

INFORMATION MEMORANDUM

RANHILL POWERTRON SDN BHD (330342-K) (formerly known as Powertron Resources Sdn Bhd)



ISLAMIC MEDIUM TERM NOTES ISSUANCE PROGRAMME OF RM540.0 MILLION IN NOMINAL VALUE



Principal Adviser & Lead Arranger



Financial Adviser



20 June 2005



Ranhill
POWERTRON

Our ref. : RPSB/A9/2005/168

20 June 2005

Aseambankers Malaysia Berhad
(as Lead Arranger)
33rd Floor, Menara Maybank
100 Jalan Tun Razak
50050 Kuala Lumpur

Dear Sirs,

Ranhill Powertron Sdn Bhd
Islamic Medium Term Notes ("MTNs") Issuance Programme of RM540.0 Million in Nominal Value ("the MTN Programme")

We refer to the above captioned subject and the attached Information Memorandum dated 20 June 2005 ("**Information Memorandum**"). We wish to confirm that all statements, documents and information supplied by us for the Information Memorandum are true, complete and accurate in all material respects as of the date of this letter and we are not aware of any fact or matter not disclosed therein which might render any information in the Information Memorandum to be untrue or misleading in a material respect or which might adversely affect prospective investors' decision whether or not to subscribe or procure subscription or participate in the abovementioned MTN Programme and we accept full responsibility for the same.

We further confirm that all prospects, reports, facts, opinions and intentions contained in this Information Memorandum, apart from those derived from third parties were made after due and careful consideration on our part or our respective advisers, and are fair and reasonable in the circumstances now prevailing, and based on the best information available to us and on relevant considerations, and existing as at this date, we have made all enquiries which are reasonable in the circumstances to verify the accuracy of all such information.

We agree to indemnify you and to hold you harmless from and against all liabilities, losses, charges, actions, demands, damages, costs and claims whatsoever which you may suffer or incur or which may be made against you, in your capacity as the Lead Arranger for the MTN Programme, (including in connection with the offering, sale and placement of the MTNs to be issued under the MTN Programme by you to prospective investors) as a result of any misrepresentation in or breach of any of our representations and warranties in this letter.

Ranhill Powertron Sdn Bhd (330342-K)
(Formerly known as Powertron Resources Sdn Bhd)

32nd Floor, Empire Tower, No. 182, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Tel: 603-2171 2020 / 2170 6000 Fax: 603-2171 1149



We hereby authorise and request you to distribute this Information Memorandum to the eligible prospective participating financial institutions and investors pursuant to the provisions under the Securities Commission Act 1993, for their evaluation and assessment of the MTN Programme (including the merits of investing in the MTNs and the extent of the risk involved in doing so).

Yours faithfully,
RANHILL POWERTRON SDN BHD

AMRAN AWALUDDIN
Director

TABLE OF CONTENTS

RESPONSIBILITY STATEMENT	1
IMPORTANT NOTICE AND GENERAL STATEMENT OF DISCLAIMER	2
STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION.....	4
DOCUMENTS INCORPORATED BY REFERENCE.....	5
CONFIDENTIALITY	6
GLOSSARY/DEFINITION	7
1.0 EXECUTIVE SUMMARY	15
1.1 BACKGROUND AND OVERVIEW.....	15
1.2 OPEN CYCLE FACILITY	15
1.3 COMBINED CYCLE FACILITY	15
1.4 OWNERSHIP STRUCTURE.....	17
1.5 PROJECT AGREEMENTS	17
1.6 POWER PURCHASE AGREEMENTS.....	19
1.6.1 Open Cycle PPA.....	19
1.6.2 Combined Cycle PPA.....	20
1.6.3 The Power Purchaser.....	20
1.7 FUEL SUPPLY AGREEMENTS.....	20
1.7.1 Gas Supply Agreement	20
1.7.2 Fuel Supply Agreement	22
1.8 OPERATIONS AND MAINTENANCE AGREEMENT	22
1.9 EXISTING FINANCING FACILITIES	22
1.10 FINANCING PLAN	23
1.11 PROJECT ECONOMICS.....	23
1.12 RATING	23
1.13 ENVIRONMENTAL IMPACT ASSESSMENT	24
2.0 FINANCING FACILITIES.....	25
2.1 BRIDGE FINANCING FACILITY	25
2.2 MTN PROGRAMME.....	25
3.0 PROJECT COMPANY AND SPONSORS.....	31
3.1 RANHILL POWERTRON SDN BHD.....	31
3.1.1 Corporate Profile	31
3.1.2 Principal Activities of RPSB.....	32
3.1.3 Management Team	32
3.1.4 Financial Highlights.....	32
3.2 PROJECT SPONSORS.....	33
3.2.1 Shareholding Structure.....	33
3.2.2 Ranhill Power Berhad.....	33
3.2.3 Sabah Energy Corporation Sdn Bhd	34
3.2.4 Aras Setia Sdn Bhd	34
4.0 GENERAL TECHNICAL DESCRIPTION	35
4.1 OVERVIEW	35
4.2 SITE LOCATION	35
4.3 PROJECT TECHNICAL DESCRIPTION.....	36
5.0 KEY ADVISERS	38
5.1 KEY ADVISERS TO RPSB	38
5.1.1 Owner's Engineer.....	38
5.1.2 Financial Adviser	38
5.1.3 Legal Counsel.....	38
5.2 KEY ADVISERS TO ASEAMBANKERS	39

5.2.1	ICE	39
5.2.2	Independent Insurance Adviser	39
5.2.3	Legal Counsel	39
6.0	OPEN CYCLE POWER PURCHASE AGREEMENT	40
6.1	INTRODUCTION	40
6.2	SALES AND PURCHASE OBLIGATIONS	40
6.3	TARIFF STRUCTURE	41
6.4	OPERATIONS AND MAINTENANCE	42
6.5	LATE PAYMENTS	43
6.6	MAINTENANCE BOND	43
6.7	FORCE MAJEURE	43
6.8	OPTION TO PURCHASE BY LLS	43
6.9	ASSIGNMENT	44
6.10	DEFAULT, TERMINATION AND STEP-IN RIGHTS	44
7.0	COMBINED CYCLE POWER PURCHASE AGREEMENT	45
7.1	INTRODUCTION	45
7.2	SALE AND PURCHASE OBLIGATIONS	45
7.3	CONDITIONS PRECEDENT TO SESB'S OBLIGATIONS	46
7.4	CONDITIONS PRECEDENT TO RPSB'S OBLIGATIONS	47
7.5	TARIFF STRUCTURE	47
7.6	COMPENSATION, READING, BILLING AND PAYMENT	49
7.6.1	Reading of Meters for Energy Payment	49
7.6.2	Billing for Energy Payment	49
7.6.3	Payment for Energy Payment	49
7.6.4	Billing for Capacity Payment	50
7.6.5	Payment for Capacity Payment	50
7.6.6	Other Payments	50
7.7	NON-PAYMENT AND DISPUTED PAYMENTS	50
7.8	PRE-OPERATIONS PERIOD	50
7.9	CONTROL AND OPERATION OF THE COMBINED CYCLE FACILITY	52
7.10	OPERATION AND MAINTENANCE	53
7.11	MAINTENANCE RESERVE ACCOUNT	53
7.12	INTERCONNECTION FACILITIES AND COMMUNICATION FACILITIES	54
7.13	METERING	54
7.14	REPRESENTATIONS AND WARRANTIES	54
7.15	REFINANCING	54
7.16	SALE OF ENERGY TO THIRD PARTIES	55
7.17	SURPLUS MONIES	55
7.18	TAXES, FINES AND LIABILITIES	55
7.19	INSURANCE	55
7.20	FORCE MAJEURE	56
7.21	DEFAULT, TERMINATION AND STEP-IN RIGHTS	56
7.22	INDEMNIFICATION	57
7.23	OPTION TO PURCHASE BY SESB	57
7.24	TRANSFERS	58
7.25	ASSIGNMENT	58
8.0	GAS SUPPLY AGREEMENT	59
8.1	OVERVIEW	59
8.2	SCOPE AND PERIOD OF GSA	59
8.3	DELIVERY AND QUANTITIES	59
8.4	ANNUAL TAKE-OR-PAY	59
8.5	LIABILITY	60
8.6	DELIVERY PRESSURE	60
8.7	PRICE	60
8.8	INVOICING AND PAYMENT	61
8.9	MEASUREMENT	61
8.10	FORCE MAJEURE EVENT	61

8.11	TERMINATION	61
8.12	ASSIGNMENT.....	62
9.0	FUEL SUPPLY AGREEMENT.....	63
9.1	OVERVIEW AND SCOPE OF WORK	63
9.2	PRICE OF SHELL DIESOLINE	63
9.3	SUPPLY	63
9.4	ADDITIONAL QUANTITY OF SHELL DIESOLINE.....	64
9.5	ASSIGNMENT.....	64
9.6	OTHER SALIENT TERMS AND CONDITIONS	64
9.7	LETTER OF EXTENSION OF FSA.....	65
10.0	OPERATIONS AND MAINTENANCE AGREEMENT	66
10.1	INTRODUCTION	66
10.2	THE OPERATOR.....	66
10.3	OPEN CYCLE OMA	67
10.3.1	<i>Scope of Services</i>	67
10.3.2	<i>Terms of Agreement</i>	67
10.3.3	<i>Method of Payment</i>	67
10.3.4	<i>Performance Guarantees</i>	68
10.3.5	<i>Termination</i>	69
10.3.6	<i>Performance Bond</i>	70
10.4	COMBINED CYCLE OMA	70
10.4.1	<i>Relationship to the Open Cycle OMA</i>	70
10.4.2	<i>Scope of Services</i>	70
10.4.3	<i>Contract Price</i>	70
10.4.4	<i>Term of Agreement</i>	71
10.4.5	<i>Performance Bond</i>	71
10.4.6	<i>Limitation of Liability</i>	71
10.4.7	<i>Assignment</i>	71
10.4.8	<i>RPOM's Salient Representations and Warranties</i>	71
10.4.9	<i>Performance Obligations</i>	72
10.4.10	<i>Variations to the O&M</i>	72
10.4.11	<i>Suspension of Works</i>	73
10.4.12	<i>Termination</i>	73
10.4.13	<i>Other Salient Terms and Conditions</i>	74
10.5	CONTRACTUAL SERVICES AGREEMENT	74
10.5.1	<i>Scope of Work</i>	75
10.5.2	<i>Price and Payment Terms</i>	75
10.5.3	<i>Price Escalation</i>	76
10.5.4	<i>CSA Contractor's Performance</i>	76
10.5.5	<i>RPSB's Responsibilities</i>	76
10.5.6	<i>Bank Guarantee or Letter of Credit for Parts and Services</i>	77
10.5.7	<i>CSA Contractor's Insurance</i>	77
10.5.8	<i>RPSB's Insurance</i>	77
10.5.9	<i>CSA Contractor's Warranty and Guaranteed Performance Commitment</i>	77
10.5.10	<i>RPSB's Warranty</i>	78
10.5.11	<i>Letter of Extension of CSA</i>	78
11.0	EPC CONTRACTS.....	79
11.1	EPC CONTRACTOR	79
11.1.1	<i>Corporate Profile</i>	79
11.1.2	<i>Background Information</i>	79
11.1.3	<i>Management Team</i>	82
11.2	EPC 1 CONTRACT.....	82
11.2.1	<i>Scope of Contract</i>	82
11.2.2	<i>Term of EPC 1 Contract</i>	82
11.2.3	<i>Contract Price</i>	82
11.2.4	<i>Taking Over</i>	83
11.2.5	<i>Performance Security</i>	83

11.2.6	Insurance.....	83
11.2.7	Force Majeure.....	84
11.2.8	Designated Subcontractor.....	84
11.2.9	Suspension of Work.....	84
11.2.10	Variations.....	84
11.2.11	Default and Termination.....	85
11.2.12	Liquidated Damages.....	85
11.3	EPC 2 CONTRACT.....	86
11.3.1	Scope of Contract.....	86
11.3.2	Term of EPC 2 Contract.....	86
11.3.3	Contract Price.....	86
11.3.4	Taking Over.....	86
11.3.5	Performance Security.....	87
11.3.6	Insurance.....	87
11.3.7	Force Majeure.....	87
11.3.8	Suspension of Work.....	87
11.3.9	Variations.....	88
11.3.10	Default and Termination.....	88
11.3.11	Liquidated Damages.....	88
11.4	SUPPLEMENTARY LETTER TO EPC CONTRACTS.....	89
12.0	INSURANCES.....	90
12.1	INTRODUCTION.....	90
12.2	OPEN CYCLE OPERATIONAL INSURANCE.....	91
12.2.1	Industrial All Risk.....	91
12.2.2	Machinery Breakdown.....	92
12.2.3	Public Liability.....	93
12.2.4	Workmen's Compensation.....	94
12.2.5	Comprehensive Automobile Liability Insurance.....	94
12.3	CONVERSION WORKS PROJECT INSURANCES.....	94
12.3.1	Erection All Risks.....	95
12.3.2	Marine Cargo.....	97
12.3.3	Marine Delay in Start-up.....	97
12.4	COMBINED CYCLE OPERATIONAL INSURANCE.....	98
13.0	THE POWER PURCHASER.....	99
13.1	SABAH ELECTRICITY SDN BHD.....	99
13.2	SHAREHOLDERS OF SESB.....	99
13.3	BOARD OF DIRECTORS.....	99
13.4	SESB'S PROFILE AND FINANCIAL HIGHLIGHTS.....	100
13.4.1	Background Information.....	100
13.4.2	Performance.....	100
14.0	PROJECT ECONOMICS.....	101
14.1	KEY ASSUMPTIONS.....	101
14.1.1	General.....	101
14.1.2	Revenue.....	102
14.1.3	Capital Costs.....	104
14.1.4	Financing.....	105
14.1.5	Operating Costs.....	106
14.1.6	Working Capital.....	106
14.1.7	Accounting.....	106
14.1.8	Taxation.....	107
14.2	KEY FINANCIAL RATIOS.....	107
15.0	PERMITS, LICENCES AND APPROVALS.....	108
15.1	TOWN AND COUNTRY PLANNING ORDINANCE 1950.....	108
15.2	ELECTRICITY SUPPLY ACT 1990 (ACT 447).....	108
15.2.1	Purpose and Term of the IPP Licence.....	108
15.2.2	Conditions of the IPP Licence.....	108

15.3	ENVIRONMENTAL QUALITY ACT 1974 (ACT 127)	108
16.0	MATERIAL LITIGATION	110
17.0	ADDITIONAL DISCLOSURES	111
17.1	CONFLICT OF INTEREST	111
17.2	RELATED PARTY TRANSACTION	111
18.0	INVESTMENT CONSIDERATIONS.....	112
18.1	CONSTRUCTION AND COMPLETION RISK.....	112
18.1.1	<i>Combined Cycle Facility Performance at Completion.....</i>	<i>112</i>
18.1.2	<i>Delay in Completion.....</i>	<i>112</i>
18.1.3	<i>EPC Contract Overruns</i>	<i>113</i>
18.1.4	<i>Performance Risk of the EPC Contractor</i>	<i>113</i>
18.1.5	<i>Electricity Demand Risk.....</i>	<i>114</i>
18.1.6	<i>Take-or-Pay Obligations under GSA</i>	<i>114</i>
18.1.7	<i>Gas Supply Risk.....</i>	<i>115</i>
18.1.8	<i>Mismatch Risk</i>	<i>115</i>
18.2	OPERATING AND MAINTENANCE RISKS	115
18.2.1	<i>Technical Capacity of the Operator</i>	<i>116</i>
18.2.2	<i>Plant Performance Risk.....</i>	<i>116</i>
18.3	TECHNOLOGY RISK.....	116
18.4	CREDIT RISK OF SESB.....	116
18.5	PERMITS AND GOVERNMENT APPROVALS RISKS	117
18.6	ENVIRONMENTAL RISK	117
18.7	FORCE MAJEURE RISK	117
18.8	INFLATION RISK.....	118
18.9	ISSUER'S DEBT SERVICE ABILITY	118
18.10	CASHFLOW PROJECTIONS.....	119
18.11	EXCHANGE RATE RISK.....	119
18.12	PROFIT RATE FLUCTUATION RISK.....	119
18.13	LIQUIDITY/MARKET RISK FOR THE MTNS	119
18.14	RATING DOWNGRADE RISK	119
18.15	NOVATION RISK.....	120
18.16	POLITICAL, ECONOMIC AND REGULATORY RISKS.....	120
18.17	FORWARD LOOKING STATEMENTS.....	121
19.0	POWER GENERATION INDUSTRY IN SABAH.....	122
EXHIBITS		
EXHIBIT 1	PRINCIPAL TERMS AND CONDITIONS OF THE MTN PROGRAMME	
EXHIBIT 2	BOARD OF DIRECTORS OF RPSB	
EXHIBIT 3	KEY MANAGEMENT OF RPSB	
EXHIBIT 4	RPSB'S AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 31 DECEMBER 2004	
EXHIBIT 5	SCHEMATIC DIAGRAM FOR A TYPICAL COMBINED CYCLE BLOCK AND PLOT PLAN FOR THE COMBINED CYCLE PROJECT	
EXHIBIT 6	GEOGRAPHICAL LOCATION OF THE SITE	
EXHIBIT 7	INDEPENDENT INSURANCE ADVISER'S LETTER DATED 26 APRIL 2005	
EXHIBIT 8	CASHFLOW PROJECTIONS	
EXHIBIT 9	ICE'S LETTER DATED 6 JUNE 2005	

RESPONSIBILITY STATEMENT

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

(The rest of this page has been intentionally left blank)

IMPORTANT NOTICE AND GENERAL STATEMENT OF DISCLAIMER

Ranhill Powertron Sdn Bhd (“RPSB” or the “Issuer”) has authorised Aseambankers Malaysia Berhad (“Aseambankers”) to distribute this Information Memorandum on a confidential basis to potential investors who fall within one or more of the categories of persons under Section 4(6) of the Companies Act, 1965 of Malaysia as amended from time to time (“Companies Act”) or to whom an issue, offer or invitation to subscribe or purchase the Medium Term Notes (“MTNs”) to be issued under the Islamic Medium Term Notes Issuance Programme of RM540.0 million in nominal value (“MTN Programme”) would fall within the circumstances under Section 4(6)(a) of the Companies Act and are subject to certain restriction on resale, for the sole purpose of providing them with certain information which may be used by them to decide whether to subscribe for or purchase the MTNs.

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

None of the information or data contained in this Information Memorandum has been independently verified by Aseambankers or MP Capital Advisory Sdn Bhd (“MPCA”) and no representation or warranty, express or implied, is given or assumed by Aseambankers and MPCA as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum.

Aseambankers and MPCA have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the MTNs and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by RPSB, Aseambankers, MPCA or any other person.

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

This Information Memorandum is not a prospectus 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.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to subscribe for, purchase or in any other way to receive the MTNs under all jurisdictions to which the recipient is subject, (c) the recipient has complied with all applicable laws in connection with such subscription, purchase or acceptance of the MTNs, (d) RPSB, Aseambankers, MPCA 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, purchase or acceptance of the MTNs, and they shall not have any responsibility or liability in the event that such subscription, purchase or acceptance of the MTNs is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the MTNs can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for, purchasing

or accepting the MTNs, and is able and is prepared to bear the economic and financial risks of investing in or holding the MTNs, (g) it is subscribing for, purchasing or accepting the MTNs for its own account, and (h) it is a person who falls within one or more categories of persons specified under Section 4(6) of the Companies Act, subject to any law, order, regulation or official directive of Bank Negara Malaysia, the Securities Commission and/or any other regulatory authority applicable from time to time. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject.

This Information Memorandum is not, and should not be construed as, a recommendation by RPSB, Aseambankers or MPCA or any other party to the recipient to subscribe for or purchase the MTNs. Further, neither RPSB, Aseambankers or MPCA nor any of their respective employees, advisers or agents makes or gives or purports to make or give any representation or warranty, expressed or implied, as to the merits of the MTN Programme and the MTNs or the subscription for or purchase of the MTNs thereof, the creditworthiness or financial condition or otherwise of RPSB or any other person mentioned in this Information Memorandum. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of RPSB, the MTNs and all other relevant matters, and each recipient should consult its own professional advisers.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any MTNs shall in any circumstance imply that the information contained herein concerning RPSB is correct at any time subsequent to the date hereof or that any other information supplied in connection with the MTN Programme is correct as of any time subsequent to the date indicated in the document containing the same. Aseambankers and MPCA expressly do not undertake to review the financial condition or affairs of RPSB during the life of the MTN Programme or to advise any potential investors in the MTNs of any information coming to their attention. The recipient of this Information Memorandum or the potential investors should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to subscribe for or purchase any MTNs.

This Information Memorandum includes certain historical information, estimates and projections, or reports thereon derived from sources mentioned in this Information Memorandum or prepared by RPSB and other publicly available information with respect to the Malaysian economy and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third party sources and nothing contained herein shall be relied upon as a promise or representation as to the past or future.

This Information Memorandum includes “forward looking statements”. These statements include, among other things, discussion on RPSB, its business strategy and expectation concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All these statements are based on estimates and assumptions made by RPSB and third party consultants that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of RPSB 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 and is not a representation or warranty by RPSB or any other person that the plans and objectives of RPSB will be achieved.

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

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION

In accordance with the SCA (as defined in this Information Memorandum) as amended from time to time, a copy of this Information Memorandum will be deposited with the Securities Commission, who takes no responsibility for its contents. Each recipient of this Information Memorandum should rely on their own valuation to assess the merits and risk of investing in the MTNs.

The issue, offer or invitation in relation to the MTNs in this Information Memorandum or otherwise are subject to the fulfilment of various conditions precedent including without limitation the approval from the Securities Commission. Approval from the Securities Commission under Section 32(5) of the SCA was obtained on 9 June 2005. Each recipient of this Information Memorandum acknowledges and agrees that the approval of the Securities Commission shall not be taken to indicate that the Securities Commission recommends the subscription or purchase of the MTNs.

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

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR SUBSCRIBING FOR THE MTNS.

(The rest of this page has been intentionally left blank)

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (a) the most recent audited financial statements of RPSB; and
- (b) all supplements or amendments to this Information Memorandum circulated by RPSB, if any,

save that any statement contained herein or in a document, which is deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document, which is deemed to be incorporated by reference herein, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

RPSB will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to RPSB at its offices set out at the end of this Information Memorandum.

(The rest of this page has been intentionally left blank)

CONFIDENTIALITY

To the recipient of this Information Memorandum:

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

This Information Memorandum is submitted to prospective investors specifically in reference to the MTNs and may not be reproduced or used, in whole or in part, for any purpose, not furnished to any person other than those to whom copies have been provided by Aseambankers.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, RPSB may, at its discretion, apply for any remedy available to RPSB whether at law or equity, including without limitation, injunctions. RPSB is entitled to fully recover from the contravening party all cost, 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 advisers, directors, employees and any other persons concerned with the MTN Programme or MTNs.

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

EACH ISSUE OF MTN(s) WILL CARRY DIFFERENT RISKS AND ALL POTENTIAL INVESTORS ARE STRONGLY ENCOURAGED TO EVALUATE EACH ISSUE OF MTN(s) ON ITS OWN MERIT.

(The rest of this page has been intentionally left blank)

GLOSSARY/DEFINITION

ACQ	Annual Contract Quantity as defined in Section 1.7.1 of the Information Memorandum.
ASSB	Aras Setia Sdn Bhd (company no. 209594-H).
Aseambankers	Aseambankers Malaysia Berhad (company no. 15938-H).
ATS	Messrs. Abu Talib Shahrom, legal counsel acting for the Lead Arranger.
Block	Either the First Block or the Second Block, as the case may be, as each block is further described in the Combined Cycle PPA.
Bursa Securities	Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) (company no. 635998-W).
Business Day	Any day on which commercial banks are open for business in Sabah, Malaysia.
Combined Cycle Capacity Billing Period or Combined Cycle CBP	The period (i) commencing on the First Block COD and ending on the last calendar day in the said month, and (ii) between the respective last calendar day of any 2 consecutive calendar months.
Combined Cycle Capacity Payment(s)	For any Combined Cycle CBP, the payment(s) to be made by SESB to RPSB for dependable capacity available to SESB from the Facility or the Combined Cycle Facility, as the case may be, during such Combined Cycle CBP, as such payment is determined in accordance with Article 5.1 of the Combined Cycle PPA. Combined Cycle Capacity Payments are designed to cover fixed operating costs, debt service obligations (both principal and profit payment) and returns to shareholders. The debt service and shareholders' returns are entirely built into the Combined Cycle Capacity Payments, which are independent of the level of dispatch.
Combined Cycle Dependable Capacity	The net capacity of the Facility or the Combined Cycle Facility, as the case may be, declared in whole MW at the applicable Interconnection Points up to but not exceeding 155MW or 190MW respectively to be made available by RPSB to SESB as provided for in the Combined Cycle PPA.
Combined Cycle Energy Billing Period or Combined Cycle EBP	The period between any 2 consecutive monthly readings used for billing purposes pursuant to the Combined Cycle PPA.
Combined Cycle Energy Payment(s)	For each Combined Cycle EBP, the payments to be made by SESB to RPSB for electrical energy from each Block and metered in accordance with Article XI of the Combined Cycle PPA at the Interconnection Points during such Combined Cycle EBP as such payment is determined in accordance with Articles 5.1 and 6.1 of the Combined Cycle PPA. Combined Cycle Energy Payments are designed to cover variable operating costs and fuel costs. An element of bonus is also built into the Combined Cycle Energy Payments if the load factor exceeds 87%.
Combined Cycle Facility	Consists of the Open Cycle Facility with the addition of 4 HRSGs, 2 steam turbine generators and all ancillaries, equipment and plant for the same with a Combined Cycle Dependable Capacity of 190MW.

Combined Cycle Operation(s)	Concurrent operation of one or more of the gas turbines together with a steam turbine.
Commercial Operations Date or COD	The first date after the initial operations date of the Open Cycle Facility has occurred, on which all of the conditions set forth in the Open Cycle PPA have been satisfied.
Combined Cycle OMA	Operations and Maintenance Agreement dated 19 May 2005 between RPSB and RPOM.
Combined Cycle OMA Contract Year	For the first Combined Cycle OMA Contract Year of the term of the Combined Cycle OMA, the period commencing on the date of signing and ending on December 31 of the year in which the Combined Cycle OMA has been signed, thereafter, each 12-month period during the term of the Combined Cycle OMA commencing on January 1 and ending on December 31 of the same year, provided that the last Combined Cycle OMA Contract Year of the initial Combined Cycle OMA term shall end on the earlier of the date of termination of the Combined Cycle OMA or the date that is 21 years from the Second Block COD.
Combined Cycle PPA	The power purchase agreement dated 9 December 2004 in respect of the sale and purchase of daily available generating capacity and electrical energy generated by the Combined Cycle Facility entered into between RPSB and SESB.
Combined Cycle Scheduled Commercial Operations Date or Combined Cycle SCOD	9 March 2007, being the date which has been fixed for the commercial operations of the Combined Cycle Facility.
Combined Cycle Unit	Any one of the gas or steam turbine generators together with ancillaries which are capable of generating power.
Commencement Date	The date on which Conversion Works is to begin and prior written notice of such date shall be given not less than 30 days by RPSB to SESB, which is 8 April 2005.
Communication Facilities or CF	All of the facilities as more specifically described in Appendix E of the Combined Cycle PPA and which have been determined by SESB and RPSB to be necessary, in accordance with Prudent Utility Practices, to enable the control centre to communicate with and dispatch the Combined Cycle Facility.
Conversion Period	The period commencing 9 December 2004 until the day immediately preceding the Second Block COD.
Conversion Works or Combined Cycle Project	All works, whether of a temporary or permanent nature, required in or about or for the purposes of conversion of the Open Cycle Facility into the Combined Cycle Facility and includes works to the IF and CF as specified in Appendix E of the Combined Cycle PPA.
CSA	Contractual services agreement dated 29 November 2001 between RPSB and the CSA Contractor for maintenance services for the Covered Units.
CSA Contractor	GE Energy Parts, Inc. and GE Power Systems (Malaysia) Sdn Bhd (company no. 264760-T).

CULS	RM29.0 million nominal value of 10-year 12.5% per annum cumulative unsecured loan stocks at a nominal value of RM1.00 each issued on 30 June 1998 and which expire on 30 June 2008.
Covered Unit(s)	Has the meaning ascribed in Section 10.5.1 of the Information Memorandum.
Derated Hour	Any hour or part thereof during a period when any portion of the Open Cycle Dependable Capacity or Combined Cycle Facility Dependable Capacity, as the case may be, is not available due to a forced outage, scheduled outage, maintenance outage or major overhaul outage and any hour or part thereof during a period when any part of the dependable capacity is not available so that the net generating capacity of the Open Cycle Facility or Combined Cycle Facility, as the case may be, as declared in accordance with the Open Cycle PPA and Combined Cycle PPA respectively, is less than the dependable capacity then in effect.
Designated Accounts	Has the meaning ascribed in Section 2.2 of the Information Memorandum.
Designated Subcontractor	MHI-MC Consortium, the specialist subcontractor proposed by REC in its tender and/or any subcontractor nominated or selected by RPSB or its representative and employed by REC.
DGES	Director-General of Electricity Supply of the Department of Electricity and Gas Supply which was dissolved in January 2002 whereby its regulatory functions were taken over by the Energy Commission.
EAF	Equivalent Availability Factor. For any period, the availability of the Open Cycle Facility or Combined Cycle Facility, as the case may be, to produce electrical energy during such period for delivery to LLS or SESB at the Interconnection Points.
EIA	Environmental Impact Assessment.
Energy Commission	Established as a corporate body under the Energy Commission Act 2001 (Act 610), to regulate the energy supply activities in Malaysia and to enforce the energy supply laws, and for matters connected therewith.
EPC	Engineering, procurement and construction.
EPC 1 Contract	The turnkey EPC contract between RPSB and REC dated 14 March 2005.
EPC 1 Works	All Conversion Works undertaken pursuant to the terms and conditions under the EPC 1 Contract.
EPC 2 Works	All IF and CF works undertaken pursuant to the terms and conditions under the EPC 2 Contract.
EPC 2 Contract	The turnkey EPC contract between RPSB and REC dated 31 March 2005.
EPC Contracts	Collectively the EPC 1 Contract and EPC 2 Contract.
EPC Contractor	Collectively the contractor in respect of the EPC 1 Contract and EPC 2 Contract.

EPU	Economic Planning Unit.
ESA	Electricity Supply Act, 1990.
Facility	The Open Cycle Facility together with the First Block as installed, tested and commissioned.
First Block	The first Block to be commissioned comprising 2 gas turbine generators, 2 associated HRSGs and 1 associated steam turbine generator capable of operating in combined cycle mode together with all ancillaries and having a nominal output of 95MW at specified Site conditions.
First Block Commercial Operations Date or First Block COD	The date after the First Block IOD on which (i) all of the conditions sets forth in Article IV of the Combined Cycle PPA (to the extent applicable to the First Block) shall have been satisfied and (ii) the conditions set forth in Articles 7.3(a) and 9.2(a) of the Combined Cycle PPA shall have been satisfied for the First Block.
First Block Initial Operations Date or First Block IOD	The first date on which the electrical energy is generated by the First Block and metered at the Interconnection Points.
FSA	An agreement between RPSB and Shell Timur dated 14 April 1997 for the supply and delivery of Shell diesoline.
FSCR	Finance Service Cover Ratio = (After-tax cashflow before finance service and distributions to the shareholders + cash balances at the beginning of the year)/Principal and profit service over the next 12 months.
FSRA	Finance Service Reserve Account.
Government	Government of Malaysia.
GSA	Agreement for the Sale and Purchase of natural gas dated 7 May 1997 between PETRONAS and RPSB and a Supplementary Agreement dated 12 May 1999 between RPSB, PETRONAS and PETRONAS Carigali where PETRONAS Carigali would be joint seller of natural gas with PETRONAS.
GSA Contract Year	Under the GSA, the first GSA Contract Year shall be from 1 May 1998 to 31 December 1998. The 2 nd to the 20 th GSA Contract Years shall be from 1 January to 31 December of each year. The 21 st GSA Contract Year shall be from 1 January 2018 to 30 June 2018.
HRSG(s)	Heat recovery steam generator(s).
HHV	Higher Heating Value.
Indexable Fixed Charge	For any Combined Cycle CBP, the amount per kilowatt of Combined Cycle Dependable Capacity payable by SESB to RPSB and set forth in Exhibit A of the Combined Cycle PPA under the heading "Indexable Fixed Charge".

Interconnection Facilities or IF	All of the facilities as more specifically described in Appendix E of the Combined Cycle PPA and which have been determined by SESB and RPSB to be necessary, in accordance with Prudent Utility Practices, to enable SESB to receive electrical energy from the Combined Cycle Facility or to enable RPSB to receive electrical energy from the SESB System and to maintain the stability of the SESB System.
Interconnection Point(s)	The physical point(s) where the Open Cycle Facility (or the Combined Cycle Facility, as the case may be) and the LLS System (or SESB System, as the case may be) are connected or such other point or points as the parties may agree.
IPP(s)	Independent Power Producer(s).
IPP Licence	Electricity generating licence for the Open Cycle Facility.
JAS	Jabatan Alam Sekitar Negeri Sabah.
Kpag	Kilopascal gauge.
kSM ³	Thousand Standard Cubic Meter.
KTA Tenaga or ICE	KTA Tenaga Sdn Bhd (company no. 239199-V), the Independent Consulting Engineer acting for the Lead Arranger.
kV	Kilovolts.
LLS	Lembaga Letrik Sabah, its permitted assigns or any successor thereto.
Main Works	Supply and installation of 4 HRSGs, 2 steam turbine generators, air cooled condensers, transformers, associated plant auxiliaries and civil works.
Maybank	Malayan Banking Berhad (company no. 3813-K).
MHI-MC Consortium	Consortium comprising Mitsubishi Heavy Industries, Ltd and Mitsubishi Corporation Ltd.
Mit-Perinsima or Independent Insurance Adviser	Mit-Perinsima Insurance Brokers Sdn Bhd (company no. 15832-W).
MPCA	MP Capital Advisory Sdn. Bhd. (company no. 369561-W).
MMBTu	Million British Thermal Unit.
MRA	The maintenance reserve account pursuant to the Combined Cycle PPA to be held in accordance with the terms of the MTN Programme.
MTNs	Medium Term Notes to be issued under the MTN Programme.
MTN Programme	Islamic Medium Term Notes Issuance Programme of RM540.0 million in nominal value.
MW	Megawatts.
Net ACQ	Net Annual Contract Quantity as defined in Section 1.7.1 of the Information Memorandum.

Net Electrical Output or NEO	With respect to the Open Cycle Facility or Combined Cycle Facility for any period, the electrical energy output of such facility (measured in kilowatt-hours at the applicable Interconnection Points), as the case may be, during such period, net of station use.
Noteholders	The holders of the MTNs.
O&M	Operations and Maintenance.
Open Cycle Commercial Operations Date or Open Cycle COD	The first date, after the initial operations date of the Open Cycle Facility has occurred, on which (i) all of the conditions set forth in Article IV of the Open Cycle PPA shall have been satisfied, and (ii) the conditions set forth in Articles 7.3 and 9.2(a) of the Open Cycle PPA shall have been satisfied. RPSB achieved Open Cycle COD on 10 August 1998.
Open Cycle Capacity Payment(s)	For any Open Cycle CBP, the payment to be made by LLS to RPSB for dependable capacity available to LLS from the Open Cycle Facility during such Open Cycle CBP, as such payment is determined in accordance with Article 5.1 of the Open Cycle PPA.
Open Cycle Capacity Billing Period or Open Cycle CBP	The period (i) commencing on the COD of the Open Cycle Facility and ending at the end of the Open Cycle EBP then current and thereafter (ii) the period between any two consecutive monthly meter readings used for billing purposes pursuant to the Open Cycle PPA.
Open Cycle Dependable Capacity	The capacity of the Open Cycle Facility (declared in whole megawatts at the applicable Interconnection Point) to be made available by RPSB to LLS as provided for in the Open Cycle PPA.
Open Cycle Energy Billing Period or Open Cycle EBP	The period between (i) the Open Cycle Initial Operations Date and the first monthly reading used for billing purposes and (ii) any two consecutive monthly readings used for billing purposes pursuant to the Open Cycle PPA.
Open Cycle Energy Payment(s)	For each Open Cycle EBP, the payments to be made by LLS to RPSB for electrical energy from the Open Cycle Facility and metered in accordance with Article XI at the Interconnection Point during such Open Cycle EBP as such payment is determined in accordance with Articles 5.1 and 6.1 of the Open Cycle PPA.
Open Cycle Facility	The electricity generating facility consisting of 4 gas turbine generating units with an output capacity of up to 132MW (together with all ancillaries, equipment and plant) and located in Melawa, Kota Kinabalu.
Open Cycle Initial Operations Date or Open Cycle IOD	The first date on which electrical energy is generated by the Open Cycle Facility and metered at the Interconnection Point.
Open Cycle OMA	Operations and Maintenance Agreement dated 26 June 1997 between RPSB and RPOM.

Open Cycle OMA Contract Year	For the first Open Cycle OMA Contract Year of the term of the Open Cycle OMA, the period commencing on the date of signing and ending on December 31 of the year in which the Open Cycle OMA has been signed, thereafter, each 12-month period during the term of the OMA commencing on January 1 and ending on December 31 of the same year, provided that the last Open Cycle OMA Contract Year of the initial Open Cycle OMA term shall end on the earlier of the date of termination of the Open Cycle OMA or the date that is 21 years from the Open Cycle COD.
Open Cycle Operation(s)	Operation of one or more of the gas turbines without the steam turbines being in operation.
Open Cycle PPA	The power purchase agreement dated 27 February 1997 in respect of the sale and purchase of daily available generating capacity and electrical energy generated by the Open Cycle Facility entered into between RPSB and LLS.
Operator	RPOM, the firm appointed by RPSB under the Open Cycle OMA and Combined Cycle OMA.
Owner's Engineer	Minconsult Sdn Bhd (company no. 58835-P).
PETRONAS	Petroleum Nasional Berhad (company no. 20076-K).
PETRONAS Carigali	PETRONAS Carigali Sdn Bhd (company no. 39275-U).
Pre-COD Period	The period from and including the First Block COD until the date immediately preceding the Second Block COD.
Project Agreements	Has the meaning ascribed in Section 1.5 of the Information Memorandum.
Prudent Utility Practices	The practices generally followed by the electric utility industry including IPPs as changed from time to time, which generally include, but are not limited to, engineering and operating considerations, the use of equipment, practices, methods and adherence to applicable industry codes, standards and regulations.
RAM	Rating Agency Malaysia Berhad (company no. 208095-U).
RC Facility	The outstanding revolving credit facility of RM260.0 million made available by Maybank to RPSB upon the terms and subject to the conditions contained in the Facility Agreement dated 29 July 2002 between Maybank and RPSB.
REC or EPC 1 Contractor or EPC 2 Contractor	Ranhill Engineers and Constructors Sdn Bhd (company no. 221264-W).
RHB Bank	RHB Bank Berhad (company no. 6171-M).
RPB	Ranhill Power Berhad (company no. 12351-K).
RPOM	Ranhill Power O&M Sdn Bhd (company no. 417928-T) (formerly known as Reward Resources Sdn Bhd).

RPSB or the Issuer	Ranhill Powertron Sdn. Bhd. (company no. 330342-K) (formerly known as Powertron Resources Sdn. Bhd).
SC	Securities Commission.
SEC	Sabah Energy Corporation Sdn Bhd (company no. 381950-H).
Second Block	The second Block to be commissioned comprising 2 gas turbine generators, 2 associated HRSGs and 1 associated steam turbine generator capable of operating in combined cycle mode together with all ancillaries and having a nominal output of 95MW at Site conditions.
Second Block Commercial Operations Date or Second Block COD	The date after the Second Block IOD on which (i) all of the conditions set forth in Article IV of the Combined Cycle PPA has been satisfied and (ii) the conditions set forth in Articles 7.3(b) and 9.2(b) of the Combined Cycle PPA shall have been satisfied, for the Second Block.
Second Block Initial Operations Date or Second Block IOD	The first date on which electrical energy is generated by the Second Block and metered at the Interconnection Points.
SESB	Sabah Electricity Sdn. Bhd. (company no. 462872-W).
SESB System or LLS System	The power network controlled or used by SESB or LLS for the purpose of generating, transmitting, and distributing electricity to SESB's or LLS' customers as the case may be.
Shell Timur	Shell Timur Sdn Bhd (company no 113304-H).
Site	The parcel of land measuring approximately 7.34 hectares situated at KKIP Selatan Industrial Zone 3 within Kota Kinabalu Industrial Park, Melawa, Menggatal, which is approximately 30 kilometres north of Kota Kinabalu, on which the Open Cycle Facility was erected and the Combined Cycle Project is to be implemented.
SOCISO	Social Security Organisation.
Term	In respect of the Open Cycle PPA, 21 years from Open Cycle COD or in respect of the Combined Cycle PPA, 21 years from Second Block COD, as the case may be, and any extensions thereof.
TIME	TIME Engineering Berhad (company no 10039-P).
TNB	Tenaga Nasional Berhad (company no 200866-W).
TNBG	TNB Generation Sdn Bhd (company no. 386991-W).
TNB Remaco	TNB Repair and Maintenance Sdn Bhd (company no. 360318-P).
ToP	Under the GSA, the take-or-pay quantity shall be 75% of Net ACQ.
Trustee/Security Trustee	Malaysian Trustees Berhad (company no. 21666-V).

1.0 Executive Summary

1.1 Background and Overview

RPSB was granted an IPP Licence by the DGES on 4 April 1995 to finance, construct, own and operate a gas-fired power plant with a nominal capacity of 120MW. The IPP Licence permits RPSB to use, work and operate any electrical installation and to supply electrical energy to LLS. The IPP Licence came into force on 29 April 1995 and unless revoked shall expire 21 years after 1 August 1998. Following the satisfaction of certain conditions set out in the Open Cycle PPA, the first 90MW electricity generated was despatched on 10 August 1998. The Open Cycle Facility reached its full generating capacity of 120MW on 1 February 1999.

The Combined Cycle Facility will be located at the Site of the Open Cycle Facility which is owned by RPSB pursuant to the Sale and Purchase Agreement between KKIP Sdn Bhd and RPSB dated 31 March 1997. The electricity is exported by RPSB via 132kV transmission lines to the Penampang substation. The Conversion Works include the extension of the existing 132kV switchyard to accommodate the IF and CF, which is covered under the EPC 2 Contract. The fuel gas for the Combined Cycle Facility is delivered from the PETRONAS pipeline that terminates at the Site boundary.

1.2 Open Cycle Facility

The Open Cycle Facility comprises 4 units of dual fired gas turbine generators of GE Model PG 6551B and ancillary equipment. The gas turbines are of a Frame 6B design manufactured by General Electric Company of U.S.A. The dependable capacity at the interconnection point is 120MW with a gross output of 132MW. The EPC contractor responsible for the design, engineering, procurement, construction, start-up and commissioning of the Open Cycle Facility was a consortium comprising General Electric Power Systems Inc., GE Power Systems (Malaysia) Sdn Bhd and Peremba Kentz Engineering Sdn Bhd.

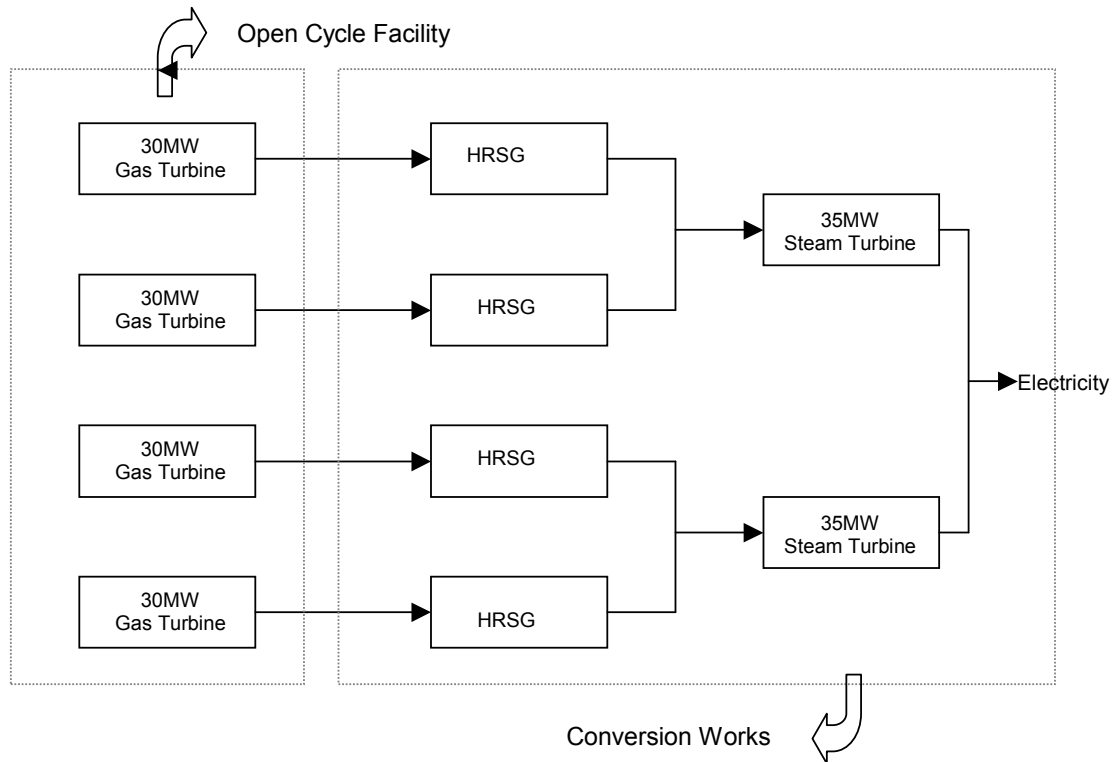
Within 15 months of the signing of the Open Cycle PPA, RPSB commissioned the plant for testing in 22 May 1998 with subsequent commercial operations commencing in August 1998. Since commissioning, the Open Cycle Facility has met all the required performance obligations stipulated in the Open Cycle PPA and has achieved a rolling average EAF of 96.8% with a dependable capacity of 120MW since February 1999. This has enabled RPSB to claim full capacity payments based on 120MW since February 1999.

1.3 Combined Cycle Facility

In February 2000, RPSB received an invitation for proposal from SESB to participate in the Conversion Works. Pursuant thereto, on 30 June 2000, RPSB submitted a proposal to SESB, to convert the existing Open Cycle Facility into the Combined Cycle Facility with the addition of 4 HRSGs and 2 steam turbine generators including associated ancillary equipment. Arising therefrom, the EPU issued a letter dated 10 November 2004 stating that the Government had approved the Combined Cycle Project.

The combined cycle conversion process essentially converts the waste heat from the existing gas turbines, which would otherwise be released into the atmosphere, to steam in order to run the steam turbines for an additional output of up to 70MW. This process leads to more efficient operations as this additional capacity would be generated at no additional fuel cost.

A summarised diagram of the proposed Combined Cycle Facility is depicted below:-



The estimated projected costs for the Conversion Works are as follows:-

	<u>RM Million</u>
EPC Contracts	
- EPC 1 Contract (Main Works)	274.0
- EPC 2 Contract (IF and CF)	7.0
Non-EPC construction, consultancy and financing costs	84.0
Estimated project costs	365.0

(The rest of this page has been intentionally left blank)

1.4 Ownership Structure

RPSB's shareholders as at 27 April 2005 are as follows:-

Shareholders	No. of ordinary shares held	No. of CULS held	Percentage of Shareholding
RPB	7,000,000	20,300,000	70%
SEC	2,000,000	5,800,000	20%
ASSB	1,000,000	*2,900,000	*10%
TOTAL	10,000,000	29,000,000	100%

* Please refer to Section 3.2.1 on the proposed purchase by RPB of ASSB's 10% equity stake in RPSB.

1.5 Project Agreements

A summary of the Project Agreements (including supplementals) for both the Open Cycle and Combined Cycle Projects are as follows:-

	Project Agreements	Contracting Parties	Date of Document
1	Open Cycle PPA	LLS and RPSB	27 February 1997
2	Combined Cycle PPA	SESB and RPSB	9 December 2004
3	EPC 1 Contract (Main Works)*#	RPSB and REC	14 March 2005
4	EPC 2 Contract (IF and CF)#	RPSB and REC	31 March 2005
5	Open Cycle OMA **	RPSB and RPOM	26 June 1997
6	Combined Cycle OMA	RPSB and RPOM	19 May 2005
7	GSA and Supplementary GSA **	RPSB, PETRONAS and PETRONAS Carigali	7 May 1997 and 12 May 1999
8	FSA **	RPSB and Shell Timur	14 April 1997
9	CSA **	RPSB and the CSA Contractor	29 November 2001

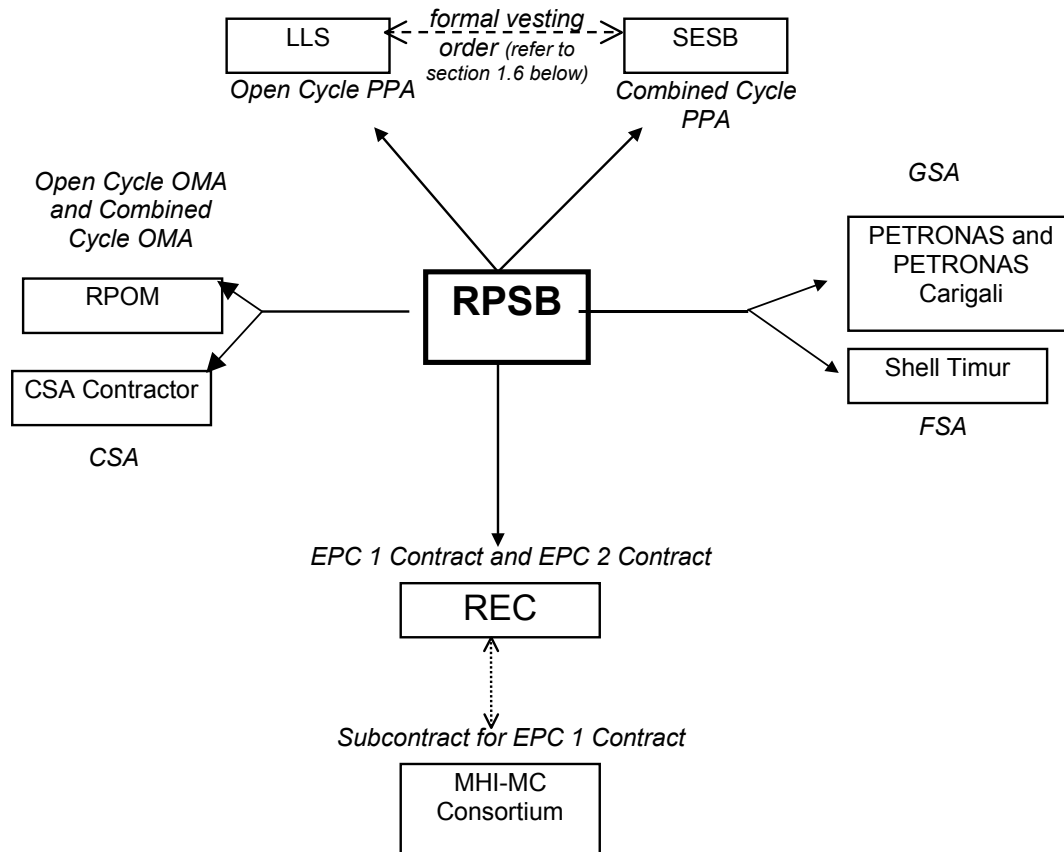
* REC signed a subcontract with MHI-MC Consortium on 8 February 2005 in relation to the supply of power island equipment consisting of HRSGs, steam turbines and air cooled condensers including erection supervision, testing and commissioning of the power island equipment, which form part of the Conversion Works.

as further clarified pursuant to a letter dated 9 May 2005.

** including such supplementals and/or agreements entered and/or as may be entered into by RPSB thereafter.

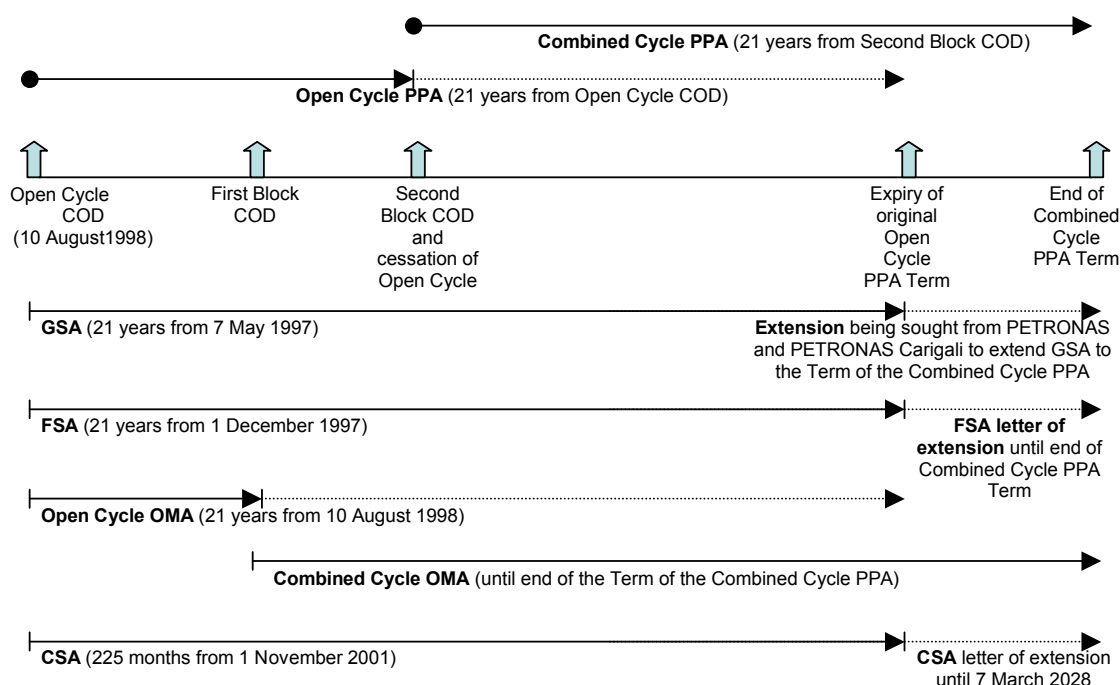
(The rest of this page has been intentionally left blank)

A diagram of the project contractual structure is depicted below:-



(The rest of this page has been intentionally left blank)

A diagram depicting the validity of the key documents is shown below:-



1.6 Power Purchase Agreements

The Open Cycle PPA and the Combined Cycle PPA are the key documents that govern the underlying strength of RPSB's cashflow, which provide for, *inter alia*, the formula for electricity tariff calculations and all other terms and conditions to be met by RPSB. RPSB earns capacity payments by maintaining dependable capacity and availability of the power plant and energy payments by selling electricity to LLS/SESB. The Open Cycle PPA shall continue to be the governing document and shall cease to take effect from the Second Block COD of the Combined Cycle Facility.

A recital under the Combined Cycle PPA provides that SESB has assumed the rights and obligations of LLS under the Open Cycle PPA. Notwithstanding this, it is a condition precedent to the obligations of RPSB under the Combined Cycle PPA that the formal vesting, transfer or novation of the rights and obligations of LLS thereunder shall be completed. SESB has advised that a vesting order shall be issued/gazetted to formalise the transfer of the rights and obligations of LLS under the Open Cycle PPA to SESB.

1.6.1 Open Cycle PPA

RPSB entered into the Open Cycle PPA with LLS on 27 February 1997 for the sale of electricity exclusively to LLS for a period of 21 years from the Open Cycle COD (which took place on 10 August 1998). In fulfilling its obligations under the Open Cycle PPA, RPSB had designed, constructed, and is currently operating and maintaining the Open Cycle Facility. The Open Cycle PPA provides for Open Cycle Capacity Payments and Open Cycle Energy Payments to cover fixed expenses and variable costs related to electricity generation incurred by the Open Cycle Facility.

1.6.2 Combined Cycle PPA

RPSB executed a Combined Cycle PPA for a generating capacity of up to 190MW on 9 December 2004. Meanwhile, the existing Open Cycle PPA will cease to have effect and be deemed terminated on and from 9 March 2007 (or such earlier or later date as varied in accordance with the terms and conditions of the Combined Cycle PPA). The Combined Cycle PPA will be the governing document thereafter.

The Combined Cycle PPA provides for the sale of electricity to SESB commencing from the Combined Cycle SCOD and has a term of 21 years from the Second Block COD of the Combined Cycle Facility.

Under the Combined Cycle PPA, payments by SESB to RPSB will comprise Combined Cycle Capacity Payments and Combined Cycle Energy Payments.

The salient features of the Combined Cycle PPA are outlined in Section 7.0.

1.6.3 The Power Purchaser

SESB was founded on 1 September 1998 to take over the business of electricity supply from LLS, a statutory body of the Sabah state government, which had been supplying electricity to consumers in Sabah and Labuan.

(Source: Ministry of Energy, Water and Communications' website www.ktkm.gov.my as at 19 May 2005)

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

(Source: www.sesb.com.my as at 19 May 2005)

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

(Source: Statutory financial statements of SESB for the financial year ended 31 August 2004)

1.7 Fuel Supply Agreements

1.7.1 Gas Supply Agreement

RPSB entered into an agreement for the sale and purchase of natural gas with PETRONAS on 7 May 1997. By virtue of the Supplementary Agreement dated 12 May 1999, PETRONAS had included PETRONAS Carigali as joint seller of natural gas under the GSA where the inclusion of PETRONAS Carigali was deemed effective from 7 May 1997. Subject to any specific rights of termination or extension, the GSA will expire on the 21st anniversary of the coming into force of the IPP Licence. On 28 March 2005, RPSB had received written confirmation from PETRONAS Carigali that it has the supply ability to meet the plant demand for natural gas, subject to sufficient gas reserves and on such terms and conditions to be reflected in an agreement of extension of the tenure of the GSA in due course between PETRONAS, PETRONAS Carigali and RPSB.

There is no requirement for additional quantities of gas or distillate for the Combined Cycle Project, as the steam turbines use exhaust gas from the existing open cycle gas turbines.

It is a provision of the GSA that subject to the occurrence of certain events, the first GSA Contract Year shall commence on 1 May 1998 and shall end on 31 December 1998. The 21st GSA Contract Year shall commence on 1 January 2018 and shall end on 30 June 2018. The GSA stipulates the ACQ in the following manner:-

GSA Contract Years	ACQ (kSM ³)
1	106,869
2 – 6	159,213
7	237,979
8 – 20	315,889
21	156,646

During each GSA Contract Year, RPSB has agreed to purchase and take delivery of natural gas equivalent to 75% of the Net ACQ.

The Net ACQ is the ACQ for the GSA Contract Year less:

- (i) any quantity of natural gas notified for delivery but which PETRONAS has not delivered or where RPSB has not been able to accept due to reasons of force majeure;
- (ii) any quantity of natural gas rejected by RPSB for failing to meet the quality and delivery pressure set out in Article VIII of the GSA; and
- (iii) any quantity of natural gas notified for delivery which PETRONAS has failed to deliver for any reason.

Where RPSB has, in any GSA Contract Year, paid for any quantity of natural gas but not taken delivery of the same, RPSB may, within 1 GSA Contract Year subject to the PETRONAS delivery capability, take delivery of that quantity of natural gas so paid for and if not taken within the said period, it shall be forfeited.

Prior to 1 January 2000, the price of natural gas was based on prevailing market prices. Since 1 January 2000, PETRONAS had agreed to fix the price of natural gas at RM6.40 per MMBtu, which is similar to what is paid by IPPs in Peninsular Malaysia. In both cases, the price of natural gas was “passed through” to LLS/SESB through the energy payment component. The fixed price of RM6.40 per MMBtu has resulted in significantly lower variable production costs and RPSB has consequently enjoyed considerably higher dispatch levels since 1 January 2000.

The actual quantity of natural gas purchased by RPSB has generally exceeded the ToP level, as shown in the table below. The quantities of natural gas are expressed in thousands of standard cubic meters.

GSA Contract Year	Calendar Year	ACQ	ToP Quantity (75% of ACQ)	Actual Quantity Purchased	“Cushion” Over ToP Quantity*	Capacity Factor (Monthly Average)
1	1998	106,869	80,152	83,140	4%	-
2	1999	159,213	119,410	119,052	Nil	42%
3	2000	159,213	119,410	188,904	58%	53%
4	2001	159,213	119,410	253,996	113%	72%
5	2002	159,213	119,410	244,436	105%	68%
6	2003	159,213	119,410	244,612	105%	74%
7	2004	237,979	178,484	294,182	65%	83%

* (Actual consumption – ToP)/ToP x 100%

1.7.2 Fuel Supply Agreement

RPSB had entered into an agreement with Shell Timur on 14 April 1997 for the sale and delivery of Shell diesoline. The agreement has a term of 21 years commencing from 1 December 1997 and will remain in force until 30 November 2018. RPSB had, on 28 March 2005, obtained an extension of tenure of the FSA until 7 March 2028 to coincide with the full term of the Combined Cycle PPA. RPSB will use the Shell diesoline as a backup fuel in the event natural gas is not available and is only obligated to make payments to Shell Timur for the Shell diesoline supplied.

1.8 Operations and Maintenance Agreement

RPSB entered into the Open Cycle OMA with Reward Resources Sdn Bhd on 26 June 1997. Reward Resources Sdn Bhd RSB was subsequently renamed RPOM on 1 October 2004. RPOM's shareholders are RPB (70.0%) and SEC (30.0%).

RPSB entered into a technical assistance agreement dated 30 June 2003 with TNBG which expired on 1 March 2005 for the provision of technical expertise and services to RPSB. As of the date of this Information Memorandum, RPSB is in the process of negotiating a new technical assistance agreement with TNB Remaco, a wholly owned subsidiary of TNB, to provide technical expertise and services for both the Open Cycle and Combined Cycle Facility. Pending finalisation of the new technical assistance agreement with TNB Remaco, TNBG is continuing to provide the technical expertise and services to RPSB.

RPSB had also, on 19 May 2005, entered into a Combined Cycle OMA with RPOM to include, *inter alia*, the maintenance of the steam turbines and HRSGs for the tenure of the Combined Cycle PPA.

On 29 November 2001, RPSB entered into the CSA with the CSA Contractor. The CSA covers all aspects relating to the upkeep and maintenance of the Covered Units. RPSB had on 1 April 2005, extended the tenure of the CSA term to 7 March 2028.

1.9 Existing Financing Facilities

On 26 June 1997, RPSB entered into a financing agreement with RHB Bank for the arrangement and provision of syndicated project finance facilities to part finance the design and construction of the Open Cycle Facility. The aggregate amount of the financing facilities granted was RM330.0 million, comprising a term loan of RM289.0 million, a revolving credit facility of RM15.0 million and bank guarantee facilities of RM26.0 million.

On 26 August 2002, RPSB refinanced its then outstanding financing facilities from RHB Bank by the RC Facility granted by Maybank. The RC Facility, which matures on 26 August 2005, will be fully repaid from the issue proceeds of the MTN Programme.

(The rest of this page has been intentionally left blank)

1.10 **Financing Plan**

RPSB proposes to refinance the RC Facility as well as to procure additional financing to part-finance the Conversion Works from the proceeds of the issuance of the MTN Programme.

The proposed sources and application of funds for the Conversion Works (over the period up to March 2007) are shown in the table below:-

	<u>RM Million</u>
<u>Sources of Funds</u>	
Issue of MTNs	540.0
Internally generated funds from Open Cycle Facility	85.0
Sources of funds	<u>625.0</u>
<u>Application of Funds</u>	
Refinancing of RC Facility	260.0
Conversion Works	365.0
Application of funds	<u>625.0</u>

The issuance of the MTNs pursuant to the MTN Programme is subject to the approval of the SC, which was obtained on 9 June 2005. Pursuant thereto, the relevant financing and security documents for the MTN Programme were duly executed by RPSB on 13 June 2005.

1.11 **Project Economics**

The key assumptions used in deriving the cashflow projections are shown in the *Project Economics* section. The cashflow projections commence from 1 January 2005 and cover a period of 21 years from 9 March 2007. The cashflow projections take into consideration RPSB's accumulated cash and profits brought forward from 31 December 2004.

RPSB will receive Open Cycle Capacity Payments during the Conversion Works and Combined Cycle Capacity Payments, which are both intended to cover debt service (both profit payments and principal repayments due under the MTN Programme), fixed operating costs as well as returns to shareholders. Both Open Cycle Energy Payments and Combined Cycle Energy Payments will depend on the level of dispatch, but are essentially "pass through" in nature.

RPSB will effect payments to the Operator (for the maintenance of the steam turbines and HRSGs) in accordance with the terms set out under the Open Cycle OMA and the Combined Cycle OMA. Its Covered Units will be maintained by the CSA Contractor in accordance with the terms set out in the CSA and the letter of extension thereto dated 1 April 2005.

The minimum and average FSCR over the tenure of the MTN Programme is projected at 3.78 times and 5.97 times respectively. The maximum debt to equity ratio over the cashflow projection period is 78:22 (occurring immediately upon full issuance of the MTNs).

1.12 **Rating**

As at the date of this Information Memorandum, a long-term rating of AA₃, with a stable outlook, has been assigned for the MTN Programme by RAM.

1.13 Environmental Impact Assessment

JAS approved the Combined Cycle Project's EIA study on 21 September 2001 based on an electricity generating capacity of 180MW. On 7 December 2004, JAS extended the validity of the EIA approval until December 2005. RPSB has, via a letter dated 28 March 2005, applied to JAS to amend the approval to reflect a generating capacity of 190MW.

(The rest of this page has been intentionally left blank)

2.0 Financing Facilities

2.1 Bridge Financing Facility

RPSB proposes to refinance the existing RC Facility as well as to procure additional financing to part-finance the Conversion Works through issuance of the MTN Programme. The salient terms and conditions pertaining to the RC Facility are as follows:-

Borrower	: RPSB
Lender	: Maybank
Facility Agent	: Aseambankers
Type of Facility and Limit	: RC Facility of RM260.0 million
Purpose	: To refinance the RM330.0 million syndicated project finance facilities arranged and granted to RPSB by RHB Bank. The syndicated project finance facilities were granted to part-finance the construction of RPSB's Open Cycle Facility.
Maturity	: 26 August 2005
Repayment	: Bullet repayment on the earlier of:- <ul style="list-style-type: none">• Maturity of the RC Facility; or• Issuance of the MTN Programme.

2.2 MTN Programme

RPSB proposes to issue the MTN Programme to refinance its RC Facility and the balance of RM280.0 million to part-finance the Conversion Works. The relevant financing and security agreements for the MTN Programme were duly executed by RPSB on 13 June 2005. The salient terms and conditions of the MTN Programme are as follows:-

Type of Programme	: MTN Programme of RM540.0 million in nominal value
Principal Adviser and Lead Arranger	: Aseambankers
Financial Adviser	: MPCA
Legal Counsel	: ATS
Facility Agent	: Aseambankers
Trustee and Security Trustee	: Malaysian Trustees Berhad
Syariah Adviser	: Maybank
Rating Agency	: RAM
ICE	: KTA Tenaga

Independent Insurance Adviser : Mit-Perinsima

Utilisation of proceeds : The proceeds raised from the MTN Programme shall be utilised as follows:-
RM260.0 million
To fully redeem the RC Facility.

The net proceeds shall be disbursed directly to Maybank towards redemption of the RC Facility. In the event that the net proceeds to be raised are insufficient to fully redeem the RC Facility, the shortfall shall be settled by RPSB prior to the first issuance of the MTNs under the MTN Programme.

RM280.0 million

To part finance all costs associated with the development, design, construction, start-up and initial operations of the Conversion Works including financing the working capital requirements of RPSB in relation to the same, contingencies and reimbursement of reasonable costs/expenses incurred by RPSB (i.e. the EPC costs payable to the EPC Contractor and the non-EPC construction, consultancy and financing costs), save and except for the financing costs incurred under the MTN Programme subject always to the "Financial covenants" of the MTN Programme as set out below.

Tenure : 14 years from the date of first issuance under the MTN Programme.

The amount available for issuance under the MTN Programme shall be reduced on an annual reducing balance basis with the first reduction commencing on the 3rd anniversary from the date of the first issuance of the MTNs under the MTN Programme as follows:-

Annual reduction date	Annual reduction amount (RM' Million)	Available limit (RM' Million)
Issue Date (date of first issuance of the MTNs)	-	540.0
3 rd anniversary from the Issue Date	10.0	530.0
4 th anniversary from the Issue Date	15.0	515.0
5 th anniversary from the Issue Date	20.0	495.0
6 th anniversary from the Issue Date	55.0	440.0
7 th anniversary from the Issue Date	55.0	385.0
8 th anniversary from the Issue Date	55.0	330.0
9 th anniversary from the Issue Date	55.0	275.0
10 th anniversary from the Issue Date	55.0	220.0
11 th anniversary from the Issue Date	55.0	165.0
12 th anniversary from the Issue Date	55.0	110.0
13 th anniversary from the Issue Date	55.0	55.0
14 th anniversary from the Issue Date	55.0	Nil

The amount to be reduced in accordance with the annual reduction schedule will not be available for reissuance and shall be cancelled upon redemption.

Security and
Support

: The MTN Programme shall be secured and supported by the following:-

- (i) a debenture to create a first ranking fixed and floating charge over all of RPSB's assets, both present and future;
- (ii) *an assignment of all the rights, title, interest and benefit of RPSB in and to the Sale and Purchase Agreement dated 31 March 1997 entered into between KKIP Sdn Bhd, as seller and RPSB, as purchaser, in respect of the sale by KKIP Sdn Bhd and purchase by RPSB of all those land forming the Site;
- (iii) a charge and assignment of all the rights, benefit and interest of RPSB in and to the Designated Accounts;
- (iv) an assignment of all the rights, interest and benefit of RPSB under the Project Agreements (including the right to all liquidated damages payable thereunder and the right to revenues under the Open Cycle PPA and Combined Cycle PPA respectively and such step-in rights available to the Noteholders under the terms of the relevant Project Agreements);
- (v) an assignment of all the rights, interest and benefit of RPSB in and to all applicable licences and permits related to the Open Cycle Facility and Combined Cycle Project (to the extent that the licences and permits are assignable and no further consents are required to be obtained for such assignment);
- (vi) an assignment of all the rights, interest and benefit of RPSB in and to the insurance policies and proceeds therefrom, with the Security Trustee being named as co-insured on all insurance policies taken out or to be taken out by RPSB under the relevant project agreements (in relation to the Combined Cycle PPA, to share the security interest in the proceeds of the relevant insurance policies with SESB in accordance with the priority as set out therein); and
- (vii) an assignment of all the rights, interest and benefits of RPSB under any performance bonds and performance guarantees issued in favour of RPSB under the Project Agreements including from the EPC Contractor and subcontractors, if applicable (in relation to the Combined Cycle PPA, to share the security interest in the proceeds of the relevant performance bonds and performance guarantees with SESB in accordance with the priority as set out therein).

*Upon issuance of the individual title(s) to the Site by the relevant authority, it shall (i) forthwith forward to the Security Trustee, the said individual title document (ii) execute immediately a registrable first ranking land charge in favour of the Security Trustee and cause the same to be presented at the relevant land office and the land charge to be endorsed as exempted under the Stamp Duty Exemption (No. 23) Order and (iii) execute the relevant Form 34 (as prescribed in the Companies Act, 1965) in respect of the land charge and cause the same to be lodged with the Companies Commission of Malaysia for registration pursuant to Section 108 of the Companies Act, 1965.

Profit rates/Yield to :
maturity

Series	Tenure (years from the first issue date)	Profit Rate/Yield to Maturity (%)
1	3	4.90
2	4	5.30
3	5	5.60
4	6	5.80
5	7	6.20
6	8	6.60
7	9	6.90
8	10	7.10
9	11	7.30
10	12	7.50
11	13	7.60
12	14	7.70

The MTNs shall be issued at par.

Designated
Accounts

: RPSB is required to open and maintain the following syariah compliant accounts with a financial institution to be determined by the Facility Agent:-

- (i) Revenue account, which is to be solely operated by the Facility Agent;
- (ii) FSRA, which is to be solely operated by the Facility Agent;
- (iii) Finance payment account, which is to be solely operated by the Facility Agent;
- (iv) MRA, which is to be solely operated by RPSB; and
- (v) Operating account, which is to be solely operated by RPSB.

The Designated Accounts shall be charged and assigned to the Security Trustee for the benefit of the Noteholders. Upon the occurrence of an event of default under the MTN Programme and enforcement of the security, the Noteholders shall have priority in respect of any amount outstanding to the credit of all Designated Accounts followed by other creditors and the Facility Agent will be the sole signatory of all Designated Accounts (as agent of the Security Trustee and the Facility Agent shall act in accordance with the instructions of the Security Trustee).

- Priority of payment and application of transfer : All the funds deposited into the revenue account shall be applied in the following order of priority:-
1. funding of the operating account;
 2. funding of the FSRA;
 3. funding of the finance payment account;
 4. funding of the MRA, if applicable; and
 5. distributable income in the form of dividend or principal and interest payments on subordinated loans/advances and/or repurchase of any MTN (if applicable), subject to the following:-
 - (a) upon achievement of the COD for the Combined Cycle Facility and upon payment of the first principal instalment due under the MTN Programme;
 - (b) compliance with the requirements as set out under the FSRA and finance payment account;
 - (c) debt to equity ratio to be maintained at the stipulated ratio not exceeding 80:20, if calculated immediately following such payment or distribution of dividend;
 - (d) FSCR is more than 1.75:1 and immediately after payment, FSCR is above 1.5:1; and
 - (e) no event of default has occurred or is continuing.The payment of interest on subordinated loans/advances is not conditional to item (5)(a) above.
- Financial covenants : During the tenure of the MTN Programme, RPSB shall maintain the following:-
1. FSCR above 1.25 times; and
 2. Debt to equity ratio of not exceeding 80:20.
- Mode of issue : Private placement to placees to be identified by the Lead Arranger/Facility Agent.

The principal terms and conditions for the MTN Programme are attached in Exhibit 1.

In relation to the MTN Programme and pursuant to a letter dated 10 June 2005 from SESB to RPSB, SESB has agreed:-

1. to share its security interest in the performance bond of RM6.0 million ("Performance Bond") with the Noteholders subject to the conditions that (i) SESB shall have the right to call on the Performance Bond at any time during the term of the Performance Bond in the event RPSB shall fail to comply with its obligations under the Combined Cycle PPA; and (ii) all proceeds received by SESB under the Performance Bond shall be applied firstly, to pay SESB by way of pre-ascertained and agreed liquidated damages ("Liquidated Damages") in the amounts as set out in the Combined Cycle PPA; and secondly, in the event that there is a balance sum from the proceeds of the Performance Bond after payment of the Liquidated Damages aforesaid, this balance sum shall be paid into a designated account charged in favour of the Noteholders, as security for the obligations of RPSB to the Noteholders under the MTN Programme; and
2. for the Security Trustee to be named as additional insured on the public liability insurance, comprehensive automobile liability insurance and excess umbrella liability insurance ("Combined Cycle PPA Insurances") subject always that the proceeds of any claim under any of the Combined Cycle PPA Insurances ("Insurance Proceeds") shall be applied by RPSB to:-
 - (i) firstly, repair, replace, reinstate or make good the loss or damage, as the case may be, and in respect of any claim under any third party liability insurance, the Insurance Proceeds shall be applied in making payment to the person to whom the liability was incurred or in reimbursing any person for any amount paid by it in discharge of the whole or any part of such liability; and
 - (ii) secondly, notwithstanding paragraph 2(i) above, in the event that there is total loss or destruction of the power plant and the cost of reinstating, rebuilding or replacement of the power plant ("Reconstruction Works") or any part thereof and such costs exceeds the Insurance Proceeds received, SESB, RPSB and the Trustee ("Parties") shall decide unanimously if the Reconstruction Works are in the best interest of RPSB and if the Parties shall decide not to proceed with the Reconstruction Works, the Insurance Proceeds shall be paid to RPSB.

(The rest of this page has been intentionally left blank)

3.0 Project Company and Sponsors

3.1 Ranhill Powertron Sdn Bhd

3.1.1 Corporate Profile

1. Company Name : RPSB
2. Company Number : 330342-K
3. Date of Incorporation : 12 January 1995
4. Registered Office : 36th Floor, Empire Tower
No.182, Jalan Tun Razak
50400 Kuala Lumpur
5. Board of Directors
(As at 27 April 2005) : Tan Sri Hamdan bin Mohamad

Datuk Yong Chiew Lip @ Philip

Datuk John Maluda @ Wanji

Baharum bin Abdul Rahman

Amran Bin Awaluddin

Wong Hui Keat

Harun Ismail (alternate director to Datuk Yong
Chiew Lip @ Philip)

Yoong Sin Kin @ Margaret Fung (alternate
director to Datuk John Maluda @ Wanji)

Please refer to Exhibit 2 for a brief profile of
each director.
6. Capital Structure
(audited as at 31 December
2004) : Authorised capital : RM50.0 million
Issued and paid-up capital : RM10.0 million
CULS* : RM29.0 million
Shareholders' funds : RM116.0 million
7. Auditors : PricewaterhouseCoopers

** Under the subscription agreement dated 30 April 1997 between RPSB, TIME, RPB, SEC and ASSB, the said parties agreed to convert the shareholders' advances referred to therein to irredeemable convertible unsecured loan stocks at a nominal value of RM1.00 each ("ICULS") in accordance with the terms and conditions referred to therein. The parties subsequently entered into a supplementary agreement dated 15 June 1998 to vary the terms of the said ICULS, particularly to make it redeemable. Pursuant to a second supplemental agreement dated 13 January 2003, the parties further varied the terms on interest payment of the CULS.*

As at the date of this Information Memorandum, RPSB is considering to restructure the CULS into an alternative instrument, the terms and conditions and the structure of which has not been finalised. If implemented, this may have the effect of reducing the FSCR and/or debt to equity ratio as stipulated in Section 1.11 herein. However, RPSB shall nevertheless at all times meet the financial covenants as stipulated in Section 2.2 of this Information Memorandum.

3.1.2 Principal Activities of RPSB

RPSB is principally involved in the construction and operation of the Open Cycle Facility and to undertake the Combined Cycle Project.

3.1.3 Management Team

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

Name	Position
Norlian Abd Rahim	General Manager
Lawrence Gan Kein Kok	Project Manager
Razali Said	Technical Director
Nazli Imran Mohd. Mansor	Head, Finance and Commercial

Please refer to Exhibit 3 for a brief profile of RPSB's key management team.

3.1.4 Financial Highlights

The key financial results of RPSB for the financial years ended 31 December 2002 to 31 December 2004 are as follows:-

Profit and Loss Account

(RM'000)	2002	2003	2004	1 st quarter ended 31 March 2005
	← Audited →			Unaudited
Revenue	131,332	133,319	148,541	37,932
Pre-tax profit	21,493	23,093	19,831	5,032
Net profit	16,375	16,344	13,859	5,032

Balance Sheet

(RM'000)	2002	2003	2004	As at 31 March 2005
	← Audited →			Unaudited
Total assets	424,204	418,913	435,639	435,225
Total liabilities	331,158	283,086	319,640	315,100
Shareholders' funds	93,046	105,765	115,999	120,125

As at the date of this Information Memorandum, RPSB had made advances to RPB, its ultimate holding company, over the period from 1 February 2005 to 31 May 2005. The net amount due by RPB to PRSB as at 31 May 2005 is RM2,787,421. The said advances are interest free and carry no fixed terms of repayment. Under the terms of the trust deed (in respect of the MTN Programme) executed between RPSB and the Trustee on 13 June 2005, RPSB has covenanted to the Trustee that it shall not, without the prior written consent of the Trustee, make any loans to its directors, shareholders and related companies or any other party save for its directors, officers or employees as part of their terms of employment not exceeding in aggregate RM1.0 million per annum. Please refer to Exhibit 4 for RPSB's audited financial statements for the financial years ended 31 December 2003 and 31 December 2004.

3.2 Project Sponsors

3.2.1 Shareholding Structure

RPSB's shareholders as at 27 April 2005 are as follows:-

Shareholders	No. of ordinary shares held	No. of CULS held	Percentage of shareholding
RPB	7,000,000	20,300,000	70%
SEC	2,000,000	5,800,000	20%
ASSB	1,000,000	*2,900,000	*10%
TOTAL	10,000,000	29,000,000	100%

** On 27 October 2004, RPB announced that it had entered into the conditional sale of securities agreement with ASSB for the proposed acquisition of 778,000 ordinary shares, representing 7.78% equity interest in RPSB and RM2.2562 million nominal value of CULS, representing 7.78% of the outstanding nominal value of CULS in RPSB for a total cash consideration of RM12.837 million. As at the date of this Information Memorandum, RPB is finalising its acquisition of the 7.78% of equity interest in RPSB from ASSB.*

Pursuant to the said sale of securities agreement, ASSB also undertook to sell to RPB a further 222,000 ordinary shares, representing 2.22% equity interest in RPSB and RM643,800 nominal value of CULS, representing 2.22% of the outstanding nominal value of CULS in RPSB for a total cash consideration of RM3.663 million in the event SEC does not take up the offer for sale by ASSB of the same.

3.2.2 Ranhill Power Berhad

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

RPB is principally engaged in the manufacturing, supply and maintenance of electrical switchgears, switchboards and distribution transformers; engineering and installation of power distribution and generation facilities; design, engineering, construction and project management of power transmission infrastructure and power distribution systems; operation and maintenance of power distribution systems; distribution of electricity; maintenance services for electrical substations and for commercial sector; operation and maintenance of power plant; investment holding and power generation.

The authorised share capital of RPB as at 27 April 2005 is RM500.0 million while its issued and paid-up share capital is RM120.7 million.

(Source: Announcement by RPB to Bursa Securities dated 1 April 2005)

3.2.3 Sabah Energy Corporation Sdn Bhd

SEC was incorporated in Malaysia on 1 April 1996 as a private company under the Companies Act, 1965. It was formerly known as Ramapadu Sdn Bhd before changing its name to SEC on 1 August 1997. It currently has an issued and paid up share capital of RM242,673,036 comprising 242,673,036 fully paid-up ordinary shares of RM1.00 each. In August 1997, SEC became a private limited company wholly owned by the Chief Minister, State of Sabah. SEC's principal business activities include renting of properties, gas retailing and as an investment holding company.

SEC is a Sabah state government company established to spearhead the development of energy resources of Sabah and to promote, stimulate, facilitate and undertake industrial, commercial, economic and other development projects. This includes manufacturing, assembling, processing, and marketing activities, amongst other functions.

(Source: www.sabahenergycorp.com as at 1 June 2005)

Its group of companies continues to operate in the area of gas retailing, property development, marine and offshore centralised logistic support services/facilities and development of the energy resources of the state of Sabah. Future viable projects which are synergistic with SEC's group activities, will be undertaken either through direct participation or on a joint-venture basis.

(Source: www.sabahenergycorp.com as at 1 June 2005)

3.2.4 Aras Setia Sdn Bhd

ASSB was incorporated in Malaysia on 15 December 1990 as a private company under the Companies Act, 1965. It currently has an issued and paid-up share capital of RM10,000 comprising 10,000 ordinary shares of RM1.00 each. ASSB is an investment holding company and wholly owned by Fikrah Ventures Sdn Bhd.

(The rest of this page has been intentionally left blank)

4.0 General Technical Description

4.1 Overview

The Combined Cycle Project involves the conversion of the existing gas fired open cycle gas turbine power plant with a nominal capacity 120MW into a combined cycle power plant with a nominal capacity of 190MW. The conversion into a Combined Cycle Facility involves the installation and commissioning of the following additional equipment:

- units of HRSGs;
- units of steam turbines;
- sets of air cooled condensers;
- the IF and CF allowing power export from the Combined Cycle Facility to SESB's Karambunai substation; and
- all associated mechanical and electrical auxiliaries.

Please refer to Exhibit 5 for a schematic diagram of a typical Combined Cycle Block and a plot plan of the Combined Cycle Facility.

4.2 Site Location

The Combined Cycle Facility is located within the existing Site, at the rear of the existing SESB's Melawa Power Station. The Site owned by RPSB is located at KKIP Selatan Industrial Zone 3, within Kota Kinabalu Industrial Park, approximately 30 kilometres north of Kota Kinabalu accessible via Jalan Sepangar. Please refer to Exhibit 6 for the geographical location of the Site.



View of the Site



View of the switchyard at the Site

4.3 Project Technical Description

The existing 4 gas turbine units operating on open cycle mode is to be converted to operate on combined cycle mode with additional equipment like HRSGs, steam turbines, air cooled condensers, all associated mechanical and electrical auxiliaries.

The 2 Blocks of 2-2-1 configuration combined cycle power plant shall be designed to operate at base load condition to meet the continuous load demand with ability for cyclic operation. Proven technology, safety, efficiency, reliability, availability, maintainability, environmental emissions and economics shall be the main criteria in the engineering design and selection of the equipment for the proposed power plant conversion.

Existing System and Equipment

Gas Turbines

During the conversion works, the existing 4 gas turbines will be grouped into 2 blocks. Each block shall comprise of 2 gas turbines, 2 HRSGs and 1 common steam turbine along with their auxiliaries and shall operate in a 2-2-1 configuration. The diverter and isolation dampers are included in the flue gas path to enable the gas turbine units to either operate in combined cycle mode or in simple cycle mode when either the HRSG or steam turbine, or both are under routine maintenance.

Additional System and Equipment

Steam Turbines

One steam turbine with a totally enclosed water air-cooled generator, air-cooled condenser and air evacuation system is provided for each Block. The steam turbines to be provided are of type SC1F-23 from Mitsubishi Heavy Industries of Japan.

Air Cooled Condensers

2 sets of air-cooled condensers with 8 modules each are provided from GEA-Btt of France. A typical A-frame type with 2 roof air cooled condenser with steam distribution through the top of each roof, finned tubes bundles, with the condensate being evacuated by gravity and forced draft fans is provided. The ACC units adopt various combinations of louvers, steam coils, autovariables fans and variable speed to ensure continuous air recirculation for optimum efficiency.

Heat Recovery Steam Generators

4 units of MHI-made HRSGs (one per gas turbine) are to be provided along with the auxiliaries for the recovery of heat from the exhaust gas and to produce steam at rated parameters. The HRSGs shall be unfired, 2-pressures type and a non-reheat design.

Plant Control System

The existing power plant control system of Invensys Foxboro made is a microprocessor-based Distributed Control System with back-up processor and communication links which shall be upgraded to the latest I/A Series of similar Invensys Foxboro made for the conversion works. The need to migrate to similar made was to reduce costs on spares and training.

Diverter and Isolation Dampers

The isolation system consists of a diverter damper and an isolation damper to isolate the bypass stack shall be provided for each HRSG unit. This is a key determinant of overall plant availability and flexibility to operate in either open or combined cycle modes.

Auxiliary Equipment

- A vertical condensate pumps shall be provided.
- The deaerator shall be designed for the performance of maximum guaranteed capacity of steam turbine.
- The turning gear shall be provided as part of steam turbine accessories. The turning equipment is of automatic engaging and disengaging mechanism.
- A common lubrication oil and control oil system shall be provided.
- The air extraction equipment shall be a combination of air ejectors and vacuum pumps.
- It is a normal industry practice to have provision for HP/LP turbine bypass and the bypass shall be designed for the HRSGs operating at 60% capacity rating.
- A typical design of 2x100% boiler feed water pump shall be provided.
- 2x100% auxiliary cooling water pumps shall be provided for the closed circuit auxiliary cooling water system for each block of the plant. The auxiliary cooling water system serves the various coolers in the steam turbine lubrication system, steam turbines, blowdown tank and others which require cooling in the combined cycle plant.
- A compressed air system which capable of supplying instrument and service air are supplied adopting a 2x100% capacity screw type air compressors with dryer and filter.
- 2 newly constructed water storage tanks of 600m³ together with new service water pumpsets shall be provided, which are then fed into the existing fire/service water storage tank.
- The potable water system for the conversion plant will be tapped from existing station potable water system.
- A new water treatment plant shall be constructed. The town's water shall be demineralised prior to introducing into the water/steam cycles for the HRSGs and make up water. This can be achieved via the new water treatment plant system adopting an ion exchange process to the required pH level and conductivity suitable for the steam plant.
- A new waste water treatment shall be constructed to treat the waste generated by the plant.
- The chemical dosing system for the HRSG and the feedwater system shall consists of phosphate and hydrazine dosing to maintain pH level, inhibit corrosion, minimize hardness and oxygen scavenger to reduce the dissolved oxygen in the feedwater system.
- A steam and water sampling system shall be provided.
- The existing fire protection system shall be upgraded with a new local fire alarm panels and interface with the fire alarm panel for central monitoring.

(The rest of this page has been intentionally left blank)

5.0 Key Advisers

5.1 Key Advisers to RPSB

5.1.1 Owner's Engineer

Minconsult Sdn Bhd was appointed by RPSB as the Owner's Engineer for the Combined Cycle Project. The company has significant experience in all project phases, comprising feasibility studies, basic and detail designs, construction and commissioning supervision and including all aspects of project and contract management in conventional and gas turbine based thermal power plants and participates in conventional thermal, combined cycle/open cycle, co-generation, industrial and hydroelectric projects.

Some of the power projects undertaken by Minconsult Sdn Bhd as Owner's Engineer include:

- 750MW Tuanku Jaafar Power Station, Port Dickson - Phase 1 rehabilitation power plant project
- 220MW Kulim Hi-Tech Power Plant Project
- 110MW Bukit Panggal Combined Cycle Power Station, Tutong, Brunei -Phase 1
- Detailed Project Report for 1 x 500MW conventional coal fired thermal power plant at North Madras for Trisakthi Energy Pvt. Ltd., India.

5.1.2 Financial Adviser

MPCA was appointed as the financial adviser to RPSB. MPCA is a financial advisory firm established in April 1996 by Multi Purpose Capital Holdings Berhad. It is now an independent advisory firm involved actively in corporate, project finance and investment advisory activities. MPCA is licensed by the SC as an Investment Adviser. MPCA had previously acted as financial adviser for Express Rail Link Sdn Bhd's RM2.4 billion high-speed rail link between KL Sentral and Kuala Lumpur International Airport, Setia Haruman Sdn Bhd's development programme for Cyberjaya, Johor Corporation Berhad's RM4.0 billion corporate and debt restructuring exercise and Alliance Bank Berhad's bank merger exercise.

5.1.3 Legal Counsel

Shahrizat Rashid & Lee was appointed by RPSB to act as legal counsel for the project documentation of the Combined Cycle Project. Shahrizat Rashid & Lee is a leading law firm operating out of offices in Kuala Lumpur, Johor Baru and Penang. The firm provides a wide range of legal services, but made its reputation in corporate and commercial work particularly in areas of securities laws, corporate exercises and reconstructions, and major infrastructure/privatization. The firm also has experience and capabilities in intellectual property and technology law, litigation, banking and finance. The firm has significant international experience and exposure, representing multinationals in Malaysian transactions as well as acting for Malaysian interests in projects abroad.

5.2 Key Advisers to Aseambankers

5.2.1 ICE

KTA Tenaga was appointed as ICE for Aseambankers. KTA Tenaga is a leading consulting engineering firm in Malaysia in the fields of power generation, transmission and distribution. KTA Tenaga was the owner's engineer for YTL Power Berhad's 1200MW combined cycle power plants in Paka, Terengganu and Pasir Gudang, Johor; 440MW open cycle power plant for Powertek Berhad and 720MW combined cycle power plant for Panglima Power Sdn Bhd both located in the state of Melaka and other smaller projects such as Sandakan Power Sdn Bhd's 36MW diesel power plant in Tawau, Sabah. KTA Tenaga had also been involved as:-

- (a) independent engineer for due diligence studies for some of TNB's power stations (in Paka and Prai) which had been earlier marked for divestment in line with the proposed electrical industry restructuring,
- (b) lender's engineer for banks and financial institutions for their funding of privatised IPP projects (e.g. 350MW combined cycle power project in Prai and 650MW combined cycle power project in Perlis), and
- (c) technical auditors for audits on the performances of the operations and maintenance for these privatised power plants.

5.2.2 Independent Insurance Adviser

Mit-Perinsima was appointed as the Independent Insurance Adviser to Aseambankers. Mit-Perinsima is a home grown insurance broker with emphasis on knowledge and skills and access to international expertise and support. In the area of risk management, it has a link locally with RCS Risk Consulting Services Sdn Bhd and internationally with Suregrove Offshore and Onshore Risk Management Consultants based in the UK.

Mit-Perinsima is a registered insurance broker with the Ministry of Finance, Malaysia and enjoys Bumiputera contractor status.

5.2.3 Legal Counsel

ATS was appointed as the legal counsel for Aseambankers in respect of the MTN Programme. The firm is a leading law firm operating out of offices in Kuala Lumpur and Johor Bahru. The firm provides a wide range of legal services including corporate (finance and banking), construction and played key roles in formalising numerous infrastructure and privatisation initiatives. The firm has also worked with the Government and the business community and represented several Malaysian multinationals in cross-border commercial transactions in South-East Asia, India and the Middle East.

(The rest of this page has been intentionally left blank)

Sections 6.0 to 11.0 of the Information Memorandum are summaries of the material terms of the Project Agreements. These summaries should not be considered to be full statements of the terms and provisions of such documents and are qualified by reference to such documents and subject to the full texts thereof.

6.0 Open Cycle Power Purchase Agreement

6.1 Introduction

The Open Cycle PPA between RPSB and LLS was executed on 27 February 1997. Under the Open Cycle PPA, RPSB is to design, construct, own, operate and maintain an electricity generating facility of a maximum net capacity of 120MW in Melawa, Kota Kinabalu, Sabah. The Open Cycle PPA provides for the sale of electricity generated by the Open Cycle Facility from RPSB to LLS for a period of 21 years from the Open Cycle COD. The Open Cycle COD took place on 10 August 1998.

6.2 Sales and Purchase Obligations

Under the Open Cycle PPA, RPSB will sell and LLS will purchase and accept, on and after the Open Cycle COD and for the Term, the following:-

- (i) all test energy generated during the period (but not beyond such period) beginning on the Open Cycle IOD and continuing until the earlier of either the date of termination of the Open Cycle PPA or the first anniversary date of the Open Cycle COD;
- (ii) the NEO from the Open Cycle Facility as the same is required for dispatch by LLS from time to time;
- (iii) a level of Open Cycle Dependable Capacity of up to but not exceeding the net capacity of the Open Cycle Facility; and
- (iv) during situations where the safety, reliability, or security of the LLS System is threatened where RPSB shall use its reasonable efforts to provide electrical energy or delay any scheduled outage, maintenance outage and major overhaul outage of the Open Cycle Facility.

However, LLS is not obligated to accept electrical energy from the Open Cycle Facility under certain conditions, as stated below. Such action however, does not relieve LLS from making Open Cycle Energy Payments and Open Cycle Capacity Payments (as defined below) except where the occurrence of the above is the result of a breach by RPSB material obligations under the Open Cycle PPA:

- (i) an emergency condition occurs on the part of the LLS System that is interconnected with the Open Cycle Facility such that there would be no means of delivering electrical energy from the Open Cycle Facility to the remainder of the LLS System;
- (ii) LLS intentionally interrupts the acceptance of electrical energy from the Open Cycle Facility to conduct necessary maintenance of LLS' Interconnection Facilities, metering equipment or adjacent transmission and distribution facilities;
- (iii) the Open Cycle Facility produces electricity characteristics inconsistent with that described in Appendix G of the Open Cycle PPA or that may adversely affect the safety, reliability or security of LLS' equipment, facilities, personnel or system or the safety, reliability or security of those of any other supplier of the electricity to LLS or LLS' customers.

6.3 Tariff Structure

LLS agrees to pay RPSB the following amounts from and after the Open Cycle IOD:-

1. For each kWh of test energy generated from the Open Cycle Facility and metered by the LLS owned metering equipment at the Interconnection Points before the applicable Open Cycle COD, LLS shall pay RPSB an Open Cycle Energy Payment.
2. For each Open Cycle CBP commencing on and after the Open Cycle COD for the Open Cycle Facility, LLS shall pay RPSB a Open Cycle CP for the time weighted average of the Open Cycle Dependable Capacity.

The Open Cycle Capacity Payment for any Open Cycle CBP is given by the following formula:-

$$\begin{aligned} \text{CP} &= \text{DC} \times 1000 (\text{CRF} + \text{FOR}) \times \text{EAF}_r \\ \text{CP} &= \text{Open Cycle Capacity Payment in Ringgit Malaysia for such capacity billing period} \\ \text{DC} &= \text{Time weighted average of net Open Cycle Dependable Capacity in MW} \\ \text{CRF} &= \text{Capacity Rate Financial (in RM/kW/month) as specified in the Open Cycle PPA} \\ \text{FOR} &= \text{Fixed Operating Rate (in RM/kW/Month) as specified in the Open Cycle PPA} \\ \text{EAF}_r &= \text{EAF for the previous 12 months expressed as a percentage and calculated as a rolling average as specified in the Open Cycle PPA} \end{aligned}$$

RPSB shall render an invoice for Open Cycle CP within 10 Business Days after the end of each Open Cycle Capacity Billing Period. LLS is required to make full payment within 30 days of receipt of the invoice.

The Open Cycle EP for each Open Cycle EBP shall be calculated in accordance with the following formula:-

$$\text{EP} = (\text{H} \times \text{E} \times \text{NEO}) + (\text{VOR} \times \text{NEO}) + \text{S}$$

where

$$\begin{aligned} \text{EP} &= \text{Open Cycle Energy Payment in Ringgit Malaysia for such Open Cycle EBP} \\ \text{E} &= \text{weighted average cost of natural gas fuel (in RM/kJ) paid by RPSB under the FSA including, if applicable all levies, duties, taxes, transportation charges and other expenses incurred in relation thereto as invoiced by PETRONAS provided that if natural gas fuel is not available through no default of RPSB and LLS requires dispatch of the Open Cycle Facility and RPSB agrees to the same, 'E' shall be the weighted average cost of oil fuel paid by RPSB under the relevant fuel supply agreement, including all levies, duties, taxes, transportation charges and other expenses incurred in relation thereto as invoiced by the fuel supplier} \\ \text{H} &= \text{Net heat rate (in kJ/kWh) set in accordance with the heat rate table set forth in Exhibit B of the Open Cycle PPA based on the percentage load at which the Open Cycle Facility is operating (being a percentage of the open cycle net capacity) and on the higher calorific value of the fuel at specified Site conditions} \end{aligned}$$

NEO = NEO (in kWh) of the Open Cycle Facility for such Open Cycle EBP

VOR = Variable Operating Rate (in RM/kWh) as specified in the Open Cycle PPA

S = $AS \times AF \times E$

where:

AS = the number of additional start-ups of each Open Cycle Unit (beyond 30 start-ups per Open Cycle Unit) during an Open Cycle EBP

AF = the 8,000,000 kJ per start-up per Open Cycle Unit

RPSB and LLS shall jointly read the LLS owned meters at the Interconnection Point on a monthly basis. RPSB shall render to LLS within 10 Business Days after the end of each Open Cycle EBP a statement detailing the meter reading and the calculation of the Open Cycle EP due with LLS to make full payment within 30 days of receipt of the invoice.

6.4 Operations and Maintenance

Under the Open Cycle PPA, RPSB and LLS agree to the operation and maintenance of the Open Cycle Facility in accordance with certain standards and requirements including:-

- (a) The Open Cycle Facility will be designed, constructed and operated in accordance with Prudent Utility Practices;
- (b) LLS will have the right to perform inspections and tests to determine that the interconnection equipment for the Open Cycle Facility is functioning properly so long as such operating tests and inspections do not have a materially adverse effect on the availability of the Open Cycle Facility;
- (c) Electricity delivered by the Open Cycle Facility must, at the Interconnection Points, conform to the specifications set forth in the Open Cycle PPA;
- (d) LLS shall supply, if available, the Open Cycle Facility with back-up and start-up electricity during scheduled, unscheduled and emergency outages of the Open Cycle Facility at LLS' prevailing tariffs; and
- (e) RPSB shall immediately declare to the control centre any interruption or reduction in the availability for dispatch of the Open Cycle Dependable Capacity at the Interconnection Points.

The Open Cycle Dependable Capacity used in calculating Open Cycle Capacity Payments will be determined by semi-annual testing. RPSB can declare the Open Cycle Dependable Capacity up to the tested net capacity. LLS has the right to request additional tests if the Open Cycle Facility:-

- (a) Demonstrates an EAF below 80% over a 12-month period;
- (b) Demonstrates forced outage rates exceeding 10% for 3 consecutive Open Cycle CBPs; or
- (c) Fails to respond to LLS' dispatch request for a continuous period of 30 days.

RPSB and LLS each has the right to request re-determination of the Open Cycle Dependable Capacity up to 2 times a year.

6.5 Late Payments

Late payments by LLS shall incur an interest at the rate of 1.0% per annum above Maybank's base lending rate. The Open Cycle PPA provides for arbitration procedures to resolve billing disputes. However, the undisputed portion of a disputed invoice is nevertheless required to be paid within the stipulated period.

6.6 Maintenance Bond

RPSB is required to provide to LLS a maintenance bond amounting to a maximum value of RM1.5 million as security for the maintenance obligations of RPSB under the Open Cycle PPA. The maintenance bond/guarantee in terms acceptable to LLS shall be from a financial institution acceptable to LLS or from a bank duly licensed by Bank Negara Malaysia. Notwithstanding this, the parties had agreed that this requirement is deemed fulfilled with RPSB maintaining a maintenance reserve in accordance with the requirements of the financing parties.

6.7 Force Majeure

Force majeure events are events beyond the reasonable control of the party claiming the force majeure event. They include unusually severe weather conditions, acts of war, strikes, riots, natural disasters and failure to obtain/renew relevant approvals (unless caused by an act or omission by RPSB). A force majeure event does not relieve LLS of its obligations to make Open Cycle Capacity Payments to RPSB. LLS may, however, make representations to RPSB which shall be reasonably considered, on the extent and duration of the obligation of LLS to make Open Cycle Capacity Payments.

If any force majeure event continues for more than 12 months, the party not excused by such force majeure event may terminate the Open Cycle PPA without further obligation or extend such period at its sole discretion to a maximum of 18 months from the expiry of the initial 12 month period.

6.8 Option to Purchase by LLS

RPSB has granted to LLS the option to purchase the Open Cycle Facility and the Site. LLS may exercise this option within 90 days of the earlier of:-

- the end of the initial term of the Open Cycle PPA (or any extensions thereof); or
- the early termination of the Open Cycle PPA

The purchase price shall be the then fair market value of the Open Cycle Facility as determined in accordance with valuation procedures set out in the Open Cycle PPA.

Notwithstanding the above, RPSB has the right to mortgage the Open Cycle Facility and the Site to financial institutions, and any purchase by LLS shall be subject to the consent of the said financial institutions to such purchase.

6.9 Assignment

RPSB is permitted to assign its rights under the Open Cycle PPA to the financing parties under the Open Cycle PPA.

6.10 Default, Termination and Step-In Rights

The following are the events of default under the Open Cycle PPA:

- (a) non-compliance by either party of its material obligations under the Open Cycle PPA which remains uncured for 60 days;
- (b) receivership, bankruptcy or liquidation of either party;
- (c) the IPP Licence is suspended, revoked or terminated or has expired;
- (d) either party fails to make payment within 60 days following a notice for non-payment; or
- (e) the EAF shall for any reason other than due to any force majeure event, be less than 50% for a period of 6 or more consecutive months.

If any event of default under the Open Cycle PPA occurs and is continuing, the non-defaulting party may terminate the Open Cycle PPA effective 60 days after written notice is given. Upon termination, the non-defaulting party is relieved of its obligations under the Open Cycle PPA except for the payment of amounts due before termination.

LLS has step-in rights if RPSB is in default or if the EAF falls below 50% for more than 6 consecutive months. However, these rights are exercisable only if operation of the Open Cycle Facility is not assumed by the Noteholders or their designees. If LLS exercises its step-in rights, it may appoint a qualified operator to assume operational responsibility for the Open Cycle Facility as if LLS were operating it. While operating the Open Cycle Facility, LLS will make the Open Cycle Capacity Payments and Open Cycle Energy Payments less costs incurred by LLS in operating the Open Cycle Facility. If the step-in rights have been exercised on the ground of EAF falling below 50% for more than 6 consecutive months, when the Open Cycle Facility reaches an EAF of greater than 80% for 6 consecutive months, LLS will return operational responsibility to RPSB.

(The rest of this page has been intentionally left blank)

7.0 Combined Cycle Power Purchase Agreement

7.1 Introduction

RPSB recently executed the 190MW Combined Cycle PPA on 9 December 2004 with SESB. The Combined Cycle PPA shall take effect on 9 December 2004 and shall continue to be in effect until 21 years from the Second Block COD, unless otherwise extended or terminated. On and from the First Block COD and for the duration of the Pre-COD Period, RPSB shall be entitled to establish a net capacity and to declare a Combined Cycle Dependable Capacity for the Facility up to but not exceeding 155MW. Thereafter the Open Cycle PPA shall be deemed varied where any references to the Open Cycle Facility would mean references to Facility as defined under the Combined Cycle PPA and the calculation for the purchase price under the Combined Cycle PPA shall take effect.

In the event that RPSB fails to progress to the Second Block COD after the First Block COD is achieved, the Combined Cycle PPA will continue in force and effect and the parties shall negotiate and mutually agree to amendments to address the open cycle operations of only the First Block and the tariffs therein. The Open Cycle PPA shall cease to have effect from the Second Block COD of the Combined Cycle Facility.

A recital under the Combined Cycle PPA provides that SESB has assumed the rights and obligations of LLS under the Open Cycle PPA. Notwithstanding this, it is a condition precedent to the obligations of RPSB under the Combined Cycle PPA that the formal vesting, transfer or novation of the rights and obligations of LLS thereunder shall be completed. SESB has advised that a vesting order shall be issued/ gazetted to formalise the transfer of the rights and obligations of LLS under the Open Cycle PPA to SESB.

The following sections describe the salient terms of the Combined Cycle PPA.

7.2 Sale and Purchase Obligations

Under the Combined Cycle PPA, RPSB shall sell and deliver and SESB shall purchase and accept:-

- (i) Test energy – from the First Block IOD and Second Block IOD until the earlier of either (a) termination or (b) the date immediately preceding the First Block COD and the Second Block COD respectively;
- (ii) Electrical energy – after the First Block COD and Second Block COD and for the Term;
- (iii) Combined Cycle Dependable Capacity – (i) on and after the First Block COD and for the Pre-COD Period, a level of Combined Cycle Dependable Capacity up to but not exceeding 155MW and (ii) on and after the Second Block COD and for the Term, a level of Combined Cycle Dependable Capacity up to but not exceeding 190MW.

The Combined Cycle PPA allows for early commencement of commercial operations for the Second Block provided 30 days prior notice is given to SESB.

SESB shall not be obligated to accept electrical energy from the Combined Cycle Facility if any of the events described below occurs:

- (i) an emergency condition occurs on the part of the SESB System that is interconnected with the Combined Cycle Facility such that there would be no means of delivering electrical energy from the Combined Cycle Facility to the remainder of the SESB System;

- (ii) SESB intentionally interrupts the acceptance of electrical energy from the Combined Cycle Facility in accordance with Prudent Utility Practices to conduct necessary maintenance of Interconnection Facilities, metering equipment or adjacent transmission and distribution facilities;
- (iii) The Combined Cycle Facility produces electrical energy of a character inconsistent with that described in Appendix G of the Combined Cycle PPA or that may adversely affect the safety, reliability or security of those of any other supplier of electricity to SESB or SESB's customers.

The occurrence of the above events does not relieve SESB of its obligation to make any Combined Cycle Capacity Payments, except where the occurrence of the above is due to breach by RPSB of its material obligations under the Combined Cycle PPA.

7.3 Conditions Precedent to SESB's Obligations

The obligations of SESB to purchase electrical energy and capacity are contingent upon RPSB's compliance with the following conditions precedent, in each case in form and substance satisfactory to SESB:-

- (i) Procurement of the IPP licence by RPSB prior to financial closing date, with a copy extended to SESB;
- (ii) By the Commencement Date, RPSB shall provide to SESB documentary proof that RPSB has obtained all permits, licences and approvals relevant to the Conversion Works in accordance with the provision of the Combined Cycle PPA and any relevant laws provided that, if any such permits, licences and approvals is not capable of being obtained by the Commencement Date, RPSB shall provide to SESB documentary proof demonstrating to SESB that RPSB is reasonably expected to obtain such permits, licenses approvals in due course and within a time agreed by SESB and RPSB but in any event prior to the date the same is required to be obtained;
- (iii) No more than 30 days from the Commencement Date, RPSB shall submit to SESB for its review the engineering design conceptual report for the Conversion Works which submission shall be accompanied by the requisite certificate from an independent engineer as prescribed in the Combined Cycle PPA;
- (iv) SESB shall have obtained a certificate from the independent engineer stating that the First Block or the Second Block, as the case may be, and the IF and CF have been designed and substantially constructed in accordance with Prudent Utility Practices, the terms of the Combined Cycle PPA and the drawings submitted to SESB;
- (v) On and as of the First Block IOD (a) no material default by RPSB shall have occurred and be continuing, and (b) the representations and warranties made by RPSB shall be true and correct in all material aspects;
- (vi) Financial closing date shall have occurred; and
- (vii) RPSB's shareholders shall have made the necessary equity contributions as required by the financing parties under the financing documents no later than by the Second Block COD.

7.4 Conditions Precedent to RPSB's Obligations

Notwithstanding anything to the contrary in the Combined Cycle PPA, it is a condition precedent to the obligations of RPSB hereunder that:-

1. RPSB shall have received from the Ministry of Finance, Malaysia or any relevant Government authorities the following tax exemptions:-
 - (a) Investment Allowance of 80% of qualifying capital expenditure with set-off of up to 85% of statutory income per year; and
 - (b) Import duty and sales tax exemption on all machinery, equipment, raw materials and components procured during the Conversion Works;
2. the financial closing date shall have occurred; and
3. the formal vesting, transfer or novation of the rights and obligations of LLS under the Open Cycle PPA to SESB shall have been completed.

7.5 Tariff Structure

SESB agrees to pay RPSB the following amounts from and after the First Block IOD:-

1. For each kWh of test energy generated from the First Block and Second Block, as the case may be, and metered by the SESB owned metering equipment at the Interconnection Points, SESB shall pay RPSB a Combined Cycle Energy Payment.
2. For each Combined Cycle CBP commencing on and after the First Block COD, SESB shall pay RPSB a Combined Cycle Capacity Payment for the time weighted average of the Combined Cycle Dependable Capacity of the Facility or the Combined Cycle Facility, as the case may be, during such Combined Cycle CBP.

The capacity payment for any such capacity billing period shall be calculated in accordance with the following formula:-

$$CP = DC \times 1000 \times [(CRF_{ROI} + CRF_F) + (IFC + OFC)] \times EAF_i$$

where:-

- | | | |
|-------------|---|--|
| CP | = | Combined Cycle Capacity Payment in Ringgit Malaysia for any Combined Cycle CBP |
| DC | = | the time weighted average of net Combined Cycle Dependable Capacity for such capacity billing period in MW |
| CRF_{ROI} | = | Return on Investment Capacity Rate Financial (in RM/kW/month) for such capacity billing period |
| CRF_F | = | Fixed Capacity Rate Financial (in RM/kW/Month) for such capacity billing period |
| IFC | = | Indexable Fixed Charge (in RM/kW/Month) for such capacity billing period for the applicable contract year as set forth in the Combined Cycle PPA |
| OFC | = | Other Fixed Charges (in RM/kW/Month) for such capacity billing period |

$EA F_r$ = EAF for the previous 12 months (including such capacity billing period) expressed as a percentage and calculated as a rolling average in accordance with and in the manner set out and tabulated in Appendix B provided that:

For purposes of determining Combined Cycle Capacity Payment, $EA F_r$, will be deemed as shown below:

Prior to the First Block COD:

EAF will be deemed to be 87% during the 12 months prior to First Block COD.

After the First Block COD:

EAF is deemed to be 87% if:

- (a) actual EAF is equal to 87%; or
- (b) actual EAF is greater than 87% and NEO to SESB is less than 60,335MWh for the Facility, for the applicable Combined Cycle CBP; The actual EAF will be used if EAF is:
 - (i) less than 87%; or
 - (ii) greater than 87% and NEO to SESB is greater or equal to 60,335MWh for the Facility, for the applicable Combined Cycle CBP.

After the Second Block COD

EAF is deemed to be 87% if:

- (a) actual EAF is equal to 87%; or
- (b) actual EAF is greater than 87% and NEO to SESB is less than 120,669MWh for the Combined Cycle Facility, for the applicable Combined Cycle CBP.

The actual EAF will be used if EAF is:

- (i) less than 87%; or
- (ii) greater than 87% and NEO to SESB is greater or equal to 120,669MWh for the applicable Combined Cycle CBP.

Without duplication of payment otherwise required under the Combined Cycle PPA, for each Combined Cycle EBP commencing on and after the First Block COD, SESB shall pay RPSB a Combined Cycle Energy Payment for electrical energy generated from each Block, and metered at the Interconnection Points during such Combined Cycle EBP. The Combined Cycle Energy Payment in respect of each Block for each Combined Cycle EBP shall be calculated in accordance with the following formula:

$$EP = (H \times E \times NEO) / 1,000,000 + (VOR \times NEO) + (NEO - BE) \times B + S$$

where:-

EP = Combined Cycle Energy Payment in Ringgit Malaysia for such energy billing period

E = weighted average cost of natural gas fuel (in RM/GJ)

- H = Net heat rate (in kJ/kWh) set in accordance with the heat rate table set forth in Exhibit B-I and B-II of the Combined Cycle PPA in respect of each Block based of the percentage load at which each Block is operating, depending on whether the Block is operating on Combined Cycle Operation or Open Cycle Operation (being a percentage of the net capacity of the Block) and on the higher calorific value of the fuel at specified Site conditions
- VOR = Variable Operating Rate (in RM/kWh) for such Combined Cycle EBP for the applicable contract year as set forth in Exhibit A of the Combined Cycle PPA
- BE = Base energy (in kWh) calculated as $95\text{MW} \times 1000 \times 24 \times (\text{no. of days in Combined Cycle EBP}) \times 87\% (\text{Availability Factor}) \times 87\% (\text{Load Factor})$
- If NEO is less than BE, then $(\text{NEO} - \text{BE}) = 0$
- B = RM0.0270/kWh
- S = Start-up cost for start-up (over and above the free start-ups in a contract year) which is incurred when the steam turbine generator and/or gas turbine generators are started and during which time, the equipment is consuming fuel, water, consumables and maintenance cost of each start-up

Notwithstanding the foregoing, it is agreed that in respect of the electrical energy generated by the Second Block prior to the Second Block COD (save for test energy), the Combined Cycle Energy Payment for each Combined Cycle EBP shall be calculated in accordance with the provisions of the Open Cycle PPA.

Please refer to the *Project Economics* section on the detailed components of both Combined Cycle Capacity Payments and Combined Cycle Energy Payments in each contract year.

7.6 Compensation, Reading, Billing and Payment

7.6.1 Reading of Meters for Energy Payment

RPSB and SESB shall jointly read the meters at the Interconnection Point on a monthly basis (or such other billing period to match the billing period of the FSA).

7.6.2 Billing for Energy Payment

RPSB shall prepare and render to SESB within 10 Business Days after the end of each Combined Cycle EBP a statement detailing the meter reading and RPSB's calculation of the Combined Cycle Energy Payment due to RPSB for such Combined Cycle EBP together with all supporting documents.

7.6.3 Payment for Energy Payment

Payment for the Combined Cycle Energy Payment for each Combined Cycle EBP shall be made within 30 days of the date of receipt of the invoice for such energy billing period sent by RPSB to SESB.

7.6.4 Billing for Capacity Payment

RPSB shall prepare and render to SESB within 10 Business Days after the end of each Combined Cycle CBP a statement detailing RPSB's calculation of the Combined Cycle Capacity Payment due to RPSB for such Combined Cycle CBP.

7.6.5 Payment for Capacity Payment

Payment for the Combined Cycle Capacity Payment for each Combined Cycle CBP shall be made within 30 days of the date of receipt of the invoice from RPSB for such capacity billing period sent by RPSB to SESB.

7.6.6 Other Payments

Any other payments due to either party under the Combined Cycle PPA shall be paid or objected to within 30 days following the receipt of an itemised invoice.

7.7 Non-Payment and Disputed Payments

Any undisputed amount not paid when due shall incur an interest at the rate of 1.0% per annum above Maybank's base lending rate from the date such payment is overdue to and until such payment is paid in full. Billing disputes are to be resolved on a best endeavour basis, failing which any amounts disputed on subsequent bills for the same reason may thereafter be withheld and deposited in an escrow account pending final resolution of the dispute through reference to an expert or through arbitration.

7.8 Pre-Operations Period

RPSB and SESB have rights and obligations prior to operations including:-

- (a) RPSB shall provide SESB with at least 30 days prior notice of the proposed Commencement Date and written confirmation that the Commencement Date has occurred within 30 days after the occurrence thereof;
- (b) From the Commencement Date until the completion of the Conversion Works, RPSB shall on a monthly basis, provide SESB with reports on the construction progress of the Conversion Works;
- (c) From Commencement Date until the completion of the Second Block COD, SESB shall provide the Combined Cycle Facility with supply of electricity at SESB's prevailing tariff;
- (d) SESB has the right to review the conceptual design of the Combined Cycle Facility, the IF and CF and to monitor the construction, testing, and start-up of the Combined Cycle Facility;
- (e) SESB shall have the right to approve or request modifications to the capability curves, proposed relay data, relay calculations and relay settings of the manufacturer or EPC contractor of the electric generators and transformers of the Combined Cycle Facility which are additional to those of the Facility;

- (f) RPSB must receive SESB's approval to make any material modification to the design or construction of the Conversion Works which would have reasonably be expected to have a material adverse effect on SESB's rights under the Combined Cycle PPA;
- (g) No generation of electrical energy from the Combined Cycle Facility in parallel mode with the SESB system may take place, whether for testing or otherwise, and neither the First Block IOD nor Second Block IOD may occur until (i) the interconnection protective devices are installed by RPSB and inspected by SESB, (ii) the Interconnection Facilities and Communication Facilities are installed, tested and commissioned by RPSB and inspected and approved by SESB and (iii) SESB has certified in writing that parallel operation of the First Block or the Combined Cycle Facility, as the case may be, and the Interconnection Facilities may commence;
- (h) RPSB shall provide SESB with written notice of the proposed First Block IOD and the Second Block IOD together with the requisite certificate from the independent engineer;
- (i) SESB shall have the right to reschedule the proposed First Block IOD or the Second Block IOD, for reasons attributable to RPSB, if it reasonably determines that parallel operation of the Combined Cycle Facility with the SESB system could adversely affect the SESB system;
- (j) In the event SESB exercises its right to delay the proposed First Block IOD or the Second Block IOD for reasons not attributable to RPSB, RPSB shall be entitled to reschedule the Combined Cycle SCOD. The rescheduled Combined Cycle SCOD shall accordingly be extended by the length of delay to the proposed First Block IOD or the Second Block IOD;
- (k) If SESB reschedules the First Block IOD or the Second Block IOD for reasons other than those in paragraphs (g) (h) and (i) above within the control of SESB, SESB shall pay to RPSB a Combined Cycle Capacity Payment based on the applicable Combined Cycle Dependable Capacity which would have been achieved but for such rescheduling and prorated for the duration of the rescheduling;
- (l) RPSB shall provide SESB with written confirmation that the First Block IOD and Second Block IOD has occurred within 5 days after the respective occurrence thereof;
- (m) RPSB shall notify SESB in writing 30 days in advance of the First Block COD, which notice shall also set forth the anticipated net capacity of the First Block. RPSB shall provide SESB with written confirmation that the First Block COD has occurred within 5 days after the occurrence thereof; and
- (n) RPSB shall notify SESB in writing 45 days in advance of the Second Block COD, which notice shall also set forth the anticipated net capacity of the Combined Cycle Facility. RPSB shall provide SESB with written confirmation that the Second Block COD has occurred within 5 days after the occurrence thereof. The applicable Combined Cycle CBP shall commence on such date.

If RPSB is ready to establish a net capacity for the Combined Cycle Facility but is unable to dispatch to such net capacity due to a constraint in the SESB system or the Interconnection Facilities, SESB shall pay RPSB Combined Cycle Capacity Payments based on the applicable Combined Cycle Dependable Capacity which would have been achieved but for such constraint or deficiency for the duration of such constraint.

Notwithstanding any other rights and remedies provided for in the Combined Cycle PPA, RPSB agrees to pay SESB by way of pre-ascertained and agreed liquidated damages the following:-

- (a) RM17,500 a day up to a maximum of RM3.0 million for each day that the First Block COD has occurred but not the Second Block COD by the date that is 90 days after the Combined Cycle SCOD due to the default of RPSB;

- (b) RM35,000 a day up to a maximum RM6.0 million for each day that the First Block COD and the Second Block COD have not occurred by the date that is 90 days after the Combined Cycle SCOD due to the default of RPSB;
- (c) RM6.0 million in a single lump sum payment in the event of any abandonment by RPSB of the whole of the Conversion Works; or
- (d) RM18.0 million in a single lump sum payment in the event of termination of the Combined Cycle PPA by SESB arising out of an event of default by RPSB (other than the defaults referred to above).

No liquidated damages shall be payable by RPSB due to a force majeure event, as defined in the Combined Cycle PPA. As security for RPSB's obligations under (a), (b) and (c) above, RPSB shall furnish SESB with a performance bond of RM6.0 million in terms acceptable to SESB from a local or offshore bank. The performance bond shall be procured within 180 days from the signing of the Combined Cycle PPA and shall have a period of validity of up to 180 days after the Combined Cycle SCOD. However, RPSB's obligation to provide the performance bond may be satisfied by an assignment to SESB of the bonds issued on behalf of the EPC Contractor to RPSB.

7.9 Control and Operation of the Combined Cycle Facility

- (a) Prior to each operating day, RPSB shall declare to the control centre as to the daily operating availability and expected maximum net generating capacity of the Combined Cycle Facility, including, without limitation, any anticipated outage provided that this information shall not be used for the calculation of Derated Hours;
- (b) RPSB agrees to control and operate the Combined Cycle Facility consistent at all times with SESB's dispatch of the Combined Cycle Facility and the terms of the Combined Cycle PPA; and
- (c) When the control centre elects to dispatch the Combined Cycle Facility, it shall do so above the minimum dispatchable load of 8MW per unit. For power between 45MW but not more than 60MW, SESB may inform RPSB on the operating regimes taking into consideration the forecast dispatch pattern and required spinning reserves.

SESB shall have the right to dispatch the Combined Cycle Facility in accordance with the performance standards subject to the following:-

- (a) by Friday of each week, SESB will provide RPSB with an estimated schedule of operations for the following week;
- (b) SESB provides the relevant notice stated in the Combined Cycle PPA in respect of changes in operating levels in accordance with the design parameters in respect to such Combined Cycle Units under dispatch including changes in operating levels which require a start up of a gas turbine unit and which require start-up for the HRSG and steam turbine generator;
- (c) adequate start-up time as stated in the Combined Cycle PPA in the event that there has been shutdown of the HRSG or steam turbine generator;
- (d) RPSB is to notify the control centre whenever SESB's dispatch of the Combined Cycle Facility will require a start-up of any of the Combined Cycle Units; and

- (e) on occurrence of additional performance testing of the Combined Cycle Facility on or about the first anniversary of the Second Block COD and during the period of testing, at least 95MW (nominal) shall be available for dispatch from the Combined Cycle Facility and the testing shall not last longer than 10 days. Such period of testing shall be considered a scheduled outage.

7.10 Operation and Maintenance

Under the Combined Cycle PPA, RPSB and SESB agree to the operation and maintenance of the Combined Cycle Facility in accordance with the following:-

- (a) RPSB shall design, construct, operate and maintain the Combined Cycle Facility in accordance with Prudent Utility Practices and otherwise in accordance with the Combined Cycle PPA. RPSB shall enter into an operations and maintenance agreement for the Combined Cycle Facility with an operator acceptable to SESB;
- (b) SESB shall have the right to conduct operating tests and inspections to determine that the interconnection equipment for the Combined Cycle Facility is functioning properly;
- (c) The Combined Cycle Facility shall be operated and maintained in accordance with Prudent Utility Practices and the performance standards so that operation of the Combined Cycle Facility will not have an adverse impact on the voltage level or wave form of the SESB system;
- (d) RPSB shall notify SESB in a timely manner of any limitations, restrictions or outages affecting the Combined Cycle Facility;
- (e) Electricity delivered by the Combined Cycle Facility must conform to the electricity characteristics specified in the Combined Cycle PPA;
- (f) In addition to the Combined Cycle Facility's back-up electricity supply, SESB shall provide, if available, the Combined Cycle Facility with back-up and start-up electricity during scheduled, unscheduled and emergency outages of the Combined Cycle Facility at SESB's prevailing tariffs; and
- (g) RPSB shall immediately declare to the control centre any interruption in the availability for dispatch of any part of the Dependable Capacity at the Interconnection Points. Each hour or part thereof during which an interruption or reduction from the Combined Cycle Dependable Capacity shall have been so declared by RPSB and shall be considered a Derated Hour and shall be considered in the calculation of EAF.

7.11 Maintenance Reserve Account

So long as RPSB maintains a maintenance reserve in accordance with the requirements of the financing parties, RPSB is not obliged to provide any maintenance bond/guarantee as security for the due performance by RPSB of its maintenance obligations under the Combined Cycle PPA.

7.12 Interconnection Facilities and Communication Facilities

RPSB shall design, construct, install, test, commission and put into commercial operations the IF and CF at its own cost and expense in accordance with Prudent Utility Practices and the requirements set forth in the Combined Cycle PPA. The IF and CF shall be completed not less than 30 days prior to the First Block IOD. Upon completion of the construction, installation, satisfactory testing and commissioning of the IF and CF, RPSB shall transfer to SESB all operating and maintenance manuals, spares, rights, titles and interest to the IF and that part of the CF to be transferred to SESB at the end of the defects liability period. Upon transfer, SESB shall thereafter be responsible for the operation and maintenance of the same.

7.13 Metering

The electrical energy generated from the Combined Cycle Facility and transmitted to SESB shall be measured by metering devices located adjacent to the Interconnection Points to be installed by RPSB at its own cost in line with Prudent Utility Practices. All such metering devices shall be owned, operated, maintained and controlled solely by SESB.

SESB shall test all metering devices at its own expense on a regular schedule in the presence of a RPSB representative. If SESB performs additional inspections or tests of any SESB owned metering devices, RPSB shall bear the actual expense of such inspections or tests unless a metering device is found to register inaccurately by more than $\pm 0.2\%$ in which event the expenses of the requested additional inspection shall be borne by SESB. If such device is found to defective or inaccurate, it shall be adjusted, repaired, replaced and/or re-calibrated by SESB.

In order to verify the quantity of electricity delivered by RPSB to SESB in each monthly period, both parties shall at noon (or such other mutually acceptable time) take the electricity meter reading.

7.14 Representations and Warranties

RPSB and SESB have made certain representations and warranties including:-

- (a) Each party has the appropriate legal status and authorisations to enter into the Combined Cycle PPA;
- (b) RPSB will obtain and maintain all permits and licences as required; and
- (c) RPSB has and will continue to have the competence, ability and qualification to design, construct, own, operate and maintain the Combined Cycle Facility and will only employ qualified personnel.

7.15 Refinancing

Any net commercial benefits available to RPSB as a result of a refinancing exercise undertaken within 5 years of the date of execution of the Combined Cycle PPA shall be for the sole benefit of SESB. After these 5 years, such net commercial benefits shall be shared by SESB and RPSB in a 70:30 proportion.

7.16 Sale of Energy to Third Parties

RPSB shall not, without the prior written consent of SESB and Energy Commission, sell any electrical energy or capacity from the Combined Cycle Facility to anyone other than SESB.

7.17 Surplus Monies

RPSB shall be entitled to deposit surplus monies in an interest bearing account. Any interest earned in excess of 2.5% per annum on such surplus monies after the Second Block COD shall be for the benefit of SESB.

7.18 Taxes, Fines and Liabilities

RPSB shall pay all taxes imposed in connection with the ownership, operation and maintenance of the Combined Cycle Facility. Each party shall indemnify the other against the costs, fines and penalties incurred or suffered by the other party due to any non-compliance of any law by the first mentioned party.

7.19 Insurance

RPSB is required to maintain in effect throughout the Conversion Period the following insurance policies and coverage with respect to the Conversion Works and provide evidence to SESB of such policies 15 days prior to the Commencement Date:-

- (a) Construction All Risks Insurance which will include, *inter alia*, riot, civil commotion, strikes, fire and lightning, water damage, flood, storm, tempest, consequences of defective design, workmanship or materials. It shall include a delay in completion insurance arising out of loss or damage to the works as required by the financing parties;
- (b) Public Liability Insurance covering legal liability to third parties for damages or compensation arising out of death or injury persons or and loss or damage to property; and
- (c) Marine Cargo Insurance covering loss of or damage to imported plant and equipment in the course of transit by land, sea or air. It shall also include Consequential Loss Insurance arising out of loss and damage to the works as required by the financing parties.

RPSB will require the EPC Contractor to insure and oblige its subcontractors to insure the following:-

- (i) Construction plant and equipment insurance for all plant and equipment in use by the EPC Contractor in connection with the Conversion Works;
- (ii) Workers' Compensation Insurances or Employer's Liability Insurances covering liability to employees who are not registered with the social security scheme; and
- (iii) Other statutory insurances, where applicable.

RPSB shall maintain from the Second Block COD the following insurance policies and coverage with respect to the Combined Cycle Facility and the IF and CF:-

- a) Public Liability Insurance for bodily injury and property damage;
- b) In respect of SESB's employees who are not registered in SOCSO, Workers' Compensation Insurance;
- c) Comprehensive Automobile Liability Insurance;
- d) All Risks Property Insurance and Boiler and Machinery Breakdown Insurance against damage to the Combined Cycle Facility in amounts not less than the construction cost of the Combined Cycle Facility, subject to relevant deductibles, and Business Interruption Insurance arising out of loss or damage to the Combined Cycle Facility as required by the financing parties; and
- e) Excess Umbrella Liability Insurance.

7.20 Force Majeure

No force majeure event shall extend the Combined Cycle SCOD or the Second Block COD beyond 18 months after the initial Combined Cycle SCOD.

Subject to the following limitations, in the event that either party is rendered unable to perform by reason of a force majeure event after the Second Block COD, such obligation shall be suspended or excused to the extent affected by such force majeure event.

The excusal of a party's obligations due to a force majeure event is subject to the following limitations:

- (a) The parties can only claim the benefit of force majeure that occurs or is in effect after the Second Block COD. The force majeure shall not operate to excuse obligations of the parties that are required to be performed prior to such force majeure. The parties' obligation to pay money prior to or during the continuance of such force majeure shall also not be excused save that, in lieu of the obligation of SESB to make Combined Cycle Capacity Payments, SESB shall pay RPSB the debt service portion under the financing documents.
- (b) Neither party shall be relieved of any obligations under the Combined Cycle PPA solely because of increased costs or other adverse economic consequences that may be incurred through the performance of such obligations of the parties.
- (c) If a force majeure event continues for more than 12 months, the party not claiming the force majeure event may terminate the Combined Cycle PPA, without further obligation, or extend such period at its sole discretion provided that such extension shall exceed 18 months, or in the case of the replacement or rebuilding of a steam turbine, 24 months.

7.21 Default, Termination and Step-In Rights

The following are the events of default under the Combined Cycle PPA:

- (a) the First Block COD for the Combined Cycle Facility fails to occur within 9 months from the Combined Cycle SCOD (after any applicable extensions) for the Combined Cycle Facility;

- (b) non-compliance by either party with the material obligations of the Combined Cycle PPA which remain uncured for 60 days provided that if such failure cannot be cured within a period of 60 days with the exercise of reasonable diligence, then such cure period shall be extended for an additional period of 60 days so long as such party is exercising reasonable diligence to cure such failure;
- (c) receivership, bankruptcy or liquidation of either party;
- (d) the IPP licence is suspended indefinitely, revoked, terminated or has expired without renewal;
- (e) Either party fails to make payment for undisputed amounts within 60 days following a written notice for non-payment; or
- (f) The EAF shall for any reason other than due to any force majeure event, be less than 50% for a period of 3 or more consecutive months.

If any event of default under the Combined Cycle PPA occurs and is continuing, the non-defaulting party may terminate the Combined Cycle PPA effective 60 days after written notice is given. Upon termination, the non-defaulting party is relieved of its obligations under the Combined Cycle PPA except for the payment of amounts due before terminations.

SESB has step-in rights if RPSB is in default or if the EAF falls below 50% for more than 3 consecutive months. However, these rights are exercisable only if operation of the Facility is not assumed by the financing parties or their designees. If SESB exercises its step-in rights, it may appoint a qualified operator to assume operational responsibility for the Combined Cycle Facility as if SESB were operating it. While operating the Combined Cycle Facility, SESB will make the Capacity Payments and Energy Payments less costs incurred by SESB in operating the Facility. If the step-in rights have been exercised on the ground of the EAF falling below 50% for more than 3 consecutive months, then when the Combined Cycle Facility reaches an EAF of greater than 65% for 3 consecutive months, SESB will return operational responsibility to RPSB.

7.22 Indemnification

The Combined Cycle PPA provides for indemnification by both parties including:-

- (a) Each party shall indemnify the other for damages from any act or omission of the indemnifying party in connection with the performance of the Combined Cycle PPA;
- (b) RPSB indemnifies SESB for liabilities associated with the conditions of the Site and the operation of the Combined Cycle Facility; and
- (c) Neither party is liable to the other for consequential damages.

7.23 Option to Purchase by SESB

RPSB has granted to SESB the option to purchase the Combined Cycle Facility. SESB may exercise the option within 90 days of the earlier of:-

- (a) the end of the initial term of the Combined Cycle PPA (or any extensions thereof); or
- (b) the early termination of the Combined Cycle PPA, whichever is earlier.

The purchase price shall be the then fair market value of the plant as determined in accordance with valuation procedures set out in the Combined Cycle PPA.

Notwithstanding the above, RPSB has the right to mortgage the Combined Cycle Facility and the Site to the financing parties, and any purchase by SESB shall be subject to consent of the said financial institutions.

7.24 Transfers

Except as required by the financing parties, RPSB may not sell, convey, transfer or otherwise dispose of the Combined Cycle Facility without the prior written consent of SESB, which consent shall not be unreasonably withheld or delayed.

7.25 Assignment

Neither the Combined Cycle PPA nor any of the rights or obligations of the parties hereunder may be assigned, transferred or delegated by either party without the prior written consent of the other party. However, RPSB is permitted to assign its rights under the Combined Cycle PPA to the financing parties.

(The rest of this page has been intentionally left blank)

8.0 Gas Supply Agreement

8.1 Overview

The GSA was executed between RPSB, PETRONAS and PETRONAS Carigali on 7 May 1997. Under the GSA, PETRONAS and PETRONAS Carigali agreed to sell and deliver and RPSB agreed to purchase, receive and pay for natural gas for the purpose of electricity generation.

8.2 Scope and Period of GSA

The GSA became effective on 7 May 1997 and shall expire on the 21st anniversary of the coming into force of the IPP Licence. On 28 March 2005, RPSB had received written confirmation from PETRONAS Carigali that it has the supply ability to meet the plant demand for natural gas, subject to sufficient gas reserves and on such terms and conditions to be reflected in an agreement of extension of the tenure of the GSA in due course between PETRONAS, PETRONAS Carigali and RPSB.

8.3 Delivery and Quantities

RPSB shall provide daily, monthly and annual forecasts of its natural gas requirements to PETRONAS. The quantity made available in a GSA Contract Year (in respect of the GSA) is termed the ACQ. The daily quantity for each GSA Contract Year shall be 1,020 kSM³. For each GSA Contract Year, PETRONAS shall make available ACQ as follows:-

GSA Contract Years	ACQ (kSM³)
1	106,869
2 – 6	159,213
7	237,979
8 – 20	315,889
21	156,646

8.4 Annual Take-or-Pay

During each GSA Contract Year, RPSB is bound by the GSA to purchase and take delivery of a minimum quantity of natural gas equivalent to 75% of the Net ACQ.

The Net ACQ is the ACQ for the GSA Contract Year less:

- (i) any quantity of natural gas notified for delivery but which PETRONAS has not delivered or where RPSB has not been able to accept due to reasons of force majeure;
- (ii) any quantity of natural gas rejected by RPSB for failing to meet the quality and delivery pressure set out in Article VIII of the GSA; and
- (iii) any quantity of natural gas notified for delivery which PETRONAS has failed to deliver for any reason.

Where RPSB has, in any GSA Contract Year, paid for any quantity of natural gas but not taken delivery of the same, RPSB may, within 1 GSA Contract Year subject to PETRONAS' delivery capability, take delivery of that quantity of natural gas so paid for and if not taken within the said period, it shall be forfeited.

During each quarter in each GSA Contract Year, RPSB has agreed to purchase and take delivery of a minimum quantity of natural gas equivalent to 50% of the net quarterly contract quantity. The net quarterly contract quantity is $\frac{1}{4}$ of the net ACQ for each GSA Contract Year less the conditions described in paragraph (i), (ii) and (iii) above.

8.5 **Liability**

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

8.6 **Delivery Pressure**

The natural gas to be delivered under the GSA shall be tendered for delivery at the delivery point at a pressure between 1820 to 2413 Kpag.

8.7 **Price**

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

$$P_n = \frac{(P_s + 6.5P_p)}{[1.07 \times E_x \times 0.5 (40.8)] / 1.05506}$$

where,

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

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

P_p = The posted price which shall be the time weighted daily average price of the Singapore Postings for medium fuel oil (as quoted by the Platt's Market Scan) of BP Singapore, Caltex Singapore, Esso Singapore, Mobil Jurong, Shell Pulau Bukom and SPC Singapore expressed in US Dollars per barrel over the 4 weeks immediately preceding the invoiced week 'n'

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

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

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

1.05506= Conversion factor from MMBtu to GJ

However, since 1 January 2000, PETRONAS has fixed the price of natural gas at RM6.40 per MMBtu.

8.8 Invoicing and payment

PETRONAS will invoice RPSB on a weekly basis, for quantities of natural gas delivered. PETRONAS will also issue quarterly and annual statements to RPSB. The weekly invoices are to be settled by RPSB within 14 days from the date of receipt by RPSB of the said invoices.

8.9 Measurement

PETRONAS will at its own expense measure the natural gas delivered to RPSB. RPSB shall be entitled to witness the measuring activities. RPSB shall have the right to inspect PETRONAS' metering equipment upon giving reasonable notice to PETRONAS. If RPSB disputes the accuracy of any weekly invoice, RPSB shall notify PETRONAS and PETRONAS shall carry out validation of its metering equipment in the presence of RPSB's representative within 7 days from the date of notification of the dispute.

8.10 Force Majeure Event

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

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

8.11 Termination

Subject to the rights and obligations which may have accrued, PETRONAS or RPSB may terminate the GSA giving the party in default 6 months written notice of the impending termination. The termination shall be effective on the expiry of the 6 months unless the default has been remedied by the party in default.

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

- (i) any party being in breach of its warranties and representations and indemnities;
- (ii) any party fails to pay a sum of monies (not the subject of a bona fide dispute) after a period of 30 days has elapsed beyond a date when the said sum was due and payable;
- (iii) any party being unable to pay its debts when they are due or becomes insolvent or a receiver is appointed;

- (iv) the IPP Licence is revoked due to the fault of RPSB; or
- (v) termination of the power purchase agreement.

8.12 Assignment

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

(The rest of this page has been intentionally left blank)

9.0 Fuel Supply Agreement

9.1 Overview and Scope of Work

The FSA was executed between RPSB and Shell Timur on 14 April 1997. Under the FSA, Shell Timur shall supply Shell diesoline from 1 December 1997 to 30 November 2018. Each party may upon notification to the other review the terms and conditions at the end of the sixth anniversary of the FSA. Thereafter such review may be conducted on a 5-yearly basis.

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

9.2 Price of Shell Diesoline

Shell Timur's basic price would be 60.97 sen per litre ("Basic Price") delivered to the Site and shall exclude duties/taxes. The Basic Price is tied to the following factors:

1. Means of Platts ("MOPS") for gasoil 0.5% sulphur content wt. max. which on 2 December 1996 was USD31.875 per barrel ("Basic MOPS Price").
2. The exchange rate for US Dollar as published by Maybank telegraphic transfer selling rate on 2 December 1996 was USD1.00 = RM2.5455.

The Basic Price will escalate with the change in the above 2 factors.

In the event that the Basic MOPS Price is withdrawn or replaced or Maybank suspends the quotation for exchange of Ringgit Malaysia and US Dollar for a continuous period of more than 1 month, both parties shall mutually agree on alternative markers for calculating price fluctuations thereafter and in the event that the parties fail to agree on alternative markers for this purpose within 1 month from the date of the said withdrawal, suspension or replacement, the FSA shall terminate.

9.3 Supply

Save for emergency requirements, the maximum quantity of Shell diesoline to be supplied and delivered by Shell Timur to RPSB shall be as follows:-

- (i) Continuous supply for 1 day to 7 days - maximum 500,000 litres per day
- (ii) Continuous supply for more than 7 days - maximum 750,000 litres per day and subjected to a minimum 5.5 million litres per order

For the continuous supply of more than 7 days as stated in (ii) above, as the above requirement is on an ad hoc basis, a notice period of 1 month would be required for Shell Timur to arrange for stocks and lorries for deliveries.

Should Shell Timur be unable or neglects to supply Shell diesoline for any reason other than:

- (i) Force majeure; or
- (ii) where Shell Timur's supply is curtailed or cut-off,

RPSB may treat such default or non-performance as an act of repudiation of the FSA and terminate the FSA. Alternatively, if any such default or non-performance, in the opinion of RPSB, is of a temporary nature, then the parties may agree to keep the FSA afoot on the condition:-

- (a) that Shell Timur compensates RPSB for any costs or expenses incurred and losses suffered by RPSB; and
- (b) that RPSB is at liberty to purchase the said Shell diesoline or its equivalent from other sources.

Property and risk in the Shell diesoline shall pass upon immediate receipt by RPSB into their storage equipment.

9.4 Additional Quantity of Shell Diesoline

Where excess quantity of Shell diesoline is required by RPSB in excess of the supply detailed above, notice shall be given to Shell Timur 3 months in advance of such additional requirements. Shell Timur shall be given the option to supply RPSB the additional volume at terms to be mutually agreed.

In the event the parties fail to agree on the terms of supply for the additional volume after 7 days from the date of notification by RPSB, RPSB shall be free to obtain the supply of the additional Shell diesoline from other sources.

9.5 Assignment

Neither party may, without the written consent of the other, assign or dispose of any rights in the FSA, or sub-contract or otherwise delegate any of its obligations under the FSA.

9.6 Other Salient Terms and Conditions

If during the term of the FSA:

- (i) any restriction or limitation of supply is imposed through Shell Timur's supplier, Shell Lutong Refinery, in obtaining crude oil for processing and supplying to Shell Timur resulting in increased costs to Shell Timur which is not reflected in the MOPS prices; or
- (ii) the supply pattern of crude oil to Shell Timur is significantly altered by circumstances outside the control of Shell Timur, resulting in higher costs to Shell Timur and which is not reflected in the MOPS prices,

Shell Timur shall be entitled to request for price adjustments, and in the event the parties are unable to agree on the amount of such adjustments, then upon the expiration of 2 calendar months from the date on which Shell Timur requested for such price adjustments, the FSA shall be terminated.

If there is a breach of the FSA, either party shall be given 60 days to remedy the said breach, failing which, it shall be lawful for the aggrieved party to terminate the FSA.

9.7 Letter of Extension of FSA

RPSB had, on 28 March 2005, obtained an extension of tenure of the FSA until 7 March 2028 subject to the following terms including:-

- (i) That the review period under the FSA be changed from 5-yearly basis to 2-yearly basis and which shall commence from 30 November 2003;
- (ii) The price variation shall be calculated based on the preceding week's average MOPS and average exchange rate of preceding week and shall become effective from every Tuesday to the Monday of the following week. The formula of the contract price shall remain unchanged;
- (iii) The buyer has been accorded new credit terms, where all purchases made by RPSB shall be subject to a credit limit and all purchases within a given month shall be paid for in full on or before the last day of the following month. Shell Timur reserves the right to charge a 1.5% per month credit charge on all overdue amounts exceeding 1 month; and
- (iv) All other terms and conditions of the FSA shall remain valid and in full force until the expiry date of 7 March 2028.

(The rest of this page has been intentionally left blank)

10.0 Operations and Maintenance Agreement

10.1 Introduction

RPSB entered into the Open Cycle OMA with RPOM on 26 June 1997 for the operations and maintenance of the Open Cycle Facility. RPOM has been operating and maintaining the Open Cycle Facility since April 1998.

RPSB had, on 19 May 2005, entered into the Combined Cycle OMA with RPOM to include maintenance of the steam turbines, HRSGs and auxiliary facilities. The Open Cycle OMA will cease to exist upon First Block COD and the Combined Cycle OMA which took effect on 19 May 2005 shall continue in effect for an initial period ending on a date that is 21 years from the Second Block COD unless otherwise extended or terminated in accordance with the provisions of the Combined Cycle OMA.

10.2 The Operator

RPOM was set up on 21 January 1997 to undertake the operations of the existing 120MW Open Cycle Facility. RPSB entered into a technical assistance agreement dated 30 June 2003 with TNBG which expired on 1 March 2005 for the provision of technical expertise and services to RPSB. As of the date of this Information Memorandum, RPSB is in the process of negotiating a new technical assistance agreement with TNB Remaco, a wholly owned subsidiary of TNB, to provide technical expertise and services for both the Open Cycle and Combined Cycle Facility. Pending finalisation of the new technical assistance agreement with TNB Remaco, TNBG is continuing to provide the technical expertise and services to RPSB.

RPOM's current shareholders comprise RPB and SEC, each having a 70% and 30% equity interest respectively. RPOM's Board of Directors as at 27 April 2005 comprises:-

- (i) Yoong Sin Kin @ Margaret Fung;
- (ii) Wong Hui Keat;
- (iii) Zulkifly bin Saadom; and
- (iv) Nazli Imran Mohd. Mansor.

RPOM's management team comprises:-

- | | | |
|-------|-------------------|--|
| (i) | Ahmad Jaafar | Senior Manager |
| (ii) | Lo Sen Chung | Manager, Mechanical |
| (iii) | Fauzi bin Ismail | Senior Engineer, Electrical, Control and Instrumentation |
| (iv) | Mustapha Mandalam | Senior Engineer, Operations |

10.3 Open Cycle OMA

10.3.1 Scope of Services

RPOM is obliged to operate the Open Cycle Facility in accordance with, *inter alia*,:-

- (a) RPSB's instruction, insofar as they are within the requirements and provisions of the Open Cycle PPA and such other contracts as may be provided by RPSB to RPOM in accordance with the Open Cycle OMA;
- (b) the operating and maintenance standards recommended by the relevant supplier's and manufacturer's recommendation subject to RPSB's instructions;
- (c) the standards of a reasonable and prudent operator; and
- (d) Prudent Utility Practices

so as to enable the Open Cycle Facility to be operated, managed, maintained, repaired, tested and inspected efficiently, safely, economically and reliably.

In addition, the services to be performed by RPOM would include the following:-

- (i) provide the agreed skilled, qualified, experienced and competent personnel to manage, supervise and operate the Open Cycle Facility;
- (ii) maximise the availability and performance of the Open Cycle Facility;
- (iii) operate and maintain the Open Cycle Facility according to prudent and safe engineering practice;
- (iv) provide RPSB with reports on the operation and performance of the Open Cycle Facility, including costs;
- (v) manage the fuel stocks and other consumables, including the review and verification of fuel invoices and provide the fuel suppliers with notice of use and projections of future use;
- (vi) prepare invoices for billing to and collection of payment from LLS/SESB; and
- (vii) perform all necessary administrative services, including security, in connection with the scope of services.

10.3.2 Terms of Agreement

The initial term of the Open Cycle OMA is for a period of 21 years from the Open Cycle COD unless otherwise extended or terminated in accordance with the Open Cycle OMA.

10.3.3 Method of Payment

Not less than 3 months prior to the commencement of each Open Cycle OMA Contract Year or within 90 days prior to the Open Cycle COD, RPOM is to submit its proposed annual budget in respect of each month for the following Open Cycle OMA Contract Year to RPSB for its review and approval. The annual budget is based on the business plan set out in the Open Cycle OMA.

The amounts which are agreed and budgeted in respect of each month of every Open Cycle OMA Contract Year shall be invoiced by RPOM to RPSB on the 30th day of each month and is to be paid within 14 days after date of receipt of the invoice.

All costs and expenses in respect of maintenance and the provision of spare parts (including labour costs) of each Block as estimated in the Open Cycle OMA is to be borne by RPSB on an "actual cost" basis and are to be invoiced by RPOM or the supplier of such services or materials required by RPSB as and when they are actually incurred.

10.3.4 Performance Guarantees

Net Capacity

The Operator guarantees that the net capacity of the Open Cycle Facility (subject to amendments to the prescribed degradation curves) shall be no less than the lower of:-

- the value measured during the performance test under the EPC contract for the Open Cycle Facility; or
- the guaranteed value of 132.892MW under the EPC contract for the Open Cycle Facility.

In the event that the net capacity of the Open Cycle Facility is lower than 120MW (subject always to the degradation curves), then RPOM shall pay liquidated damages to RPSB in accordance with the provisions of the Open Cycle OMA. No liquidated damages shall be imposed nor bonuses paid in respect of the net capacity of the Open Cycle Facility between the value guaranteed by RPOM and 120MW.

EAF

The Operator guarantees that the EAF (as defined in the Open Cycle PPA) shall not be lower than 87%.

Heat Rate

The Operator guarantees that the heat rate shall be:-

- the value measured during the performance test under the EPC contract for the Open Cycle Facility; or
- the guaranteed value of 13,244 kJ/kWh on HHV under the EPC contract for the Open Cycle Facility;

whichever is higher and subject always to amendments in accordance with the prescribed degradation curves.

In the event that the heat rate of the Open Cycle Facility exceeds 13,956 kJ/kWh on higher heating value (subject always to the degradation curves), then RPOM shall pay liquidated damages to RPSB in accordance with the provisions of the Open Cycle OMA.

In the event that the heat rate of the Open Cycle Facility is lower than 13,442 kJ/kWh on higher heating value, then RPSB shall pay RPOM bonuses in accordance with the Open Cycle OMA.

No liquidated damages shall be imposed nor bonuses paid in respect of the achieved heat rate between 13,956 kJ/kWh on higher heating value and 13,442 kJ/kWh on higher heating value.

Emissions

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

Noise

The Operator guarantees that the noise level at the boundary of the site shall be no higher than 65dBA during the day and 55dBA at night.

10.3.5 Termination

The occurrence of any of the following events unless excused by force majeure or RPSB's failure to fulfil its obligations under the Open Cycle OMA, shall constitute an event of default by RPOM:-

RPOM

- (i) where the EAF of the Open Cycle Facility falls below 50% or the net capacity of the Open Cycle Facility falls below 120MW or the heat rate exceeds 13,956 kJ/kWh on HHV and such state of affairs continues and extends beyond 4 consecutive months;
- (ii) poor performance by RPOM below the standards of a reasonable and prudent operator;
- (iii) RPOM failing to effect payment when due;
- (iv) negligence or wilful misconduct on the part of RPOM;
- (v) where RPOM suffers execution against a substantial portion of its assets;
- (vi) where RPOM or its shareholders are adjudicated bankrupt, liquidated or dissolved; and
- (vii) where RPOM fails substantially to perform its obligations under the Open Cycle OMA.

RPSB

The occurrence of any of the following events of default shall constitute an event by RPSB:-

- (i) when RPSB fails to effect payment as and when it is due;
- (ii) when RPSB is adjudicated a bankrupt, liquidated or dissolved; and
- (iii) when RPSB commits a material breach of its obligations under the Open Cycle OMA.

On the occurrence of an event of default under the Open Cycle OMA, the aggrieved party is required to give the defaulting party notice in writing specifying the said event. If the defaulting party fails to commence steps to cure the default within 14 days and if the said default is not cured within 60 days (or such other mutually agreed period), the aggrieved party may, in addition to other remedies under the Open Cycle OMA, immediately terminate the Open Cycle OMA by written notice to the defaulting party.

10.3.6 Performance Bond

At least 10 days prior to the Open Cycle COD or each Open Cycle OMA Contract Year, RPOM shall provide RPSB an irrevocable performance bond of RM2.0 million as security for the due performance by the Operator of its obligations. The performance bond shall take effect from the Open Cycle COD or the 1st day of each Open Cycle OMA Contract Year (as the case may be) and be maintained at its full value until the date which is 30 days after the expiry of the term of the Open Cycle OMA or the date of termination, whichever is earlier. RPSB had, at the request of RPOM, extended the time for RPOM to provide the performance bond to a later date to be determined by RPSB in due course.

10.4 Combined Cycle OMA

RPSB had, on 19 May 2005, entered into a Combined Cycle OMA with RPOM to include, *inter alia*, the maintenance of the steam turbines and HRSGs for the tenure of the Combined Cycle PPA on or from the First Block COD.

10.4.1 Relationship to the Open Cycle OMA

The Operator shall continue to undertake and provide work in respect of the Open Cycle Facility in accordance with the terms of the Open Cycle OMA up to the First Block COD of the Combined Cycle Facility, whereby the Open Cycle OMA shall cease to have effect and be deemed terminated.

10.4.2 Scope of Services

Appointment of RPOM as operator of the Combined Cycle Facility to operate and maintain the Combined Cycle Facility so as to enable the Combined Cycle Facility to be operated, managed, maintained, repaired, tested and inspected efficiently, safely, economically and reliably.

RPOM also undertakes to repair, remedy, replace or rectify any part of the Combined Cycle Facility to be in a fit state and good working order to continue with operations.

10.4.3 Contract Price

RPOM shall not less than 3 months prior to the commencement of each Combined Cycle OMA Contract Year or within 90 days prior to the First Block COD submit its proposed annual budget in respect of each month for the following Combined Cycle OMA Contract Year to RPSB for its review and approval. The annual budget is based on the business plan as outlined in the Combined Cycle OMA.

The amounts which are agreed and budgeted in respect of each month of every Combined Cycle OMA Contract Year shall be invoiced by RPOM to RPSB on the 30th day of each month and is to be paid 14 days after date of receipt of the invoice.

All costs and expenses in connection with the maintenance and provision of spare parts of each power block shall be incurred and paid by RPSB on an actual cost basis and only invoiced by RPOM or the supplier of such services or materials required to RPSB as and when such costs and expenses incurred.

10.4.4 Term of Agreement

The Combined Cycle OMA takes effect as of 19 May 2005 and shall continue in effect for an initial period ending on a date that is 21 years from the Second Block COD unless otherwise extended or terminated in accordance with the provisions of the Combined Cycle OMA.

10.4.5 Performance Bond

At least 10 days prior to the First Block COD or Combined Cycle OMA Contract Year, RPOM shall provide to RPSB an irrevocable performance bond of RM3.0 million which shall be maintained for its full value at all times. The provision of the performance bond shall be a condition precedent to the making by RPSB of any payment under the Combined Cycle OMA.

10.4.6 Limitation of Liability

In respect of liquidated damages, the liability of RPOM shall not exceed the sum computed based on the rates and formula as set out in the Combined Cycle OMA while in respect of all other liabilities pursuant to the Combined Cycle OMA, the liability of RPOM shall not exceed the sum of RM3.0 million in any Combined Cycle OMA Contract Year.

10.4.7 Assignment

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

10.4.8 RPOM's Salient Representations and Warranties

- (i) Validly existing corporation with power and authority to perform obligations under the Combined Cycle OMA;
- (ii) It has the requisite skills and capacity to perform the O&M works;
- (iii) It shall, in the performance of its obligations under the Combined Cycle OMA, comply with all applicable laws, bylaws, regulations, rules or otherwise;
- (iv) It is financially solvent and has sufficient working capital to complete its obligations under the Combined Cycle OMA;
- (v) There is no action, suit or proceeding threatened against or affecting RPOM;
- (vi) It shall perform its obligations under the Combined Cycle OMA in accordance with the Combined Cycle OMA and the standards of a reasonable and prudent operator and it shall be free from defects; and
- (vii) RPOM acknowledges that the Combined Cycle Facility is to be a fully despatchable facility and that the gas turbine, and/or the HRSG and/or the steam turbine will be subject to a variable operating regime which may, and probably will, include numerous start-ups and shutdowns.

10.4.9 Performance Obligations

Net Capacity

- (i) RPOM guarantees that the net capacity of the Combined Cycle Facility shall be the value measured during the performance tests under the EPC Contracts and subject to the degradation curves.
- (ii) In the event that the net capacity measured during the dependable capacity test of the Combined Cycle Facility is lower than 190MW (subject always to the degradation curves), then the Operator shall pay liquidated damages to RPSB in accordance with the Combined Cycle OMA. In respect of bonuses, the provisions of the Combined Cycle OMA will apply. No liquidated damages shall be imposed nor bonuses paid in respect of the net capacity between the value guaranteed by the Operator and 190MW.

EAF

RPOM guarantees that the rolling EAF of the Combined Cycle Facility shall not be lower than 87% based on the definitions and calculations as set out in the Open Cycle PPA and the Combined Cycle PPA.

In the event that the EAF of the Combined Cycle Facility is lower than 87%, the RPOM shall pay liquidated damages to RPSB in accordance with the provisions of the Combined Cycle OMA. In the event that the average EAF for the Combined Cycle OMA Contract Year of the Combined Cycle Facility exceeds 87% and RPSB is also entitled to additional Combined Cycle Capacity Payments under the Combined Cycle PPA, the RPOM shall be entitled to a bonus subject to the provisions of the Combined Cycle OMA.

Heat Rate

- (i) RPOM guarantees that the heat rate of each Block shall be the value measured during the performance test under the EPC Contracts.
- (ii) In the event that the heat rate of either Block measured during the yearly performance test exceeds 9,502 kJ/kWh on higher heating value of natural gas (subject to the degradation curves), then RPOM shall pay liquidated damages in accordance with the provisions of the Combined Cycle OMA. In the event this heat rate is lower than the guaranteed heat rate value then RPSB shall pay the Operator bonuses subject to provisions of the Combined Cycle. No liquidated damages shall be imposed nor bonuses paid in respect of the achieved heat rate between 9,502 kJ/kWh on higher heating value of natural gas and the foregoing guaranteed heat rate value.

Emissions

RPOM guarantees that the emissions in respect of nitrogen oxide, particulate matter and sulphur dioxide shall not be higher than the standards set out in the Open Cycle PPA and Combined Cycle PPA. Such guarantees shall however be conditional upon RPSB procuring the supply of fuels that is in accordance with the specifications set out in the GSA and/or FSA.

Noise

The Operator guarantees that the noise level at the boundary of the site shall be no higher than 65dBA in the day and 55dBA at night.

10.4.10 Variations to the O&M

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

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

10.4.11 Suspension of Works

Without prejudice to the provision in the Combined Cycle OMA, in the event of:-

- (i) force majeure and as a result thereof RPSB is substantially deprived of the economic benefit of the Combined Cycle Facility; or
- (ii) non-availability of either natural gas or gasoil (but not both) and RPSB decides not to operate the Combined Cycle Facility despite the availability of gasoil,

RPSB may instruct RPOM in writing to suspend work to be performed under the Combined Cycle OMA or any part thereto and pay RPOM only all costs and expenses incurred by RPOM during such suspension.

In the event that the suspension continues for more than 120 days, RPOM may elect by written notice to terminate the Combined Cycle OMA.

10.4.12 Termination

The occurrence of any of the following events unless excused by force majeure or RPSB's failure to fulfil its obligations under the Combined Cycle OMA, shall constitute an event of default by RPOM:-

- (i) Where the EAF of the Combined Cycle Facility falls below 60% or the net capacity of the Combined Cycle Facility falls below 190MW or the heat rate exceeds 9,502 kJ/kWh on HHV and such state of affairs continues and extends beyond 4 consecutive months in respect of the EAF, 3 consecutive tests in respect of the net capacity and 2 consecutive tests in respect of the heat rate;
- (ii) RPOM is guilty of negligence or wilful misconduct;
- (iii) Where RPOM fails to effect payment when due;
- (iv) Where RPOM suffers execution against a substantial portion of its assets;
- (v) RPOM or its shareholders are adjudicated bankrupt, liquidated or dissolved;
- (vi) Where a resolution is passed for RPOM's winding up;
- (vii) Where RPOM makes a general assignment to its creditors;
- (viii) Where RPOM or its shareholders seek or consent to the appointment of a receiver and manager or custodian for its property and/or undertaking;
- (ix) Where RPOM or its shareholders institutes any proceedings seeking an order to relief or adjudicate it insolvent or for the adjustment of its debts; or
- (x) Where RPOM fails to perform its obligations under the Combined Cycle OMA.

In this respect, RPSB shall give RPOM a written notice specifying the event of default complained of. If RPOM does not cure such event of default within 14 days of the receipt of the notice and completes such cure within 60 days, RPSB may in addition to other remedies set forth in the Combined Cycle OMA terminate the Combined Cycle OMA.

The occurrence of any of the following events shall constitute an event of default by RPSB:-

- (i) where RPSB fails to effect payment when it is due under the Combined Cycle OMA;
- (ii) where RPSB is adjudicated a bankrupt, liquidated or dissolved;
- (iii) where RPSB seeks or consents to the appointment of a receiver and manager or custodian for its property and/or undertaking;
- (iv) where RPSB or its shareholders institute any proceedings seeking an order to relief it insolvent or for the adjustment of its debts;
- (v) where RPSB commits a material breach of its obligations under the Combined Cycle OMA,

RPOM shall give RPSB a written notice specifying the event of default complained of. If RPSB does not cure such event of default within 14 days of the receipt of the notice and completes such cure within 60 days, RPOM may terminate the Combined Cycle OMA and seek remedies pursuant to the agreement.

On the termination of the Combined Cycle OMA, RPSB may proceed to complete the works under the Combined Cycle OMA by the use of another operator and RPSB may take possession of any materials, plants, equipment and property of any kind furnished by RPOM which are necessary for the completion of the works and paid by RPSB.

10.4.13 Other Salient Terms and Conditions

- (a) The title to and risk for all materials, components and equipment installed or fixed in the Combined Cycle Facility shall remain with RPSB.
- (b) If the Combined Cycle Facility does not achieve a rolling EAF or net capacity equal or above the level set in Appendix C of the Combined Cycle OMA or if the Combined Cycle Facility exceeds the guaranteed level of heat rate in Appendix C of the Combined Cycle OMA, then RPOM shall pay liquidated damages to RPSB at the rate enunciated in Article 15 of the Combined Cycle OMA. In the event that the dependable capacity under the Combined Cycle PPA exceeds 190MW, the parties shall in good faith, review the amounts of liquidated damages and bonuses as provided for in the Combined Cycle OMA.
- (c) No waiver of any defaults in the performance of any provisions in the Combined Cycle OMA shall operate or be construed as a waiver for further default or defaults.
- (d) The Combined Cycle OMA supersedes all prior arrangement whether written or oral.

10.5 Contractual Services Agreement

The CSA which took effect on 1 October 2001 shall expire, unless sooner terminated in accordance with the provisions of the CSA, on the date falling after the expiry of 225 months from 1 November 2001. Under the CSA, the CSA Contractor shall provide RPSB the relevant maintenance and support services for the Covered Units. Pursuant to a letter dated 1 April 2005, the parties had mutually agreed to extend the term of the CSA to 7 March 2028, with the other terms and conditions in the CSA remain unchanged, save for the terms which have financial/commercial impact to be mutually agreed upon.

10.5.1 Scope of Work

Pursuant to the CSA, the CSA Contractor's scope of work in respect of the 4 GE Frame 6551B gas turbine generators (including all the accessories in relation thereto but excluding the terminal points as more particularly set out in Exhibit A to the CSA) ("Covered Units") includes the following:-

1. Mobilisation services for securing the critical spare parts for the Covered Units;
2. Planned maintenance;
3. Unplanned maintenance;
4. Use of new commercially available technology; and
5. Contract performance management.

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

10.5.2 Price and Payment Terms

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

Mobilisation payment

Pursuant to the CSA, within 20 days after the execution of the CSA, RPSB shall pay the CSA Contractor a mobilisation payment of USD2,768,754. This has since been effected by RPSB.

Periodic payments

The CSA Contractor will issue quarterly invoices to RPSB for the following payments:-

- (a) A fixed monthly fee of USD6,666.66 per calendar month or any portion of a calendar month; and
- (b) A variable monthly fee of USD72.42 per weighted number of hours that a Covered Unit is operated (consisting of the actual number of fired hours of operations adjusted on account of conditions applicable during those hours of operation in accordance with the formula set out in Exhibit L to the CSA) during each calendar year.

Pursuant to the CSA, 81% of the agreement price represents parts and services purchased offshore and shall be invoiced by GE Energy Parts, Inc. to RPSB while the remaining 19% represents the parts and services purchased onshore and shall be by GE Power Systems (Malaysia) Sdn Bhd to RPSB.

Milestone payment

For each Covered Unit, RPSB shall also pay the CSA Contractor a milestone payment of USD0.5 million upon completion of the first hot gas path inspection of each Covered Unit. This milestone payment has since been effected.

10.5.3 Price Escalation

For the mobilisation payment, periodic payments and milestone payment paid after year 2001, the current year payment amount shall be adjusted upward on an annual basis beginning on 1 January 2002 and on 1 January of each year thereafter, by the greater of 2% or the change in the composite index in accordance with the CSA.

10.5.4 CSA Contractor's Performance

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

- (a) in compliance with all relevant supplier's and manufacturer's recommendations with respect to the Covered Units;
- (b) in accordance with procedures as approved under the CSA with respect to the performance of those services; and
- (c) to liaise and cooperate with the reasonable requests of the Operator or RPSB including providing access to non-proprietary information, and where appropriate and not in contravention with any agreement or licence with third parties, facilitate transfer of technology to RPSB's personnel through direct interaction with RPSB's personnel pursuant to the performance of the CSA Contractor's obligations in the CSA.

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

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

10.5.5 RPSB's Responsibilities

RPSB shall perform routine maintenance upon, and operate, the Covered Units and the Open Cycle Facility, that will impact the Covered Units using the proper lubricants and fuel, water and air which comply with the specifications in the CSA, all in accordance with, *inter alia*, the manufacturers' and/or designers' recommendations. RPSB shall perform planned maintenance and unplanned maintenance or other work on those portions of the Open Cycle Facility, which are not included in the Covered Units. Where such work coincides with the CSA Contractor's activities, the CSA Contractor shall afford full cooperation to RPSB and/or RPSB's contractors performing such work.

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

10.5.6 Bank Guarantee or Letter of Credit for Parts and Services

RPSB shall open a bank guarantee or letter of credit for an amount of USD2.0 million not later than 10 days after the execution of the CSA which shall constitute payment security, and as a means of payment for all parts and services under the CSA and without limitation, all payments due from RPSB under the CSA against the CSA Contractor's invoices and certifications of the charges and grounds for such payments. This requirement has since been waived by the CSA Contractor until further notice.

10.5.7 CSA Contractor's Insurance

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

- (i) worker's compensation and any other statutory insurance required by law with respect to work related injuries or disease of employees of the CSA Contractor applicable to the CSA Contractor's employees in such form(s) and amount(s) as required by all applicable laws; and
- (ii) commercial general liability insurance for the CSA Contractor's protection, in broad form including coverage for liability assumed under contract, providing coverage for bodily injury and property damage with a combined single limit of not less than USD5.0 million cumulative total of underlying and excess coverage.

10.5.8 RPSB's Insurance

During the term of the CSA, RPSB shall maintain the following insurance coverage:-

- (i) worker's compensation and any other statutory insurance required by law with respect to work related injuries or disease of employees of RPSB applicable to RPSB's employees in such form(s) and amount(s) as required by all applicable laws;
- (ii) commercial general liability insurance for RPSB's protection, in broad form including coverage for liability assumed under contract, providing coverage for bodily injury and property damage with a combined single limit of not less than USD5.0 million cumulative total of underlying and excess coverage; and
- (iii) all risk property and boiler and machinery breakdown insurance covering the full value of the Covered Unit and Open Cycle Facility together with business interruption coverage, which includes a waiver of subrogation in favour of the CSA Contractor, its parent and subsidiaries and affiliates and which names the CSA Contractor as an additional named insured.

10.5.9 CSA Contractor's Warranty and Guaranteed Performance Commitment

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

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

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

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

10.5.10 RPSB's Warranty

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

10.5.11 Letter of Extension of CSA

The CSA Contractor had, on 1 April 2005, agreed to extend the term of the CSA to 7 March 2028 with amendments as the parties may mutually agree. The terms and conditions of the CSA shall remain unchanged save for terms which have financial/commercial impact which are to be mutually agreed upon. Such terms proposed by the CSA Contractor include the variable fee which shall continue to be effective until the 4th hot gas path inspection of the Covered Units until the end of the term of the CSA and any additional inspections thereafter will be paid on an agreed fixed lump sum fee.

(The rest of this page has been intentionally left blank)

11.0 EPC Contracts

The EPC Contracts worth RM281.0 million were awarded to the following:-

	EPC Contractor	Contract Sum (RM Million)	Scope of Contract
EPC 1 Contract	REC	274.0	Main works
EPC 2 Contract	REC	7.0	IF and CF
		<u>281.0</u>	

11.1 EPC Contractor

11.1.1 Corporate Profile

1. Company Name : REC
2. Company Number : 221264-W
3. Registered Office : 36th Floor, Empire Tower
No.182, Jalan Tun Razak
50400 Kuala Lumpur
4. Board of Directors
(As at 27 April 2005) : Tan Sri Hamdan bin Mohamad

Kamarulzaman Omar

Mohamed Mazlan Abdul Manaf

Amran bin Awaluddin
5. Capital Structure (Group)
(Audited as at 30 June 2004) : Paid-up capital : RM1.0 million
Shareholders' funds : RM22.4 million
6. Auditor : PricewaterhouseCoopers

11.1.2 Background Information

REC was incorporated on 20 July 1991 in Malaysia, as Debonair Resources Sdn Bhd. REC changed its name to Babcock Contractors Sdn Bhd on 7 September 1992 and to Babcock K-W Sdn Bhd on 7 February 1994. REC assumed its current name on 7 July 1999. REC is a 100% owned subsidiary of Ranhill Berhad.

REC is principally engaged in the provision of engineering, procurement and construction services.

(Source: Announcement by RPB to Bursa Securities dated 17 March 2005)

REC is the construction arm of Ranhill Berhad's group of companies, which undertakes project management services and EPC or design and build works. Combining the extensive engineering resources of Ranhill Berhad's group of companies, REC focuses on the design and build contracts for industries with specialised needs in oil and gas (i.e. hydrocarbon processing, petrochemical, waste treatment, district cooling), health care and infrastructure (i.e. cable-stayed bridges, highways, water treatment plant and reservoir, jetties/sea-front structures and large institutional complexes like hospital).

The types of turnkey projects or construction work REC undertakes include the following:-

- (i) Oil and gas upstream and downstream, refinery, chemical and petrochemical and other process industries
- (ii) Highways/freeways with or without toll collection facilities
- (iii) Foundations and marine works for jetties/sea-front structures
- (iv) Underground infrastructure for rail transit systems
- (v) Bridges, viaducts including cable stayed bridges
- (vi) Large institutional complexes such as hospitals, universities, etc. involving structural, civil, mechanical disciplines besides the supply/installation of relevant equipment
- (vii) Network of water treatment plants, reservoirs and water supply schemes.

(Source: REC's company profile)

In the power projects sector, Ranhill Berhad's group of companies has the following experience:-

Project Name: **Manjung Coal Fired Power Station**

Start Date: September 1999

Completion Date: September 2003

Detailed design and engineering (civil and structural) for a coal-fired power station, including piling and foundations, heavy equipment foundations, cofferdams and offshore pipelines.

This project involved the development of a 3 x 700MW coal-fired power station, with the unprecedented use (in Malaysia) of a large single machine with a rating of 700MW. The site covers an area of 285 hectares and is reclaimed land - a hydrological filled platform of marine sand overlaying a band of soft clay - connected to the mainland by a causeway.

Ranhill Berhad's designers and engineers worked to ensure that foundations were specific to site constraints and suitable for large power block concrete and steel structures. Major works included super critical boiler foundations, a turbine hall, cooling water intake and outfall structures, marine works, road and sewerage infrastructure, outdoor lighting and a flue gas desulphurisation system.

A short implementation schedule and a need for local planning approvals were both challenges that were overcome by the project team. As the project is a joint venture between global partners, Ranhill Berhad was required to complete a detailed design in accordance with British, European and Malaysian standards and codes. This included regular international liaison and was accomplished successfully within the client's timelines.

The challenge of complex designs, strict timelines and world-class quality requirements was met by the excellent teamwork between the client's specialists, based at Ranhill Berhad's offices, and Ranhill Berhad's staff. State of the art office communications and computer facilities were among other key success factors on this project.

(Source: www.ranhill.com.my as at 12 May 2005)

Project Name: TNB 500kV Transmission System, Phase 1

Start Date: August 1993

Completion Date: July 1997

TNB owns and operates approximately 11,000 kilometres of transmission lines in Malaysia. The main voltage levels currently in use are 275kV, 132kV and 66kV. The 275kV and 132kV lines together form the national grid, while the 66kV lines, located mainly in the south, are slowly being phased out.

With power demand and generation capacities projected to rise to 35,000MW by the year 2020, and as a part of TNB's plans to expand the existing transmission system towards maintaining a more cost effective, reliable and stable power supply, TNB implemented the 500kV transmission system complements the existing national grid.

Ranhill Berhad provides comprehensive EPC and management, system studies of transmission network, civil and structural engineering services, mechanical and electrical engineering services and environmental impact assessment studies.

Phase 1 of the project extended from Port Klang in Selangor to Gurun, Kedah, whilst Phase 1A extended from Pasir Gudang to Yong Peng in Johor. The project comprised construction of 4 sections of transmission lines covering a total distances of approximately 510 kilometres, together with 5 sub-stations at Port Klang, Bukit Tarek near Rawang, Air Tawar near Lumut and Junjong and Gurun to the north and Yong Peng and Bukit Batu in the south.

Ranhill Berhad - BVI consortium undertook the engineering of the whole project. In undertaking the project, TNB initiated an EIA study, although it is not required by the Department of the Environment to do so. The EIA study investigated the impacts of the 500kV transmission system on the surrounding environment. This effort is in line with TNB's philosophy to ensure environmental protection and conversation in all its projects.

(Source: www.ranhill.com.my as at 12 May 2005)

Project: Kulim Independent Power Utility

Start Date: September 1999

Completion Date: September 2002

Design and engineering for a gas-based combined cycle power plant with a capacity of 228MW comprising 4 gas turbines, 4 heat recovery steam generators and 2 steam turbines with cooling water system, ancillary plant and electrical equipment.

The Kulim Hi-Tech Park is a major development that will facilitate the growth of technological activities in Malaysia. To support the complex power requirements of businesses at the park, an onsite independent power plant has been established, with Ranhill Berhad contracted to provide environmental management and total engineering services.

Covering an area of 120 acres, the plant features state of the art environment control equipment, a single structure hall housing both gas and steam turbines, and an extensive surveillance and access system.

As the plant is situated within the technology park, there were strict aesthetic and landscaping requirements as well as noise limits that had to be observed. These were addressed by including a full time architect and landscaper on the project team, and incorporated a special acoustic design for the turbine hall to reduce noise transmission. And because the park is located some distance from seawater, specialised air cooled condensers were installed to compensate for the lack of a cheap source of sufficient cooling water.

Ranhill Berhad's in-depth local knowledge assisted the client to deal effectively and efficiently with government authorities. Its effective systems and procedures enabled streamlining the coordination of a large number of suppliers to produce timely outcomes for this complex project.

(Source: www.ranhill.com.my as at 12 May 2005)

11.1.3 Management Team

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

Name	Position
Mohamed Mazlan Abdul Manaf	Chief Executive Officer
Gerhard Brechner	Chief Operating Officer, Power Division
Md Nazir Md Kassim	Chief Operating Officer, Process Division
Soo Sik Sang	Chief Operating Officer, Building Division
Tarique Azam	Chief Operating Officer, Infrastructure and Water

11.2 EPC 1 Contract

11.2.1 Scope of Contract

RPSB entered into the EPC 1 Contract with REC on 14 March 2005 for the design and execution of the Conversion Works with the integration and commissioning of 4 HRSGs, 2 steam turbine generators and associated ancillary equipment.

11.2.2 Term of EPC 1 Contract

REC's obligation pursuant to the EPC 1 Contract began on 9 February 2005. REC is obligated to complete EPC 1 Works by 31 December 2006. The time for completion shall not be extended except as provided in the EPC 1 Contract which include, amongst others, variation orders, force majeure and defaults by RPSB.

The EPC 1 Works shall be completed within their respective times as set out in the EPC 1 Contract and shall be completed only upon passing the tests on completion under the EPC 1 Contract and all draft operation and maintenance manuals and all training have been completed.

11.2.3 Contract Price

Under the EPC 1 Contract, RPSB will make monthly payments to REC as set out in the payment schedule. The amount claimed under each interim payment shall be less a retention sum of 10% until the amount retained shall reach 5% of the contract price. The EPC 1 Contract price is RM274.0 million as stated in the letter of acceptance dated 14 February 2005.

11.2.4 Taking Over

The EPC 1 Works shall be taken over by RPSB upon passing all tests on completion including the performance guarantee tests to demonstrate conformity of each Block with stipulated operational criteria. RPSB may issue a taking-over certificate to REC within 21 days or reject the notice after the receipt of REC's notice that EPC 1 Works are completed and its undertaking to finish any outstanding work during the defect liability period.

11.2.5 Performance Security

REC shall provide a performance bond amounting to 10% of the contract price for the due and proper performance of the EPC 1 Contract within 14 days from the letter of acceptance and shall be issued by an anchor bank in Malaysia. The performance bond will be maintained until the issuance of the final acceptance certificate by RPSB. In this respect, both parties have mutually agreed to extend the timeframe for issuance of the performance bond to 15 June 2005. The issuance of the performance bond will be a condition precedent to the payment obligations of RPSB.

11.2.6 Insurance

RPSB's Insurance

RPSB shall procure the following insurances:-

- (i) Construction All Risks insurance in the joint names of RPSB, SESB, RPSB's representative and REC which will provide cover for the EPC 1 Works to the full replacement value thereof against physical loss or damage thereto and for loss or damage caused by REC or any subcontractor in the course of any operations carried out by it or them for the purpose of complying with its or their obligations under the EPC 1 Contract or any subcontract during the period of the construction of the EPC 1 Works or during the defects liability period;
- (ii) Public Liability insurance of RM20.0 million in the joint names of RPSB, REC and the subcontractors; and
- (iii) Marine Cargo and other Transit insurance against physical "All Risks" covering loss or damage to the plant or materials occurring whilst in normal and continuous transit from the supplier's or manufacturer's premises, whether overseas or in Malaysia until arrival at the Site.

All the above insurances have been put in place by RPSB as at the date of this Information Memorandum.

REC's Insurance

Pursuant to EPC 1 Contract, REC shall procure and maintain in effect the following insurances:-

- (i) Employer's Liability insurance of RM20.0 million/Workmen's Compensation/SOCSO;
- (ii) Automobile Liability insurance of no less than RM2.5 million;
- (iii) "All Risks" insurance and coverage for loss/damage to the REC's and subcontractors' equipment; and
- (iv) Marine Cargo insurance covering loss or damage to REC's equipment.

All the above insurances have been put in place by REC as at the date of Information Memorandum.

11.2.7 Force Majeure

Force majeure shall mean any unforeseeable circumstances beyond the control of RPSB and REC and without fault or negligence of the party claiming force majeure. Upon the occurrence of any circumstances of force majeure, REC shall continue to perform its obligations so far as reasonably practical and shall not be entitled to suspend performance longer than expected. Neither party shall be absolved from its obligations under the EPC 1 Contract solely because of increased costs or other adverse economic consequences that may be incurred though the performance of such obligations of the parties.

11.2.8 Designated Subcontractor

The only Designated Subcontractor to be employed under the EPC 1 Contract to perform an integral part of the EPC 1 Works is MHI-MC Consortium. REC shall be fully responsible for this work performed and RPSB will not be liable to REC nor suffer any loss or damage for the default by the Designated Subcontractor.

11.2.9 Suspension of Work

On the written instructions of RPSB, REC shall suspend progress of the execution of the EPC 1 Works. Any instructions by RPSB to suspend the execution of the EPC 1 Works for purposes of operation, dispatch, safety or to avoid or prevent injury and damage of the EPC 1 Works or persons within the Site, shall not entitle REC to terminate the EPC 1 Contract or to any claim for additional costs or time.

11.2.10 Variations

“Variation” means a change in the approved design of the EPC 1 Works or a change in the specification which makes necessary the addition, omission, substitution, alteration or modification of the design, quality, quantity, method or sequence of execution of the EPC 1 Works as described by or referred to in the EPC 1 Contract, including the expenditure of a provisional sum, other than such as may be necessary, in RPSB’s opinion, for the purposes of:

- (i) change of method, quantity or sequence of works or rectification of defective design, materials, Plant or workmanship, due to the default of REC;
- (ii) compliance with the terms or intent of the EPC 1 Contract.

RPSB shall have full power, subject to the proviso hereinafter contained, from time to time during the execution of the EPC 1 Works, by an issue of a variation order, to direct REC to implement a variation and REC shall carry out such variations, and be bound by the same conditions, so far as applicable, as though the said variations were stated in the specification. In any case in which REC has received such direction from the RPSB which either then or later will in the opinion of REC, involve an addition to or deduction from the contract price, REC shall, within 28 days after the direction giving rise to such claim, advise RPSB in writing to that effect.

Any such variation order issued to REC shall only be valid if signed by RPSB.

RPSB may instruct a variation (including an instruction to omit work) in circumstances where, in the opinion of RPSB, REC will fail to meet any of its obligations under the EPC 1 Contract. REC shall not be entitled to any extension of time or payment in respect of the connection with any such instructions. Any instruction under this clause shall be without prejudice to any other rights or remedies which RPSB may have.

11.2.11 Default and Termination

If REC neglects to execute the EPC 1 Works with due diligence and fails to remedy a breach or fails to implement remedial measures to the satisfaction of RPSB within 14 days of the receipt of a written notice from RPSB to REC then without prejudice to other remedies available, RPSB may employ existing subcontractors or other workmen to forthwith execute the whole or such part of the EPC 1 Works as REC may have neglected. If the EPC 1 Works are taken over completely by RPSB before the completion date of EPC 1 Works, the EPC 1 Contract shall be deemed to be terminated. However, if RPSB takes the whole or part of the EPC 1 Works after the date of completion, the delay liabilities of REC shall be deemed continued.

11.2.12 Liquidated Damages

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

1. Failure to achieve EPC 1 guaranteed performance criteria
The EPC 1 Contract price shall be reduced for failure of the Combined Cycle Facility to achieve the guaranteed performance criteria under Appendix 1A of the EPC 1 Contract in respect of NEO and net heat rate (consequences of failure to pass tests on completion):-
 - (a) For each kW which the NEO of the Combined Cycle Facility is less than the relevant guaranteed performance criteria, the sum of RM5,700;
 - (b) For each kJ per kWh by which the net heat rate of the Combined Cycle Facility is greater than the relevant EPC 1 Contract guaranteed performance criteria when the Combined Cycle Facility is gas configured, the sum of RM37,500;
 - (c) For each kJ per kWh by which the net heat rate of the Combined Cycle Facility is greater than the relevant guaranteed performance criteria when the Combined Cycle Facility is distillate configured, the sum of RM21,500.
2. Delay in Completion
Liquidated damages for delay in the completion of any Block longer than 31 December 2006 or any approved extension of such time, the sum of RM215,000 per Block per day. RPSB is entitled to the liquidated damages for more than 1 Block concurrently.
3. Exceeding the maximum period for gas turbine shutdown or shut down of more than 2 gas turbines at any one point in time
Liquidated damages for each day exceeding the maximum period for gas turbine shutdown i.e. the aggregate number of days for shutdown does not exceed 28 days and not more than 1 gas turbine may be shut down at a time is the sum of RM41,500 per gas turbine per day.

Liquidated damages for each day more than 2 gas turbines are shutdown, the sum of RM41,500 per additional gas turbine per day.

4. Failure to achieve EPC 1 anniversary test minimum guaranteed performance criteria
The contract price shall be reduced by 1% for failure of the Combined Cycle Facility to achieve the EPC 1 Contract anniversary test minimum guaranteed performance criteria.

Limit of Liquidated Damages

For the avoidance of doubt, RPSB shall be entitled to liquidated damages under all the aforesaid provisions for more than 1 default or event concurrently provided that the aggregate sum of liquidated damages payable by REC under items 1, 2 and 3 above shall not exceed 30% of the EPC 1 Contract price.

11.3 EPC 2 Contract

11.3.1 Scope of Contract

RPSB entered into the EPC 2 Contract with REC on 31 March 2005 of which REC is to the design, construct, test, commission and complete the IF and CF works at the Karambunai substation at Melawa, Menggatal, Kota Kinabalu as part of the Conversion Works.

11.3.2 Term of EPC 2 Contract

REC's obligation pursuant to the EPC 2 Contract begins on 31 March 2005. REC is obligated to complete the whole of the works within 17 months from the date of notification for the commencement of the EPC 2 Works. The time for completion shall not be extended except as provided in the EPC 2 Contract which include, amongst others, variations orders, force majeure and defaults by RPSB.

The EPC 2 Works shall be completed only upon passing the tests on completion under the EPC 2 Contract and all draft operation and maintenance manuals and all training have been completed.

11.3.3 Contract Price

Under EPC 2 Contract, RPSB will make monthly payments to REC as set out in the payment schedule. The amount claimed under each interim payment shall be less a retention sum of 10% until the amount retained shall reach 5% of the contract price. The EPC 2 Contract price is RM7.0 million as stated in the letter of acceptance dated 31 March 2005.

11.3.4 Taking Over

The works shall be taken over by RPSB when they have been completed within the time for completion under the EPC 2 Contract and passed all tests upon completion. RPSB may issue a taking-over certificate to REC within 21 days or reject the notice after the receipt of REC's notice that EPC 2 Works are completed and its undertaking to finish any outstanding work during the defect liability period.

11.3.5 Performance Security

REC undertakes to provide a performance bond amounting to 10% of the contract price for the due and proper performance of the EPC 2 Contract within 14 days from the letter of acceptance and shall be issued by an anchor bank in Malaysia. The performance bond will be maintained until the issuance of the final certificate by RPSB. In this respect, both parties have mutually agreed to extend the timeframe for issuance of the performance bond to 15 June 2005. The issuance of the performance bond will be a condition precedent to the payment obligations of RPSB.

11.3.6 Insurance

RPSB's Insurance

RPSB shall maintain similar insurances as outlined under EPC 1 Contract.

REC's Insurance

Pursuant to EPC 2 Contract, REC shall procure, and maintain in effect the following insurances:-

- (i) Employer's Liability Insurance/Workmen's Compensation/SOCISO;
- (ii) Automobile Liability Insurance of no less than RM2.5 million;
- (iii) "All Risks" Insurance and coverage for loss/damage to the REC's equipment; and
- (iv) Marine Cargo Insurance covering loss or damage to REC's equipment.

11.3.7 Force Majeure

Force majeure shall mean any unforeseeable circumstances beyond the control of RPSB and REC and without fault or negligence of the party claiming force majeure. Upon the occurrence of any circumstances of force majeure, REC shall continue to perform its obligations so far as reasonably practical and shall not be entitled to suspend performance longer than expected. Neither party shall be absolved from its obligations under the EPC 2 Contract solely because of increased costs or other adverse economic consequences that may be incurred though the performance of such obligations of the parties.

11.3.8 Suspension of Work

On the written instructions of RPSB, REC shall suspend progress of the execution of the EPC 2 Works. Any instructions by RPSB to suspend the execution of the EPC 2 Works for purposes of operation, dispatch, safety or to avoid or prevent injury and damage of the EPC 2 Works or persons within the Site, shall not entitle REC to terminate the EPC 2 Contract or to any claim for additional costs or time.

11.3.9 Variations

“Variation” means a change in the approved design of the EPC 2 Works or a change in the specification which makes necessary the addition, omission, substitution, alteration or modification of the design, quality, quantity, method or sequence of execution of the EPC 2 Works as described by or referred to in the EPC 2 Contract, including the expenditure of a provisional sum, other than such as may be necessary, in RPSB’s opinion, for the purposes of:

- (i) change of method, quantity or sequence of works or rectification of defective design, materials, plant or workmanship, due to the default of REC;
- (ii) compliance with the terms or intent of the EPC 2 Contract.

RPSB shall have full power, subject to the proviso hereinafter contained, from time to time during the execution of the EPC 2 Works, by an issue of a variation order, to direct REC to implement a variation and REC shall carry out such variations, and be bound by the same conditions, so far as applicable, as though the said variations were stated in the specification. In any case in which REC has received such direction from the RPSB which either then or later will in the opinion of REC, involve an addition to or deduction from the contract price, REC shall, within 28 days after the direction giving rise to such claim, advise RPSB in writing to that effect.

Any such variation order issued to REC shall only be valid if signed by RPSB.

RPSB may instruct a variation (including an instruction to omit work) in circumstances where, in the opinion of RPSB, REC will fail to meet any of its obligations under the EPC 2 Contract. REC shall not be entitled to any extension of time or payment in respect of the connection with any such instructions. Any instruction under this clause shall be without prejudice to any other rights or remedies which RPSB may have.

11.3.10 Default and Termination

If REC neglects to execute the EPC 2 Works with due diligence and fails to remedy a breach or fails to implement remedial measures to the satisfaction of RPSB within 14 days of the receipt of a written notice from RPSB to REC then without prejudice to other remedies available, RPSB may employ existing subcontractors or other workmen to forthwith execute the whole or such part of the EPC 2 Works as REC may have neglected. If the EPC 2 Works are taken over completely by RPSB before the completion date of EPC 2 Works, the EPC 2 Contract shall be deemed to be terminated. However, if RPSB takes the whole or part of the EPC 2 Works after the date of completion, the delay liabilities of REC shall be deemed continued.

11.3.11 Liquidated Damages

REC is liable to pay liquidated damages for delay in completion of the EPC 2 Works by the time for completion, i.e. 17 months from 31 March 2005 or any approved extension of such time, the sum of RM215,000 per day up to a maximum of 30% of the EPC 2 Contract price.

11.4 *Supplementary Letter to EPC Contracts*

Further to the above, both RPSB and REC signed a letter on 9 May 2005 to clarify the interpretation and application of both the EPC 1 Contract and EPC 2 Contract. The salient terms of the letter are as follows:-

- (i) The works in relation to EPC 1 Contract and EPC 2 Contract will be construed, executed and administered as a single package undertaken by REC in accordance with the terms of the respective contracts therein;
- (ii) As such, the liabilities and obligations of REC under both EPC 1 Contract and EPC 2 Contract and likewise the rights and remedies of RPSB under both the abovementioned contracts will be deemed to be merged and integrated such that a breach by REC under EPC 2 Contract will be deemed and considered as a breach under EPC 1 Contract and vice versa, entitling RPSB to the rights and remedies under both these contracts. In the event the works in relation to EPC 2 Contract are delayed so as to impact on the works in relation to EPC 1 Contract, RPSB shall be entitled to the liquidated damages under both EPC 1 Contract and EPC 2 Contract (up to the limits specified therein) and to make a demand on both the performance bonds under the said contracts;
- (iii) REC will not be entitled to any loss, costs, claims, expenses or extensions of time under either EPC 1 Contract or EPC 2 Contract by virtue only of the fact that the works in relation to EPC 1 Contract and EPC 2 Contract were awarded in 2 separate contracts;
- (iv) The letter shall be legally binding on RPSB and REC and shall be deemed to be part of the EPC 1 Contract and EPC 2 Contract respectively; and
- (v) In the event of any inconsistency or conflict between EPC 1 Contract or EPC 2 Contract and the letter with respect to any matter whatsoever, the terms and conditions contained in the letter shall prevail.

(The rest of this page has been intentionally left blank)

12.0 Insurances

12.1 Introduction

The Independent Insurance Adviser had, via its letter dated 26 April 2005 (as attached hereto as Exhibit 7) confirmed that the policies in place for the Open Cycle Facility and the policies to be procured for the Conversion Works are adequate and suited to RPSB's needs.

The Independent Insurance Adviser had also confirmed that the cover is fully bound and the policies are issued by Allianz General Insurance Malaysia Berhad, with adequate reinsurance and co-insurance arrangements thereby ensuring full placement of the risks insured. The policies were arranged on co-insurance basis involving the following companies:-

Open Cycle Operational Insurance

Allianz General Insurance	50% (lead insurer)
Progressive Insurance	35%
Malaysia National Insurance	<u>15%</u>
	100%

Conversion Works Project Insurance

- Erection All Risks/Delay in Completion

Allianz General Insurance	92% (lead insurer)
Progressive Insurance	<u>8%</u>
	100%

- Marine Cargo

Allianz General Insurance	70% (lead insurer)
Progressive Insurance	<u>30%</u>
	100%

These policies which are in full force and effect, are not subject to cancellation without prior notice (except as provided in the respective policies) and conform to the requirements of the various agreements entered into with the relevant parties.

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

- (i) maximising asset protection; and
- (ii) maximising protection of the operational revenue stream.

A cohesive insurance programme is necessary to achieve these risk management objectives, as it transfers risks of loss from the project to selected insurance underwriters. The insurance programme considers the contractual obligations imposed on RPSB by LLS/SESB (as the case may be), pursuant to the Open Cycle PPA and Combined Cycle PPA; PETRONAS and PETRONAS Carigali, pursuant to the GSA; pursuant to the EPC 1 Contract and EPC 2 Contract, through the EPC Contracts and RPOM through the Open Cycle OMA and Combined Cycle OMA to mitigate any loss.

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

1. Property damage to physical assets such as building, plant, machinery and equipment and inventories;
2. Loss of net income resulting from property damage either in consequence of reduced income or increased costs to maintain it; and
3. Legal liabilities for loss or damage suffered by third parties and employees.

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

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

12.2 Open Cycle Operational Insurance

The major policies of the operational insurance programme in respect of the Open Cycle Facility are:

- Industrial All Risks policy - Material Damage and Loss of Revenues;
- Machinery Breakdown - Material Damage and Loss of Revenues;
- Public Liability; and
- Workmen's Compensation.

The primary function of the Industrial All Risks – Material Damage policy is to indemnify RPSB for physical loss and/or damage to buildings, plant and machinery, amongst others. The Industrial All Risks policy is arranged on all risks basis, subject to the relevant exclusions and provides cover in respect of the above perils.

In the event that any financial loss or damage results in any loss of income to RPSB, such loss will be compensated under the Industrial All Risks - Loss of Revenue and Machinery Breakdown - Loss of Revenue policies.

A synopsis of the coverage provided under each class of insurances is as follows:-

12.2.1 Industrial All Risk

Section I – Material Damage

Coverage	Against loss of or damage to the Open Cycle Facility except as specifically excluded
----------	--

Interest	Insured All real and personal property including but not limited to buildings, plant, machinery, equipment, stocks, spare parts, tools, furniture, fixtures, fittings, office contents and distribution and transmission lines limited to 1,000 feet from the premises
Insured	RPSB as owner, RPOM as the Operator and LLS for their respective rights and interests
Limits	RM257.384 million - equivalent to the full replacement value of the Open Cycle Facility
Period of insurance	10 August 2004 to 9 August 2005 and subject to annual renewal
Deductibles	RM0.5 million each and every loss ("EEL")
Sum insured	RM257.384 million

Section II – Loss of Revenue

Interest Insured	Loss of revenues from business interruption due to loss or damage and increase in cost of working and auditors fees under Section I
Coverage	Loss of gross revenue and increase in cost of working necessarily and reasonably incurred as a consequence of any loss or damage to property insured in Section I above
Insured	RPSB as owner, RPOM as the Operator and LLS for their respective rights and interests
Limits	RM57.44088 million
Period of insurance	10 August 2004 to 9 August 2005 and subject to annual renewal
Indemnity period	12 months
Deductibles	The first 45 days EEL
Sum insured	RM57.44088 million and RM50,000 on auditor's fees

Section I of the policy is issued on a full value basis. This is in compliance with the requirement under contract for the amount to be not less than the new construction cost and/or replacement cost of the plant.

12.2.2 Machinery Breakdown

Section I – Material Damage

Interest Insured	All machinery, plant and equipment comprising the Open Cycle Facility as defined in insurance policy and contents of fuels and lubricants within any tank, vessel, container, pipe, duct or within any part of the machinery and plant.
Coverage	Policy indemnifies the insured against the breakdown of machinery, plant and equipment whilst working or at rest, or being dismantled, moved or re-erected for the purpose of cleaning inspection, overhauled, repair or installation in another position

Insured	RPSB as owner, RPOM as the Operator and LLS for their respective rights and interests
Limits	RM195.6 million the full replacement value of plant and machinery
Period of insurance	10 August 2004 to 9 August 2005 and subject to annual renewal
Deductibles	RM1.0 million EEL in respect of gas turbines generating sets; RM0.3 million EEL in respect of all other plant and equipment.

Section II – Loss of Revenue

Interest Insured	Loss of revenues from business interruption due to loss or damage under Section I and auditor's fees
Limit	RM57.49088 million
Period of insurance	10 August 2004 to 9 August 2005 and subject to annual renewal
Indemnity Period	The period beginning with the date upon which but for the accident, revenue would have been earned and ending when the business ceases to be effected in consequence of the accident but not exceeding 12 months thereafter and subject to the application of the deductibles stated in the insurance policy schedule
Coverage	Included under Machinery Breakdown policy
Deductibles	60 days on EEL
Sum Insured	RM57,490,880

Section I of the policy is issued on a full value basis. This is in compliance with the requirement under contract for the amount to be not less than the new construction cost and/or replacement cost of the plant. Under Section II, the sum insured is based on an indemnity period of 12 months.

12.2.3 Public Liability

Insured	RPSB as owner and RPOM as the Operator for their respective rights and interests The insurance contains a "Cross Liabilities" clause which provides that each insured shall be considered as applying to each party in the same manner as if a separate policy has been issued to each of the said parties.
Coverage	Indemnifies the insured against all sums which they become legally liable to pay for damages or compensation arising out of death of or injury to third party persons and loss or damage to third party property.
Limits	RM15.0 million any one occurrence and RM20.0 million in the aggregate for any one period of insurance.
Deductible	RM15,000 for EEL

12.2.4 Workmen's Compensation

This is the insurance coverage to protect RPSB and RPOM against personal injury to employees by accident or disease arising in the course of employment by the insured under the Workmen's Compensation Ordinance or under Common Law. The limit is RM5.0 million per occurrence and RM20.0 million in aggregate.

12.2.5 Comprehensive Automobile Liability Insurance

The automobile liability coverage is provided under the motor insurance for each vehicle owned by RPSB as required under the Road Traffic Ordinance. Additionally, the Public Liability policy provides contingent cover for automobile liability under the Motor Contingent Liability clause.

12.3 Conversion Works Project Insurances

The insurance term sheet summarised in this section of the Information Memorandum provides a broad overview of each class of insurance necessary for the procurement and construction period of the Combined Cycle Project. These classes of insurance comprise:-

1. Erection All Risks

Section 1 : Material Damage

Section 2 : Third Party Liability

Section 3 : Delay in Start-up

2. Marine Cargo

3. Marine Cargo Delay in Start-up

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

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

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

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

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

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

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

12.3.1 Erection All Risks

Indemnity Period	12 months
Deductibles	Act of god, flood, subsidence, maintenance, collapse, defective design – RM250,000 EEL
	Testing and commissioning (4 weeks) – RM1.0 million EEL
	Consequence of design – RM250,000 EEL
	All other losses RM150,000 EEL
	Third party property damage – RM50,000 EEL
	Vibration, weakening of support and underground services – RM20% of loss or minimum RM50,000 EEL
	Time excess – The first 60 days per unit and EEL

Section 1 – Material Damage

Insured	<ol style="list-style-type: none"> 1. RPSB as principal/owner 2. REC as EPC Contractor 3. SESB 4. All other contractors and sub-contractors of any tier while engaged in carrying our works associated with the project in respect of activities on or about the Site 5. All site suppliers and vendors of any tier while engaged in carrying our works associated with the project in respect of activities on or about the Site 6. Financing parties/lenders and security trustees relating to this project
	Each for their respective rights and interests.
Coverage	Against unforeseen and sudden physical loss or damage to the insured property from any cause, other than those specifically excluded, and happening within the geographical limits
Interest Insured	Permanent and temporary works, plant, materials including principal supplied materials campsite housing, temporary buildings and contents thereof and other property used for or in connection with the Combined Cycle Project

Geographical Limits	On or about the Site and including inland transit and storage anywhere in Malaysia of locally procured materials which are not covered under the marine cargo insurance
Sum Insured	RM273.0 million

Section 2 – Third Party Liability

Insured	<ol style="list-style-type: none">1. RPSB as principal/owner2. REC as EPC Contractor3. SESB4. All other contractors and sub-contractors of any tier while engaged in carrying out works associated with the project in respect of activities on or about the Site5. Agents, owners engineers and other consultants while engaged in carrying out works associated with the project in respect of activities on or about the Site6. All site suppliers and vendors of any tier while engaged in carrying out works associated with the project in respect of activities on or about the Site7. Financing parties/lenders and security trustees relating to this project
---------	--

Each for their respective rights and interests.

Coverage	Accidental death of or personal injury or disease contracted to third parties, accidental loss of or damage to property belonging to third parties and obstruction loss or amenity trespass nuisance
Geographical Limits	Anywhere in Malaysia extended to worldwide in respect of visits for the purpose of the Conversion Works to locations beyond Malaysia (excluding USA, Canada and Australia jurisdiction)
Sum Insured	RM30.0 million

Section 3 – Delay in Start-up

Insured	<ol style="list-style-type: none">1. RPSB as principal/owner2. Financing parties/lenders and security trustees relating to this project
---------	--

Each for their respective rights and interests.

Coverage	Loss of revenue arising from a delay in completion of the Combined Cycle Project and/or increased cost of working in avoiding or diminishing the said loss in revenue
Sum Insured	Loss of revenue and increased cost of working – RM32.0 million

12.3.2 Marine Cargo

Insured	<ol style="list-style-type: none"> 1. RPSB as principal/owner 2. REC as EPC Contractor 3. SESB 4. All other contractors and sub-contractors of any tier while engaged in carrying out works associated with the project in respect of activities on or about the Site 5. All site suppliers and vendors of any tier while engaged in carrying out works associated with the project in respect of activities on or about the Site 6. Financing parties/lenders and security trustees relating to this project <p>Each for their respective rights and interests.</p>
Perils	Material damage to all materials, equipment and supplies including plant, machinery, spares, parts, accessories, ancillaries of every kind and description for the erection of the Combined Cycle Facility
Limit	RM100.0 million per conveyance and/or location
Valuation basis	As declared – cost, insurance and freight + 10.0%
Deductibles	<p>Value of items less than RM3.8 million – RM25,000 EEL</p> <p>Value of item between RM3.8 million to RM38.0 million – RM40,000 EEL</p> <p>Value of items more than RM38.0 million – RM75,000 EEL</p>
Estimated value of cargo	RM242,000,000

12.3.3 Marine Delay in Start-up

Insured	<ol style="list-style-type: none"> 1. RPSB as principal/owner 2. Financing parties/lenders and security trustees relating to this project <p>Each for their respective rights and interests.</p>
Interest Insured	On loss of revenue and increased cost of working following delay in achieving the SCOD of the Combined Cycle Facility resulting from a peril insured hereunder
Indemnity Period	12 months
Deductibles	Time excess – the first 60 days EEL
Sum Insured	RM32.0 million

12.4 Combined Cycle Operational Insurance

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

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

However, the above insurance programme will be implemented upon completion of the Conversion Works and combined cycle operation has commenced. The relevant policies, when arranged, will include the limits and coverage stipulated in the Combined Cycle PPA and other relevant agreements entered into by RPSB in relation to the operation of the Combined Cycle Facility.

(The rest of this page has been intentionally left blank)

13.0 The Power Purchaser

13.1 Sabah Electricity Sdn Bhd

SESB generates, transmits and distributes electricity. It is the only power utility company in Sabah supplying electricity to 337,634 customers distributed over a wide area of 74,000 square kilometres.

(Source: www.sesb.com.my as at 19 May 2005)

A recital under the Combined Cycle PPA provides that SESB has assumed the rights and obligations of LLS under the Open Cycle PPA. Notwithstanding this, it is a condition precedent to the obligations of RPSB under the Combined Cycle PPA that the formal vesting, transfer or novation of the rights and obligations of LLS thereunder shall be completed. SESB has advised that a vesting order shall be issued/gazetted to formalise the transfer of the rights and obligations of LLS under the Open Cycle PPA to SESB.

13.2 Shareholders of SESB

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

(Source: www.sesb.com.my as at 19 May 2005)

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

(Source: Statutory financial statements of SESB for the financial year ended 31 August 2004)

13.3 Board of Directors

Datuk Amar Leo Moggie Anak Irok	Chairman
Datuk Bung Moktar bin Radin	Director
Dato' Che Khalib bin Mohamad Noh	Director
Datuk Hj. S. Abdillah bin S. Hassan	Director
Datuk Ir. Md. Sidek bin Ahmad	Director
Zulfakar bin Rahmat	Director
Datuk Awang @ Mat Bashir bin Samat	Director
Daud bin Tahir	Director
Abu Safian bin Talib	Director

(Source: www.sesb.com.my as at 19 May 2005)

13.4 SESB's Profile and Financial Highlights

13.4.1 Background Information

SESB generates, transmits and distributes electricity. It is the only power utility company in Sabah supplying electricity to 331,863 customers distributed over a wide area of 74,000 square kilometres. 83% of the customers are domestic customers contributing only 28% of the sale. The total generation capacity is 785MW, 64% of the generating units are purchased from the IPPs.

The installed capacity of the west coast grid which supplies electricity to Kota Kinabalu, Federal Territory Labuan, Keningau, Beaufort and Papar is 292MW and the maximum demand for the year 2004 is 520MW.

The east coast grid 275/132kV transmission line connecting the major towns in the east coast has an installed capacity of 268.5MW and the current demand is 156.4MW.

To facilitate growth in the northern region of Sabah, SESB is constructing a 275/132kV transmission line connecting Kota Kinabalu, Kota Belud, Kota Marudu and Kudat.

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

A fully integrated grid connecting the existing west coast grid to the east coast grid will be completed by year 2005, by which time about 90% of the customers will be connected to this integrated grid.

(Source: www.sesb.com.my as at 19 May 2005)

13.4.2 Performance

The year 2004 marked the 5th anniversary of the privatisation of SESB. During the year 2004, SESB focused its activities on turning around the company through the "T7" initiatives whilst improving the reliability and supply of electricity. Many projects were implemented to strengthen the supply as well as the transmission system in Sabah and the Federal Territory of Labuan. The available generation capacity is 690MW and the maximum demand throughout the state of Sabah is 518MW. SESB is serving about 330,000 customers for commercial, industrial, domestic and public lighting.

(Source: TNB's Annual Report 2004)

(The rest of this page has been intentionally left blank)

14.0 Project Economics

The information and assumptions contained in the detailed base case financial model are presented in this section and represent the current and anticipated contractual terms between RPSB and the relevant parties as well as other assumptions on the operating and financial parameters of the Open Cycle Facility and Combined Cycle Project, made as of the date of the Information Memorandum.

The base case financial model and certain statements herein are forward-looking statements and illustrative only. The calculations are based on certain assumptions which may not be realised. In addition, the forward-looking statements involve a number of risks and uncertainties. Each recipient should carefully conduct an independent evaluation of the financial projections of the project.

As the Combined Cycle Project is still under development, these parameters are expected to change or be revised from time to time in the future.

14.1 Key Assumptions

14.1.1 General

- COD of the Combined Cycle Facility is assumed to take place on 9 March 2007.
- Prior to that, the plant will continue to operate as the Open Cycle Facility.
- The financial projections commence from 1 January 2005 and cover a period up to 21 years from 9 March 2007, pursuant to the Combined Cycle PPA.
- The proposed source and application of funds for the Conversion Works (up to 8 March 2007) are shown in the table below:-

	<u>RM Million</u>
<u>Sources of Funds</u>	
Issue of MTNs	540.0
Internally generated funds from Open Cycle Facility	85.0
Sources of funds	<u>625.0</u>
<u>Application of Funds</u>	
Refinancing of RC Facility	260.0
EPC 1 Contract – Main Works	274.0
EPC 2 Contract – IF and CF	7.0
Other costs	84.0
Application of funds	<u>625.0</u>

14.1.2 Revenue

- The revenue forecasts upon which the model is developed are based on the tariff rates set out in the Open Cycle PPA and Combined Cycle PPA.
- The dependable capacity is assumed at 120MW for the Open Cycle Facility and 190MW for the Combined Cycle Facility.
- Open Cycle Capacity Payments comprise capacity rate financial and fixed operating rate (as specified in the Open Cycle PPA). The capacity rate financial is assumed at RM39.00/kW/month whilst the fixed operating rate is RM6.85/kW/month. The rolling-average EAF is assumed at 87% for the period.
- Open Cycle Energy Payments comprise variable operating rate (as specified in the Open Cycle PPA) and fuel costs. The variable operating rate averages 1.21 sen/kWh in 2005, 1.24 sen/kWh in 2006 and 1.27 sen/kWh in 2007. The load factor is assumed at 85% in 2005 and 87% in 2006 and 2007.

The elements making up the tariff structure as stipulated in the Open Cycle PPA are Open Cycle Capacity Payment and Open Cycle Energy Payment as follows:-

Contract Year	Capacity Rate Financial (RM/kW/month)	Fixed Operating Rate* (RM/kW/month) (subject to inflation adjustment)
1	39.00	6.85
2	39.00	6.85
3	39.00	6.85
4	39.00	6.85
5	39.00	6.85
6	39.00	6.85
7	39.00	6.85
8	39.00	6.85
9	39.00	6.85
10	39.00	6.85
11	39.00	6.85
12	39.00	6.85
13	39.00	6.85
14	39.00	6.85
15	39.00	6.85
16	9.00	6.85
17	9.00	6.85
18	9.00	6.85
19	9.00	6.85
20	9.00	6.85
21	9.00	6.85

**The fixed operating rate shall be adjusted to take into account the effect of inflation on the first day of 49th, 97th, 145th, 193rd and 241st month following COD of the Open Cycle Facility. It shall be adjusted by multiplying such variable by such adjusted factor (based on consumer price index for East Malaysia, index numbers for main groups, under the "Total" column for the years preceding the year on which the adjustment is to be made, as published by the Department of Statistics, Kuala Lumpur, Malaysia) as may be provided by the EPU to the parties within 60 days after the date such change is to take effect.*

Contract Year	Variable Operating Rate# (RM/kW/month) (subject to inflation adjustment)
1	0.0094
2	0.0098
3	0.0102
4	0.0106
5	0.0110
6	0.0114
7	0.0119
8	0.0124
9	0.0129
10	0.0134
11	0.0139
12	0.0145
13	0.0150
14	0.0157
15	0.0163
16	0.0168
17	0.0176
18	0.0183
19	0.0190
20	0.0198
21	0.0206

#The variable operating rate shall be adjusted to take into account the effect of inflation on the first day of 49th, 97th, 145th, 193rd and 241st month following COD of the Open Cycle Facility. It shall be adjusted by multiplying such variable by such adjusted factor (based on producer price index for East Malaysia, index numbers for main groups, under the "Total" column for the years preceding the year on which the adjustment is to be made, as published by the Department of Statistics, Kuala Lumpur, Malaysia) as may be provided by the EPU to the parties within 60 days after the date such change is to take effect.

- Combined Cycle Capacity Payments comprise capacity rate financial, indexable fixed charge and other fixed charge. Indexable fixed charge is initially assumed at RM13.11/kW/month, escalating by 4% every 4 years. Other fixed charge is assumed at RM1.30/kW/month throughout. The annual capacity rate financial tariff ranges between RM9.20 to RM47.86/kW/month.

The elements making up the tariff structure as stipulated in the Combined Cycle PPA are as follows:-

Contract Year	Fixed Capacity Rate Financial (RM/kW/Month)	Return on Investment Capacity Rate Financial (RM/kW/Month)	Indexable Fixed Charge (RM/kW/Month)	Other fixed Charge (RM/kW/Month)	Total Combined Cycle Capacity Payment (RM/kW/Month)
1	30.12	9.20	13.11	1.30	53.73
2	29.52	9.20	13.11	1.30	53.13
3	28.89	9.20	13.11	1.30	52.50
4	38.65	9.20	13.11	1.30	62.26
5	37.97	9.20	13.63	1.30	62.10
6	37.26	9.20	13.63	1.30	61.39
7	36.52	9.20	13.63	1.30	60.65
8	35.75	9.20	13.63	1.30	59.88
9	34.95	9.20	14.18	1.30	59.63
10	31.27	9.20	14.18	1.30	55.95

Contract Year	Fixed Capacity Rate Financial (RM/kW/Month)	Return on Investment Capacity Rate Financial (RM/kW/Month)	Indexable Fixed Charge (RM/kW/Month)	Other fixed Charge (RM/kW/Month)	Total Combined Cycle Capacity Payment (RM/kW/Month)
11	26.71	9.20	14.18	1.30	51.39
12	13.04	9.20	14.18	1.30	37.72
13	-	9.20	14.75	1.30	25.25
14	-	9.20	14.75	1.30	25.25
15	-	9.20	14.75	1.30	25.25
16	-	9.20	14.75	1.30	25.25
17	-	9.20	15.34	1.30	25.84
18	-	9.20	15.34	1.30	25.84
19	-	9.20	15.34	1.30	25.84
20	-	9.20	15.34	1.30	25.84
21	-	9.20	15.95	1.30	26.45

- Combined Cycle Energy Payments comprise variable operating rate and fuel costs. Variable operating rate is initially assumed at 1.27 sen/kWh, escalating by 4% every 4 years. The EAF is assumed at 87% throughout the operations of the Combined Cycle Facility.
- There is a provision for bonus payments if the load level exceeds 87%. However, the cashflow projections do not take into account such bonus payments.
- A summary of the Combined Cycle Energy Payments in each contract year is as follows:-

Contract Years	Variable Operating Rate (RM/kWh)
1-4	0.0127
5-8	0.0132
9-12	0.0137
13-16	0.0143
17-20	0.0149
21	0.0155

- The plant is assumed to be fired by natural gas throughout the projection period. The gas price is assumed to be constant at RM6.40/MMBtu whilst the heat rate is assumed at 16,698 kJ/kWh (HHV) (open cycle) and 9,816 kJ/kWh (HHV) (combined cycle).

14.1.3 Capital Costs

- The EPC 1 Works (Main Works) and EPC 2 Works (IF and CF) costs are estimated at RM274.0 million and RM7.0 million respectively.
- The total project cost is estimated at RM365.0 million, including non-EPC construction, consultancy and financing costs.
- The project cost includes a contingency amount of RM13.6 million, which is assumed to be fully utilised on a pro-rata basis over the construction period. The project cost also includes a pre-funded FSRA of RM18.4 million.

14.1.4 Financing

- The Conversion Works are assumed to be funded as follows:-

	<u>RM Million</u>
Proceeds from the issuance of MTNs	280.0
Internally generated funds	<u>85.0</u>
	<u>365.0</u>

- The issuance of the MTNs are assumed to take place on 27 June 2005.
- The assumed yields and maturities of the respective MTN tranches range from 4.95% per annum (3 years from first issue date) to 7.90% per annum (14 years from first issue date).
- Profit payments for the MTNs are assumed to be paid semi-annually in arrears.
- The availability limit of the MTN Programme shall be reduced based on an annual reduction schedule tabulated below, with the first reduction to commence on the 3rd anniversary date from the date of first issue of the MTNs:-

Annual Reduction Date	Annual Reduction Amount (RM' Million)	Available Limit (RM' Million)
First issue date (date of first issuance of the MTNs)	-	540.0
3 rd anniversary from the first issue date	10.0	530.0
4 th anniversary from the first issue date	15.0	515.0
5 th anniversary from the first issue date	20.0	495.0
6 th anniversary from the first issue date	55.0	440.0
7 th anniversary from the first issue date	55.0	385.0
8 th anniversary from the first issue date	55.0	330.0
9 th anniversary from the first issue date	55.0	275.0
10 th anniversary from the first issue date	55.0	220.0
11 th anniversary from the first issue date	55.0	165.0
12 th anniversary from the first issue date	55.0	110.0
13 th anniversary from the first issue date	55.0	55.0
14 th anniversary from the first issue date	55.0	Nil

- During the construction period, surplus cash is assumed to earn interest income at the rate of 2.5% per annum.
- Upon Combined Cycle SCOD, surplus cash maintained in the FSRA and MRA are assumed to earn interest income at the rate of 2.5% per annum.

14.1.5 Operating Costs

- The plant is assumed to be fired by natural gas throughout the projection period.
- The main component of operating costs, i.e. the cost of natural gas, is assumed to be a "pass through" item. Whatever cost incurred by RPSB for natural gas is billed to SESB.
- Other operating cost components and their respective escalation rates, from Combined Cycle COD, are set out as follows:-
 - Operator fee at RM8.552 million in the 1st year escalating at 4% per annum
 - Administration and general fee at RM3.0 million in the 1st year escalating at 4% per annum
 - Insurance fee at RM2.3 million in the 1st year escalating at 4% per annum
 - IPP Licence fee at RM1.50/kW per annum
 - Cess pool (as a percentage of Combined Cycle Capacity Payment) of 1% per annum
 - Property tax of RM51,000 per annum flat
 - Quit rent of RM208,000 per annum flat
 - Annual fees payable to the Facility Agent and RAM in aggregate of RM250,000 flat during the tenure of the MTN Programme

14.1.6 Working Capital

The credit period for trade debtors and trade creditors are assumed at 3 months and 0.5 month respectively.

14.1.7 Accounting

- The opening balances as at 1 January 2005 are based on RPSB's management accounts as at 31 December 2004.
- All profit payments during the Conversion Works are capitalised as a fixed asset and amortised over the useful life of the Combined Cycle Project.
- The net book value of the Open Cycle Facility as at 31 December 2006 is aggregated with the capital cost of the Combined Cycle Facility and amortised on a straight-line basis over a 21-year period commencing from 2007.
- RPSB charges a full year's depreciation in the year of acquisition and none in the year of disposal.
- The outstanding CULS are assumed to be converted into ordinary shares (on a 1:1 ratio) on the maturity date of 30 June 2008. Interest accrued is assumed to be paid in cash to the CULS holders on each anniversary of the issue date. However, it should be noted that the CULS may be converted into ordinary shares at any time prior to their maturity date. Any unconverted CULS shall automatically be redeemed on the maturity date.
- The deferred tax liability stood at RM30.062 million based on the audited financial statements as at 31 December 2003. The deferred tax charge for 2004 is estimated at RM4.764 million, resulting in an amount carried forward to 1 January 2005 of RM34.826 million.

- No dividends are assumed to be paid throughout the projection period. However it should be noted that the terms of the MTN Programme permit repatriation of cash/profits to shareholders (of both capital and revenue nature) subject to meeting certain financial covenants and other covenants stipulated therein.

14.1.8 Taxation

- The corporate tax rate is assumed to be 28% throughout the cashflow projection period. Corporate tax is assumed to be paid in the same year in which it is incurred.
- Based on its tax computations for year of assessment 2003, RPSB had unabsorbed capital allowances of RM114.6 million as at 31 December 2003. Additional annual allowances for year of assessment 2004 have been estimated at RM13.0 million. Capital allowances amounting to RM34.6 million are assumed to be utilised to set-off against year of assessment 2004 adjusted income. The amount of unutilised capital allowances carried forward to 1 January 2005 is estimated at RM93.1 million.
- The amount of capital expenditure qualifying for capital allowance claims for the Combined Cycle Project is estimated at 80% of the total capital expenditure incurred. The balance of capital expenditure is assumed to be in respect of non-qualifying expenditure.
- For the combined cycle assets, no detailed asset listing is currently available. The capital allowance rate is assumed to be 20% initial allowance and 14% annual allowance for all qualifying capital expenditure.
- Based on the tax computations for year of assessment 2003, RPSB had unabsorbed investment allowance of RM259.7 million as at 31 December 2003. This amount is assumed to be carried forward to 1 January 2005, and is restricted to 85% of statutory income.
- All customs import duties and sales tax, if applicable, are assumed to be exempted or otherwise included in the project cost estimate of RM365.0 million.
- 90% of RPSB's operating and maintenance expenses are treated as deductible for tax purposes in the period incurred. The balance is assumed to be not allowable and added-back to derive adjusted income.

14.2 Key Financial Ratios

- The minimum and average cumulative FSCR during the tenure of the MTN Programme is 3.78 times and 5.97 times respectively.
- The maximum debt to equity ratio over the cashflow projection period is 78:22 (occurring immediately upon full issuance of the MTNs). The effects of deferred tax have not been taken into consideration in determining the 'Revenue Reserves' component of 'Equity'.

Please refer to Exhibit 8 for the cashflow projections of RPSB commencing 1 January 2005 for the tenure of the Term of the Combined Cycle PPA.

15.0 Permits, Licences and Approvals

15.1 Town and Country Planning Ordinance 1950

Construction and outfitting of the Combined Cycle Facility has complied with the requirements of the approved scheme currently in force for the Site, which comes within the jurisdiction of the local town planning authority. RPSB has received an occupation certificate dated 19 September 2003 from Dewan Bandaraya Kota Kinabalu in this respect.

15.2 Electricity Supply Act 1990 (Act 447)

15.2.1 Purpose and Term of the IPP Licence

RPSB was, on 4 April 1995, granted an IPP Licence by the DGES to use, work and operate any electrical installation and to supply electrical energy to LLS. The IPP Licence came into force on 29 April 1995 and unless revoked shall expire 21 years after 1 August 1998. As set out in the recital of the Combined Cycle PPA, SESB has since assumed all of LLS' rights and obligations in this regard. RPSB will pay an annual generation IPP Licence fee at a current rate of RM1.50 per kW.

In respect of the requisite licence for the Combined Cycle Facility, RPSB had applied to the Energy Commission to amend the IPP Licence to cater for the larger capacity of up to 190MW and to extend the existing term of 21 years by an additional 9 years to coincide with the Term of the Combined Cycle PPA. In this respect, the Energy Commission had, via its letter dated 27 April 2005 advised that this is only required nearing the First Block COD. The other terms and conditions of the IPP licence for the Combined Cycle Project will remain unchanged.

15.2.2 Conditions of the IPP Licence

The IPP Licence conditions prescribe the generation capacity and build-up period and provides for RPSB's cognisance of the Government's economic policies. The conditions also prescribe, amongst others, compliance with standards of performance and generation security and declared voltage.

Other conditions relate to the provision of information to the DGES, the requirement to conduct a 2-yearly management and engineering audit and the maintenance of accounting records.

15.3 Environmental Quality Act 1974 (Act 127)

The Combined Cycle Project will be designed, constructed and operated in a manner consistent with Malaysian environmental regulations.

The EIA consultant, Sinoh Environmental Sdn Bhd, prepared and submitted a full EIA study for the Open Cycle Facility project. EIA approval from the JAS was subsequently obtained on 15 November 1996.

JAS approved the Combined Cycle Project's EIA study on 21 September 2001 based on 180MW capacity. On 7 December 2004, JAS extended validity of the EIA approval until December 2005. RPSB had, on 28 March 2005, applied to JAS to amend the approval to be based on a capacity of up to 190MW.

Both RPSB and RPOM will continue to undertake an EIA monitoring programme designed to ensure compliance with all material environmental regulations.

(The rest of this page has been intentionally left blank)

16.0 Material Litigation

RPSB has confirmed that as at 27 April 2005, it is not involved, whether as plaintiff or defendant or as third party, in any material litigation (which includes *inter alia*, prosecutions, investigations, claims, arbitration proceedings, industrial court matters and land acquisition proceedings), whether such proceedings are actual, threatened or pending and RPSB has no knowledge of any fact likely to give rise to any proceedings which might materially and adversely affect the position or the business of RPSB.

For the purpose of the above confirmation, a suit shall be deemed material if it is a dispute which involves a sum in excess of RM2.0 million or the adverse outcome of which would affect the solvency or existence of RPSB.

(The rest of this page has been intentionally left blank)

17.0 Additional Disclosures

17.1 Conflict of Interest

As at 27 April 2005, RPSB maintains a RC Facility of RM260.0 million with Maybank. A total of RM260.0 million of proceeds raised under the MTN Programme shall be utilised to fully redeem this RC Facility.

Maybank is the major shareholder of Aseambankers with an equity shareholding of 79.69% as at 27 April 2005. Aseambankers is acting as the Principal Adviser, Lead Arranger and Facility Agent in respect of the MTN Programme.

The Board of Directors of RPSB has been informed and is aware of the conflict of interest situations as described above. Notwithstanding the conflict of interest, the Board of Directors of RPSB is comfortable with the abovementioned arrangement and is agreeable to proceed with the MTN Programme.

17.2 Related Party Transaction

Given that the EPC 1 Contract and EPC 2 Contract involve the interest, direct or indirect, of substantial shareholders and/or directors of RPB, namely Ranhill Berhad (which is the holding company of RPB and REC), Tan Sri Hamdan bin Mohamad (who is a director of RPSB, is also (1) a director and substantial shareholder of Ranhill Berhad and (2) a director of REC) and Amran Awaluddin (who is a director of RPSB, is also a director and shareholder of Ranhill Berhad), the awarding of EPC 1 Contract and EPC 2 Contract are related party transactions under the provisions of Chapter 10 of the Listing Requirements of Bursa Securities.

In accordance with Paragraph 10.08 of the Listing Requirements of Bursa Securities, RPB had, on 16 May 2005 issued the requisite circular to shareholders of RPB for the abovementioned related party transactions. RPB had also, at its extraordinary general meeting held on 31 May 2005 obtained its shareholders' approval in relation thereto.

(The rest of this page has been intentionally left blank)

18.0 Investment Considerations

The following is a summary of investment considerations and risk factors relating to the MTN Programme. This section does not purport to be comprehensive or exhaustive and is not intended to be a substitute or replacement for an independent assessment of the risk factors that may affect the MTN Programme. The recipient of the Information Memorandum should undertake its own investigation into RPSB, the assumptions adopted and the risks associated with investing in the MTNs to be issued by RPSB under the MTN Programme. Each MTN issue will carry different risks and all potential investors are strongly encouraged to evaluate each MTN issue on its own merits.

18.1 Construction and Completion Risk

The risk profile may change as the Combined Cycle Project approaches completion, and during the operational phase of the Combined Cycle Facility.

18.1.1 Combined Cycle Facility Performance at Completion

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

However, if RPSB accepts a part of the EPC 1 Works which does not meet the performance guarantees, RPSB is entitled to claim liquidated damages on the failure of the Combined Cycle Facility to achieve guaranteed performance criteria as mentioned in Section 11.2.12 of this Information Memorandum.

18.1.2 Delay in Completion

(A) Delay in Completion Causes Increased Costs

If taking over of the Combined Cycle Facility occurs after the Combined Cycle SCOD (i.e. 9 March 2007), RPSB may incur additional costs for the delay in operations i.e. profit payments payable under the MTN Programme and for certain fixed expenses.

The EPC 1 Contract provides for liquidated damages for delay in completion of the EPC 1 Works longer than 31 December 2006 as more specifically elaborated in Section 11.2.12 of this Information Memorandum. Similarly, the EPC 2 Contract provides for liquidated damages for delay in completion of the EPC 2 Works longer than 17 months from the date of notification for the commencement of the EPC 2 Works, i.e. from 31 March 2005, as more specifically elaborated in Section 11.3.11 of this Information Memorandum.

Essentially, the liquidated damages payable under EPC 1 Contract for delay in completion is RM215,000 per Block per day. The liquidated damages payable under the Combined Cycle PPA are outlined in Section 18.1.2 (B) below.

Construction delays, as a result of loss or damage caused by an insurable event, are covered by Erection All Risks – Delay in Completion insurance as covered in Section 12.3.1 of the Information Memorandum.

(B) Delay in Completion under the Combined Cycle PPA

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

- RM17,500 a day up to a maximum of RM3.0 million for each day that the First Block COD has occurred but not the Second Block COD by the date that is 90 days after the Combined Cycle SCOD due to the default of RPSB; or
- RM35,000 a day up to a maximum RM6.0 million for each day that the First Block COD and the Second Block COD have not occurred by the date that is 90 days after the Combined Cycle SCOD due to the default of RPSB; or
- RM6.0 million in the event of any abandonment by RPSB of the whole of the Conversion Works; or
- RM18.0 million in the event of termination of the Combined Cycle PPA by SESB arising out of an event of default by RPSB (other than the defaults above).

No liquidated damages shall be payable by RPSB for delay or termination due to a force majeure event.

Notwithstanding Sections 18.1.2 (A) and 18.1.2 (B) above, the maximum amount of liquidated damages payable under the EPC Contracts is capped at 30% of the total contract price which amounts to RM84.3 million (based on the total contract price of RM281.0 million).

Under the Combined Cycle PPA, RPSB shall furnish to SESB a performance bond amounting to RM6.0 million in terms acceptable to SESB from a licensed bank or any other offshore financial institution acceptable to SESB. RPSB's obligation to provide the performance bond to SESB may be satisfied by an assignment to SESB of the bonds issued by the EPC Contractor to RPSB. Under the EPC Contracts, REC will issue a performance bond to RPSB equivalent to 10% of the total EPC Contracts price of RM281.0 million i.e. RM28.1 million.

18.1.3 EPC Contract Overruns

The EPC Contracts are lump-sum, fixed price, turnkey contracts providing for the comprehensive EPC of the Combined Cycle Facility. The EPC Contractor is contractually obliged to bear all cost overruns within the specifications of the EPC Contracts.

In addition, the scope of work in the EPC Contracts is detailed and comprehensive and was developed by the Owner's Engineer and reviewed by the ICE. Additional expenditures can only be authorised by variation orders requested by RPSB and approved by the Owner's Engineer. In the cashflow projections, RPSB has estimated a construction contingency of about 4.8% of the total EPC Contracts price of RM281.0 million which can be used to fund any authorised variation orders.

18.1.4 Performance Risk of the EPC Contractor

The delivery of the Combined Cycle Project in accordance with the stipulated specifications will largely depend on the expertise and experience of the EPC Contractor.

Ranhill Berhad's group of companies has been involved in the following projects in the power generation and transmission sectors:-

- Detailed design and engineering for the civil and structural works in respect of the Manjung coal-fired power station;
- Design and engineering works for the Kulim independent power utility;
- Civil and structural engineering services for TNB's 500kV transmission system.

Please refer to Section 11.1.2 for further details on the above extract.

18.1.5 Electricity Demand Risk

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

Pursuant to both the Open Cycle PPA and Combined Cycle PPA, all of RPSB's fixed operating costs, profit payments, principal repayments and return to shareholders are covered by the Open Cycle Capacity Payments and Combined Cycle Capacity Payments respectively (collectively hereinafter referred to as Capacity Payment), which are independent of electrical energy actually purchased by SESB as long as RPSB maintains the required EAF under the power purchase agreements. As such, the level of dispatch will not affect RPSB's ability to earn Capacity Payments. Thus, the Capacity Payment structures in both power purchase agreements effectively protect RPSB against electricity demand risk. SESB is liable for full capacity payments as long as RPSB is able to meet a minimum EAF of 87% and to make available dependable capacity to the power purchaser. In the event EAF falls below 87%, RPSB will receive a lower capacity payment as penalty. RPSB's track record shows that it has consistently surpassed the minimum requirement, with EAF averaging at about 96.8% from 1999 to 2004. RPSB has also obtained a performance guarantee from the Operator to ensure a plant availability of at least 87% and a minimum net capacity of 120MW for the Open Cycle Facility, failing which an agreed schedule of liquidated damages is payable as specified under the Open Cycle OMA. However, the liquidated damages claimable by RPSB from the Operator under the Open Cycle OMA is not back-to-back with the reduction in capacity payments and is capped at RM1.0 million per Open Cycle OMA Contract Year. Under the Combined Cycle OMA, the overall total liquidated damages per year on EAF, net capacity and heat rates of the Combined Cycle Facility shall be limited to RM1.5 million per Combined Cycle OMA Contract Year.

The Open Cycle Energy Payment and Combined Cycle Energy Payment (collectively hereinafter referred to as Energy Payment) are designed back-to-back with the GSA and the Open Cycle OMA and Combined Cycle OMA respectively for RPSB to fully recoup actual fuel cost and other variable costs associated with power generation. Therefore, RPSB is insulated from any fuel cost fluctuations through the direct pass-through mechanism in the formula for Energy Payment, as long as the plant operates at or below the schedule of allowable heat rates agreed between RPSB and the power purchaser in both the Open Cycle PPA and Combined Cycle PPA. RPSB will have to absorb any additional fuel costs incurred in the event the heat rate exceeds the permitted rate. To date, RPSB has been able to pass-through all fuel costs to the SESB.

18.1.6 Take-or-Pay Obligations under GSA

The Energy Payment under both the Open Cycle PPA and Combined Cycle PPA will only be made if RPSB dispatches electricity to SESB. However, under the GSA, RPSB is obligated to purchase the ToP quantity of 75% of the net ACQ of natural gas in each GSA Contract Year. Where RPSB has, in any GSA Contract Year, paid for any quantity of natural gas but not taken delivery of the same, RPSB may, subject to PETRONAS' delivery

capability, take delivery of such quantities of natural gas in the following GSA Contract Year.

Since PETRONAS fixed the price of natural gas at RM6.40 per MMBtu on 1 January 2000, dispatch levels have been steadily increasing. As a result, the actual amount of natural gas purchased by RPSB exceeded the minimum ToP quantity (by 74% and 83% in 2003 and 2004 respectively).

18.1.7 Gas Supply Risk

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

In addressing the risk of a shortfall of gas supply from PETRONAS and PETRONAS Carigali, RPSB has also executed the FSA which will assure RPSB adequate supply of Shell diesoline. In any event, RPSB has distillate reserves within the Site that would be sufficient to operate the plant for 4 to 5 days.

As at the date of the Information Memorandum, gas supply from PETRONAS and PETRONAS Carigali has generally been stable and on schedule, except for planned outages. Furthermore, PETRONAS Carigali had, via its letter dated 28 March 2005, confirmed that it has the supply ability to meet the plant demand of natural gas, subject to sufficient gas reserves and on such terms and conditions to be reflected in an agreement of extension of the tenure of the GSA in due course between PETRONAS, PETRONAS Carigali and RPSB.

18.1.8 Mismatch Risk

Notwithstanding the provisions of the Open Cycle PPA and Combined Cycle PPA which provide for monthly billing, RPSB will bill SESB on a weekly basis with a 30-day credit period. On the other hand, PETRONAS and PETRONAS Carigali bill RPSB on a weekly basis with 14-day credit terms under the GSA. There is, therefore, a mismatch in the credit periods.

Although SESB has not been making timely payments to RPSB, there has been improvement of collections since 31 December 2004 and the collection period has reduced to approximately 60 days. In any event, this risk is further mitigated by virtue of the terms of the Open Cycle PPA and Combined Cycle PPA whereby LLS/SESB is contractually obliged to pay a penalty of 1% above Maybank's base lending rate then in effect for any late payment.

18.2 Operating and Maintenance Risks

Operationally, RPSB faces the ongoing risks of reduced dependable capacity and availability which would reduce capacity payments. Moreover, excessive heat rates would increase fuel expenses beyond what could be passed through to SESB. These risks are addressed to a certain extent by the performance guarantees under both the Open Cycle OMA and Combined Cycle OMA, which specify the appropriate performance standards. Failure to achieve these standards will subject RPOM to penalties in the form of liquidated damages. On the other hand, RPOM stands to gain bonus payments for any achievements above these performance standards. However, under the Open Cycle OMA, both the liquidated damages and bonus payments shall not exceed RM1.0 million in any Open Cycle OMA Contract Year. Under the Combined Cycle OMA, liquidated damages and bonus payments shall not exceed RM1.5 million in any Combined Cycle OMA Contract Year.

18.2.1 Technical Capacity of the Operator

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

The Operator is obligated under both the Open Cycle OMA and Combined Cycle OMA to provide the agreed skilled, qualified, experienced and competent personnel to manage, supervise and operate Open Cycle Facility and Combined Cycle Facility respectively. Moreover, TNBG is continuing to provide the technical expertise and services to RPSB pending finalisation of the new technical assistance agreement with TNB Remaco.

RPSB has also entered into a CSA with the CSA Contractor which covers all aspects relating to the upkeep and maintenance of RPSB's Covered Units.

18.2.2 Plant Performance Risk

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

18.3 Technology Risk

There is unlikely to be any technology risk in respect of existing gas turbine generators. The GE Frame 6B technology is proven and reliable, with more than 2,000 units installed worldwide. Under the CSA, the CSA Contractor is obligated to uprate the various components for the existing gas turbine generators in line with the research and development works carried out for the GE Frame 6B machines for the duration of the CSA.

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

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

18.4 Credit Risk of SESB

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

SESB has incurred losses of RM272.3 million and RM309.8 million for the financial years ended 31 August 2004 and 31 August 2003 respectively. TNB advanced RM193.1 million and RM310.5 million to SESB for the financial years ended 31 August 2004 and 31 August 2003 respectively.

(Source: *Statutory financial statements of SESB for the financial year ended 31 August 2004*)

The Government agreed to a diesel subsidy and reduction of SESB's loan with the Government, through a mechanism whereby it will offset against SESB/TNB's soft loan from the Government which would help SESB improve its performance and reduce its financial dependence on TNB.

(Source: *Announcement by TNB to Bursa Securities dated 9 March 2005*)

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

(Source: *Statutory financial statements of SESB for the financial year ended 31 August 2004*)

18.5 Permits and Government Approvals Risks

RPSB has obtained all necessary approvals for the operation of the Open Cycle Facility and the carrying out of the Conversion Works. In respect of the requisite licence for the Combined Cycle Facility, RPSB had applied to the Energy Commission to amend the IPP Licence to cater for the larger capacity of up to 190MW and to extend the existing term of 21 years by an additional 9 years to coincide with the Term of the Combined Cycle PPA. In this respect, the Energy Commission had, via its letter dated 27 April 2005 advised that this is only required nearing the First Block COD. The other terms and conditions of the IPP licence for the Combined Cycle Project will remain unchanged.

18.6 Environmental Risk

JAS approved the Combined Cycle Project's EIA study on 21 September 2001 based on 180MW capacity. On 7 December 2004, JAS extended validity of the EIA approval until December 2005. RPSB has since applied to JAS to amend the approval to be based on a capacity of up to 190MW.

18.7 Force Majeure Risk

Under the Open Cycle PPA, the occurrence of a force majeure event does not relieve LLS of its obligations to make Open Cycle Capacity Payments to RPSB.

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

If a force majeure event continues for 12 months, the party not claiming the force majeure event may terminate the Open Cycle PPA or Combined Cycle PPA, as the case may be.

Under the Combined Cycle PPA, no force majeure event shall extend the Combined Cycle SCOD or the Second Block COD beyond 18 months after the initial Combined Cycle SCOD.

18.8 Inflation Risk

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

Under the Open Cycle PPA, the fixed operating rate and variable operating rate shall be adjusted to take into account the effect of inflation based on the consumer price index and producer price index for East Malaysia respectively. Although the FOR was subject to an inflation adjustment in 1999, no such adjustment was made due to its minimal impact. Similarly, under the Combined Cycle PPA, indexable fixed charge is escalated by 4% every 4 years.

The indexable fixed charge component of Combined Cycle Capacity Payments has a built-in escalation factor of 4% every 4 years. The variable operating rate component in the Combined Cycle Energy Payment is escalated at a similar rate.

18.9 Issuer's Debt Service Ability

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

As at the date of the Information Memorandum, RPSB has enjoyed uninterrupted operations since 10 August 1998 resulting in accumulated profits of RM77.0 million as at 31 December 2004. Based on the cashflow projections attached as Exhibit 8, the minimum and average FSCR are 3.78 times and 5.97 times respectively.

Pursuant to the MTN Programme, RPSB is required to maintain the following:-

- A minimum required reserve equivalent to 6 months' profit payment based on the nominal value of RM540.0 million shall be deposited and maintained at all times in the FSRA prior to the first issuance of the MTNs;
- an amount equivalent to the next profit payment due under the MTNs shall be built up and deposited in the FPA 1 month prior to the due date; and
- an amount equivalent to the next principal redemption due under the MTNs shall be built up and deposited fully in the FPA 6 months prior to the due date.

Under the terms of the MTN Programme, other than for permitted indebtedness allowed under the MTN Programme, RPSB shall be prevented from incurring further indebtedness for borrowed money without the prior consent in writing of the Trustee during the tenure of the MTN Programme. Additional negative covenants restrict RPSB from declaring dividends and/or making principal and interest payments on subordinated loans/advances unless the following conditions have been satisfied and confirmed by the Trustee:-

- (a) upon achievement of the COD for the Combined Cycle Facility and upon payment of the first principal redemption under the MTN Programme (not applicable to the payment of interests on subordinated advances/loans);
- (b) compliance with the requirements as set out under the FSRA and FPA,
- (c) Debt to Equity Ratio to be maintained at the stipulated ratio not exceeding 80:20,
- (d) FSCR is more than 1.75:1 and immediately after payment, FSCR is above 1.5:1, and
- (e) no event of default under the MTN Programme has occurred or is continuing.

In conjunction with item (a) above, RPSB is currently servicing interest on the CULS and is not restricted from making future interest payments under the CULS.

18.10 Cashflow Projections

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

18.11 Exchange Rate Risk

Payments to the CSA Contractor under the CSA are denominated in US Dollars. The foreign exchange risk in this regard is manageable as the Ringgit Malaysia/US Dollar foreign exchange rate is currently set at a fixed peg of USD1.00/RM3.80. The total US Dollar denominated payments to the CSA Contractor for the period from 1 January 2005 to 8 March 2028 made up to 12.5% of the total operating costs for the same period.

Besides the CSA, there is no foreign exchange risk prevalent in any other Project Agreements.

18.12 Profit Rate Fluctuation Risk

Profit payments under the MTN Programme are not a pass-through element in the Open Cycle PPA and Combined Cycle PPA, and RPSB bears the risk that its cost of borrowings may increase.

Since the MTNs will be issued on a fixed rate basis, the risk of profit rate fluctuations is mitigated. Notwithstanding the above, RPSB will be exposed to profit rate fluctuations until issuance of all MTNs under the MTN Programme.

18.13 Liquidity/Market Risk for the MTNs

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

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

18.14 Rating Downgrade Risk

It is a condition that the MTNs to be issued under the MTN Programme are rated. The MTNs are subject to rating reviews by RAM (or any other rating agency in Malaysia). The rating for the first issue of the MTNs shall not be less than AA₃.

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

In the event that the rating deteriorates during the tenure of the MTN Programme, RPSB is not obligated to provide any additional credit enhancement with respect to the MTNs.

18.15 Novation Risk

The Open Cycle PPA was signed between RPSB and LLS. A recital under the Combined Cycle PPA provides that SESB has assumed the rights and obligations of LLS under the Open Cycle PPA. Notwithstanding this, it is a condition precedent to the obligations of RPSB under the Combined Cycle PPA that the formal vesting, transfer or novation of the rights and obligations of LLS thereunder shall be completed. SESB has advised that a vesting order shall be issued/gazetted to formalise the transfer of the rights and obligations of LLS under the Open Cycle PPA to SESB.

18.16 Political, Economic and Regulatory Risks

In order to own, operate and maintain the Open Cycle Facility, RPSB has obtained an IPP Licence pursuant to Section 9 of the Electricity Supply Act 1990. Without prejudice of the rights of the DGES to suspend or revoke the IPP Licence under the Electricity Supply Act, 1990, the IPP Licence may be revoked upon the DGES giving 10 years written notice and such notice may not be given before the end of the 10th year from 1 August 1998. In mitigating the risk of having the IPP Licence suspended or revoked, RPSB has taken and will continue to take all steps necessary to be in compliance with all conditions of the IPP Licence.

In respect of the requisite licence for the Combined Cycle Facility, RPSB had applied to the Energy Commission to amend the IPP Licence to cater for the larger capacity of up to 190MW and to extend the existing term of 21 years by an additional 9 years to coincide with the Term of the Combined Cycle PPA. In this respect, the Energy Commission had, via its letter dated 27 April 2005 advised that this is only required nearing the First Block COD. The other terms and conditions of the IPP licence for the Combined Cycle Project will remain unchanged.

In addition to the above, RPSB's operations are also regulated by a number of governmental agencies.

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

18.17 Forward Looking Statements

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

(The rest of this page has been intentionally left blank)

19.0 Power Generation Industry in Sabah

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

SESB generates, transmits and distributes electricity. It is the only power utility company in Sabah supplying electricity to 337,634 customers distributed over a wide area of 74,000 square kilometres. 83% of the customers are domestic customers contributing only 28% of the sale. The total generation capacity is 785MW, 55% (1,742 GWh) of the total units generated are purchased from the independent power producers.

The installed capacity of the west coast grid and the northern grid which supply electricity to Kota Kinabalu, Federal Territory Labuan, Keningau, Beaufort, Papar, Kota Marudu and Kudat is 460MW and the maximum demand is 317MW.

The east coast grid 275/132kV transmission line connecting the major towns in the east coast has an installed capacity of 275MW and the current demand is 172MW.

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

A fully integrated grid connecting the existing west coast grid to the east coast grid will be completed by year 2006, by which time about 90% of the customers will be connected to this integrated grid.

(Source: www.sesb.com.my as at 19 May 2005)



(Source: www.sesb.com.my as at 19 May 2005)

(This page has been intentionally left blank)