alter except increase, its authorised or paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares;

(vi) the Issuer shall not declare or pay any dividends or make any distribution whether income or capital in nature including principal and interest of any shareholders' loans and advances to its shareholders if:

(1) a Dissolution Event has occurred, is continuing and has not been waived, or if following such payment or distribution a Dissolution Event would occur; or

(2) the FSCR is less than 1.75 times before and after such payment of dividends and/or payment or repayment of any shareholders' loans and advances (whether in relation to the principal sum or interest or profit); or

(3) the D:E Ratio is greater than 4.5 times; or

(4) the balance standing to the credit of the FSRA is less than the Minimum Required Balance.

(vii) the Issuer shall not obtain or permit to exist any loans or advances from its subsidiaries or associated companies (if applicable) unless these loans and advances are subordinated to the Sukuk Musharakah;

(viii) subject to paragraph 2(t)(iv)(a)(vii) above, the Issuer shall not enter into any agreement with its shareholders, subsidiaries or associated companies (if applicable) unless such agreement is entered into:

(1) in the ordinary course of their businesses;

(2) on an arms-length basis and as permitted under the provisions of its Memorandum and Articles of Association; and

(3) will not have a Material Adverse Effect;

(ix) the Issuer shall not use the proceeds of the Sukuk Musharakah except for the purposes set out in the Transaction Documents;

(x) the Issuer shall not permit any change to the shareholding in Grand Saga which will result in the Issuer holding less than 100% of the shareholding in Grand Saga (direct and/or indirect);

(xi) the Issuer shall not carry on any business save and except as the holding company of or for investing in companies involved in brown field toll road businesses or as an operating and maintenance operator of roads which are owned by Cerah Sama and/or its subsidiaries;

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

(xiii) such other undertakings as may be advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and the Issuer.

(b) **<u>The Companies</u>**

To include but not limited to the following to be provided and ensured by the Issuer:

(i) The Companies shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding liens arising in the ordinary course of business by operation of law and not by way of contract;

(ii) The Companies shall not dispose any assets in excess of 5% of their respective NA in any financial year to third parties;

(iii) The Companies shall not add, delete, amend or substitute their Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents;

(iv) The Companies shall not reduce or in any way whatsoever alter except increase, their authorised or paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of their share capital into stock, or by consolidating, dividing or sub-dividing all or any of their shares;

(v) The Companies shall not obtain or permit to exist any loans or advances from their respective subsidiaries or associated companies (if applicable) if any Sukuk Musharakah are or remain outstanding;

(vi) subject to paragraph 2(t)(iv)(b)(v) above, the Companies shall not enter into any agreement with their respective subsidiaries or associated companies (if applicable) unless such agreement is entered into:

(1) in the ordinary course of their businesses;

(2) on an arms-length basis and as permitted under the provisions of its Memorandum and Articles of Association; and

(3) will not have a Material Adverse Effect;

(vii) The Companies shall not lend any money to any party other than to the Companies' directors, officers or employees as part of their terms of employment;

(viii) The Companies shall not incur any further indebtedness;

(ix) such other undertakings as may be advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and the Issuer and/or the Companies;

(c) **<u>Grand Saga</u>**

To include but not limited to the following:

(i) save and except for the purpose of creating security interest(s) over funds deposited or to be deposited to effect the performance bond described in paragraph 2(t)(iv)(c)(viii) below, Grand Saga shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding liens arising in the ordinary course of business by operation of law and not by way of contract and the existing security provided to the GOM pursuant to the GSL Agreement and the Supplemental GSL Agreement;

(ii) Grand Saga shall not dispose any assets in excess of 5% of its NA in any financial year to third parties;

(iii) Grand Saga shall not add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents;

(iv) Grand Saga shall not reduce or in any way whatsoever alter except increase, its authorised or paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares;

(v) Grand Saga shall not obtain or permit to exist any loans or advances from its subsidiaries or associated companies (if applicable) if any Sukuk Musharakah are or remain outstanding;

(vi) subject to paragraph 2(t)(iv)(c)(v) above, Grand Saga shall not enter into any agreement with its subsidiaries or associated companies (if applicable) unless such agreement is entered into:

(1) in the ordinary course of its businesses;

(2) on an arms-length basis in accordance with the terms and conditions of its Memorandum and Articles of Association; and

(3) will not have a Material Adverse Effect;

(vii) Grand Saga shall not lend any money to any party other than to its directors, officers or employees as part of their terms of employment;

(viii) Grand Saga shall not incur any further indebtedness save and except for the RM1.0 million performance bond issued pursuant to its obligations in respect of maintenance bond requirements under the Concession Agreement and any unsecured borrowings/ financings/ bank guarantee facilities not exceeding the aggregate of RM10.0 million at any time;

(ix) Grand Saga shall not alter any of the provisions of the Agreements and the Toll Proceeds Charge if such alteration will result in a Material Adverse Effect on Grand Saga and the Companies; and

(x) such other undertakings as may be advised by the Solicitor of the Principal Adviser/Lead Arranger and mutually agreed between the Principal Adviser/Lead Arranger and the Issuer and/or Grand Saga.

**(u) Provisions on Buy-Back and Early Redemption of Sukuk** :

**Buy-Back**

The Issuer and/or its subsidiaries may at any time purchase the Sukuk Musharakah at any price by private treaty, but any Sukuk Musharakah held by the Issuer, its subsidiaries directly or via agents of the Issuer and its subsidiaries must be cancelled. Sukuk Musharakah held by related persons other than the Issuer's subsidiaries need not be cancelled but shall not entitle them to vote at any of the sukukholders' meeting.

**Early Redemption**

The Issuer may redeem all of the Sukuk Musharakah in a specific series before their respective maturity subject to the following conditions:

(a) a notice period of not less than twenty one (21) days and not more than sixty (60) days to the Trustee;

(b) any Early Redemption shall not be less than RM10,000,000.00, and if larger sums, in multiples of RM1,000,000.00; and

(c) any Early Redemption shall be in the inverse order of maturity.

For avoidance of doubt, a series of Sukuk Musharakah is defined as Sukuk Musharakah with the same issue date and maturity date. Each series of Sukuk Musharakah shall be redeemed (in whole but not in part) at the Early Redemption Sum ("**ERS**"), if any.

For each series of the Sukuk Musharakah to be redeemed, the ERS shall be calculated by the Facility Agent based on the following formula and the calculation of the Facility Agent shall be final and binding:

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

where:

NV = Aggregate Nominal Value of the Sukuk Musharakah to be redeemed

ERP = Early redemption price per RM100 (5 decimal places) subject to a minimum of RM100, calculated as follows:

(a) For Sukuk Musharakah with Periodic Distribution:

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

(b) For Sukuk Musharakah without Periodic Distribution:

$$ERP = \left[\frac{100}{[1+(YTM/2)]^{(N-1+T/E)}}\right]$$

To calculate ERP, the following variables shall be used:

Profit = original profit rate of the series

YTM = lower of:
(a) the original yield to maturity of the series; or
(b) Reference Malaysian Government Securities ("**MGS**") + 0.80%

Reference MGS shall be the MGS rates for the tenure which is equal to the remaining tenure of the series and shall be determined from:

(1) the latest consolidated Government Securities Rates (Conventional) published by BNM weekly, two (2) business days prior to the call notice date; or

(2) if (1) above is unavailable, the arithmetic average of the mid-rates quoted by any five (5) principal dealers, two (2) business days prior to call notice date and/or in the case where the rate for a particular tenure is not available directly, then such a rate shall be extrapolated on a linear basis using available arithmetic average mid-rates, provided that if the tenure of the series is not an integer, the Reference MGS shall be the arithmetic mean of the rates of the two nearest tenures derived from (1) or (2) above.

N = Number of profit payment dates between the date of Early Redemption and the scheduled maturity date

T = Number of days from the date of Early Redemption to the date of the immediate next profit payment date

E = Number of days between the immediate preceding profit payment date from the date of Early Redemption. to the date of the immediate next profit payment date following the date of Early Redemption

(v) **Other principal terms and conditions for the issue**

| | | | |
|---|---|---|---|
| **(i)** | **Exercise Price** | : | In relation to the Purchase Undertaking, the Exercise Price is the cash sum payable by the Issuer to the Sukukholders calculated as follows:<br><br>(a) Upon any Dissolution Event and maturity date<br><br>(i) <u>in the case of Sukuk Musharakah with Periodic Distribution:</u><br>Musharakah Capital plus Expected Return less total Periodic Distribution;<br><br>(ii) <u>in the case of Sukuk Musharakah without Periodic Distribution:</u><br>Musharakah Capital plus Expected Return less One-Off Distribution<br><br>(b) Upon any Early Redemption<br><br>The Exercise Price payable shall be equal to the Early Redemption Sum and shall be calculated based on the formula stated in paragraph 2(u) above.<br><br>On any payment of the Exercise Price, Cerah Sama will be entitled to set-off the Exercise Price with Advance Part Payments made by Cerah Sama. |
| **(ii)** | **Compensation for Late and/or Default Payments ("Ta'widh")** | : | In the event of any overdue payments of any amounts due under the sale agreements pursuant to the Purchase Undertaking, the Issuer shall pay to the Sukukholders compensation ("**Ta'widh**") on such overdue amounts at an amount and manner prescribed by the SC's Shariah Advisory Council from time to time in accordance with the Shariah principles. |
| **(iii)** | **Transaction Documents** | : | Include but not be limited to the following (collectively referred to as "**Transaction Documents**"):<br><br>(i) Trust Deed;<br>(ii) Programme Agreement;<br>(iii) Musharakah Agreement;<br>(iv) Purchase Undertaking;<br>(v) Security Documents; and<br>(vi) all other documents of whatsoever nature executed or to be executed in connection with or pursuant to any of the above documents or otherwise in |

connection with the Sukuk Musharakah.

| | | | |
|---|---|---|---|
| **(iv)** | **Permitted Investments** | : | Funds held in the FSRA shall be permitted to be invested in Permitted Investments, provided that:<br><br>(1) such funds utilised for Permitted Investments shall, be remitted back to the FSRA to meet any payment obligations of the Issuer at least five (5) days before such payment obligations under the FSRA becomes due and payable;<br><br>(2) such Permitted Investments are to be held and not traded; and<br><br>(3) shall be denominated in Ringgit.<br><br>Permitted Investments are as follows:<br><br>(i) Shariah-compliant money market instruments by licensed financial institutions with a short-term rating of P1 and a minimum long-term rating of AA-, or their equivalent;<br><br>(ii) Shariah-compliant deposits with licensed financial institutions in Malaysia;<br><br>(iii) Shariah-compliant treasury bills, money market instruments, and other debt instruments issued by BNM or GOM;<br><br>(iv) Sukuk issued by quasi-government or government related entities with a short-term rating of P1 and a minimum long-term rating of AA-, or their equivalent, or debt securities guaranteed by GOM;<br><br>(v) Sukuk issued by corporations with a short-term rating of P1 and a minimum long-term rating of AA-, or their equivalent, or by financial institutions or guaranteed by licensed financial institutions with a short-term rating of P1 and a minimum long-term rating of AA-, or their equivalent; or<br><br>(vi) Any Shariah-compliant fund approved by the SC which invests in any of the instruments above. |
| **(v)** | **Trustee's Reimbursement Account** | : | The Trustee shall open and maintain a Shariah-compliant Trustee's Reimbursement Account for Sukukholders' Actions ("**Account**") 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 thirty thousand ringgit (RM30,000) to be set up from the moneys received by the Issuer when the Sukuk Musharakah are issued.

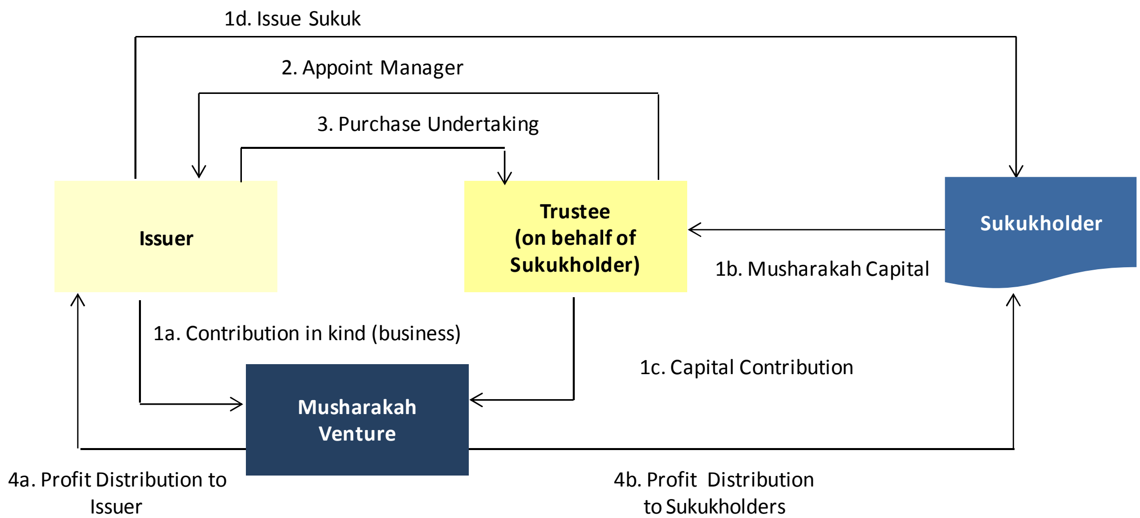
The Account shall be operated by the Trustee and the money shall only be used strictly by the Trustee in carrying out its duties in relation to the declaration of a Dissolution Event in the manner as provided in the Trust Deed. This sum of money in the Account shall be maintained at all time throughout the tenure of the Sukuk Programme.

The moneys in the Account 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 Account shall be returned to the Issuer upon full redemption of the Sukuk Musharakah in the event there is no declaration of a Dissolution Event.

| | | | |
|---|---|---|---|
| **(vi)** | **Redemption at maturity** | : | Unless previously repurchased and cancelled, the Sukuk Musharakah shall be redeemed by the Issuer at 100% its nominal value on their respective maturity dates.<br><br>For the avoidance of doubt, any amount redeemed on its respective maturity date shall not be available for reissuance. |
| **(vii)** | **Repurchase and cancellation** | : | The Issuer any of its subsidiaries or by agent(s) of the Issuer who is acting for the purchase, may at any time purchase the Sukuk Musharakah at any price in the open market or by private treaty, but these repurchased Sukuk Musharakah shall be cancelled and cannot be resold. |
| **(viii)** | **Status and Ranking** | : | The Sukuk Musharakah shall constitute direct, unconditional and secured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law and the Transaction Documents. |
| **(ix)** | **Taxation** | : | All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction |

| | | | |
|---|---|---|---|
| | | | is required by law, in which event the payer shall not be required to gross up such amounts for which the withholding or deductions have been made. |
| **(x)** | **Other Conditions** | : | The Sukuk Musharakah shall at all times be governed by the guidelines issued and to be issued from time to time by the SC and BNM. |
| **(xi)** | **Governing Laws & Jurisdiction** | : | Laws of Malaysia and the non-exclusive jurisdictions of the courts of Malaysia |

## Annexure I



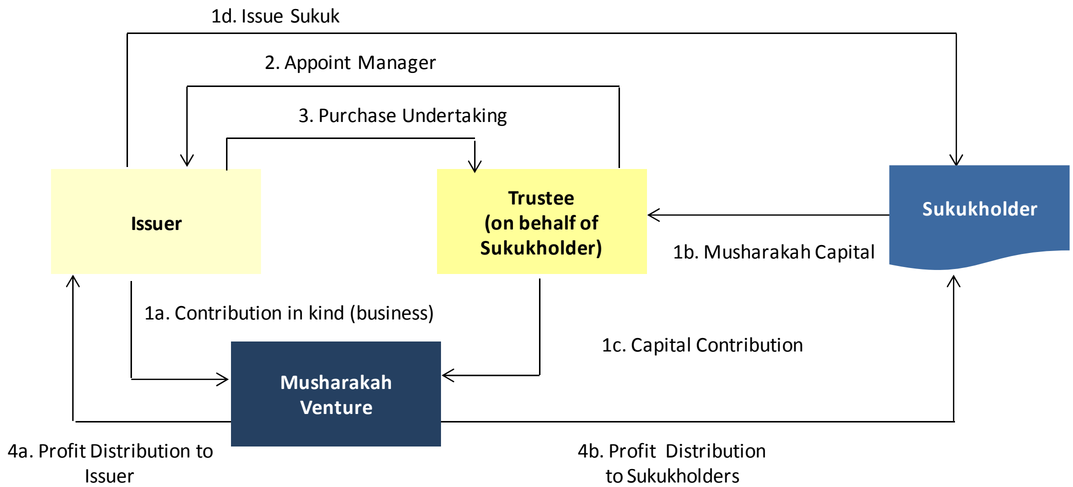

| Step | Description |
|---|---|
| 1(a),(b),(c),(d) | The investor(s) of the Sukuk Musharakah ("**Sukukholder(s)**") shall from time to time via the Trustee, form a Musharakah partnership with the Issuer to invest directly into the Business ("**Musharakah Venture**") by entering into a Musharakah agreement as partners (each a "**Partner**" and collectively the "**Musharakah Partners**").<br><br>The contribution of the Sukukholders to the Musharakah Venture shall be the proceeds raised from the Sukuk Musharakah ("**Musharakah Capital**") while the Issuer will contribute the Business into the Musharakah Venture. Simultaneously, the Issuer shall make a declaration that it holds on trust a percentage of the interest in the Business for the benefit of the Sukukholders pursuant to the Musharakah Venture.<br><br>The Issuer shall issue the Sukuk Musharakah and the Sukukholders shall subscribe to the Sukuk Musharakah issued by the Issuer where the Sukuk Musharakah shall represent the Sukukholders' undivided proportionate interest in the Musharakah Venture.<br><br>Income from the Musharakah Venture shall be distributed to each Partner based on profit sharing ratios which will be determined prior to the issuance of the Sukuk Musharakah. Any losses incurred in the Musharakah Venture shall be borne by each Partner in proportion to each Partner's respective capital contribution in the Musharakah Venture. |
| 2 | The Sukukholders shall appoint the Issuer as the manager to manage |

| Step | Description |
|---|---|
| | the Musharakah Venture. The Sukukholders agrees that any excess income from the relevant Musharakah Venture over and above the Periodic Distribution Amount shall be retained by the Manager as an incentive fee. |
| 3 | The Issuer shall issue a purchase undertaking ("**Purchase Undertaking**") to the Trustee (for and on behalf of the Sukukholders) wherein the Issuer undertakes to purchase the Sukukholders' interest in the Musharakah Venture from the Trustee (for and on behalf of the Sukukholders) at the relevant Exercise Price upon:<br><br>(i) the declaration of any Dissolution Event; or<br><br>(ii) any maturity date of the respective outstanding Sukuk Musharakah; or<br><br>(iii) any Early Redemption of the Sukuk Musharakah. |
| 4(a), (b) | The distributable income generated from the Musharakah Venture (after deducting the Issuer's entitlement to the distribution) shall be shared and distributed to the Sukukholders.<br><br>With respect to Sukuk Musharakah with periodic distribution, the periodically distributed income from the relevant Musharakah Venture of up to an amount equivalent to a certain percentage of the nominal value of the Sukuk Musharakah per annum ("**Periodic Distribution Amount**") shall be distributed to the Sukukholders on each Periodic Distribution Date. "**Periodic Distribution Date**" means the date Periodic Distribution Amount will be distributed in arrears, being the date falling six (6) months after the issue date and every six (6) months thereafter, or such period to be agreed between the Issuer and the Lead Manager prior to each issuance of the Sukuk Musharakah.<br><br>With respect to Sukuk Musharakah without periodic distribution, income from the Musharakah Venture of up to the Expected Return (as defined below) shall be distributed on a one-off basis to the Sukukholders of that particular series, upon the declaration of a Dissolution Event, the maturity date or the early redemption of the Sukuk Musharakah, whichever is applicable.<br><br>The return expected by the Sukukholders from the Musharakah Venture ("**Expected Return**") shall be the yield for the Sukuk Musharakah up to the maturity date or the date of declaration of a Dissolution Event.<br><br>Any shortfall between the Expected Return and the actual income generated from the Musharakah Venture for such relevant period shall |

| Step | Description |
|---|---|
| | be paid by the Issuer as advance part payments of the Exercise Price ("**Advance Part Payments**") to make good the difference. The Advance Part Payments will be set-off against the Exercise Price pursuant to the Purchase Undertaking. |

## APPENDIX I

## DIAGRAMMATICAL ILLUSTRATION OF THE STRUCTURE OF THE SUKUK PROGRAMME



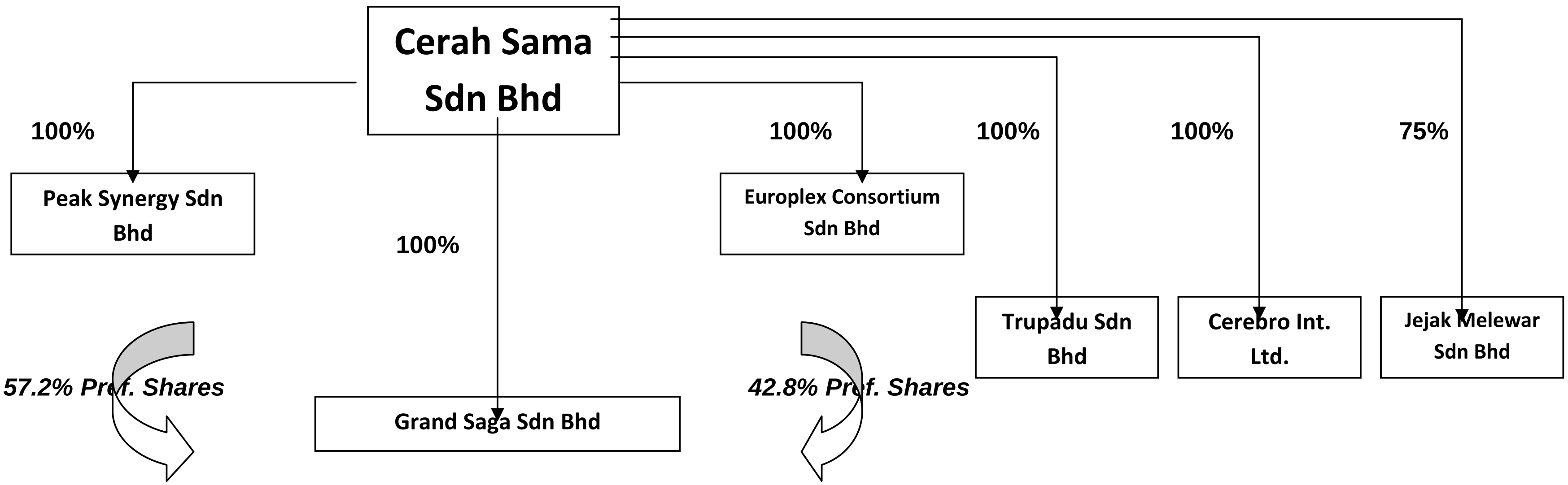

| Step | Description |
|---|---|
| 1(a),(b),(c),(d) | The investor(s) of the Sukuk Musharakah ("**Sukukholder(s)**") shall from time to time via the Trustee, form a Musharakah partnership with the Issuer to invest directly into the Business ("**Musharakah Venture**") by entering into a Musharakah agreement as partners (each a "**Partner**" and collectively the "**Musharakah Partners**").<br><br>The contribution of the Sukukholders to the Musharakah Venture shall be the proceeds raised from the Sukuk Musharakah ("**Musharakah Capital**") while the Issuer will contribute the Business into the Musharakah Venture. Simultaneously, the Issuer shall make a declaration that it holds on trust a percentage of the interest in the Business for the benefit of the Sukukholders pursuant to the Musharakah Venture.<br><br>The Issuer shall issue the Sukuk Musharakah and the Sukukholders shall subscribe to the Sukuk Musharakah issued by the Issuer where the Sukuk Musharakah shall represent the Sukukholders' undivided proportionate interest in the Musharakah Venture.<br><br>Income from the Musharakah Venture shall be distributed to each Partner based on profit sharing ratios which will be determined prior to the issuance of the Sukuk Musharakah. Any losses incurred in the Musharakah Venture shall be borne by each Partner in proportion to each Partner's respective capital contribution in the Musharakah Venture. |
| 2 | The Sukukholders shall appoint the Issuer as the manager to manage the Musharakah Venture. The Sukukholders agrees that any excess income from the relevant Musharakah Venture over and above the Periodic Distribution Amount shall be retained by the Manager as an incentive fee. |

| Step | Description |
|---|---|
| 3 | The Issuer shall issue a purchase undertaking ("**Purchase Undertaking**") to the Trustee (for and on behalf of the Sukukholders) wherein the Issuer undertakes to purchase the Sukukholders' interest in the Musharakah Venture from the Trustee (for and on behalf of the Sukukholders) at the relevant Exercise Price upon:<br><br>(i) the declaration of any Dissolution Event; or<br><br>(ii) any maturity date of the respective outstanding Sukuk Musharakah; or<br><br>(iii) any Early Redemption of the Sukuk Musharakah. |
| 4(a), (b) | The distributable income generated from the Musharakah Venture (after deducting the Issuer's entitlement to the distribution) shall be shared and distributed to the Sukukholders.<br><br>With respect to Sukuk Musharakah with periodic distribution, the periodically distributed income from the relevant Musharakah Venture of up to an amount equivalent to a certain percentage of the nominal value of the Sukuk Musharakah per annum ("**Periodic Distribution Amount**") shall be distributed to the Sukukholders on each Periodic Distribution Date. "**Periodic Distribution Date**" means the date Periodic Distribution Amount will be distributed in arrears, being the date falling six (6) months after the issue date and every six (6) months thereafter, or such period to be agreed between the Issuer and the Lead Manager prior to each issuance of the Sukuk Musharakah.<br><br>With respect to Sukuk Musharakah without periodic distribution, income from the Musharakah Venture of up to the Expected Return (as defined below) shall be distributed on a one-off basis to the Sukukholders of that particular series, upon the declaration of a Dissolution Event, the maturity date or the early redemption of the Sukuk Musharakah, whichever is applicable.<br><br>The return expected by the Sukukholders from the Musharakah Venture ("**Expected Return**") shall be the yield for the Sukuk Musharakah up to the maturity date or the date of declaration of a Dissolution Event.<br><br>Any shortfall between the Expected Return and the actual income generated from the Musharakah Venture for such relevant period shall be paid by the Issuer as advance part payments of the Exercise Price ("**Advance Part Payments**") to make good the difference. The Advance Part Payments will be set-off against the Exercise Price pursuant to the Purchase Undertaking. |

## APPENDIX II

## CURRENT CORPORATE STRUCTURE OF CERAH SAMA GROUP AS AT AS PER THE DATE OF THIS INFORMATION MEMORANDUM

## CERAH SAMA GROUP STRUCTURE




1. **Peak Synergy Sdn Bhd & Europlex Consortium Sdn Bhd– investment holding companies – holding 57.2% and 42.8% respectively of the irredeemable preference shares in Grand Saga Sdn Bhd. No other business activities.**

2. **Trupadu Sdn Bhd – dormant – formerly the operations and maintenance company for Grand Saga.**

3. **Cerebro International Ltd (incorporated in the British Virgin Islands) – investment holding company. Currently holds AUD10 million (less than 1%) value of debt in Rivercity Motorway (Australia), owner and operator of the Clem Jones Tunnel.**

4. **Jejak Melewar Sdn Bhd – dormant.**

# APPENDIX III

## CASHFLOW PROJECTIONS FROM 2013 TO 2033

**Cerah Sama Sdn Bhd and its subsidiaries**

***Consolidated cash flow projections for the financial years ending 31 December 2013 to 31 December 2033***

| | 2013 RM'mil | 2014 RM'mil | 2015 RM'mil | 2016 RM'mil | 2017 RM'mil | 2018 RM'mil | 2019 RM'mil | 2020 RM'mil | 2021 RM'mil | 2022 RM'mil |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | | | |
| Cash receipts from customers | 52.20 | 53.23 | 71.67 | 75.64 | 71.47 | 75.23 | 79.18 | 108.82 | 114.13 | 120.02 |
| Receipts from government* | 60.55 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payments for expenses/creditors | (15.42) | (13.18) | (13.86) | (14.42) | (14.92) | (15.51) | (16.13) | (17.02) | (17.72) | (18.43) |
| Cash generated from operations | 97.33 | 40.05 | 57.81 | 61.22 | 56.55 | 59.72 | 63.05 | 91.80 | 96.41 | 101.59 |
| Interest income | 3.94 | 3.90 | 3.08 | 3.20 | 3.18 | 3.22 | 2.89 | 3.27 | 2.77 | 2.82 |
| Malaysia tax refunded | 6.19 | 0.98 | 0.92 | 4.49 | 0.62 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Malaysia tax paid | 0.00 | (0.27) | (0.01) | (0.04) | (0.08) | (0.11) | (0.09) | (0.07) | 0.00 | (25.18) |
| *Net cash generated from operations* | 107.46 | 44.66 | 61.80 | 68.87 | 60.27 | 62.83 | 65.85 | 95.00 | 99.18 | 79.23 |
| **Cash flows from investing activities** | | | | | | | | | | |
| Acquisition of property, plant & equipment | (1.00) | (1.00) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) |
| Payments for heavy repairs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (18.77) | 0.00 | 0.00 | 0.00 | 0.00 |
| *Net cash used in investing activities* | (1.00) | (1.00) | (0.75) | (0.75) | (0.75) | (19.52) | (0.75) | (0.75) | (0.75) | (0.75) |
| **Cash flows from financing activities** | | | | | | | | | | |
| Proceeds from issuance of new IMTN | 420.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Redemption of existing IMTN principal | (380.00) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Redemption of new IMTN principal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (30.00) | (30.00) | (30.00) |
| Profit paid for IMTN | (13.95) | (21.24) | (21.24) | (21.24) | (21.24) | (21.24) | (21.24) | (20.56) | (19.18) | (17.77) |
| Redemption premium for existing IMTN | (37.31) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend paid to the shareholders of the Company | (40.00) | (92.06) | (34.92) | (43.84) | (38.90) | (45.70) | (48.88) | (79.60) | (51.27) | (33.02) |
| *Net cash used in financing activities* | (51.26) | (113.30) | (56.16) | (65.08) | (60.14) | (66.94) | (70.12) | (130.16) | (100.45) | (80.79) |
| **Net cash changes during the year** | 55.20 | (69.64) | 4.89 | 3.04 | (0.62) | (23.63) | (5.02) | (35.91) | (2.02) | (2.31) |
| **Cash and cash equalvalent at beginning of the year** | 149.26 | 204.46 | 134.82 | 139.71 | 142.75 | 142.13 | 118.50 | 113.48 | 77.57 | 75.55 |
| **Cash and cash equalvalent at end of year**** | 204.46 | 134.82 | 139.71 | 142.75 | 142.13 | 118.50 | 113.48 | 77.57 | 75.55 | 73.24 |

* *Receipts from Government comprise of compensation received on one bound closure at each toll booth.*

** *For the purpose of this cash flow projection, cash and cash equalvalent consist of cash in hand, deposit held at call with banks and liquid investments assets available-for-sale investments (excluding RiverCity Motorway Group debt paper).*

**Cerah Sama Sdn Bhd and its subsidiaries (cont'd.)**

***Consolidated cash flow projections for the financial years ending 31 December 2013 to 31 December 2033***

| | 2023<br>RM'mil | 2024<br>RM'mil | 2025<br>RM'mil | 2026<br>RM'mil | 2027<br>RM'mil | 2028<br>RM'mil | 2029<br>RM'mil | 2030<br>RM'mil | 2031<br>RM'mil | 2032<br>RM'mil | 2033<br>RM'mil |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | | | | |
| Cash receipts from customers | 126.22 | 133.10 | 174.56 | 183.30 | 192.49 | 202.70 | 209.94 | 260.80 | 267.20 | 273.92 | 274.85 |
| Receipts from government* | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payments for expenses/creditors | (19.17) | (19.95) | (21.08) | (21.96) | (22.85) | (23.78) | (24.71) | (26.09) | (26.85) | (27.88) | (28.90) |
| Cash generated from operations | 107.05 | 113.15 | 153.48 | 161.34 | 169.64 | 178.92 | 185.23 | 234.71 | 240.35 | 246.04 | 245.95 |
| Interest income | 2.87 | 2.94 | 3.55 | 3.87 | 3.97 | 4.06 | 4.35 | 5.08 | 5.11 | 3.97 | 3.96 |
| Malaysia tax refunded | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Malaysia tax paid | (26.60) | (28.16) | (37.42) | (40.14) | (42.40) | (44.76) | (46.36) | (58.92) | (60.61) | (60.45) | (61.52) |
| *Net cash generated from operations* | 83.32 | 87.93 | 119.61 | 125.07 | 131.21 | 138.22 | 143.22 | 180.87 | 184.85 | 189.56 | 188.39 |
| **Cash flows from investing activities** | | | | | | | | | | | |
| Acquisition of property, plant & equipment | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) |
| Payments for heavy repairs | 0.00 | 0.00 | (24.70) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (32.50) | 0.00 |
| *Net cash used in investing activities* | (0.75) | (0.75) | (25.45) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (0.75) | (33.25) | (0.75) |
| **Cash flows from financing activities** | | | | | | | | | | | |
| Proceeds from issuance of new IMTN | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Redemption of existing IMTN principal | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Redemption of new IMTN principal | (30.00) | (30.00) | (40.00) | (40.00) | (40.00) | (50.00) | (50.00) | (50.00) | 0.00 | 0.00 | 0.00 |
| Profit paid for IMTN | (16.34) | (14.88) | (13.14) | (11.13) | (9.07) | (6.72) | (4.06) | (1.36) | 0.00 | 0.00 | 0.00 |
| Redemption premium for existing IMTN | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend paid to the shareholders of the Company | (38.34) | (44.45) | (28.54) | (75.93) | (84.41) | (69.22) | (92.33) | (132.42) | (261.10) | (156.58) | (187.33) |
| *Net cash used in financing activities* | (84.68) | (89.33) | (81.68) | (127.06) | (133.48) | (125.94) | (146.39) | (183.78) | (261.10) | (156.58) | (187.33) |
| **Net cash changes during the year** | (2.11) | (2.15) | 12.48 | (2.74) | (3.02) | 11.53 | (3.92) | (3.66) | (77.00) | (0.27) | 0.31 |
| **Cash and cash equalvalent at beginning of the year** | 73.24 | 71.13 | 68.98 | 81.46 | 78.72 | 75.70 | 87.23 | 83.31 | 79.66 | 2.66 | 2.39 |
| **Cash and cash equalvalent at end of year**** | 71.13 | 68.98 | 81.46 | 78.72 | 75.70 | 87.23 | 83.31 | 79.66 | 2.66 | 2.39 | 2.70 |

* *Receipts from Government comprise of compensation received on one bound closure at each toll booth.*

** *For the purpose of this cash flow projection, cash and cash equalvalent consist of cash in hand, deposit held at call with banks and liquid investments assets available-for-sale investments (excluding RiverCity Motorway Group debt paper).*

# APPENDIX IV

## LATEST AUDITED FINANCIAL STATEMENTS OF CERAH SAMA AND GRAND SAGA

Company No.

| | |
|---|---|
| 315282 | P |

# CERAH SAMA SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2011

0895A2/mk

| Company No. | |
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# CERAH SAMA SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2011

INDEX

Company No.

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CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of subsidiary companies are set out in Note 14 to the financial statements. There have been no significant change in the principal activities of the Company and of its subsidiary companies during the financial year.

## FINANCIAL RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Net profit for the financial year | 28,042 | 32,461 |

## DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2010 were as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 December 2011: | |
| Interim dividend of RM9.64 per share, less income tax of 25% paid on 1 November 2011 | 4,302 |
| Single tier interim dividend of RM14.60 per share paid on 1 November 2011 | 8,687 |
| | 12,989 |

The Directors do not recommend the payment of a final gross dividend for the financial year ended 31 December 2011.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Y. Bhg. Dato' Lim Chee Meng
Ahmad Ishak bin Haron
Vijay Vijendra Sethu
Lim Yew Boon
Phang Kwai Sang
Minhat Bin Mion (alternate to Ahmad Ishak bin Haron)
Kanoklada Rerkasem (appointed on 15 June 2011)
Chee Pooi Foong (resigned on 15 June 2011)

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the exercise of Warrants and options granted under the Employees' Share Option Scheme of Taliworks Corporation Bhd, a substantial shareholder.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors' as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

## DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in the shares, warrants and options over ordinary shares in the Company and its substantial shareholder, Taliworks Corporation Bhd are as follows:

| | Number of ordinary shares of RM1 each in the Company | | | |
|---|---|---|---|---|
| | At 1.1.2011 | Bought | Sold | At 31.12.2011 |
| Y. Bhg. Dato' Lim Chee Meng | | | | |
| – indirect* | 327,250 | 0 | 0 | 327,250 |

* Deemed interested by virtue of his significant interest in Taliworks Corporation Bhd.

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

| | Number of ordinary shares of RM0.50 each in a substantial shareholder^, Taliworks Corporation Bhd | | | |
|---|---|---|---|---|
| | At 1.1.2011 | Bought | Sold | At 31.12.2011 |
| Y. Bhg. Dato' Lim Chee Meng | | | | |
| - direct | 585,900 | 0 | 0 | 585,900 |
| - indirect# | 241,640,000 | 0 | 0 | 241,640,000 |
| Phang Kwai Sang | 6,000 | 0 | 0 | 6,000 |
| Lim Yew Boon | 150,000 | 0 | 0 | 150,000 |

By virtue of his interest in the Company's substantial shareholder, Taliworks Corporation Bhd pursuant to the Companies Act, 1965, Y. Bhg. Dato' Lim Chee Meng is also deemed interested in shares of all the subsidiaries of its substantial shareholder to the extent its substantial shareholder has an interest.

# *Deemed interested by virtue of their interest in corporate shareholders, pursuant to Section 6A of the Companies Act, 1965.*

| | Exercise price per share RM | Number of options over ordinary shares of RM0.50 each in a substantial shareholder^, Taliworks Corporation Bhd | | | |
|---|---|---|---|---|---|
| | | At 1.1.2011 | Granted | Exercised | At 31.12.2011 |
| Y. Bhg. Dato' Lim Chee Meng | 1.90 | 145,000 | 0 | 0 | 145,000 |
| Phang Kwai Sang | 1.90 | 95,000 | 0 | 0 | 95,000 |

^ Taliworks Corporation Bhd is a substantial shareholder of Cerah Sama Sdn Bhd by virtue of its 55% shareholding in the issued and paid-up ordinary shares of the Company.

Other than disclosed in the Directors' Report, according to the register of Directors' shareholdings, the Directors do not hold any other interest in shares and options over shares in the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability 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 affect the ability of the Group or Company to meet their obligations when they fall due.

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

(a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Company No.

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CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# DIRECTORS' REPORT (CONTINUED)

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the year in which this report is made.

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 April 2012.

| | |
|---|---|
| Y. BHG. DATO' LIM CHEE MENG<br>DIRECTOR | AHMAD ISHAK BIN HARON<br>DIRECTOR |

Company No.

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|---|---|

CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 (Restated) | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| Revenue | 4 | 100,419 | 89,904 | 50,670 | 81,256 |
| Cost of sales | 5 | (38,918) | (29,460) | 0 | 0 |
| Gross profit | | 61,501 | 60,444 | 50,670 | 81,256 |
| Other operating income | 8 | 2,818 | 1,879 | 800 | 440 |
| Administrative expenses | 5 | (6,217) | (6,167) | (402) | (391) |
| Finance cost | 9 | (21,902) | (21,987) | (21,902) | (21,986) |
| Profit before tax | | 36,200 | 34,169 | 29,166 | 59,319 |
| Tax expense | 10 | (8,158) | (12,622) | 3,295 | (4,438) |
| Net profit for the financial year | | 28,042 | 21,547 | 32,461 | 54,881 |
| Other comprehensive income: | | | | | |
| Available-for-sale financial assets | | (3) | 0 | 0 | 0 |
| Other comprehensive income for the financial year, net of tax | | (3) | 0 | 0 | 0 |
| Total comprehensive income for the financial year | | 28,039 | 21,547 | 32,461 | 54,881 |

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CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

| | Note | Group | | | Company | |
|---|---|---|---|---|---|---|
| | | 2011 | 2010 | 2009 | 2011 | 2010 |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| | | | (Restated) | (Restated) | | |
| NON-CURRENT ASSETS | | | | | | |
| Intangible assets | 11 | 563,928 | 580,122 | 598,218 | 0 | 0 |
| Property, plant and equipment | 12 | 20,591 | 22,704 | 26,633 | 0 | 0 |
| Goodwill on consolidation | 13 | 95,138 | 95,138 | 95,138 | 0 | 0 |
| Subsidiary companies | 14 | 0 | 0 | 0 | 390,156 | 390,156 |
| Other investment | 15 | 240 | 240 | 240 | 0 | 0 |
| | | 679,897 | 698,204 | 720,229 | 390,156 | 390,156 |
| CURRENT ASSETS | | | | | | |
| Inventories | | 145 | 114 | 161 | 0 | 0 |
| Other receivables | | 443 | 510 | 73 | 52 | 45 |
| Tax recoverable | | 13,573 | 8,412 | 6,894 | 13,520 | 8,412 |
| Available-for-sale financial assets | 16 | 6,702 | 0 | 18,062 | 0 | 0 |
| Deposits, bank and cash balances | 17 | 65,485 | 35,299 | 43,014 | 47,304 | 33,075 |
| | | 86,348 | 44,335 | 68,204 | 60,876 | 41,532 |
| LESS: CURRENT LIABILITIES | | | | | | |
| Trade and other payables | 18 | 5,744 | 4,462 | 4,736 | 2,677 | 2,805 |
| Borrowings | | 0 | 0 | 23,850 | 0 | 0 |
| Amount owing to a substantial shareholder | | 0 | 0 | 29,150 | 0 | 0 |
| Hire purchase payables | 19 | 0 | 1 | 62 | 0 | 0 |
| Deferred income | 20 | 12,137 | 10,010 | 11,332 | 0 | 0 |
| Taxation | | 1,085 | 1,977 | 566 | 0 | 0 |
| | | 18,966 | 16,450 | 69,696 | 2,677 | 2,805 |
| NET CURRENT ASSETS/(LIABILITIES) | | 67,382 | 27,885 | (1,492) | 58,199 | 38,727 |
| LESS: NON-CURRENT LIABILITIES | | | | | | |
| Borrowings | 21 | 380,000 | 380,000 | 380,000 | 380,000 | 380,000 |
| Hire purchase payables | 19 | 0 | 0 | 1 | 0 | 0 |
| Deferred income | 20 | 89,320 | 88,434 | 97,729 | 0 | 0 |
| Deferred tax liabilities | 22 | 120,740 | 122,353 | 120,202 | 0 | 0 |
| Provision for heavy repairs | | 6,867 | 0 | 0 | 0 | 0 |
| | | 596,927 | 590,787 | 597,932 | 380,000 | 380,000 |
| | | 150,352 | 135,302 | 120,805 | 68,355 | 48,883 |

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CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (CONTINUED)

| | Note | Group | | | Company | |
|---|---|---|---|---|---|---|
| | | 2011 | 2010 | 2009 | 2011 | 2010 |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| | | | (Restated) | (Restated) | | |
| CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | | |
| Share capital | 23 | 595 | 595 | 595 | 595 | 595 |
| Capital redemption reserve | | 427 | 427 | 189 | 427 | 427 |
| Revaluation reserve on consolidation | | 76,027 | 78,661 | 81,541 | 0 | 0 |
| Available-for-sale reserve | | (3) | 0 | 0 | 0 | 0 |
| Retained earnings | 24 | 73,306 | 55,619 | 38,480 | 67,333 | 47,861 |
| Shareholders' equity | | 150,352 | 135,302 | 120,805 | 68,355 | 48,883 |

Company No.

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CERAH SAMA SDN BHD
(Incorporated in Malaysia)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

| | Issued and fully paid ordinary shares of RM1 each | | | | | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Nominal value | Capital redemption reserve | Revaluation reserve on consolidation | Available-for-sale reserve | Retained earnings | Total |
| | '000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2010 (as previously stated) | 595 | 595 | 189 | 82,645 | 0 | 47,159 | 130,588 |
| Prior year adjustments (Note 25) | 0 | 0 | 0 | (1,104) | 0 | (8,679) | (9,783) |
| At 1 January 2010 (as restated) | 595 | 595 | 189 | 81,541 | 0 | 38,480 | 120,805 |
| **Comprehensive income:** | | | | | | | |
| Net profit for the financial year | 0 | 0 | 0 | 0 | 0 | 21,547 | 21,547 |
| **Other comprehensive income:** | | | | | | | |
| -Transfer of amortisation to revaluation reserve | 0 | 0 | 0 | (2,880) | 0 | 2,880 | 0 |
| -Available-for-sale financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total other comprehensive income | 0 | 0 | 0 | (2,880) | | 2,880 | 0 |
| **Total comprehensive income for the financial year** | **0** | **0** | **0** | **(2,880)** | **0** | **24,427** | **21,547** |
| **Transactions with owners:** | | | | | | | |
| Transfer to capital redemption reserve (Note 23) | 0 | 0 | 238 | 0 | 0 | (238) | 0 |
| Dividend on ordinary shares (Note 26) | 0 | 0 | 0 | 0 | 0 | (7,050) | (7,050) |
| **Total transactions with owners** | **0** | **0** | **238** | **0** | **0** | **(7,288)** | **(7,050)** |
| **At 31 December 2010** | **595** | **595** | **427** | **78,661** | **0** | **55,619** | **135,302** |

Company No.

| 315282 | P |
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CERAH SAMA SDN BHD
(Incorporated in Malaysia)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

| | Issued and fully paid ordinary shares of RM1 each | | | | | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Nominal value | Capital redemption reserve | Revaluation reserve on consolidation | Available-for-sale reserve | Retained earnings | Total |
| | '000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2011 (as previously stated) | 595 | 595 | 427 | 79,519 | 0 | 62,552 | 143,093 |
| Prior year adjustments (Note 25) | 0 | 0 | 0 | (858) | 0 | (6,933) | (7,791) |
| At 1 January 2011 (as restated) | 595 | 595 | 427 | 78,661 | 0 | 55,619 | 135,302 |
| **Comprehensive income:** | | | | | | | |
| Net profit for the financial year | 0 | 0 | 0 | 0 | 0 | 28,042 | 28,042 |
| **Other comprehensive income:** | | | | | | | |
| -Transfer of amortisation to revaluation reserve | 0 | 0 | 0 | (2,634) | 0 | 2,634 | 0 |
| -Available-for-sale financial assets | 0 | 0 | 0 | 0 | (3) | 0 | (3) |
| Total other comprehensive income | 0 | 0 | 0 | (2,634) | (3) | 2,634 | (3) |
| **Total comprehensive income for the financial year** | **0** | **0** | **0** | **(2,634)** | **(3)** | **30,676** | **28,039** |
| **Transactions with owners:** | | | | | | | |
| Transfer to capital redemption reserve (Note 23) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend on ordinary shares (Note 26) | 0 | 0 | 0 | 0 | 0 | (12,989) | (12,989) |
| **Total transactions with owners** | **0** | **0** | **0** | **0** | **0** | **(12,989)** | **(12,989)** |
| **At 31 December 2011** | **595** | **595** | **427** | **76,027** | **(3)** | **73,306** | **150,352** |

Company No.

| 315282 | P |
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CERAH SAMA SDN BHD
(Incorporated in Malaysia)

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

| | Issued and fully paid ordinary shares of RM1 each | | | | |
|---|---|---|---|---|---|
| | Number of shares '000 | Nominal value RM'000 | Capital redemption reserve RM'000 | Retained earnings RM'000 | Total RM'000 |
| At 1 January 2010 | 595 | 595 | 189 | 268 | 1,052 |
| **Comprehensive income:** | | | | | |
| Net profit for the financial year | 0 | 0 | 0 | 54,881 | 54,881 |
| **Total comprehensive income for the financial year** | **0** | **0** | **0** | **54,881** | **54,881** |
| **Transactions with owners:** | | | | | |
| Transfer to capital redemption reserve (Note 23) | 0 | 0 | 238 | (238) | 0 |
| Dividend on ordinary shares (Note 26) | 0 | 0 | 0 | (7,050) | (7,050) |
| **Total transactions with owners** | **0** | **0** | **238** | **(7,288)** | **(7,050)** |
| **At 31 December 2010** | **595** | **595** | **427** | **47,861** | **48,883** |

Company No.

| 315282 | P |
|---|---|

CERAH SAMA SDN BHD
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

| | Issued and fully paid ordinary shares of RM1 each | | Capital redemption reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | Number of shares '000 | Nominal value RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2011 | 595 | 595 | 427 | 47,861 | 48,883 |
| **Comprehensive income:** | | | | | |
| Net profit for the financial year | 0 | 0 | 0 | 32,461 | 32,461 |
| **Total comprehensive income for the financial year** | **0** | **0** | **0** | **32,461** | **32,461** |
| **Transactions with owners:** | | | | | |
| Transfer to capital redemption reserve (Note 23) | 0 | 0 | 0 | 0 | 0 |
| Dividend on ordinary shares (Note 26) | 0 | 0 | 0 | (12,989) | (12,989) |
| **Total transactions with owners** | **0** | **0** | **0** | **(12,989)** | **(12,989)** |
| **At 31 December 2011** | **595** | **595** | **427** | **67,333** | **68,355** |

Company No.

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CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# STATEMENTS OF CASH FLOWS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before tax | | 36,200 | 34,169 | 29,166 | 59,319 |
| Adjustments for: | | | | | |
| Dividend from subsidiary companies | | 0 | 0 | (50,670) | (81,256) |
| Amortisation of intangible assets | | 16,194 | 18,096 | 0 | 0 |
| Interest expense | | 21,902 | 21,987 | 21,902 | 21,986 |
| Depreciation on property, plant and equipment | | 4,335 | 4,705 | 0 | 0 |
| Provision for heavy repairs | | 11,737 | 0 | 0 | 0 |
| Heavy repairs incurred | | 0 | 888 | 0 | 0 |
| Gain on disposal of property, plant and equipment | | (251) | (19) | 0 | 0 |
| Property, plant and equipment written-off | | 0 | 0 | 0 | 0 |
| Dividend income from short term investment | | (743) | (424) | 0 | 0 |
| Gain on redemption of unit trusts | | (30) | (121) | 0 | 0 |
| Gain on disposal of quoted investment | | 0 | 0 | 0 | 0 |
| Interest income | | (979) | (565) | (800) | (440) |
| Deferred income | | (17,447) | (11,350) | 0 | 0 |
| | | 70,918 | 67,366 | (402) | (391) |
| Changes in working capital: | | | | | |
| Inventories | | (31) | 48 | 0 | 0 |
| Other receivables | | 74 | (408) | 0 | 0 |
| Trade and other payables | | 1,368 | (4) | (44) | 37 |
| Cash generated from/(used in) operations | | 72,329 | 67,002 | (446) | (354) |
| Interest received | | 968 | 537 | 793 | 412 |
| Tax refunded | | 2,854 | 33 | 2,854 | 0 |
| Tax paid | | (18,678) | (10,610) | 0 | 0 |
| Deferred income | | 20,460 | 460 | 0 | 0 |
| Dividend received | | 0 | 0 | 46,003 | 75,267 |
| Net cash generated from operating activities | | 77,933 | 57,422 | 49,204 | 75,325 |

Company No.

| 315282 | P |
|---|---|

CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from disposal of property, plant and equipment | | 251 | 19 | 0 | 0 |
| Purchase of property, plant and equipment | | (2,223) | (776) | 0 | 0 |
| Placements in short-term investment | | (60,374) | (40,326) | 0 | 0 |
| Proceeds from redemption of short-term investments | | 54,445 | 58,933 | 0 | 0 |
| Payment for heavy repairs | | (4,870) | (888) | 0 | 0 |
| Net cash (used in)/generated from investing activities | | (12,771) | 16,962 | 0 | 0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Dividend paid on ordinary shares | | (12,989) | (7,050) | (12,989) | (7,050) |
| Repayment to substantial shareholder | | 0 | (29,150) | 0 | (29,150) |
| Receipts from a subsidiary company | | 0 | 0 | 0 | 0 |
| Redemption of Redeemable Non-Cumulative Preference Shares | | 0 | (23,850) | 0 | (23,850) |
| Repayments of hire purchase | | (1) | (62) | 0 | 0 |
| Interest received for advances to a subsidiary company | | 0 | 0 | 0 | 0 |
| Interest paid for borrowings | | (21,986) | (21,986) | (21,986) | (21,986) |
| Interest paid for hire purchase | | 0 | (1) | 0 | 0 |
| Increase in deposit balances pledged as security | | (368) | (256) | (368) | (256) |
| Net cash used in financing activities | | (35,344) | (82,355) | (35,343) | (82,292) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR | | 29,818 | (7,971) | 13,861 | (6,967) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | | 23,394 | 31,365 | 21,170 | 28,137 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 17 | 53,212 | 23,394 | 35,031 | 21,170 |

CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

## A BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(a) Standards, amendments and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2011 are as follows:

- Amendment to FRS 7 "Financial instruments: Disclosures - improving disclosures about financial instruments"
- Amendment to FRS 132 "Financial instruments: Presentation – Classification of rights issues"
- Improvements to FRSs (2010)
- IC Interpretation 12 "Service Concession Arrangements"

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company

The Group and Company will apply the following new standards, amendments and interpretations to existing standards for the Group and Company's financial period beginning on or after 1 January 2012:

In the next financial year, the Group and Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company (continued)

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company (continued)

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The above amendments are not expected to have a material impact on the Group and Company's financial statements.

B CHANGE IN ACCOUNTING POLICIES

During the financial year, the Group changed the following accounting policies upon adoption of IC Interpretation 12: Service Concession Arrangements (IC 12) which provides guidance on accounting treatment of a service concession arrangement involving the provision of public services sector by private operators. Pursuant to IC 12, infrastructure shall not be recognised as tangible operating assets of the operator as the operator does not control but has the right to charge users for using the infrastructure until end of concession when it is surrendered to the grantor i.e. the Government. Hence, the infrastructure is to be recognised as an intangible asset.

IC 12 also requires that the recognition of contractual obligations to maintain the infrastructure to a specified standard condition to be recognised and measured in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets.

The changes to the Group's accounting policies and financial statements upon application of IC 12 are described as follows:

(i) Change in classification of Highway Concession (HC)

HC comprises construction and development expenditure incurred by the Company in connection with the Concession Agreement. Prior to the adoption of IC 12, HC was treated as part of tangible operating assets, and was stated at cost less accumulated amortization and impairment losses. Upon adoption of IC 12, HC is reclassified as intangible assets and will continue to be stated at cost less accumulated amortisation and impairment losses.

(ii) Write off of heavy repair expenditure and provision for heavy repairs

Heavy repair expenditure relates to costs incurred for the rectification of any settlements and pavement rehabilitation along the highway. Prior to the adoption of IC 12, the Company's heavy repair expenditure was capitalised and amortised on a straight line basis over 7 years. Upon adoption of IC 12, the carrying value is written off to retained earnings. In addition, provision for heavy repairs being the contractual obligations to maintain and restore the infrastructure to a specified standard of serviceability, is recognised and measured at the present value of estimated expenditures expected to be required to settle the present obligation at the reporting date.

## B CHANGE IN ACCOUNTING POLICIES (CONTINUED)

### (iii) Financial impact

In accordance with the transitional provisions of IC 12, the changes in accounting policies have been applied retrospectively and comparative figures have been restated and/or reclassified accordingly. The financial impact arising from the adoption of this interpretation is tabulated in Note 25.

## C SUBSIDIARY COMPANIES

Subsidiaries are all those entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See the accounting policy Note E on goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in profit or loss.

Minority interest represents that portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

When a business combination involves more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

## D GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of their identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition. Goodwill is allocated to cash generated unit for the purpose of impairment testing and is stated at cost less accumulated impairment losses. Impairment test is performed annually. Goodwill is also tested for impairment whenever indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed. See accounting policy Note G on the impairment of non-financial assets.

## E INTANGIBLE ASSETS – HIGHWAY CONCESSION

Highway concession is stated at cost less accumulated amortisation and impairment losses.

Costs include expenditure that is directly incurred on the design, construction and upgrading of the Cheras-Kajang Expressway. Subsequent costs are included in the assets' carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance are charged to profit or loss during the financial year in which they are incurred.

Amortisation of highway concession for each financial period is computed based on the following formula:

$$\frac{\text{Revenue for the financial year}}{\text{(Actual revenue for the financial year + Projected revenue for the remaining concession period, ending in 2030)}} \times \text{(Net book value of highway concession + additions for the financial year)}$$

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note G on the impairment of non-financial assets.

## F PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

## F PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment is computed on the straight line method to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

| | |
|---|---|
| Computer equipment | 3 years |
| Furniture, fittings and equipment | 10 years |
| Motor vehicle | 5 years |
| Office equipment | 10 years |
| Expressway-operation equipment | 5 - 10 years |
| Office renovation | 5 years |
| Toll equipment | 10 years |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note G on the impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other operating income in profit or loss.

## G IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, which are not subject to amortisation, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. See accounting policy Note D on the impairment of goodwill.

## H ASSETS ACQUIRED UNDER HIRE PURCHASE

Purchases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as hire purchases.

Hire purchases are capitalised at the inception of the purchase at the lower of the fair value of the purchased assets and the present value of the minimum hire purchase payments. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the profit or loss over the hire purchase period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## H ASSETS ACQUIRED UNDER HIRE PURCHASE (CONTINUED)

Property, plant and equipment acquired under hire purchase are depreciated over the estimated useful life of the asset as disclosed in accounting policy Note F.

## I INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of consumable stocks is determined using the first in, first out method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

## J CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

## K TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

## K TAXATION (CONTINUED)

Deferred tax asset are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## L TRADE AND OTHER PAYABLE

Trade and other payables are stated at cost.

## M BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the statement of comprehensive income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## N SHARE CAPITAL

### (i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

### (ii) Dividends

Dividends on ordinary shares are recognised as liabilities when declared before the reporting period. A dividend declared after the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting period. Upon the dividend becoming payable, it will be accounted for as a liability.

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

## O REVENUE RECOGNITION

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Group and Company.

Toll revenue is accounted for as and when toll is chargeable for the usage of the Expressway.

Dividend income is recognised when the Group's right to receive has been established.

Interest income is recognised using the effective interest method.

## P DEFERRED INCOME

Deferred income comprise of the following:

(i) fees received from third parties for the use of ancillary facilities along the Highway, which is recognised in profit or loss on a straight-line basis over the concession period; and

(ii) Government compensation received (by a subsidiary) as a result of changes made to the terms and conditions of the Concession Agreement in respect of the Cheras-Kajang Highway.

Government compensation is initially recognised in the statement of financial position on the fair value of consideration received. Government compensation is subsequently recognised to profit or loss on a systematic basis over the concession period in which it was intended to compensate.

## Q EMPLOYEE BENEFITS

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Group and Company.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

R FINANCIAL ASSETS

(i) Classification

The Group and Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" and intercompany balances.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(iii) Subsequent measurement – gains and losses

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

R FINANCIAL ASSETS (CONTINUED)

(v) Subsequent measurement - impairment of financial assets

(a) Financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

R FINANCIAL ASSETS (CONTINUED)

(v) Subsequent measurement - impairment of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

When a financial asset is uncollectible, it is written off against the related allowance account. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(vi) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

S FINANCIAL LIABILITIES

Classification

Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The Company's financial liabilities include trade and other payables.

(ii) Recognition and initial measurement

A financial liability is recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs.

(iii) Subsequent measurement – gains and losses

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

(iv) De-recognition

A financial liability or part of it is de-recognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On de-recognition 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.

CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of subsidiary companies are set out in Note 14 to the financial statements. There has been no significant change in the activities of the Group and Company during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and the principal place of business of the Company are as follows:

| Registered office | Principal place of business |
|---|---|
| Room 803, 8th Floor, Sun Kompleks<br>Jalan Bukit Bintang<br>55100 Kuala Lumpur | KM 16, Lebuhraya Cheras-Kajang<br>43200 Cheras<br>Selangor Darul Ehsan |

Award of Concession

The Government of Malaysia and the Company's wholly owned subsidiary, Grand Saga Sdn Bhd (GSSB) entered into a Concession Agreement ("CA") dated 19 September 1995, whereby GSSB was awarded a thirty year concession to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur – Seremban Road, described as the Cheras-Kajang Expressway ("Expressway"). The ownership of the Expressway will be transferred to the Government of Malaysia at the end of the concession period.

Government compensation

Pursuant to the CA above, the Government of Malaysia reserves the right to restructure or to restrict the imposition of unit toll rate increases, and in such event, the Government shall compensate for any reduction in toll revenue, subject to negotiation and other considerations that the Government may deem fit. The amount of toll compensation accrued and recognised in profit or loss for the year has been estimated after taking into consideration the effects of the compensation arrangements.

## 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Directors, the estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as discussed as follows:

(i) Taxation

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

(ii) Amortisation of Expressway development expenditure

The cost of Expressway development expenditure is amortised over the concession period by applying the formula as disclosed in accounting policy Note F. The denominator of the formula includes projected total toll revenue for subsequent financial years to 2030 and is based on the initial base case traffic volume projections prepared by independent traffic consultants, which is updated by management annually, multiplied by the current applicable toll rates. The assumptions to arrive at the traffic volume projections take into consideration the growth rates based on current market and economical conditions. Changes in the expected traffic volume could impact future amortisation charges. A 10% decrease in the traffic projections would result in approximately RM1,799,000 decrease to the profit before tax for financial year ended 31 December 2011.

(iii) Recognition of government compensation

Government compensation relating to losses in future income are deferred and recognised in profit or loss on a systematic basis over the period necessary to match them with the losses that are intended to compensate, based on the original toll submission (traffic volume) made to the Government. As the amount of government compensation to be recognised in the profit or loss for each year over the remaining Concession Period had been determined at the point of receipt of compensation, changes in the expected traffic volume are not expected to have a subsequent impact.

(iv) Provision for heavy repairs

Heavy repairs are provided based on annual independent pavement assessment condition that estimates the future requirements for pavement resurfacing, and management estimates of incidental costs, discounted to present value. Changes to the expected level of usage and technological developments could impact future requirements for heavy repairs, and therefore, the provision could be revised.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities in the normal course of business expose it to a variety of financial risks, including interest rate risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Group does not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate. Interest rate exposure arises from the Group's deposits. The Group closely monitors the interest rate trend and decisions in respect of tenor of deposits are made based on the expected interest rate trend.

Credit risk

Investments are allowed only in liquid assets and only with financial institutions that have a sound credit rating.

The Company monitors its exposure to credit risk on an ongoing basis. The Company considers the risks of material loss in the event of non-performance by a single counter-party or customer to be unlikely.

Credit risk arises from bank balances. The Company's bank balances are placed with credit worthy financial institutions with bank ratings of AAA (as rated by a rating agency in Malaysia, RAM) which have been approved by the Board of Directors of the Company.

Liquidity and cash flow risk

Liquidity and cash flow risk is managed by maintaining an adequate level of cash reserves and close monitoring of working capital requirements.

### 3.2` Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

During the year 2011, the Group's strategy (which was unchanged from 2010) is to maintain the minimum debt to equity ratio (DE Ratio) that complies with the covenants of the Islamic Medium Term Notes (IMTN) issued by the Company (Note 21). Under the requirements of the IMTN covenants, the DE Ratio shall always be maintained at not more than 4.0 based on the calculations and definitions of debt and equity as per below:

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Debt: | | |
| IMTN borrowings (Note 21) | 380,000 | 380,000 |
| Hire purchase (Note 19) | 0 | 1 |
| | 380,000 | 380,001 |
| Equity: | | |
| Share capital | 595 | 595 |
| Capital redemption reserve | 427 | 427 |
| Revaluation reserve on consolidation | 76,027 | 78,661 |
| Fair value reserve | (3) | 0 |
| Retained earnings | 73,306 | 55,619 |
| | 150,352 | 135,302 |
| DE Ratio | 2.5 | 2.8 |

## 4 REVENUE

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Toll revenue and operator fee | 83,045 | 78,572 | 0 | 0 |
| Deferred income | 17,374 | 11,332 | 0 | 0 |
| Dividend from subsidiary companies | 0 | 0 | 50,670 | 81,256 |
| | 100,419 | 89,904 | 50,670 | 81,256 |

## 5 EXPENSES BY NATURE

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Amortisation of concession assets | 16,194 | 18,096 | 0 | 0 |
| Depreciation on property, plant and equipment | 4,335 | 4,705 | 0 | 0 |
| Operation and maintenance expenses | 1,202 | 1,070 | 0 | 0 |
| Auditors' remuneration | 102 | 77 | 35 | 35 |
| Quit rent and assessment | 15 | 15 | 0 | 0 |
| IMTN expenses | 346 | 346 | 346 | 346 |
| Property, plant and equipment written off | 1 | 0 | 0 | 0 |
| Staff cost (Note 6) | 7,366 | 7,008 | 0 | 0 |
| Contract costs | 606 | 639 | 0 | 0 |
| Direct operation expenses | 1,149 | 1,015 | 0 | 0 |
| Information technology related costs | 355 | 318 | 0 | 0 |
| Utilities | 706 | 681 | 0 | 0 |
| Provision for heavy repairs | 11,737 | 0 | 0 | 0 |
| Heavy repairs incurred | 0 | 888 | 0 | 0 |
| Other operation and administrative expenses | 1,021 | 769 | 21 | 10 |
| Total cost of sales and administrative expenses | 45,135 | 35,627 | 402 | 391 |

## 6 STAFF COST

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Wages, salaries and bonus | 6,418 | 5,959 |
| Defined contribution plan | 647 | 678 |
| Other employee benefits | 301 | 371 |
| | 7,366 | 7,008 |

Included in staff costs is the directors' remuneration as disclosed in Note 7.

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NOTES TO THE FINANCIAL STATEMENTS
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## 7 DIRECTORS' REMUNERATION

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Salaries and bonus | 910 | 912 |
| Defined contribution plan | 69 | 68 |
| Other employee benefits | 32 | 27 |
| | 1,011 | 1,007 |

## 8 OTHER OPERATING INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 979 | 565 | 800 | 440 |
| Rental income | 290 | 209 | 0 | 0 |
| Billboard and banner advertising | 235 | 191 | 0 | 0 |
| Insurance compensation | 57 | 55 | 0 | 0 |
| Payables written back | 0 | 250 | 0 | 0 |
| Dividend income from investment | 743 | 424 | 0 | 0 |
| Gain on unit trust redemption | 30 | 121 | 0 | 0 |
| Gain on disposal of property, plant and equipment | 251 | 19 | 0 | 0 |
| Compensation for highway furniture | 124 | 0 | 0 | 0 |
| Deferred income | 73 | 18 | 0 | 0 |
| Other Income | 36 | 27 | 0 | 0 |
| | 2,818 | 1,879 | 800 | 440 |

## 9 FINANCE COST

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expense: | | | | |
| - borrowings | 21,902 | 21,986 | 21,902 | 21,986 |
| - hire purchase | 0 | 1 | 0 | 0 |
| | 21,902 | 21,987 | 21,902 | 21,986 |

10 TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current Malaysian tax: | | | | |
| Current year | 13,343 | 10,612 | 62 | 4,444 |
| Over accrual in prior years | (3,572) | (141) | (3,357) | (6) |
| Deferred tax (Note 22): | | | | |
| Origination and reversal of temporary differences | (1,613) | 2,151 | 0 | 0 |
| Tax expense | 8,158 | 12,622 | (3,295) | 4,438 |

The explanation of the relationship between tax expense and profit before tax is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | % | % | % | % |
| Numerical reconciliation between the average effective tax rate and the Malaysian statutory tax rate | | | | |
| Malaysian statutory tax rate | 25 | 25 | 25 | 25 |
| Tax effects of: | | | | |
| - (over)/under accrual in prior years | (10) | 0 | (11) | 0 |
| - income not subject to tax | 0 | (1) | (27) | (24) |
| - expenses not deductible for tax purposes | 8 | 13 | 2 | 6 |
| Average effective tax rate | 23 | 37 | (11) | 7 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

11 INTANGIBLE ASSETS

| GROUP | Highway concession RM'000 | Heavy repairs RM'000 | Other concession assets RM'000 | Total RM'000 |
|---|---|---|---|---|
| Net carrying value | | | | |
| At 1 January 2011 | | | | |
| As previously stated | 580,122 | 10,389 | 21,855 | 612,366 |
| Prior year adjustments (Note 25) | 0 | (10,389) | 0 | (10,389) |
| Reclassification (Note 25) | 0 | 0 | (21,855) | (21,855) |
| As restated | 580,122 | 0 | 0 | 580,122 |
| Amortisation charge | (16,194) | 0 | 0 | (16,194) |
| At 31 December 2011 | 563,928 | 0 | 0 | 563,928 |
| At 31 December 2011 | | | | |
| Cost | 638,311 | 0 | 0 | 638,311 |
| Accumulated amortisation | (74,383) | 0 | 0 | (74,383) |
| Net carrying value | 563,928 | 0 | 0 | 563,928 |
| Net carrying value | | | | |
| At 1 January 2010 | | | | |
| As previously stated | 598,218 | 13,044 | 25,218 | 636,480 |
| Prior year adjustments (Note 25) | 0 | (13,044) | 0 | (13,044) |
| Reclassification (Note 25) | 0 | 0 | (25,218) | (25,218) |
| As restated | 598,218 | 0 | 0 | 598,218 |
| Additions | | | | |
| As previously stated | 0 | 888 | 544 | 1,432 |
| Prior year adjustments (Note 25) | 0 | (888) | 0 | (888) |
| Reclassification (Note 25) | 0 | 0 | (544) | (544) |
| As restated | 0 | 0 | 0 | 0 |
| Amortisation charge | | | | |
| As previously stated | (18,096) | (3,543) | (3,907) | (25,546) |
| Prior year adjustments (Note 25) | 0 | 3,543 | 0 | 3,543 |
| Reclassification (Note 25) | 0 | 0 | 3,907 | 3,907 |
| As restated | (18,096) | 0 | 0 | (18,096) |
| At 31 December 2010 | 580,122 | 0 | 0 | 580,122 |

11 INTANGIBLE ASSETS (CONTINUED)

| GROUP | Highway concession RM'000 | Heavy repairs RM'000 | Other concession assets RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 31 December 2010 | | | | |
| Cost | | | | |
| As previously stated | 638,311 | 23,155 | 36,488 | 697,954 |
| Prior year adjustments (Note 25) | 0 | (23,155) | 0 | (23,155) |
| Reclassification (Note 25) | 0 | 0 | (36,488) | (36,488) |
| As restated | 638,311 | 0 | 0 | 638,311 |
| Accumulated amortisation | | | | |
| As previously stated | (58,189) | (12,766) | (14,633) | (85,588) |
| Prior year adjustments (Note 25) | 0 | 12,766 | 0 | 12,766 |
| Reclassification (Note 25) | 0 | 0 | 14,633 | 14,633 |
| | (58,189) | 0 | 0 | (58,189) |
| Net carrying value | 580,122 | 0 | 0 | 580,122 |
| Net carrying value | | | | |
| At 1 January 2009 | | | | |
| As previously stated | 614,556 | 16,727 | 28,807 | 660,090 |
| Prior year adjustments (Note 25) | 0 | (16,727) | 0 | (16,727) |
| Reclassification (Note 25) | 0 | 0 | (28,807) | (28,807) |
| As restated | 614,556 | 0 | 0 | 614,556 |
| Additions | | | | |
| As previously stated | 4 | 28 | 633 | 665 |
| Prior year adjustments (Note 25) | 0 | (28) | 0 | (28) |
| Reclassification (Note 25) | 0 | 0 | (633) | (633) |
| As restated | 4 | 0 | 0 | 4 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

11 INTANGIBLE ASSETS (CONTINUED)

| GROUP | Highway concession RM'000 | Heavy repairs RM'000 | Other concession assets RM'000 | Total RM'000 |
|---|---|---|---|---|
| Amortisation charge | | | | |
| As previously stated | (16,342) | (3,711) | (4,222) | (24,275) |
| Prior year adjustments (Note 25) | 0 | 3,711 | 0 | 3,711 |
| Reclassification (Note 25) | 0 | 0 | 4,222 | 4,222 |
| As restated | (16,342) | 0 | 0 | (16,342) |
| At 31 December 2009 | 598,218 | 0 | 0 | 598,218 |
| At 31 December 2009 | | | | |
| Cost | | | | |
| As previously stated | 638,311 | 22,267 | 35,944 | 696,522 |
| Prior year adjustments (Note 25) | 0 | (22,267) | 0 | (22,267) |
| Reclassification (Note 25) | 0 | 0 | (35,944) | (35,944) |
| As restated | 638,311 | 0 | 0 | 638,311 |
| Accumulated amortisation | | | | |
| As previously stated | (40,093) | (9,223) | (10,726) | (60,042) |
| Prior year adjustments (Note 25) | 0 | 9,223 | 0 | 9,223 |
| Reclassification (Note 25) | 0 | 0 | 10,726 | 10,726 |
| | (40,093) | 0 | 0 | (40,093) |
| Net carrying value | 598,218 | 0 | 0 | 598,218 |

12 PROPERTY, PLANT AND EQUIPMENT

| | Computer equipment RM'000 | Furniture, fittings and equipment RM'000 | Motor vehicle RM'000 | Office equipment RM'000 | Expressway-operation equipment RM'000 | Office renovation RM'000 | Toll equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | |
| Net book value | | | | | | | | |
| At 1 January 2011 | 210 | 28 | 438 | 143 | 30 | 0 | 21,855 | 22,704 |
| Additions | 116 | 17 | 532 | 13 | 13 | 39 | 1,493 | 2,223 |
| Disposals | 0 | 0 | 0 | (1) | 0 | 0 | 0 | (1) |
| Depreciation charge | (127) | (6) | (287) | (22) | (11) | (1) | (3,881) | (4,335) |
| At 31 December 2011 | 199 | 39 | 683 | 133 | 32 | 38 | 19,467 | 20,591 |
| At 31 December 2011 | | | | | | | | |
| Cost | 1,957 | 335 | 2,743 | 444 | 590 | 227 | 37,981 | 44,277 |
| Accumulated depreciation | (1,758) | (296) | (2,060) | (311) | (558) | (189) | (18,514) | (23,686) |
| Net book value | 199 | 39 | 683 | 133 | 32 | 38 | 19,467 | 20,591 |

Proceeds received from disposal of property, plant and equipment amounted to RM251,386

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Computer equipment RM'000 | Furniture, fittings and equipment RM'000 | Motor vehicle RM'000 | Office equipment RM'000 | Expressway-operation equipment RM'000 | Office renovation RM'000 | Toll equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | |
| Net book value | | | | | | | | |
| At 1 January 2010 | 528 | 32 | 678 | 140 | 31 | 6 | 25,218 | 26,633 |
| Additions | 89 | 2 | 109 | 24 | 8 | 0 | 544 | 776 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation charge | (407) | (6) | (349) | (21) | (9) | (6) | (3,907) | (4,705) |
| At 31 December 2010 | 210 | 28 | 438 | 143 | 30 | 0 | 21,855 | 22,704 |
| At 31 December 2010 | | | | | | | | |
| Cost | 1,918 | 320 | 2,739 | 432 | 581 | 192 | 36,488 | 42,670 |
| Accumulated depreciation | (1,708) | (292) | (2,301) | (289) | (551) | (192) | (14,633) | (19,966) |
| Net book value | 210 | 28 | 438 | 143 | 30 | 0 | 21,855 | 22,704 |

13 GOODWILL ON CONSOLIDATION

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| At 1 January/31 December | | |
| At cost | 95,138 | 95,138 |

Goodwill arose from the fair value adjustments on the assets and liabilities of the subsidiaries acquired in a business combination in 2007.

The impairment review of the carrying value of goodwill at the balance sheet date was determined using value in use calculations. The key assumptions used for value in use calculations in 2011 are as follows:

(a) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 3.74% and 3.66% respectively;

(b) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 5% annually;

(c) Toll collections by Touch & Go and Smart Tag is estimated at 50% of total revenue. Commissions to be paid to Touch & Go and Smart Tag is estimated at a fixed rate of 2% of total toll revenue collected; and

(d) The discount rate used was 7.09%.

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount are reasonable. The review indicated that there was no impairment to goodwill.

If the expected traffic volume had been 10% lower or the discount rate was 1% higher, the carrying value of goodwill will not be impacted.

14 SUBSIDIARY COMPANIES

| | Company | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Unquoted investments, at cost | 390,156 | 390,156 |

Company No.

| 315282 | P |
|---|---|

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# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

## 14 SUBSIDIARY COMPANIES (CONTINUED)

Details of subsidiary companies which are audited by PricewaterhouseCoopers, Malaysia are as follows:

| Group's Name | Country of incorporation | Effective interest 2011 % | 2010 % | Principal activities |
|---|---|---|---|---|
| Trupadu Sdn Bhd | Malaysia | 100 | 100 | Toll operator and general contractor of Cheras-Kajang Expressway |
| Peak Synergy Sdn Bhd | Malaysia | 100 | 100 | Investment holding |
| Europlex Consortium Sdn Bhd | Malaysia | 100 | 100 | Investment holding |
| Grand Saga Sdn Bhd | Malaysia | 100 | 100 | Design, planning and construction of Cheras-Kajang Expressway |

The Company's equity interest in all the subsidiary companies formed part of the security arrangements for the Islamic Medium Term Notes borrowings as disclosed in Note 21.

## 15 OTHER INVESTMENT

| | Group 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Golf membership | 240 | 240 |

## 16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| At 1 January, as previously stated | 0 | 18,062 |
| Effects of applying FRS 139 | 0 | 7 |
| At 1 January, as restated | 0 | 18,069 |
| Additions | 61,120 | 40,752 |
| Disposals | (54,445) | (58,935) |
| Fair value changes transfer to equity | (3) | (7) |
| Fair value changes transfer from equity | 30 | 121 |
| At 31 December | 6,702 | 0 |

The available-for-sale financial assets are dominated in Ringgit Malaysia.

## 17 DEPOSITS, BANK AND CASH BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed financial institutions | 23,233 | 32,465 | 13,365 | 32,465 |
| Bank and cash balances | 42,252 | 2,834 | 33,939 | 610 |
| | 65,485 | 35,299 | 47,304 | 33,075 |
| Restricted deposits | (12,273) | (11,905) | (12,273) | (11,905) |
| Cash and cash equivalents | 53,212 | 23,394 | 35,031 | 21,170 |

The deposits, bank and cash balances of the Group and Company are denominated in Ringgit Malaysia.

The average effective interest rates of deposits as at balance sheet date are 2.68% (2010: 2.75%) per annum.

Deposits of the Company have an average maturity period of 6 months (2010: 6 months).

Bank balances are held at call with licensed financial banks, which are non-interest bearing.

Included in the deposits with licensed financial institutions as at 31 December 2011 is an amount of RM12.3 million (2010: RM11.9 million) set aside under the Finance Service Reserve Account as part of the security arrangements of Islamic Medium Term Notes as disclosed in Note 21 to the financial statements.

## 18 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade payables | 410 | 173 | 0 | 0 |
| Other payables | 24 | 0 | 0 | 0 |
| Deposits and prepayments | 124 | 825 | 0 | 0 |
| Accruals | 5,186 | 3,464 | 2,677 | 2,805 |
| | 5,744 | 4,462 | 2,677 | 2,805 |

## 19 HIRE PURCHASE PAYABLES

| | Group 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Minimum lease payments | | |
| - not later than one year | 0 | 1 |
| - later than one year and not later than five years | 0 | 0 |
| | 0 | 1 |
| Future finance charges on hire purchase | 0 | 0 |
| Present value of hire purchase payable | 0 | 1 |
| Current | 0 | 1 |
| Non-current | 0 | 0 |
| Present value of hire purchase payable | 0 | 1 |

## 20 DEFERRED INCOME

| | Group 2011 RM'000 | 2010 RM'000 (Restated) |
|---|---|---|
| Rental and maintenance fee | | |
| At 1 January | 715 | 273 |
| Received | 460 | 460 |
| Credited to profit or loss (Note 8) | (73) | (18) |
| At 31 December | 1,102 | 715 |
| Government compensation | | |
| At 1 January | 97,729 | 109,061 |
| Settlement | 40,000 | 0 |
| Financial asset due | (20,000) | 0 |
| Credited to profit or loss (Note 4) | (17,374) | (11,332) |
| At 31 December | 100,355 | 97,729 |
| Current | 12,137 | 10,010 |
| Non-current | 89,320 | 88,434 |
| Total deferred income | 101,457 | 98,444 |

## 21 BORROWINGS

| | Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Non-current: | | |
| Secured | | |
| Islamic Medium Term Notes | 380,000 | 380,000 |

Islamic Medium Term Notes (secured)

The Ringgit Malaysia denominated Islamic Medium Term Notes ("IMTNs") were issued under the Islamic principle of Musyarakah. Interests shall be paid on a semi annual basis, and the IMTNs are secured by the following:

- deposits with licensed financial institution, set aside under the Company's Financial Reserve Account (as disclosed in Note 17)
- the Company's equity interest in ordinary shares of Grand Saga Sdn Bhd, Trupadu Sdn Bhd, Peak Synergy Sdn Bhd and Europlex Consortium Sdn Bhd. (as disclosed in Note 14)

The IMTN bears interest at rate of 5.4 to 6.1% (2010: 5.4% to 6.1%) per annum. Weighted average interest rates that were effective as at the reporting date are as follows:

| | Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| | % | % |
| Islamic Medium Term Notes | 5.8 | 5.8 |

The maturity profile of the IMTN is as follows:

| | Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Later than 5 years | 380,000 | 380,000 |
| Fair value | 277,635 | 251,717 |

The fair value for IMTN were determined from future cash flows discounted using current market interest rates available for similar financial instruments of 4.03% to 4.60% (2010: 4.55% to 5.45%).

## 22 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are shown in statement of financial position:

| | | | Group |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 |
| Subject to income tax | | | |
| Deferred tax assets (before offsetting): | | | |
| - deferred income | 5,902 | 5,150 | 7,872 |
| - payables | 19 | 10 | 8 |
| - heavy repairs | 3,735 | 3,006 | 3,100 |
| | 9,656 | 8,166 | 10,980 |
| Offsetting | (9,656) | (8,166) | (10,980) |
| Deferred tax assets (after offsetting) | 0 | 0 | 0 |
| | | | |
| Deferred tax liabilities (before offsetting): | | | |
| - property, plant and equipment | (132) | (143) | (243) |
| - highway concession | (130,264) | (130,376) | (130,939) |
| | (130,396) | (130,519) | (131,182) |
| Offsetting | 9,656 | 8,166 | 10,980 |
| Deferred tax liabilities (after offsetting) | (120,740) | (122,353) | (120,202) |

The gross movements on the deferred tax account is as follows:

| | | | |
|---|---|---|---|
| At 1 January | | | |
| As previously stated | 124,951 | 123,463 | 123,290 |
| Prior year adjustments (Note 25) | (2,598) | (3,261) | (4,181) |
| As restated | 122,353 | 120,202 | 119,109 |
| (Credited)/charged to profit or loss (Note 10): | | | |
| - property, plant and equipment | (11) | (100) | (11) |
| - deferred income | (752) | 2,722 | 1,049 |
| - payables | (9) | (2) | 0 |
| - highway concession | (112) | (563) | (219) |
| - heavy repairs | (729) | 94 | 274 |
| | (1,613) | 2,151 | 1,093 |
| At 31 December | 120,740 | 122,353 | 120,202 |

## 23 SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Authorised: | | |
| Ordinary shares of RM1 each: | | |
| At beginning and end of financial year | 1,500 | 1,500 |
| Redeemable Non-Cumulative Preference Shares ("RNCPS") of RM0.01 each: | | |
| At beginning and end of financial year | 500 | 500 |
| Issued and fully paid: | | |
| Ordinary shares of RM1 each: | | |
| At beginning and at end of financial year | 595 | 595 |
| RNCPS of RM0.01 each: | | |
| At beginning of financial year | 0 | 238 |
| Redeemed during the financial year | 0 | (238) |
| At end of financial year | 0 | 0 |

## 24 RETAINED EARNINGS

Under the single-tier tax system which came into effect from year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders. However, companies with a Section 108 credit balance may during the 6 years transitional period until 31 December 2013, elect to continue to adopt the imputation tax system for the purpose of distribution of frank dividend. Alternatively, companies can make an election to disregard the Section 108 credit balance and opt to pay dividends under the single tier tax system. Once the election is made, it is irrevocable.

The Company has fully utilised its Section 108 balance in current year of assessment 2011. The Company is now under the single-tier tax system. Dividends paid under this system are tax exempt in the hands of shareholders.

## 25 PRIOR YEAR ADJUSTMENTS/RECLASSIFICATION (GROUP)

In accordance with the provisions of IC Interpretation 12: Service Concession Arrangements, the changes in accounting policies have been applied retrospectively and comparative figures have been restated accordingly. The financial impact arising from the adoption of this interpretation is tabulated below:

| | 2011<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
|---|---|---|---|
| Effects on retained earnings: | | | |
| As at 1 January, as previously stated | 62,552 | 47,159 | 31,766 |
| Heavy repairs written off | (9,531) | (11,940) | (15,376) |
| Decreased in deferred tax liability | 2,598 | 3,261 | 4,181 |
| As restated | 55,619 | 38,480 | 20,571 |
| Effects on revaluation reserve on consolidation: | | | |
| As at 1 January, as previously stated | 79,519 | 82,645 | 85,543 |
| Heavy repairs written off | (858) | (1,104) | (1,351) |
| As restated | 78,661 | 81,541 | 84,192 |
| Effects on deferred taxation: | | | |
| As at 1 January, as previously stated | 124,951 | 123,463 | 123,290 |
| Decreased in deferred tax liability | (2,598) | (3,261) | (4,181) |
| As restated | 122,353 | 120,202 | 119,109 |

The effect of the restatement on the financial statements of the Group are as follows:

As at 31 December 2010

| | As previously stated<br>RM'000 | Prior year adjustment<br>RM'000 | Reclassification<br>RM'000 | As restated<br>RM'000 |
|---|---|---|---|---|
| Statement of Comprehensive Income | | | | |
| Cost of operations | (32,116) | 2,656 | 0 | (29,460) |
| Profit before tax | 31,513 | 2,656 | 0 | 34,169 |
| Tax expense | (11,958) | (664) | 0 | (12,622) |
| Net profit and total comprehensive income for the financial year | 19,555 | 1,992 | 0 | 21,547 |

## 25 PRIOR YEAR ADJUSTMENTS/RECLASSIFICATION (GROUP) (CONTINUED)

The effect of the restatement on the financial statements of the Group are as follows (continued):

As at 31 December 2010

| | As previously stated RM'000 | Prior year adjustment RM'000 | Reclassification RM'000 | As restated RM'000 |
|---|---|---|---|---|
| Statement of Financial Position | | | | |
| Intangible assets | 612,366 | (10,389) | (21,855) | 580,122 |
| Property, plant and equipment | 849 | 0 | 21,855 | 22,704 |
| Deferred taxation | 124,951 | (2,598) | 0 | 122,353 |
| Retained earnings | 62,552 | (6,933) | 0 | 55,619 |
| Revaluation reserve on consolidation | 79,519 | (858) | 0 | 78,661 |

As at 31 December 2009

| | As previously stated RM'000 | Prior year adjustment RM'000 | Reclassification RM'000 | As restated RM'000 |
|---|---|---|---|---|
| Statement of Financial Position | | | | |
| Intangible assets | 636,480 | (13,044) | (25,218) | 598,218 |
| Property, plant and equipment | 1,415 | 0 | 25,218 | 26,633 |
| Deferred taxation | 123,463 | (3,261) | 0 | 120,202 |
| Retained earnings | 47,159 | (8,679) | 0 | 38,480 |
| Revaluation reserve on consolidation | 82,645 | (1,104) | 0 | 81,541 |

## 26 DIVIDENDS

| | 2011 | |
|---|---|---|
| | Gross dividend per share RM | Dividend net of tax RM'000 |
| In respect of financial year ended 31 December 2011: | | |
| Interim dividend on ordinary shares, less income tax of 25% | 9.64 | 4,302 |
| Single tier interim dividend on ordinary shares | 14.60 | 8,687 |

## 26 DIVIDENDS (CONTINUED)

| | 2010 | |
|---|---|---|
| | Gross dividend per share | Dividend net of tax |
| | RM | RM'000 |
| In respect of financial year ended 31 December 2010: | | |
| Interim dividend on ordinary shares, less income tax of 25% | 15.80 | 7,050 |

## 27 CAPITAL COMMITMENTS

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Authorised by the Board and not contracted for: | | |
| - Property, plant and equipment | 0 | 1,500 |

## 28 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosure mentioned elsewhere in the financial statements, set out below are other significant related party transaction.

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| (a) Purchases | | |
| Services | | |
| - Exitra Sdn Bhd | 322 | 280 |

Exitra Sdn Bhd is a company in which Y. Bhg. Dato' Lim Chee Meng, director of the Company, has a controlling interest.

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| (b) Staff costs of key management personnel | | |
| Wages, salaries and bonus | 1,939 | 1,852 |
| Defined contribution plan | 207 | 194 |
| Other employee benefits | 4 | 27 |
| | 2,150 | 2,073 |

Company No.

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|---|---|

CERAH SAMA SDN BHD
(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

## 29 FINANCIAL INSTRUMENTS BY CATEGORY

Categories of financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Assets as per statement of financial position, categorised as loans and receivables | | | | |
| Other receivables | 443 | 510 | 52 | 45 |
| Deposits, bank and cash balances | 65,485 | 35,299 | 47,304 | 33,075 |
| | 65,928 | 35,809 | 47,356 | 33,120 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Assets as per statement of financial position, categorised as available-for-sale | | | | |
| Available-for-sale financial assets | 6,702 | 0 | 0 | 0 |
| Liabilities as per statement of financial position, categorised as other financial liabilities | | | | |
| Trade and other payables | 5,744 | 4,462 | 2,677 | 2,805 |
| Hire purchase payable | 0 | 1 | 0 | 0 |
| Borrowings | 380,000 | 380,000 | 380,000 | 380,000 |
| | 385,744 | 384,463 | 382,677 | 382,805 |

## 30 MATERIAL SUBSEQUENT EVENT

Arising from the Fourth Supplemental Concession Agreement entered between the Government of Malaysia and Grand Saga Sdn. Bhd., a subsidiary of the Company, toll collections were discontinued for the Kuala Lumpur bound lane at Toll Plaza Batu 9 and the Kajang bound lane at Toll Plaza Batu 11 of the Cheras-Kajang Highway with effect from 2 March 2012. In return, the subsidiary company agreed to:

(a) a tax-exempt cash compensation of RM120,550,000;

(b) an extension of the Concession Period for a further period of fifteen years, expiring on 18 September 2045;

## 30 MATERIAL SUBSEQUENT EVENT (CONTINUED)

(c) terminate the toll revenue sharing; and

(d) a waiver of income tax payable for the years of assessment 2012 to 2021.

## 31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 April 2012.

Company No.

| 315282 | P |
|---|---|

CERAH SAMA SDN BHD
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Y. Bhg. Dato' Lim Chee Meng and Ahmad Ishak bin Haron, two of the Directors of Cerah Sama Sdn Bhd, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 51 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2011 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 April 2012.

Y. BHG. DATO' LIM CHEE MENG
DIRECTOR

AHMAD ISHAK BIN HARON
DIRECTOR

Kuala Lumpur

## STATUTORY DECLARATION
## PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ahmad Ishak bin Haron, the Director primarily responsible for the financial management of Cerah Sama Sdn Bhd, do solemnly and sincerely declare that the financial statements set out on pages 6 to 51 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.

AHMAD ISHAK BIN HARON
DIRECTOR

Subscribed and solemnly declared by the abovenamed Ahmad Ishak bin Haron at Kuala Lumpur on 25 April 2012 before me.

PESURUHJAYA SUMPAH
No. W 521
MOHAN A.S. MANIAM
MALAYSIA

COMMISSIONER FOR OATHS

No. 50, Jalan Hang Lekiu
50100 Kuala Lumpur.

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# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF CERAH SAMA SDN BHD
(Incorporated in Malaysia)
(Company No. 315282 P)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Cerah Sama Sdn Bhd on pages 6 to 51, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 31.

### 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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities 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 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 judgment, 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.

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,*
*Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia*
*T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CERAH SAMA SDN BHD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 315282 P)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their 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 the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) 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.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

TIANG WOON MENG
(No. 2927/05/12 (J))
Chartered Accountant

Kuala Lumpur
25 April 2012

| Company No. | |
|---|---|
| 221844 | T |

# GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2011

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Company No.

| | |
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| 221844 | T |

# GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2011

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Company No.

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GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

# DIRECTORS' REPORT

The Directors are pleased to submit their report to the member together with the audited financial statements of the Company for the financial year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the activities of design, planning, construction and operation of the Cheras-Kajang Expressway.

There has been no significant change in the activities of the Company during the financial year.

## FINANCIAL RESULTS

| | RM |
|---|---|
| Net profit for the financial year | 44,961,787 |

## DIVIDENDS

The dividends declared and paid by the Company since 31 December 2010 were as follows:

| In respect of the financial year ended 31 December 2011: | RM |
|---|---|
| Single-tier tax exempt preference dividend of 36% on 38,888,888 Non-cumulative Irredeemable Preference Shares ("NCIPS") paid on 17 October 2011 | 14,000,000 |
| Single-tier interim dividend on 11,111,112 ordinary shares of RM2.88 per share paid on 20 December 2011 | 32,000,000 |
| | 46,000,000 |

## RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year are shown in the financial statements.

## DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Ahmad Ishak bin Haron
Chee Lean Thong
Datin Lee Li-May
Lim Yew Boon
Minhat bin Mion
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

## DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in the ordinary shares and options over ordinary shares in its substantial shareholder, Taliworks Corporation Bhd. are as follows:

| | Number of ordinary shares of RM0.50 each in a substantial shareholder^, Taliworks Corporation Bhd. | | | |
|---|---|---|---|---|
| | At 1.1.2011 | Bought | Sold | At 31.12.2011 |
| Chee Lean Thong | 2,900 | 0 | 0 | 2,900 |
| Lim Yew Boon | 150,000 | 0 | 0 | 150,000 |
| Minhat bin Mion | 50,000 | 0 | 0 | 50,000 |
| Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman | 580,000 | 0 | 0 | 580,000 |

Company No.

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GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

# DIRECTORS' REPORT (CONTINUED)

## DIRECTORS' INTERESTS IN SHARES (CONTINUED)

| | Number of options over ordinary shares of RM0.50 each in a substantial shareholder^, Taliworks Corporation Bhd., at RM1.90 each | | | |
|---|---|---|---|---|
| | At 1.1.2011 | Granted | Exercised | At 31.12.2011 |
| Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman | 60,000 | 0 | 0 | 60,000 |

^ Taliworks Corporation Bhd. is a substantial shareholder of Cerah Sama Sdn. Bhd., the holding company of Grand Saga Sdn. Bhd., by virtue of its 55% shareholding in the issued and paid-up ordinary shares of Cerah Sama Sdn. Bhd..

Other than disclosed in the Directors' Report, according to the register of Directors' shareholdings, the Directors do not hold any other interest in shares in the Company and options over shares and its related corporations during the financial year.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

No contingent or other liability 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 affect the ability of the Company to meet its obligations when they fall due.

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

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the year in which this report is made.

## HOLDING COMPANY

The Directors regard Cerah Sama Sdn. Bhd., a company incorporated in Malaysia, as the Company's holding company.

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 April 2012.

| | |
|---|---|
| AHMAD ISHAK BIN HARON | CHEE LEAN THONG |
| DIRECTOR | DIRECTOR |

Company No.

| 221844 | T |
|---|---|

GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

| | Note | 2011<br>RM | 2010<br>RM<br>(Restated) |
|---|---|---|---|
| Revenue | 4 | 100,419,281 | 89,903,851 |
| Cost of operations | 6 | (35,370,850) | (24,503,255) |
| Gross profit | | 65,048,431 | 65,400,596 |
| Other operating income | 5 | 1,961,638 | 1,400,560 |
| Administrative expenses | 6 | (4,809,739) | (4,760,461) |
| Finance cost | 9 | (28) | (1,265) |
| Profit before tax | | 62,200,302 | 62,039,430 |
| Tax expense | 10 | (17,238,515) | (15,660,608) |
| Net profit for the financial year | | 44,961,787 | 46,378,822 |
| Other comprehensive income: | | | |
| Available-for-sale financial assets | | (3,539) | 0 |
| Other comprehensive income for the financial year, net of tax | | (3,539) | 0 |
| Total comprehensive income for the financial year | | 44,958,248 | 46,378,822 |

Company No. 221844 T

GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

# STATEMENT OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2011

| | Note | 2011 RM | 2010 RM (Restated) | 2009 RM (Restated) |
|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Intangible assets | 11 | 254,362,868 | 261,667,222 | 269,829,772 |
| Property, plant and equipment | 12 | 7,878,641 | 7,801,478 | 9,507,779 |
| Other investment | 13 | 240,000 | 240,000 | 240,000 |
| | | 262,481,509 | 269,708,700 | 279,577,551 |
| CURRENT ASSETS | | | | |
| Inventories | | 145,219 | 113,740 | 161,407 |
| Other receivables | | 390,497 | 465,005 | 55,577 |
| Available-for-sale financial assets | 14 | 6,702,240 | 0 | 18,062,000 |
| Deposits, bank and cash balances | 15 | 12,838,369 | 1,578,256 | 2,901,902 |
| | | 20,076,325 | 2,157,001 | 21,180,886 |
| LESS: CURRENT LIABILITIES | | | | |
| Trade and other payables | 16 | 2,470,403 | 1,021,699 | 1,149,087 |
| Amount due to fellow subsidiary company | 17 | 949,338 | 904,771 | 854,349 |
| Hire purchase payable | 18 | 0 | 615 | 62,102 |
| Deferred income | 19 | 12,136,349 | 10,009,752 | 11,350,438 |
| Provision for taxation | | 1,085,400 | 1,881,415 | 507,462 |
| | | 16,641,490 | 13,818,252 | 13,923,438 |
| NET CURRENT ASSETS/ (LIABILITIES) | | 3,434,835 | (11,661,251) | 7,257,448 |
| LESS: NON-CURRENT LIABILITIES | | | | |
| Hire purchase payable | 18 | 0 | 0 | 638 |
| Deferred income | 19 | 89,320,380 | 88,433,972 | 97,983,724 |
| Deferred taxation | 20 | 40,197,443 | 39,040,619 | 33,841,151 |
| Provision for heavy repairs | | 6,867,415 | 0 | 0 |
| | | 136,385,238 | 127,474,591 | 131,825,513 |
| | | 129,531,106 | 130,572,858 | 155,009,486 |
| CAPITAL AND RESERVES | | | | |
| Share capital | 21 | 50,000,000 | 50,000,000 | 50,000,000 |
| Available-for-sale reserve | | (3,539) | 0 | 0 |
| Retained earnings | 22 | 79,534,645 | 80,572,858 | 105,009,486 |
| Shareholder's equity | | 129,531,106 | 130,572,858 | 155,009,486 |

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|---|---|

GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

| | Issued and fully paid ordinary shares of RM 1 each | | Issued and fully paid non-cumulative irredeemable preference shares of RM 1 each | | | |
|---|---|---|---|---|---|---|
| | Number of shares | Nominal value | Number of shares | Nominal value | Retained earnings | Total |
| | | RM | | RM | RM | RM |
| At 1 January 2010 (as previously stated) | 11,111,112 | 11,111,112 | 38,888,888 | 38,888,888 | 111,283,926 | 161,283,926 |
| Prior year adjustments (Note 23) | 0 | 0 | 0 | 0 | (6,274,440) | (6,274,440) |
| As restated | 11,111,112 | 11,111,112 | 38,888,888 | 38,888,888 | 105,009,486 | 155,009,486 |
| Comprehensive income: | | | | | | |
| Net profit for the financial year | 0 | 0 | 0 | 0 | 46,378,822 | 46,378,822 |
| Other comprehensive income | | | | | | |
| - Available-for-sale financial assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income for the financial year | 0 | 0 | 0 | 0 | 46,378,822 | 46,378,822 |
| Transactions with owner: | | | | | | |
| Dividends for the financial year (Note 24) | 0 | 0 | 0 | 0 | (70,815,450) | (70,815,450) |
| Total transactions with owner | 0 | 0 | 0 | 0 | (70,815,450) | (70,815,450) |
| At 31 December 2010 | 11,111,112 | 11,111,112 | 38,888,888 | 38,888,888 | 80,572,858 | 130,572,858 |

GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

| | Issued and fully paid ordinary shares of RM1 each | | Issued and fully paid non-cumulative irredeemable preference shares of RM1 each | | | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Nominal value RM | Number of shares | Nominal value RM | Available-for -sale reserve RM | Retained earnings RM | Total RM |
| At 1 January 2011 (as previously stated) | 11,111,112 | 11,111,112 | 38,888,888 | 38,888,888 | 0 | 85,634,939 | 135,634,939 |
| Prior year adjustments (Note 23) | 0 | 0 | 0 | 0 | 0 | (5,062,081) | (5,062,081) |
| As restated | 11,111,112 | 11,111,112 | 38,888,888 | 38,888,888 | 0 | 80,572,858 | 130,572,858 |
| Comprehensive income: | | | | | | | |
| Net profit for the financial year | 0 | 0 | 0 | 0 | 0 | 44,961,787 | 44,961,787 |
| Other comprehensive income: | | | | | | | |
| - Available-for-sale financial assets | 0 | 0 | 0 | 0 | (3,539) | 0 | (3,539) |
| Total comprehensive income for the financial year | 0 | 0 | 0 | 0 | (3,539) | 44,961,787 | 44,958,248 |
| Transactions with owner: | | | | | | | |
| Dividends for the financial year (Note 24) | 0 | 0 | 0 | 0 | 0 | (46,000,000) | (46,000,000) |
| Total transactions with owner | 0 | 0 | 0 | 0 | 0 | (46,000,000) | (46,000,000) |
| At 31 December 2011 | 11,111,112 | 11,111,112 | 38,888,888 | 38,888,888 | (3,539) | 79,534,645 | 129,531,106 |

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|---|---|

GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

## STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

| | 2011<br>RM | 2010<br>RM |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 62,200,302 | 62,039,430 |
| Adjustments for: | | |
| Amortisation of intangible assets | 7,304,354 | 8,162,550 |
| Provision for heavy repairs | 11,737,227 | 0 |
| Heavy repairs incurred | 0 | 887,567 |
| Interest expense | 28 | 1,265 |
| Depreciation on property, plant and equipment | 2,000,088 | 2,372,035 |
| Dividend income from investment | (742,510) | (424,262) |
| Deferred income | (17,446,995) | (11,350,438) |
| Interest income | (123,389) | (87,645) |
| Property, plant and equipment written off | 510 | 0 |
| Gain on disposal of property, plant and equipment | (251,386) | (19,000) |
| Gain on redemption of available-for-sale financial assets | (30,241) | (120,923) |
| | 64,647,988 | 61,460,579 |
| Changes in working capital: | | |
| Inventories | (31,479) | 47,667 |
| Receivables | 75,446 | (409,428) |
| Payables | 1,493,271 | (76,966) |
| Cash generated from operations | 66,185,226 | 61,021,852 |
| Tax paid | (16,877,706) | (9,087,187) |
| Deferred income received | 20,460,000 | 460,000 |
| Net cash generated from operating activities | 69,767,520 | 52,394,665 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 118,561 | 86,076 |
| Proceeds from the disposal of property, plant and equipment | 251,386 | 19,000 |
| Purchase of property, plant and equipment | (2,077,761) | (665,734) |
| Payments for heavy repairs | (4,869,812) | (887,567) |
| Placements in available-for-sale financial assets | (60,374,000) | (40,326,000) |
| Proceeds from redemption of available-for-sale financial assets | 54,444,862 | 58,934,754 |
| Net cash generated (used in)/from investing activities | (12,506,764) | 17,160,529 |

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GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

## STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

| | Note | 2011<br>RM | 2010<br>RM |
|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (46,000,000) | (70,815,450) |
| Repayment of hire purchase | | (615) | (62,125) |
| Interest paid for hire purchase | | (28) | (1,265) |
| Net cash used in financing activities | | (46,000,643) | (70,878,840) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR | | 11,260,113 | (1,323,646) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR | | 1,578,256 | 2,901,902 |
| CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR | 15 | 12,838,369 | 1,578,256 |

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

## A BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Company's financial year beginning on or after 1 January 2011 are as follows:

- Amendment to FRS 7 "Financial instruments: Disclosures - improving disclosures about financial instruments"
- Amendment to FRS 132 "Financial instruments: Presentation – Classification of rights issues"
- Improvements to FRSs (2010)
- IC Interpretation 12 "Service Concession Arrangements"

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The Company will apply the following new standards, amendments and interpretations to existing standards for the Company's financial period beginning on or after 1 January 2012:

In the next financial year, the Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in "other comprehensive income" (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

The Company will apply the following new standards, amendments and interpretations to existing standards for the Company's financial period beginning on or after 1 January 2012: (continued)

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets

- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The above amendments are not expected to have a material impact on the Company's financial statements.

## B CHANGE IN ACCOUNTING POLICIES

During the financial year, the Company changed the following accounting policies upon adoption of IC Interpretation 12: Service Concession Arrangements (IC 12) which provides guidance on accounting treatment of a service concession arrangement involving the provision of public services sector by private operators. Pursuant to IC 12, infrastructure shall not be recognized as tangible operating assets of the operator as the operator does not control but has the right to charge users for using the infrastructure until the end of the concession when it is surrendered to the grantor i.e. the Government. Hence, the infrastructure is recognised as an intangible asset.

IC 12 also requires that the recognition of contractual obligations to maintain the infrastructure to a specified standard condition to be recognised and measured in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets.

The changes to the Company's accounting policies and financial statements upon application of IC 12 are described as follows:

(i) <u>Change in classification of Highway Concession (HC)</u>

HC comprises construction and development expenditure incurred by the Company in connection with the Concession Agreement. Prior to the adoption of IC 12, HC was treated as part of tangible operating assets, and was stated at cost less accumulated amortization and impairment losses. Upon adoption of IC 12, HC is reclassified as intangible assets and will continue to be stated at cost less accumulated amortization and impairment losses.

(ii) <u>Write off of heavy repair expenditure and provision for heavy repairs</u>

Heavy repair expenditure relates to costs incurred for the rectification of any settlements and pavement rehabilitation along the highway. Prior to the adoption of IC 12, the Company's heavy repair expenditure was capitalized and amortized on a straight line basis over 7 years. Upon adoption of IC 12, the carrying value is written off to retained earnings. In addition, provision for heavy repairs being the contractual obligations to maintain and restore the infrastructure to a specified service standard, is recognised and measured at the present value of estimated expenditures expected to be required to settle the obligation existing at the reporting date.

(iii) <u>Financial impact</u>

In accordance with the transitional provisions of IC 12, the changes in accounting policies have been applied retrospectively and comparative figures have been restated and/or reclassified accordingly. The financial impact arising from the adoption of this interpretation is tabulated in Note 23 to the financial statements.

## C INTANGIBLE ASSETS

Intangible assets comprising highway concession is stated at cost less accumulated amortisation and impairment losses.

Highway concession cost include expenditure that is directly incurred on the design, construction and upgrading of the Cheras-Kajang Expressway. Subsequent costs are included in the assets' carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. All other repair and maintenance are charged to the income statement during the financial year in which they are incurred.

Amortisation of highway concession for each financial year is computed based on the following formula:

$$\frac{\text{Revenue for the financial year}}{\text{(Actual revenue for the financial year + Projected revenue for the remaining concession period, ending in 2030)}} \times \text{(Net book value of highway concession at the start of the financial year + additions for the financial year)}$$

At each reporting date, the Company assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the highway concession is assessed and written down immediately to its recoverable amount. See accounting policy Note E on the impairment of non-financial assets.

## D PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Depreciation of other property, plant and equipment is computed on the straight line method to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

| | |
|---|---|
| Computer equipment | 3 years |
| Furniture, fittings and equipment | 10 years |
| Motor vehicle | 5 years |
| Office equipment | 10 years |
| Expressway-operation equipment | 5 years |
| Office renovation | 5 years |
| Toll equipment | 10 years |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

## D PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At each reporting date, the Company assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note E on the impairment of non-financial assets.

Gain or losses on disposals are determined by comparing proceeds with carrying amount of the assets. Gains and losses are included in the profit or loss.

## E IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, which are not subject to amortisation, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## F PROVISION FOR HEAVY REPAIRS

Heavy repairs relate to cost incurred to repair bridges, slopes and embankments, rectification of settlements and pavement rehabilitation of medium and high traffic sections along the highway.

Provision for heavy repairs is made to recognise the contractual obligations to maintain and restore the concession highway to a specified service standard. It is recognised and measured at the present value of the estimated expenditure required to settle the obligation existing at the reporting date.

## G ASSETS ACQUIRED UNDER HIRE PURCHASE

Purchases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as hire purchases.

Hire purchases are capitalised at the inception of the purchase at the lower of the fair value of the purchased assets and the present value of the minimum hire purchase payments. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the profit or loss over the hire purchase period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under hire purchase are depreciated over the estimated useful life of the asset as disclosed in accounting policy Note D.

## H INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of consumable stocks is determined using the first in, first out method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

## I CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## J TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

## K BORROWINGS

Borrowings are initially recognised based on the proceeds received, net of transactions costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transactions costs) and the redemption value is recognised in the profit or loss over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, classified as a liability is reported within finance cost in profit or loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## L TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

## L TAXATION (CONTINUED)

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## M REVENUE RECOGNITION

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company.

Toll revenue is accounted for as and when toll is chargeable for the usage of the Expressway.

Interest income is recognised on using the effective interest method.

## N DEFERRED INCOME

Deferred income comprise of the following:

(i) fees received from third parties for the use of ancillary facilities along the Highway, which is recognised in the income statement on a straight-line basis over the concession period; and

(ii) Government compensation received as a result of changes made to the terms and conditions of the Concession Agreement in respect of the Cheras-Kajang Highway.

Government compensation is initially recognised in the statement of financial position based on the fair value of consideration received. Government compensation is subsequently recognised to profit or loss on a systematic basis over the concession period in which it was intended to compensate.

## O EMPLOYEE BENEFITS

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Company.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

As required by law, companies in Malaysia make contributions to the statutory pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

## P SHARE CAPITAL

(i) Classification

Ordinary shares and irredeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Dividends

Dividends are recognised as liabilities when declared before the balance sheet date. A dividend declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period. Upon the dividend becoming payable, it will be accounted for as liability.

## Q FINANCIAL ASSETS

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' and 'intercompany balances'.

Q FINANCIAL ASSETS (CONTINUED)

(i) Classification (continued)

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off within 12 months from the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(iii) Subsequent measurement – gains and losses

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

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(v) Subsequent measurement - impairment of financial assets

(a) Financial assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Q FINANCIAL ASSETS (CONTINUED)

(v) Subsequent measurement - impairment of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

When a financial asset is uncollectible, it is written off against the related allowance account. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Q FINANCIAL ASSETS (CONTINUED)

(vi) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

R FINANCIAL LIABILITIES

(i) Classification

Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The Company's financial liabilities include trade and other payables.

(ii) Recognition and initial measurement

A financial liability is recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs.

(iii) Subsequent measurement – gains and losses

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

(iv) De-recognition

A financial liability or part of it is de-recognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On de-recognition 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.

S CONTINGENT LIABLITIES

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation arises from part events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 1 GENERAL INFORMATION

The Company is principally engaged in the activities of design, planning, construction and operation of the Cheras-Kajang Expressway.

The holding company of the Company is Cerah Sama Sdn. Bhd., a company incorporated in Malaysia.

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The addresses of the registered office and the principal place of business of the Company are as follows:

Registered office

Unit C-6-5, 6th Floor, Block C
Megan Avenue II
No.12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

Principal place of business

Wisma Grand Saga
KM 16, Lebuhraya Cheras-Kajang
43200 Cheras
Selangor Darul Ehsan

Award of Concession

The Government of Malaysia and the Company entered into a Concession Agreement ("CA") dated 19 September 1995, whereby the Company was awarded a thirty year concession to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur – Seremban Road, described as the Cheras-Kajang Expressway ("Expressway"). The ownership of the Expressway will be transferred to the Government of Malaysia at the end of the concession period.

Government compensation

Pursuant to the CA above, the Government of Malaysia reserves the right to restructure or to restrict the imposition of unit toll rate increases, and in such event, the Government shall compensate for any reduction in toll revenue, subject to negotiation and other considerations that the Government may deem fit. The amount of toll compensation accrued and recognised in profit or loss for the year has been estimated after taking into consideration the effects of the compensation arrangements.

## 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Directors, the estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as discussed as follows:

(i) Amortisation of Highway Concession

The cost of Highway Concession expenditure is amortised over the concession period by applying the formula as disclosed in accounting policy Note C. The denominator of the formula includes projected total revenue for subsequent financial years to 2030 and is based on the initial base case traffic volume projections prepared by independent traffic consultants, which is updated by management annually, multiplied by the current applicable toll rates. The assumptions to arrive at the traffic volume projections take into consideration the growth rates based on current market and economical conditions. Changes in the expected traffic volume could impact future amortisation charges. A 10% decrease in the traffic projections would result in approximately RM786,500 decrease to the profit before tax for financial year ended 31 December 2011.

(ii) Recognition of government compensation

Government compensation relating to losses in future income are deferred and recognised in the income statement on a systematic basis over the period necessary to match them with the losses that are intended to compensate, based on the original toll submission (traffic volume) made to the Government. As the amount to be recognised in the profit or loss for each year had been pre-determined at the point of receipt of compensation, changes in the expected traffic volume are not expected to have an impact on the future recognition of Government compensation in each financial year.

(iii) Taxation

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

(iv) Provision for heavy repairs

Heavy repairs are provided based on annual independent pavement assessment condition that estimates the future requirements for pavement resurfacing, and management estimates of incidental costs, discounted to present value. Changes to the expected level of usage and technological developments could impact future requirements for heavy repairs, and therefore, the provision could be revised.

## 3 RISK MANAGEMENT

### 3.1 FINANCIAL RISK

The Company's activities in the normal course of business expose it to a variety of financial risks, including interest rate risk, credit risk, liquidity and cash flow risk. The Company's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Company does not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rate. Interest rate exposure arises from the Company's deposits. The Company closely monitors the interest rate trend and decisions in respect of tenor of deposits are made based on the expected interest rate trend.

Credit risk

Investments are allowed only in liquid assets and only with financial institutions that have a sound credit rating.

The Company monitors its exposure to credit risk on an ongoing basis. The Company considers the risks of material loss in the event of non-performance by a single counter-party or customer to be unlikely.

Credit risk arises from bank balances. The Company's bank balances are placed with credit worthy financial institutions with credit ratings of AA1, rated by RAM, a rating agency in Malaysia which have been approved by the Board of Directors of the Company.

Liquidity and cash flow risk

Liquidity and cash flow risk is managed by maintaining an adequate level of cash reserves and close monitoring of working capital requirements.

### 3.2 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## 4 REVENUE

| | 2011<br>RM | 2010<br>RM |
|---|---|---|
| Toll revenue | 83,044,874 | 78,571,744 |
| Deferred income | 17,374,407 | 11,332,107 |
| | 100,419,281 | 89,903,851 |

## 5 OTHER OPERATING INCOME

| | | |
|---|---|---|
| Interest income | 123,389 | 87,645 |
| Rental income | 290,578 | 209,127 |
| Dividend income from investment | 742,510 | 424,262 |
| Gain on disposal of property, plant and equipment | 251,386 | 19,000 |
| Gain on redemption of available-for-sale financial assets | 30,241 | 120,923 |
| Billboard and banner advertising | 235,225 | 190,749 |
| Insurance compensation | 56,501 | 55,047 |
| Payables written back | 0 | 250,268 |
| Compensation for highway furniture | 124,083 | 0 |
| Deferred income | 72,588 | 18,331 |
| Other income | 35,137 | 25,208 |
| | 1,961,638 | 1,400,560 |

## 6 EXPENSES BY NATURE

| | | |
|---|---|---|
| Amortisation of intangible assets | 7,304,354 | 8,162,550 |
| Operation and maintenance fees | 12,305,465 | 11,619,104 |
| Depreciation on property, plant and equipment | 2,000,088 | 2,372,035 |
| Property, plant and equipment written off | 510 | 0 |
| Auditors' remuneration: | | |
| - audit fees | 50,700 | 42,000 |
| - under/(over) provision in prior years | 6,500 | (10,000) |
| Quit rent and assessment | 15,117 | 15,117 |
| Direct operation expenses | 917,721 | 807,329 |
| Utilities | 705,845 | 681,410 |
| Staff cost (Note 7) | 3,893,200 | 3,555,569 |
| Information technology related costs | 355,142 | 318,321 |
| Others administration expenses | 888,720 | 812,714 |
| Heavy repairs incurred | 0 | 887,567 |
| Provision for heavy repairs | 11,737,227 | 0 |
| | 40,180,589 | 29,263,716 |

## 7 STAFF COST

| | 2011 RM | 2010 RM |
|---|---|---|
| Wages, salaries and bonus | 3,235,114 | 3,033,209 |
| Defined contribution plan | 331,003 | 309,182 |
| Other employee benefits | 327,083 | 213,178 |
| | 3,893,200 | 3,555,569 |

Included in staff cost is the directors' remuneration as disclosed in Note 8.

## 8 DIRECTORS' REMUNERATION

| | 2011 RM | 2010 RM |
|---|---|---|
| Salaries and bonus | 909,893 | 912,700 |
| Defined contribution plan | 68,658 | 68,217 |
| Other employee benefits | 32,138 | 26,825 |
| | 1,010,689 | 1,007,742 |

## 9 FINANCE COST

| | 2011 RM | 2010 RM |
|---|---|---|
| Interest expense: | | |
| - hire purchase | 28 | 1,265 |

## 10 TAX EXPENSE

Malaysian income tax

| | 2011 RM | 2010 RM |
|---|---|---|
| Current tax: | | |
| Current year | 16,285,400 | 10,581,415 |
| Over accrual in prior years | (203,709) | (120,275) |
| | 16,081,691 | 10,461,140 |
| Deferred taxation (Note 20): | | |
| Origination and reversal of temporary differences | 1,156,824 | 5,199,468 |
| Tax expense | 17,238,515 | 15,660,608 |

## 10 TAX EXPENSE (CONTINUED)

The explanation of the relationship between tax expense and profit before tax is as follows:

| | 2011 % | 2010 % |
|---|---|---|
| Numerical reconciliation between the average effective tax rate and the Malaysian statutory tax rate: | | |
| Malaysian statutory tax rate | 25 | 25 |
| Tax effect of expenses not deductible for tax purposes | 3 | 0 |
| Average effective tax rate | 28 | 25 |

## 11 INTANGIBLE ASSETS

| | Expressway assets RM | Heavy repairs RM | Other concession assets RM | Total RM |
|---|---|---|---|---|
| Net carrying value | | | | |
| At 1 January 2011 | | | | |
| As previously stated | 261,667,222 | 6,749,442 | 7,131,884 | 275,548,548 |
| Prior year adjustments (Note 23) | 0 | (6,749,442) | 0 | (6,749,442) |
| Reclassification (Note 23) | 0 | 0 | (7,131,884) | (7,131,884) |
| As restated | 261,667,222 | 0 | 0 | 261,667,222 |
| Amortisation charge | (7,304,354) | 0 | 0 | (7,304,354) |
| At 31 December 2011 | 254,362,868 | 0 | 0 | 254,362,868 |
| At 31 December 2011 | | | | |
| Cost | 316,089,791 | 0 | 0 | 316,089,791 |
| Accumulated amortisation | (61,726,923) | 0 | 0 | (61,726,923) |
| Net carrying value | 254,362,868 | 0 | 0 | 254,362,868 |

Company No.

| 221844 | T |
|---|---|

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

## 11 INTANGIBLE ASSETS (CONTINUED)

| | Expressway assets RM | Heavy repairs RM | Other concession assets RM | Total RM |
|---|---|---|---|---|
| Net carrying value | | | | |
| At 1 January 2010 | | | | |
| As previously stated | 269,829,772 | 8,365,920 | 8,230,176 | 286,425,868 |
| Prior year adjustments (Note 23) | 0 | (8,365,920) | 0 | (8,365,920) |
| Reclassification (Note 23) | 0 | 0 | (8,230,176) | (8,230,176) |
| As restated | 269,829,772 | 0 | 0 | 269,829,772 |
| Additions | | | | |
| As previously stated | 0 | 887,567 | 543,528 | 1,431,095 |
| Prior year adjustments (Note 23) | 0 | (887,567) | 0 | (887,567) |
| Reclassification (Note 23) | 0 | 0 | (543,528) | (543,528) |
| As restated | 0 | 0 | 0 | 0 |
| Amortisation charge | | | | |
| As previously stated | (8,162,550) | (2,504,045) | (1,641,820) | (12,308,415) |
| Prior year adjustments (Note 23) | 0 | 2,504,045 | 0 | 2,504,045 |
| Reclassification (Note 23) | 0 | 0 | 1,641,820 | 1,641,820 |
| As restated | (8,162,550) | 0 | 0 | (8,162,550) |
| At 31 December 2010 | 261,667,222 | 0 | 0 | 261,667,222 |
| At 31 December 2010 | | | | |
| Cost | | | | |
| As previously stated | 316,089,791 | 19,583,037 | 22,176,280 | 357,849,108 |
| Prior year adjustments (Note 23) | 0 | (19,583,037) | 0 | (19,583,037) |
| Reclassification (Note 23) | 0 | 0 | (22,176,280) | (22,176,280) |
| As restated | 316,089,791 | 0 | 0 | 316,089,791 |

11 INTANGIBLE ASSETS (CONTINUED)

| | Expressway assets RM | Heavy repairs RM | Other concession assets RM | Total RM |
|---|---|---|---|---|
| At 31 December 2010 (continued) | | | | |
| Accumulated amortisation | | | | |
| As previously stated | (54,422,569) | (12,833,595) | (15,044,396) | (82,300,560) |
| Prior year adjustments (Note 23) | 0 | 12,833,595 | 0 | 12,833,595 |
| Reclassification (Note 23) | 0 | 0 | 15,044,396 | 15,044,396 |
| | (54,422,569) | 0 | 0 | (54,422,569) |
| Net carrying value | 261,667,222 | 0 | 0 | 261,667,222 |
| Net carrying value | | | | |
| At 1 January 2009 | | | | |
| As previously stated | 277,196,576 | 11,009,105 | 9,553,681 | 297,759,362 |
| Prior year adjustments (Note 23) | 0 | (11,009,105) | 0 | (11,009,105) |
| Reclassification (Note 23) | 0 | 0 | (9,553,681) | (9,553,681) |
| As restated | 277,196,576 | 0 | 0 | 277,196,576 |
| Additions | | | | |
| As previously stated | 3,788 | 27,596 | 633,278 | 664,662 |
| Prior year adjustments (Note 23) | 0 | (27,596) | 0 | (27,596) |
| Reclassification (Note 23) | 0 | 0 | (633,278) | (633,278) |
| As restated | 3,788 | 0 | 0 | 3,788 |
| Amortisation charge | | | | |
| As previously stated | (7,370,592) | (2,670,781) | (1,956,783) | (11,998,156) |
| Prior year adjustments (Note 23) | 0 | 2,670,781 | 0 | 2,670,781 |
| Reclassification (Note 23) | 0 | 0 | 1,956,783 | 1,956,783 |
| As restated | (7,370,592) | 0 | 0 | (7,370,592) |
| At 31 December 2009 | 269,829,772 | 0 | 0 | 269,829,772 |

11 INTANGIBLE ASSETS (CONTINUED)

| | Expressway assets RM | Heavy repairs RM | Other concession assets RM | Total RM |
|---|---|---|---|---|
| At 31 December 2009 | | | | |
| Cost | | | | |
| As previously stated | 316,089,791 | 18,695,470 | 21,632,752 | 356,418,013 |
| Prior year adjustments (Note 23) | 0 | (18,695,470) | 0 | (18,695,470) |
| Reclassification (Note 23) | 0 | 0 | (21,632,752) | (21,632,752) |
| As restated | 316,089,791 | 0 | 0 | 316,089,791 |
| Accumulated amortisation | | | | |
| As previously stated | (46,260,019) | (10,329,550) | (13,402,576) | (69,992,145) |
| Prior year adjustments (Note 23) | 0 | 10,329,550 | 0 | 10,329,550 |
| Reclassification (Note 23) | 0 | 0 | 13,402,576 | 13,402,576 |
| | (46,260,019) | 0 | 0 | (46,260,019) |
| Net carrying value | 269,829,772 | 0 | 0 | 269,829,772 |

12 PROPERTY, PLANT AND EQUIPMENT

| | Computer equipment RM | Furniture, fittings and equipment RM | Motor vehicle RM | Office equipment RM | Expressway-operation equipment RM | Office renovation RM | Toll equipment RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| Net book value | | | | | | | | |
| At 1 January 2011 | 209,707 | 26,331 | 272,697 | 141,005 | 19,854 | 0 | 0 | 669,594 |
| Reclassification (Note 23) | 0 | 0 | 0 | 0 | 0 | 0 | 7,131,884 | 7,131,884 |
| Additions | 116,521 | 16,470 | 394,790 | 11,140 | 7,070 | 38,570 | 1,493,200 | 2,077,761 |
| Disposals | 0 | 0 | 0 | (510) | 0 | 0 | 0 | (510) |
| Depreciation charge | (127,272) | (4,809) | (220,700) | (21,551) | (8,804) | (643) | (1,616,309) | (2,000,088) |
| At 31 December 2011 | 198,956 | 37,992 | 446,787 | 130,084 | 18,120 | 37,927 | 7,008,775 | 7,878,641 |
| At 31 December 2011 | | | | | | | | |
| Cost | 1,877,436 | 332,999 | 2,222,231 | 438,657 | 562,607 | 226,982 | 23,669,481 | 29,330,393 |
| Accumulated depreciation | (1,678,480) | (295,007) | (1,775,444) | (308,573) | (544,487) | (189,055) | (16,660,706) | (21,451,752) |
| Net book value | 198,956 | 37,992 | 446,787 | 130,084 | 18,120 | 37,927 | 7,008,775 | 7,878,641 |

Proceeds received from disposal of property, plant and equipment amounted to RM251,386.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Computer equipment RM | Furniture, fittings and equipment RM | Motor vehicle RM | Office equipment RM | Expressway-operation equipment RM | Office renovation RM | Toll equipment RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| Net book value | | | | | | | | |
| At 1 January 2010 | 527,715 | 30,862 | 556,609 | 137,024 | 19,648 | 5,745 | 0 | 1,277,603 |
| Reclassification (Note 23) | 0 | 0 | 0 | 0 | 0 | 0 | 8,230,176 | 8,230,176 |
| Additions | 88,960 | 2,040 | 0 | 24,256 | 6,950 | 0 | 543,528 | 665,734 |
| Depreciation charge | (406,968) | (6,571) | (283,912) | (20,275) | (6,744) | (5,745) | (1,641,820) | (2,372,035) |
| At 31 December 2010 | 209,707 | 26,331 | 272,697 | 141,005 | 19,854 | 0 | 7,131,884 | 7,801,478 |
| At 31 December 2010 | | | | | | | | |
| Cost | 1,838,402 | 316,529 | 2,354,955 | 428,197 | 559,437 | 191,512 | 22,176,280 | 27,865,312 |
| Accumulated depreciation | (1,628,695) | (290,198) | (2,082,258) | (287,192) | (539,583) | (191,512) | (15,044,396) | (20,063,834) |
| Net book value | 209,707 | 26,331 | 272,697 | 141,005 | 19,854 | 0 | 7,131,884 | 7,801,478 |

Proceeds received from disposal of property, plant and equipment which were fully depreciated amounted to RM19,000.

## 13 OTHER INVESTMENT

| | 2011 RM | 2010 RM |
|---|---|---|
| Golf club membership | 240,000 | 240,000 |

## 14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2011 | 2010 |
|---|---|---|
| At 1 January | 0 | 18,069,069 |
| Additions | 61,120,400 | 40,751,831 |
| Disposals | (54,444,862) | (58,934,754) |
| Fair value changes transfer to equity | (3,539) | (7,069) |
| Fair value changes transfer from equity | 30,241 | 120,923 |
| At 31 December | 6,702,240 | 0 |

The available-for-sale financial assets are dominated in Ringgit Malaysia.

## 15 DEPOSITS, BANK AND CASH BALANCES

| | 2011 RM | 2010 RM |
|---|---|---|
| Deposits with licensed financial institutions | 5,813,000 | 0 |
| Bank and cash balances | 7,025,369 | 1,578,256 |
| | 12,838,369 | 1,578,256 |

The deposits, bank and cash balances are denominated in Ringgit Malaysia. The average effective interest rate of deposits as at the end reporting period is 3.20% (2010: 3.00%) per annum. Deposits of the Company have an average maturity period of 1 month (2010: 1 month). Bank balances are held at call with licensed financial banks, which are non-interest bearing.

## 16 TRADE AND OTHER PAYABLES

| | 2011 RM | 2010 RM |
|---|---|---|
| Trade payables | 333,076 | 47,736 |
| Other payables | 23,851 | 0 |
| Deposits and prepayments | 124,367 | 109,641 |
| Other accruals | 1,989,109 | 864,322 |
| | 2,470,403 | 1,021,699 |

## 17 AMOUNT DUE TO A FELLOW SUBSIDIARY COMPANY

The amount due to a fellow subsidiary company is denominated in Ringgit Malaysia and is unsecured, interest free and has no fixed term of repayments.

## 18 HIRE PURCHASE PAYABLE

| | 2011 RM | 2010 RM |
|---|---|---|
| Minimum lease payments: | | |
| - not later than one year | 0 | 615 |
| - later than one year and not later than five years | 0 | 0 |
| | 0 | 615 |
| Future finance charges on hire purchase | 0 | 0 |
| Present value of hire purchase payable | 0 | 615 |
| Current | 0 | 615 |
| Non-current | 0 | 0 |
| Present value of hire purchase payable | 0 | 615 |

## 19 DEFERRED INCOME

| | 2011 RM | 2010 RM |
|---|---|---|
| Rental and maintenance fee | | |
| As 1 January | 714,962 | 273,293 |
| Received | 460,000 | 460,000 |
| Credited to profit and loss (Note 5) | (72,588) | (18,331) |
| As 31 December | 1,102,374 | 714,962 |
| Government compensation | | |
| As 1 January | 97,728,762 | 109,060,869 |
| Settlement | 40,000,000 | 0 |
| Financial asset due | (20,000,000) | 0 |
| Credited to profit and loss (Note 4) | (17,374,407) | (11,332,107) |
| As 31 December | 100,354,355 | 97,728,762 |
| Current | 12,136,349 | 10,009,752 |
| Non-current | 89,320,380 | 88,433,972 |
| Total deferred income | 101,456,729 | 98,443,724 |

## 20 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are shown in the statement of financial position:

| | 2011 RM | 2010 RM | 2009 RM |
|---|---|---|---|
| Subject to income tax | | | |
| Deferred tax assets (before offsetting): | | | |
| - deferred income | 5,902,057 | 5,151,328 | 7,871,414 |
| - payables | 8,851 | 8,851 | 7,340 |
| - heavy repairs | 3,734,736 | 3,005,821 | 3,099,864 |
| | 9,645,644 | 8,166,000 | 10,978,618 |
| Offsetting | (9,645,644) | (8,166,000) | (10,978,618) |
| Deferred tax assets (after offsetting) | 0 | 0 | 0 |

## 20 DEFERRED TAXATION (CONTINUED)

| | 2011<br>RM | 2010<br>RM | 2009<br>RM |
|---|---|---|---|
| Deferred tax liabilities (before offsetting): | | | |
| - property, plant and equipment | (84,123) | (124,850) | (226,082) |
| - intangible assets | (49,758,964) | (47,081,769) | (44,593,687) |
| | (49,843,087) | (47,206,619) | (44,819,769) |
| Offsetting | 9,645,644 | 8,166,000 | 10,978,618 |
| Deferred tax liabilities (after offsetting) | (40,197,443) | (39,040,619) | (33,841,151) |

The gross movements on the deferred tax account is as follows:

| | 2011<br>RM | 2010<br>RM | 2009<br>RM |
|---|---|---|---|
| At 1 January | | | |
| As previously stated | 40,727,980 | 35,932,631 | 32,689,913 |
| Prior year adjustments (Note 23) | (1,687,361) | (2,091,480) | (2,752,276) |
| As restated | 39,040,619 | 33,841,151 | 29,937,637 |
| (Credited)/charged to profit or loss (Note 10): | | | |
| - property, plant and equipment | (40,727) | (101,232) | (9,544) |
| - deferred income | (750,729) | 2,720,086 | 1,049,002 |
| - payables | 0 | (1,511) | 0 |
| - intangible assets | 2,677,195 | 2,488,082 | 2,589,833 |
| - heavy repairs | (728,915) | 94,043 | 274,223 |
| | 1,156,824 | 5,199,468 | 3,903,514 |
| At 31 December | 40,197,443 | 39,040,619 | 33,841,151 |

## 21 SHARE CAPITAL

| | 2011<br>RM | 2010<br>RM |
|---|---|---|
| Authorised: | | |
| Ordinary shares of RM1 each: | | |
| At beginning and at end of financial year | 11,111,112 | 11,111,112 |
| NCIPS shares of RM1 each: | | |
| At beginning and at end of financial year | 38,888,888 | 38,888,888 |

21 SHARE CAPITAL (CONTINUED)

| | 2011 RM | 2010 RM |
|---|---|---|
| Issued and fully paid: | | |
| Ordinary shares of RM1 each: | | |
| At beginning and at end of financial year | 11,111,112 | 11,111,112 |
| NCIPS shares of RM1 each: | | |
| At beginning and at end of financial year | 38,888,888 | 38,888,888 |

The Company did not issue any new shares during the financial year.

The Non-Cumulative Irredeemable Preference Shares (NCIPS) have the following rights and privileges:

(a) The rights to receive out of profits of the Company, a non-cumulative fixed preferential dividend of 36% per annum per share, calculated based on each calendar year, to be issued at the discretion of the shareholders of the Company.

(b) The rights of participation of surplus assets and share profits in an event of winding up after the return of capital and declaration of dividend, if any, is unanimously waived and not applicable in any case.

(c) The rights to receive notice of class meeting with respect to the NCIPS only, with the following exceptions where such holders would be entitled to attend and each one NCIPS holder shall be entitled to one single vote, regardless of amount of NCIPS held, at the general meeting of the Company where anyone or more of the proposed resolutions are considered.

    (i) The winding up of the Company;
    (ii) The reduction of capital; and
    (iii) Any amendments to the Memorandum and Articles of Association affecting the class rights and privileges of such NCIPS only or as stipulated in the Companies Act, 1965.

(d) The NCIPS shall be convertible and transferable on such occasion and in such as the Directors may determine.

## 22 RETAINED EARNINGS

Under the single-tier tax system which came into effect from year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders. However, companies with a Section 108 credit balance may during the 6 years transitional period until 31 December 2013, elect to continue to adopt the imputation tax system for the purpose of distribution of frank dividend. Alternatively, companies can make an election to disregard the Section 108 credit balance and opt to pay dividends under the single-tier tax system. Once the election is made, it is irrevocable.

The Company has fully utilised its Section 108 balance in year of assessment 2010. The Company is now under the single-tier tax system. Dividends paid under this system are tax exempt in the hands of shareholders.

## 23 PRIOR YEAR ADJUSTMENTS/RECLASSIFICATION

In accordance with the provisions of IC Interpretation 12: Service Concession Arrangements, the changes in accounting policies have been applied retrospectively and comparative figures have been restated accordingly. The financial impact arising from the adoption of this interpretation is tabulated below:

| | 2011<br>RM | 2010<br>RM | 2009<br>RM |
|---|---|---|---|
| Effects on retained earnings: | | | |
| As at 1 January, as previously stated | 85,634,939 | 111,283,926 | 90,668,870 |
| Heavy repairs written off | (6,749,442) | (8,365,920) | (11,009,105) |
| Decreased in deferred tax liability | 1,687,361 | 2,091,480 | 2,752,276 |
| As restated | 80,572,858 | 105,009,486 | 82,412,041 |
| Effects on deferred taxation (Note 20): | | | |
| As at 1 January, as previously stated | 40,727,980 | 35,932,631 | 32,689,913 |
| Decreased in deferred tax liability | (1,687,361) | (2,091,480) | (2,752,276) |
| As restated | 39,040,619 | 33,841,151 | 29,937,637 |

## 23 PRIOR YEAR ADJUSTMENTS/RECLASSIFICATION (CONTINUED)

The effect of the restatement on the financial statements of the Company are as follows:

| | As previously stated RM | Prior year adjustment RM | Reclassi-fication RM | As restated RM |
|---|---|---|---|---|
| As at 31 December 2010 | | | | |
| Statement of Comprehensive Income | | | | |
| Cost of operations | (26,119,733) | 1,616,478 | 0 | (24,503,255) |
| Profit before tax | 60,422,952 | 1,616,478 | 0 | 62,039,430 |
| Tax expense | (15,256,489) | (404,119) | 0 | (15,660,608) |
| Net profit and total comprehensive income for the financial year | 45,166,463 | 1,212,359 | 0 | 46,378,822 |
| Statement of Financial Position | | | | |
| Intangible assets (Note 11) | 275,548,548 | (6,749,442) | (7,131,884) | 261,667,222 |
| Property, plant and equipment (Note 12) | 669,594 | 0 | 7,131,884 | 7,801,478 |
| Deferred taxation (Note 20) | 40,727,980 | (1,687,361) | 0 | 39,040,619 |
| Retained earnings | 85,634,939 | (5,062,081) | 0 | 80,572,858 |
| As at 31 December 2009 | | | | |
| Statement of Financial Position | | | | |
| Intangible assets (Note 11) | 286,425,868 | (8,365,920) | (8,230,176) | 269,829,772 |
| Property, plant and equipment (Note 12) | 1,277,603 | 0 | 8,230,176 | 9,507,779 |
| Deferred taxation (Note 20) | 35,932,631 | (2,091,480) | 0 | 33,841,151 |
| Retained earnings | 111,283,926 | (6,274,440) | 0 | 105,009,486 |

## 24 DIVIDENDS

| | 2011 | |
|---|---|---|
| | Gross dividend per share RM | Dividend net of tax RM |
| In respect of financial year ended 31 December 2011: | | |
| Single-tier tax exempt preference dividend | 0.360 | 14,000,000 |
| Single-tier interim dividend on ordinary shares | 2.880 | 32,000,000 |
| | 3.240 | 46,000,000 |

## 24 DIVIDENDS (CONTINUED)

| | 2010 | |
|---|---|---|
| | Gross dividend per share RM | Dividend net of tax RM |
| In respect of financial year ended 31 December 2010: | | |
| Single-tier tax exempt preference dividend | 0.360 | 14,000,000 |
| First interim dividend on ordinary shares, less income tax of 25% | 0.482 | 4,015,450 |
| Single-tier tax exempt second interim dividend on ordinary shares | 0.576 | 6,400,000 |
| Single-tier tax exempt third interim dividend on ordinary shares | 1.000 | 11,000,000 |
| Single-tier tax exempt fourth interim dividend on ordinary shares | 2.700 | 30,000,000 |
| Single-tier tax exempt fifth interim dividend on ordinary shares | 0.486 | 5,400,000 |
| | 5.604 | 70,815,450 |

## 25 CAPITAL COMMITMENTS

| | 2011 RM | 2010 RM |
|---|---|---|
| Authorised by the Board and not contracted for: | | |
| Property, plant and equipment | 0 | 1,500,000 |

## 26 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

(a) Purchases

| | 2011 RM | 2010 RM |
|---|---|---|
| Services rendered from: | | |
| - Trupadu Sdn. Bhd. | 11,102,597 | 10,549,537 |
| - Exitra Sdn. Bhd. | 322,000 | 280,000 |
| | 11,424,597 | 10,829,537 |

Exitra Sdn. Bhd. is a company in which Y. Bhg. Dato' Lim Chee Meng, director of a related corporation, has a controlling interest.

26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

| | 2011<br>RM | 2010<br>RM |
|---|---|---|
| (b) Staff costs of key management personnel | | |
| Wages, salaries and bonus | 1,716,837 | 1,633,607 |
| Defined contribution plan | 182,175 | 164,725 |
| Other employee benefits | 3,723 | 26,825 |
| | 1,902,735 | 1,825,157 |

27 FINANCIAL INSTRUMENTS BY CATEGORY

| | | |
|---|---|---|
| Assets as per statement of financial position, categorised as loans and receivables | | |
| Other receivables | 390,497 | 465,005 |
| Deposits, bank and cash balances | 12,838,369 | 1,578,256 |
| | 13,228,866 | 2,043,261 |
| Assets as per statement of financial position, categorised as available-for-sale | | |
| Available-for-sale financial assets | 6,702,240 | 0 |
| Liabilities as per statement of financial position, categorised as other financial liabilities at amortised cost | | |
| Trade and other payables | 3,572,777 | 1,736,661 |
| Amount due to fellow subsidiary company | 949,338 | 904,771 |
| Hire purchase payable | 0 | 615 |
| | 4,522,115 | 2,642,047 |

## 28 MATERIAL SUBSEQUENT EVENT

Arising from the Fourth Supplemental Concession Agreement entered between the Government of Malaysia and the Company, toll collections were discontinued for the Kuala Lumpur bound lane at Toll Plaza Batu 9 and the Kajang bound lane at Toll Plaza Batu 11 of the Cheras-Kajang Highway with effect from 2 March 2012. In return, the Company agreed to:

(a) a tax-exempt cash compensation of RM120,550,000;

(b) an extension of the Concession Period for a further period of fifteen years, expiring on 18 September 2045;

(c) terminate the toll revenue sharing; and

(d) a waiver of income tax payable for the year of assessments 2012 to 2021.

## 29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 April 2012.

Company No.

| | |
|---|---|
| 221844 | T |

GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Ahmad Ishak bin Haron and Chee Lean Thong, two of the Directors of Grand Saga Sdn. Bhd., state that, in the opinion of the Directors, the financial statements set out on pages 5 to 43 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2011 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 April 2012.

AHMAD ISHAK BIN HARON
DIRECTOR

CHEE LEAN THONG
DIRECTOR

## STATUTORY DECLARATION
## PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, A. Rajasolan, the Officer primarily responsible for the financial management of Grand Saga Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 43 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.

A. RAJASOLAN
OFFICER

Subscribed and solemnly declared by the abovenamed A. Rajasolan at Kuala Lumpur, Malaysia on 25 April 2012, before me.

PESURUHJAYA SUMPAH
No. W 521
R.S. MANIAM
MALAYSIA

COMMISSIONER FOR OATHS

No. 50, Jalan Hang Lekiu
50100 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GRAND SAGA SDN. BHD.
(Incorporated in Malaysia)
(Company No. 221844 T)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Grand Saga Sdn. Bhd. on pages 5 to 43, which comprise the statement of financial position as at 31 December 2011 of the Company and the statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 29.

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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities 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 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF GRAND SAGA SDN. BHD. (CONTINUED)
(Incorporated in Malaysia)
(Company No. 221844 T)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 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 member 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.

PriceewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

TIANG WOON MENG
(No. 2927/05/12 (J))
Chartered Accountant

Kuala Lumpur
25 April 2012

# APPENDIX V

## SUMMARY OF THE SALIENT TERMS OF THE CONCESSION AGREEMENT, THE FIRST SUPPLEMENTAL CONCESSION AGREEMENT, THE SECOND SUPPLEMENTAL CONCESSION AGREEMENT, THE THIRD SUPPLEMENTAL CONCESSION AGREEMENT AND THE FOURTH SUPPLEMENTAL CONCESSION AGREEMENT

### Concession Period

The Concession Period shall be for a period of thirty (30) years commencing from date of execution of the Concession Agreement, that is, the Effective Date and subject to the provisions of the Concession Agreement, ending on the thirtieth ($30^{th}$) anniversary of such date.

However, pursuant to the Supplemental Concession Agreement IV, the parties acknowledge that as part of the Compensation Arrangement (as set out in paragraph 5 of the Supplemental Concession Agreement IV) due to the restructuring and rescheduling of the toll rate and toll increment and the cessation of toll collection at one bound at each toll plaza, the Concession Period shall be extended for a further fifteen (15) years. The Concession shall therefore expire on 18 September 2045, if it has not been earlier terminated or extended by mutual written agreement between the parties thereto.

**(1) Extension by Agreement**

The Concession Period may be extended by mutual written agreement between the parties.

**(2) Expiry or Earlier Termination of Concession Period**

On the Termination Date and without prejudice to any obligations of either party hereto to make a payment pursuant to the Concession Agreement or to any claims which either party hereto may have against the other prior to the Termination Date all rights and entitlements of Grand Saga in respect of the Concession and the Concession Area shall revert to, vest in or remain vested in the Government and:-

(a) in the case of termination of the Concession prior to the completion of the construction works as set out in the Concession Agreement, Grand Saga shall cease all construction works as set out in the Concession Agreement and remove all its workmen, employees, servants, agents and contractors and its and their equipment from the Concession Area;

(b) if Grand Saga is operating and maintaining the Cheras-Kajang Highway, Grand Saga shall forthwith cease to operate and maintain the Cheras-Kajang Highway and shall remove all its workmen, employees, servants, agents and contractors and vacate the Concession Area;

(c) in the case of expiry of the Concession, Grand Saga shall hand over the Cheras-Kajang Highway to the Government in a well-maintained and operational condition and shall make good any defects at Grand Saga's own expenses within one (t) year of handing over;

(d) in the case of termination of the Concession after completion of construction of the Cheras-Kajang Highway but prior to expiry of the Concession Period, Grand Saga shall hand over the Cheras-Kajang Highway to the Government in a well-maintained and operational condition.

**(3) Termination by Government**

**(i) Default**

Save as otherwise provided in the Concession Agreement, if:-

(a) Grand Saga without reasonable cause fails to commence physical construction in accordance with the construction works programme as set out in the Concession Agreement, within the period specified or tails to show satisfactory progress in the construction of the same; or

(b) Grand Saga is in breach of any of its material obligations under the Concession Agreement or the Support Loan Agreement; or

(c) An order is made or a resolution passed for the winding up of Grand Saga; or

(d) Grand Saga goes into liquidation or a receiver is appointed over the assets of Grand Saga or Grand Saga makes an arrangement for the benefit of its creditors or stops payment or is unable to pay its debts; or

(e) Execution is levied against a substantial portion of Grand Saga's assets.

then the Government shall give notice in writing to Grand Saga specifying the default and requiring Grand Saga to remedy the said default within six (6) months after the date of such notice (or such other period as may be agreed by the parties).

**(ii) Termination**

If:-

(a) Grand Saga fails to remedy the relevant default within such period of six (6) months (or such other period as may be agreed by the parties); or

(b) Construction Works as set out in the Concession Agreement have been delayed or interrupted by an Event of Force Majeure (as set out in paragraph 7(i) of this Appendix V) for a continuous period of more than six (6) months.

the Government may terminate the Concession at any time thereafter by giving notice to that effect to Grand Saga.

**(iii) Expropriation**

Notwithstanding any provision in the Concession Agreement, the Government may terminate the Concession Agreement by expropriating the Concession or Grand Saga by giving not less than three (3) months' notice to that effect to Grand Saga if it considers that such expropriation is in the national interest. Then the Government shall, subject to the Concession Agreement, pay to the lenders within six (6) months after the Termination Date of the date of expropriation an amount equal to the aggregate amount owing to the lenders at the date of payment (after deducting therefrom the value of any security, including any toll, at that time held by the lenders) or shall otherwise assume the liabilities and obligations of Grand Saga to the lenders within such period aforesaid.

**(4) <u>Termination by Grand Saga</u>**

**(i) Events**

If:-

(a) the Government without reasonable cause fails to perform or fulfil any of its obligation which adversely affects the right and authority of the Grand Saga to collect and retain toll; or

(b) the Government is in breach of any of its obligation to make any of the payments under the Concession Agreement to the Grand Saga; or

(c) the Government is in breach of its obligations under the Support Loan Agreement.

then Grand Saga may give notice to the Government of its intention to terminate the Concession by giving six (6) months' notice (or such other period as may be agreed by the parties thereto) to that effect to the Government.

**(ii) Termination**

If:-

(a) the Government fails to remedy the relevant event of default within such period of six (6) months (or within such other period as may be agreed by the parties hereto); or

(b) the construction works as set out in the Concession Agreement (or any part of them) have been delayed or interrupted by reason of an Event of Force Majeure (as set out in paragraph 7(i) of this Appendix V) for a continuous period of more than six (6) months,

the Grand Saga may, for so long as the relevant default or event is continuing, terminate the Concession at any time thereafter by giving notice to that effect to the Government.

**(iii) Compensation**

If the Grand Saga does not terminate the Concession, at the election of Grand Saga (after prior consultation with the Government) by notice to the Government to that effect, either:-

(a) the Concession Period shall be extended for such period (if any) as shall be necessary to compensate Grand Saga for the consequences of such matter or event giving rise to the right to terminate the Concession; or

(b) other than in circumstances where Grand Saga's rights to terminate the Concession the Government shall reimburse Grand Saga for any losses, claims, costs or expenses reasonably and properly paid, incurred or reimbursed by Grand Saga arising directly out of or resulting directly from the relevant default or event or shall compensate the Grand Saga in such other manner as may be agreed by the parties hereto.

**(iv) Payment**

Any claim by Grand Saga to be compensated by the Government shall be accompanied by a joint certificate from the operation auditors setting out the amount payable pursuant to that clause and including detailed calculations of the same. The amount so certified shall be paid to Grand Saga by the Government within ninety (90) days after the date of receipt of the joint certificate from the operation auditors.

**(5) <u>Tolls</u>**

**(i) Toll Collection**

Grand Saga is authorised by the Government pursuant to the Concession Agreement and subject to the Federal Roads (Private Management) Act, 1984 to demand, collect and retain toll from users of the Cheras-Kajang Highway. By virtue of the Supplemental Concession Agreement IV, Grand Saga had agreed to include at its own costs and expense an electronic toll collection system for the convenience of the public using the highway.

In the event the Government imposes toll which is lower than the Agreed Toll, then Grand Saga shall be compensated for any reduction in toll collections by it in respect of the Concession Year until by paying to Grand Saga an amount jointly certified by the Government auditor and the company auditor to be calculated in the following manner:-

Compensation Amount = $\sum$ (TV X AT X (1+G)) - TA

where:-

$\sum$ = summation for all classes of vehicles

G = the traffic growth rate for the particular class of vehicle for the preceding year

| | | |
|---|---|---|
| TV | = | the traffic volume for the particular class of vehicle in the preceding year |
| AT | = | the Agreed Toll for that year |
| TA | = | the aggregate Toll collected by Grand Saga for that year |

**(ii) Government Share of Toll Revenue**

In consideration of the Government paying for the cost of the land acquisition, any Tolls collected or otherwise received by Grand Saga from toll-paying vehicles after the Traffic Volume Threshold has been exceeded shall be shared equally between the Government and Grand Saga. However, pursuant to paragraph 10 of the Supplemental Concession Agreement IV, the sharing of the toll revenue with the Government has been rescinded and deleted with effect.

**(iii) Compensation Arrangement** *(this provision is set out in the Supplemental Concession Agreement III)*

As consideration for the opening of an access road linking the Bandar Mahkota Cheras development to the Bandar Hussein Onn Interchange at the Cheras – Kajang Highway (hereinafter referred to as the “Access Road”) the Government agrees:-

(a) to pay Grand Saga the total amount of RM 40,000,000.00 in 2 installments whereby the 1st payment of RM 20,000,000.00 shall be paid within 60 days from the date of this Settlement and the 2nd payment of RM 20,000,000.00 to be paid within nine months from the date of the 1st payment above; and

(b) to extend the Concession Period for a further period of three (3) years only and expiring on 18 September 2030.

**(iv) Compensation Arrangement** *(this provision is set out in the Supplemental Concession Agreement IV)*

The Government and Grand Saga have agreed to cease toll collection and discontinue the operation of Toll Plaza Batu 9 at the Kuala Lumpur bound and Toll Plaza Batu 11 Cheras at the Kajang bound of the Cheras-Kajang Highway for the Concession Years commencing 2 March 2012 up to the expiry of the Concession Period and in consideration of Grand Saga agreeing to the said cessation and discontinuance, the Government agrees:-

(a) to pay Grand Saga the total amount of RM120,550,000.00to be paid in 2 instalments whereby the 1$^{st}$ payment of RM60,000,000.00 shall be paid within 4 months from the date of the Fourth Supplemental Concession Agreement and the 2$^{nd}$ payment of RM60,550,000.00 shall be paid on or before 30 April 2013;

(b) to extend the Concession Period for a further period of fifteen (15) years only and expiring on 18 September 2045;

(c) to rescind and delete clause 17 of the Principal Agreement in relation to sharing of toll revenue;

(d) to waive all income tax payable by the Concession Company for a period of ten (10) years commencing from tax year of assessment 2012 and expiring on tax year of assessment 2022; and

(e) to waive all tax payable by the Concession Company in relation to the cash compensation referred to in paragraph 16B(b) of the Supplemental Concession Agreement IV.

**(6) <u>Access Road Connection by Third Party</u>**

Subject to Section 85 of the Road Transport Act 1987, the Government may issue a written order to Grand Saga to allow access road and drainage connection to the Concession Area to any other parties for the purpose of connecting their developments to the Cheras-Kajang Highway. Grand Saga shall allow complete access to the other party or its agents concerned and shall not interfere or obstruct construction of this access and shall render all necessary cooperation to them. Such access by the other party shall not in any way or manner adversely affect the traffic flow on the Cheras-Kajang Highway. Provided always that prior to the issuance of any order, the Government shall consult Grand Saga and if Grand Saga is able to demonstrate that the proposed access would adversely affect the traffic flow on the Cheras-Kajang Highway (and consequently the toll revenues of Grand Saga), the Government shall as a condition of any order ensure that:-

(a) Grand Saga is adequately compensated or indemnified by such other party seeking access against any loss, damage, cost or expenses which may be suffered or incurred by Grand Saga as a consequence of such order; and

(b) such other party seeking access will maintain at its own cost and expense any crossing structure and related facilities.

Thus far, the Government had requested for an opening of an access road linking Bandar Mahkota Cheras development to the Bandar Hussein Onn interchange at the Cheras-Kajang Highway. As consideration for this request, the Government had duly compensated Grand Saga by virtue of the Supplemental Concession Agreement III.

**(7) <u>General</u>**

**(i) Event of Force Majeure**

Neither the Government nor Grand Saga shall be in breach of its obligations under Concession Agreement if it is unable to perform or fulfil any of its obligations as a result of the occurrence of an Event of Force Majeure.

An "Event of Force Majeure" shall mean an event, not within the control of the party affected, which that party is unable to prevent, avoid or remove, and shall include:

(a) war, hostilities (whether declared or not), invasion, act of foreign enemies. Rebellion, revolution, insurrection, military or usurped power, civil war, terrorism;

(b) ionising, radiation or contamination by radioactive toxic explosive, or other hazardous properties of any explosive, nuclear assembly or nuclear component thereof;

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

(d) natural catastrophe including but not limited to earthquakes, floods subsidence, lightening and exceptionally inclement weather; and

(e) riot and disorders, criminal damage, sabotage, strike, lockout, labour unrest or other industrial disturbances (effecting the performance of this agreement) which are not the fault of Grand Saga or his contractors, which causes, or can reasonably be expected to cause, either party to fail to comply with its obligation.

**(ii) Extension of Concession Period**

If any of the Event of Force Majeure occurs, the Concession Period may be extended for such period (if any) as the parties thereto may agree, or in the absence of such agreement, as shall be determined by the Minister.

**(8) <u>Operation and Maintenance</u>**

The Supplemental Concession Agreement VI has required for Grand Saga to submit a traffic management programme setting out the details of Grand Saga's proposals relating to traffic management in respect of roads and other surrounding areas which will be affected by the operation and maintenance of the Cheras-Kajang Highway. The purpose of the traffic management programme is to ease the traffic conditions of the Cheras-Kajang Highway during operations and maintenance work on the Cheras-Kajang Highway. The Traffic Management Programme shall include Grand Saga's detailed proposals for the diversion of traffic, temporary or alternative roads, closures, opening and reopening of roads, narrowing of lanes and including the indicative dates of the proposed acts by Grand Saga, and the measures to be taken by Grand Saga to ensure traffic flow and minimal inconvenience at all times to road users. Grand Saga may from time to time propose changes to the traffic management programme and shall obtain the approval from the Government for any such changes.

Grand Saga has also operated and maintained a professional, systematic and proven Highway Management System, for the purpose of allowing an effective operation and maintenance for the Expressway. The maintenance strategy is aimed towards preventive maintenance rather than curative maintenance of all major assets, namely:

a) Expressway Development and Management System

The system shall provide method for road management and programming road works. The system also provides a detailed description of the pavement deterioration and works effects relationship. The road work features provided in the system shall include but not limited to:

- Routine and periodic maintenance such as resealing, resurfacing, overlays and pavement reconstruction; and

- Development work for instance widening, realignment and construction of new road sections.

b) Bridge Maintenance Management System

A comprehensive system for the inventory, inspection and maintenance for highway structure is required. This system shall contain data on the following but not limited to:

- Inventory of bridges and their components;
- Routine and periodic inspection of bridge;
- Planning for detailed inspection of bridges and structural evaluation at every 10 year interval; and
- Budget allocation for bridge maintenance.

c) Monitoring System

The Expressway shall be sufficiently instrumented and monitored to obtain the effectiveness of the system as follows:

a) Closed circuit TV (CCTV) facilities; and
b) Vehicle Monitoring System (VMS).

d) Towing Break Down Vehicle

Any break down vehicle shall be towed to the nearest safe area within reasonable time the incident in accordance to Lembaga Lebuhraya Malaysia guidelines.

e) Assets Management System

Grand Saga shall operate an asset management system approved by the Government which shall be linked to the asset management system of Government. Grand Saga shall provide all the data related to asset management system in a format approved by the Government.

f) Accident Management System

Grand Saga shall provide accident management system and approved by the Government and shall be linked to the accident management system of Government. Grand Saga shall provide all the data related to accident management system in a format approved by the Government.

g) Traffic Control and Surveillance System (TCSS)

Grand Saga shall provide and bear the associated cost of the traffic control system for the linkage to LLM TMC. Government have the right to monitor and regulate the traffic control system of the company which include all the CCTV and Variable Message System (VMS) on the Expressway at any time.

h) Toll Information System

Grand Saga shall provide Toll Information System approved by the Government and shall be linked to the Toll Information System at LLM HQ. Grand Saga shall provide all the data related to Toll Information System in a format approved by the Government.

i) Geographical Information System

Grand Saga developed a Geographical Information System for the Expressway to be approved by the Government and shall be linked to the Geographical Information System at LLM HQ. Grand Saga shall provide all the data related to Geographical Information System in a format approved by the Government.

j) Highway Information System

Grand Saga developed a Highway Information System for the Expressway to be approved by the Government and shall be linked to the Highway Information System at LLM HQ. Grand Saga shall provide all the data related to Highway Information System in a format approved by the Government.

k) Travellers Information System

Grand Saga developed a Travellers Information System for the Expressway to be approved by the Government and shall be linked to the Highway Information System at LLM HQ. Grand Saga shall provide all the data related to Highway Information System in a format approved by the Government.

To date, Grand Saga had been successful in fulfilling its obligations in implementing the Traffic Management Programme. The management, operation and maintenance of the Cheras-Kajang Highway by Grand Saga has received good ratings from the Highway Authority of Malaysia or Lembaga Lebuhraya Malaysia (LLM).

**(9) <u>Confidentiality</u>**

(i) The Concession Agreement including the supplemental concession agreements (collectively, "**the concession agreements**") contain a confidentiality clause, wherein all matters pertaining to the concession agreements shall be considered a confidential matter and shall not be disclosed to any third party without prior mutual agreement. However, paragraph 28 of the Supplemental Concession Agreement IV allows the disclosure of such information where necessary: (i) for the purposes of raising finance or in relation to any existing financing arrangement raised by the Concession Company or its holding company in relation to the Supplemental Concession Agreement IV; (ii) the disclosure is made to the Concession Company's consultants or advisers for purposes of performance of their duties for the purposes of performance of their duties under the Supplemental Concession Agreement IV; and (iii) the disclosure is required by law or by any Government agency for the performance of any obligation under the Supplemental Concession Agreement IV.

(ii) In the event that such disclosures are made to any third parties pursuant to paragraph 28 of the Supplemental Concession Agreement IV, the Concession Company shall undertake to ensure that the third parties shall not disclose the information to any other third party.

**(10) Monthly Reports**

Grand Saga shall submit (and has been doing so) to the Government a monthly report on: (i) the volume of daily toll paying traffic and toll revenue at any particular Toll Plaza in terms of each class of vehicles which is then linked to the computer terminal at Highway Authority Malaysia; and (ii) any other reports or documents relating to the Concession as and when the Government requires.

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## THE ISSUER

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