



**ISSUANCE OF UP TO RM4,847 MILLION
NOMINAL VALUE SENIOR ISTISNA' MEDIUM
TERM NOTES FACILITY**

Joint Lead Arrangers

**AmMERCHANT BANK BERHAD
(23742-V)**

A member of



AmInvestment Group



**RHB SAKURA MERCHANT BANKERS BERHAD
(19663-P)**



**MALAYSIAN INTERNATIONAL MERCHANT
BANKERS BERHAD (10209-W)**
A member of EON Bank Group



**BANK MUAMALAT MALAYSIA BERHAD
(6175-W)**

22 April 2005

AmMerchant Bank Berhad
RHB Sakura Merchant Bankers Berhad
Malaysian International Merchant Bankers Berhad
Bank Muamalat Malaysia Berhad

Proposed Issue of, Offer for Subscription or Purchase of, or Invitation to Subscribe for or Purchase, the Islamic Medium Term Notes Issuance Facility of up to the Nominal Value of RM4,847.0 Million in Accordance with the Syariah Principle of Istisna'

We refer to the above mentioned, and have studied the Information Memorandum attached and hereby confirm that, except as otherwise mentioned in the Information Memorandum, all the information and projections contained herein have been supplied by Jimah Energy Ventures Sdn Bhd.

We further confirm that all information are true and accurate at the time of preparation, and that the projections are fair and reasonable in all material respects having regard to circumstances made. The Information Memorandum does not omit any relevant information such that its omission would make the Information Memorandum or any information contained in it inaccurate, untrue or misleading in any material respect and we are not aware of any fact or matter not disclosed which renders any such information untrue or misleading in any material respect.

Yours faithfully,
For and on behalf of
Jimah Energy Ventures Sdn Bhd



Zulkifli Bin Ibrahim
Director

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LIST OF PARTIES

Key Project Participants

Project Company	Jimah Energy Ventures Sdn Bhd
Shareholders	Jimah Energy Ventures Holdings Sdn Bhd
Power Purchaser	Tenaga Nasional Berhad
Fuel Supplier	TNB Fuel Services Sdn Bhd
EPC Contractor	Sumitomo Corporation and Sumi-Power Malaysia Sdn Bhd
O&M Operator	Jimah O&M Sdn Bhd and Jimah Teknik Sdn Bhd

For the Project Company

Owner's Engineer	Fichtner GmbH & Co Kg
Legal Advisor	Zaid Ibrahim & Co
Project Advisor	Babcock & Brown Asia Pacific
Junior Debt & SPV Advisor	Bumiwerks Capital Management Sdn Bhd
Insurance Broker & Consultant	Antah Heath Lambert Insurance Brokers Sdn Bhd
Tax Advisor	KPMG Tax Services Sdn Bhd

Joint Lead Arrangers

Joint Lead Arrangers	AmMerchant Bank Berhad
	RHB Sakura Merchant Bankers Berhad
	Malaysian International Merchant Bankers Berhad
	Bank Muamalat Malaysia Berhad

For the Joint Lead Arrangers

Legal Advisor	Adnan Sundra & Low
Insurance Consultant	Sterling Insurance Brokers Sdn Bhd
Independent Checking Engineer / Independent Consulting Engineer	SLP Perunding Sdn Bhd and Burns & McDonnell International

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LIST OF EXHIBITS

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Exhibit 3	Independent Checking Engineer's Letter dated 22 April 2005
Exhibit 4	Insurance Consultant's Letter dated 22 April 2005
Exhibit 5	Project Site Location
Exhibit 6	General Plant Layout
Exhibit 7	Cash Flow Projections of the Base Case Financial Model

GLOSSARY

AmMerchant	AmMerchant Bank Berhad (company no: 23742-V).
Available Capacity Payment (ACP)	payment to be made by TNB to JEV for the daily available capacity (in MW) of the Plant, in accordance with the PPA.
BG Facility	the bank guarantee facilities of up to RM167.6 million obtained or to be obtained by JEV in relation to the Project.
BMMB	Bank Muamalat Malaysia Berhad (company no: 6175-W).
Commercial Operation Date (COD)	in respect of each Unit, the date on which all the conditions precedent as set forth in Clause 3 of the PPA shall have been satisfied or waived.
Consortium	the unincorporated joint venture between Jimah O&M Sdn Bhd (company no: 630135-T) and Jimah Teknik Sdn Bhd (company no: 476709-U), parties to the PMA.
Contractor	Sumitomo Corporation and Sumi-Power Malaysia Sdn Bhd (company no: 626325-M), parties to the EPCC.
CSTA	Coal Supply and Transportation Agreement entered into between JEV and TFS on 10 August 2004 in relation to the Project as amended, varied or supplemented from time to time.
DAC	Daily Available Capacity, the hourly availability of each Unit (or facility as the case may be) in MW for a twenty-four (24) hour period, made by JEV to TNB, as determined in the PPA.
EIA Approval	the Detailed Environmental Impact Assessment report approved by the Department of Environment, Malaysia in respect of the Project on 31 January 2005 and all requirements thereof.
Energy Payment	payment to be made by TNB to JEV for net electrical output (in kWh) generated and delivered from the Plant pursuant to a despatch instruction or monitoring test, in accordance with the PPA.
EPCC	Engineering, Procurement and Construction Contract entered into between JEV and the Contractor on 23 September 2004 and restated pursuant to a Supplementary Agreement dated 8 April 2005 in relation to the Project as amended, varied or supplemented from time to time.
Financial Close	the date on which the documentation for the Long Term Financing Facilities are expected to have been executed and all conditions precedent to initial drawdown have been satisfied or waived (as the case may be) by the Joint Lead Arrangers save that Financial Close for the BG Facility shall be at the date on which the documentation for the BG Facility has been duly executed and all conditions precedent thereunder have been satisfied or waived (as the case may be) by the issuing banks thereof.
Grid System Operator (GSO)	the party licensed under section 9 of the Electricity Supply Act 1990 and which is responsible for, among others, the operational planning and development of the Grid System in accordance with

	the Grid Code.
Interconnection Facilities	all of the facilities as further described in the PPA to enable TNB to receive electrical energy from the Plant and to maintain stability of the Grid System.
Issuer	JEV
JEV	Jimah Energy Ventures Sdn Bhd (company no: 630120-H), the project company.
JEVH	Jimah Energy Ventures Holdings Sdn Bhd (company no: 630121-T), the shareholder of JEV.
JJSB	Jalur Jernih Sdn Bhd (company no: 572712-K), a party to the Lease Agreement.
Joint Lead Arrangers / Joint Principal Advisers	collectively: (a) AmMerchant, (b) RHB Sakura, (c) MIMB, and (d) BMMB being the joint lead arrangers for the Long Term Financing Facilities.
Junior Debt	the junior Islamic debt of up to RM895 million raised or to be raised by JEV in relation to the Project.
kJ	kilojoule, a unit of energy.
kV	kilovolt, a unit of voltage, being equal to 1000 volts.
kW	kilowatt, a unit of active power, being equal to 1000 watts.
kWh	kilowatt-hour, being the production of one kW for a period of one hour.
Lease Agreement	agreement entered into between JEV and JJSB on 14 October 2004 and supplemented with a Supplementary Agreement on 12 April 2005 for a lease of the land required for the Project as amended, varied or supplemented from time to time.
Long Term Financing Facilities	collectively: (a) the Senior Islamic MTNs Facility, (b) the BG Facility, and (c) the SBLC Facility to be arranged for the part financing of the Project.
MIMB	Malaysian International Merchant Bankers Berhad (company no: 10209-W).
MW	megawatt, a unit of active power, being equal to 1000 kW.
NEO	Net Electrical Output, the electrical energy generated and delivered to the Grid System at the applicable interconnection point from the Unit (or facility as the case may be) by JEV as measured in kWh, as determined in the PPA.
OMA	Operation and Maintenance Agreement entered into between JEV and the Operator on 9 November 2004 and supplemented by a

Supplementary Agreement on 23 March 2005 in relation to the Project as amended, varied or supplemented from time to time.

Operator	the unincorporated joint venture between Jimah O&M Sdn Bhd (company no: 630135-T) and Jimah Teknik Sdn Bhd (company no: 476709-U), parties to the OMA.
Plant	the 1,400 MW net capacity power plant, comprising two (2) steam-electric coal-fired units, each unit with a nominal 700 MW net capacity (including all related facilities) and ancillary infrastructure, to be constructed in Kuala Lukut, Mukim Jimah, Negeri Sembilan Darul Khusus and includes any Modification (as defined in the PPA) thereto.
PMA	Project Management Agreement entered into between JEV and the Consortium on 1 October 2004 in relation to the Project as amended, varied or supplemented from time to time.
PPA	Power Purchase Agreement entered into between JEV and TNB on 10 August 2004 in relation to the Project as supplemented by a letter dated 10 August 2004 from JEV and duly agreed and accepted by TNB, as amended, varied or supplemented from time to time.
Primary Subscribers	the Joint Lead Arrangers and such other strategic financial institutions to be arranged by the Joint Lead Arrangers.
Project	the design, engineering, procurement, construction, installation, commissioning, testing, operations and maintenance of the Plant, the Fuel Facilities (as defined in the PPA) and the Project land, the Interconnection Facilities and associated facilities and any Modification thereto and includes the TWA Works.
RHB Sakura	RHB Sakura Merchant Bankers Berhad (company no: 19663-P).
SBLC Facility	the standby letter of credit facility of up to RM72 million obtained or to be obtained by JEV in relation to the Project.
Senior Islamic MTNs Facility	<p>the Islamic medium term notes issuance facility of up to the nominal value of RM4,847.0 million obtained or to be obtained by JEV in relation to the Project comprising:-</p> <ul style="list-style-type: none"> (a) Islamic fixed rate medium term notes of the nominal value of RM4,190.0 million; and (b) Islamic floating rate medium term notes of up to the nominal value of RM657.0 million.
Services Agreement	Spare Parts Supply, Maintenance Services and Technical Personnel Despatch Agreement entered into between the Operator and the Contractor on 23 September 2004 as amended, varied or supplemented from time to time.
SPV	Special Power Vehicle Berhad (company no: 675225-K), a company incorporated in Malaysia as a bankruptcy remote vehicle held by a trustee to facilitate the funding of the Junior Debt.
TFS	TNB Fuel Services Sdn Bhd (company no: 460430-K), a party to the CSTA.

TNB	Tenaga Nasional Berhad (company no: 200866-W), a party to the PPA and TWA.
TSA	Technical Support Agreement entered into between the Operator and Connell Wagner (M) Sdn Bhd (company no: 345646-X) on 10 January 2005 as amended, varied or supplemented from time to time.
TWA	Transmission Works Agreement entered into between JEV and TNB on 14 March 2005 in relation to the TWA Works as amended, varied or supplemented from time to time.
TWA Works	<p>the design, construction, engineering, installation, testing and commissioning of the following transmission lines:-</p> <p>(a) the double-circuit 500 kilovolt ("kV"), 2,800 megavolt-ampere ("MVA") per circuit line, transmission line connecting the Plant to the Lenggeng 500/275 kV substation of approximately fifty-one (51) kilometres in length;</p> <p>(b) the double-circuit 500 kV, 2,800 MVA per circuit line, transmission line connecting the Lenggeng 500/275 kV substation to the Olak Lempit 275 kV substation of approximately forty-eight (48) kilometres in length;</p> <p>and all other works in relation thereto.</p>
Unit(s)	any one of the two (2) generating sets comprising a coal fired boiler and 700 MW nominal capacity steam turbine generator and ancillary equipment.
Utilisation Payment	payment to be made by TNB to JEV for the daily maximum despatched capacity (in MW) of the Plant each day, in accordance with the PPA.

1 EXECUTIVE SUMMARY

1.1 Purpose

This Information Memorandum is being issued in relation to the financing, design, engineering, procurement, construction, installation, commissioning, testing, ownership, operation and maintenance of a 1,400 MW coal-fired electricity generation facility and related infrastructure, interconnection facilities and transmission lines in Kuala Lukut, Mukim Jimah, Negeri Sembilan Darul Khusus (the "Project").

This Information Memorandum is intended to assist the prospective investors of the Senior Islamic MTNs Facility in the evaluation and decision on whether to invest in the Senior Islamic MTNs Facility.

1.2 Project Company

Jimah Energy Ventures Sdn Bhd ("JEV") is the special purpose company formed to develop and implement the Project. JEV is currently wholly-owned by Jimah Energy Ventures Holdings Sdn Bhd ("JEVH").

The Economic Planning Unit has in its letter dated 28 February 2005 confirmed its approval of: (a) JEV as the project company, subject to JEV complying with the shareholding structure as approved earlier via its letter dated 12 July 2003, which sets out certain shareholding restrictions including that the final shareholding shall be: Jimah Teknik Sdn Bhd (55%), TNB (20%), the Negeri Sembilan state government (15%) and the company undertaking the operations and maintenance of the Project (10%); and (b) the tariff for the Project as contained in the PPA.

1.3 Project Background

The Project will consist of the construction and commissioning of two (2) coal-fired generating units with net capacity of 700 MW each, based on proven sub-critical technology. The Project includes ancillary infrastructure such as a coal handling system, coal yard, ash pond and dedicated coal jetty.

To connect the power plant to the National Grid, the Project will include the construction of an approximately 51-kilometre transmission line from the Interconnection Facilities at the power plant to the Lenggeng substation, as well as an approximately 48-kilometre transmission line connecting the Lenggeng substation to the Olak Lempit substation (the "TWA Works"). Works related to the Lenggeng and Olak Lempit substations will be carried out by TNB. Both the transmission lines will be transferred to TNB upon completion.

1.4 Site Location

The Project is to be located at Mukim Jimah, Daerah Port Dickson, Negeri Sembilan Darul Khusus. The site is situated on a beach front facing the Straits of Malacca, adjacent to the mouth of Sungai Sepang on the eastern side.

The total land area required for the development of the Project, including access road and jetty area, is approximately 515 acres comprising 300 acres of reclaimed sea area and 215 acres of land.

The qualified documents of title to the land upon which the Project is to be situated, for Lot No. PT 7308 and Lot No. PT 7309, have been registered and issued on 7 January 2005.

1.5 Key Project Documents

1.5.1 Power Purchase Agreement

The Power Purchase Agreement ("PPA") with TNB will govern the requirements and conditions under which TNB is to purchase from JEV the daily available capacity ("DAC") and net electrical output ("NEO") generated and delivered from the Plant. The PPA was executed on 10 August 2004. The PPA will have an initial term of twenty-five (25) years and will stipulate the terms under which JEV is to earn revenues consisting of Available Capacity Payment, Utilisation Payment and Energy Payment for capacity made available and electrical energy delivered to TNB. Commercial operation is scheduled to commence on 1 January 2009 and 1 July 2009 for each Unit respectively.

1.5.2 Coal Supply and Transportation Agreement

The Coal Supply & Transportation Agreement ("CSTA") specifies the price mechanism, quantity and quality of coal to be supplied and delivered to the Project by TNB Fuel Services Sdn Bhd ("TFS"), the nominated fuel supplier. The CSTA was executed on 10 August 2004. Coal is expected to be sourced from a variety of producers, for example China, Indonesia, Australia and South Africa, through a combination of spot, medium-term and long-term contracts.

1.5.3 Engineering, Procurement and Construction Contract

The design, construction and commissioning of the Project and TWA Works will be undertaken by Sumitomo Corporation and Sumi-Power Malaysia Sdn Bhd (collectively the "Contractor") on a fixed-price, lump-sum turnkey basis. The Engineering, Procurement and Construction Contract ("EPCC") was executed on 23 September 2004 and further supplemented and restated pursuant to a Supplementary Agreement dated 8 April 2005 to incorporate the TWA Works. Notice to proceed for the reclamation works was issued on 31 January 2005 as scheduled, with guaranteed completion dates to be achieved no later than 1 December 2007 for the TWA Works, 1 January 2009 for the first Unit and 1 July 2009 for the second Unit.

1.5.4 Operation and Maintenance Agreement

The Plant and Interconnection Facilities will be operated and maintained by an unincorporated joint venture comprising Jimah O&M Sdn Bhd and Jimah Teknik Sdn Bhd (collectively the "Operator") for a period of twenty-five (25) years from commercial operation of the first Unit. The Operation and Maintenance Agreement ("OMA") specifies the services, obligations and guarantees to be undertaken by the Operator. The OMA was executed on 9 November 2004 and was supplemented by a Supplementary Agreement on 23 March 2005.

1.5.5 Project Management Agreement

A Consortium comprising Jimah O&M Sdn Bhd and Jimah Teknik Sdn Bhd will provide project management and technical advisory services in relation to the Project, until one (1) year after commercial operation of the second Unit. The Project Management Agreement ("PMA") was executed between JEV and the Consortium on 1 October 2004.

1.5.6 Transmission Works Agreement

A Transmission Works Agreement ("TWA") was executed between JEV and TNB on 14 March 2005. The TWA specifies the terms and conditions under which JEV will design, engineer, construct, install, test and commission the TWA Works. The TWA Works comprise of two (2) transmission lines. The first transmission line is a double circuit 500kV, 2800MVA per circuit line, transmission line of approximately fifty-one (51) kilometres in length connecting the Interconnection Facilities at the power plant to the Lenggeng 500/275kV substation; and the second transmission line is a double circuit 500kV, 2800MVA per circuit line,

transmission line of approximately forty-eight (48) kilometres in length connecting the Lenggeng 500/275kV substation to the Olak Lempit 275kV substation. The TWA Works is scheduled to be completed by 15 December 2007. TNB will pay for the TWA Works on a progressive milestone basis, and full title to the TWA Works shall be transferred to TNB upon its completion, and upon the taking over and full payment of the TWA Works by TNB.

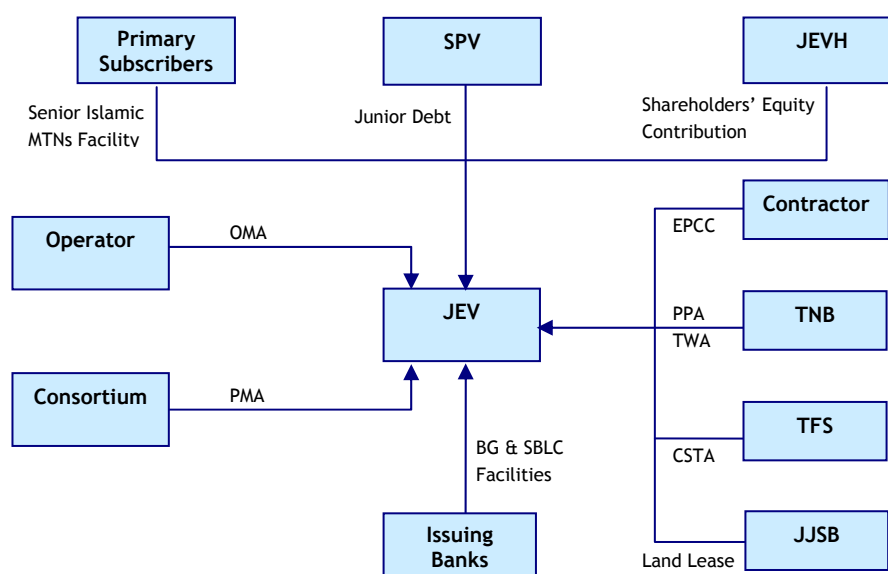
1.5.7 Project Land

JEV entered into a Lease Agreement with Jalur Jernih Sdn Bhd ("JJSB") on 14 October 2004 which was supplemented with a Supplementary Agreement on 12 April 2005 for a forty-five (45) year lease over the Project site. The state authority approved alienation of the Project land to JJSB in their letter dated 5 March 2004, and the qualified land titles have been registered and issued to JJSB on 7 January 2005. State authority consent required for registration of the lease was obtained from the Pejabat Daerah dan Tanah Port Dickson on 16 March 2005.

JEV has entered into a share sale agreement with the shareholders of JJSB to acquire all of the issued shares of JJSB for a total consideration of RM65 million. The acquisition is to be completed after Financial Close within ten (10) days after the relevant approvals from the Foreign Investment Committee and the board of directors of JEV for the share sale have been obtained.

1.6 Project Contractual Structure

The project structure detailing the contractual relationships between project parties is illustrated below:



1.7 Estimated Project Cost

The total project cost, excluding TWA Works, is estimated to be RM5.7 billion, to be funded from the Long Term Financing Facilities and Shareholders' Funds, both as further described below. The estimated total project cost is shown below:

Project Cost	RM million
Total EPC Cost	3,752
Land Security Deposit and Acquisition Cost of JJSB	100
Other Development Expenses	739
Interest During Construction	1,162
Total	5,753

1.8 Syndicated Bridging Financing Facilities

Bridging facilities of up to RM300 million have been secured for preliminary works at site, security deposit for land, wayleaves, engineering studies, environmental impact studies and other project-related fees prior to Financial Close. The bridging facilities will be fully repaid from the proceeds of the Senior Islamic MTNs Facility and the Junior Debt.

1.9 Long Term Financing Facilities

The long term financing facilities for the Project will comprise the following. For a detailed description of each, please refer to the Principal Terms and Conditions of the Long Term Financing Facilities as attached in Exhibit 1 of this Information Memorandum.

1.9.1 Senior Islamic MTNs Facility

An Islamic medium term notes issuance facility in accordance with the Shariah principle of Istisna' of up to the nominal value of RM4,847 million is expected to be issued for the financing of up to eighty-five percent (85%) of the total net estimated Project cost.

1.9.2 BG Facility

Bank guarantee facilities of up to RM167.6 million are required for the following:

- (a) For issuance to the Royal Malaysian Customs
Up to RM150 million for securing any import duties and sales tax payable for the import of equipment and other goods in relation to the Project, pending approval of import duties and sales tax exemption. This bank guarantee facility is not expected to be drawn by the customs department.
- (b) For issuance to TNB under the TWA
Up to RM17 million as security for advance payment received by JEV in relation to the TWA Works. The advance payment bond shall be issued to TNB within two hundred and ten (210) days from execution of the TWA and will remain valid for one (1) year or until the advance payment has been fully recovered by or repaid to TNB.
- (c) For issuance to the Department of Environment
Up to RM500,000 as performance security against any unexpected environmental impact caused by the Project.
- (d) For issuance to the Jabatan Bekalan Air, Negeri Sembilan
Up to RM100,000 as performance security for any corrective maintenance.

1.9.3 SBLC Facility

JEV is required to provide an irrevocable letter of credit facility of up to RM72 million to secure any payment of liquidated damages for delayed commercial operations under the PPA to TNB. The letter of credit must be established no later than seven (7) days after Financial Close, or two hundred and ten (210) days from effective date of the PPA.

1.10 Shareholders' Funds

Shareholders' funds shall be utilised for the financing of at least fifteen percent (15%) of the total net estimated Project cost. Shareholders' funds are expected to comprise of the Junior Debt and at least RM5 million in equity contribution.

1.10.1 Junior Debt

JEV will raise the Junior Debt via a up to RM895 million fixed rate Islamic financing facility in accordance with the Shariah principle of Istisna'. The Istisna' financing facility will be funded by SPV.

The tenure of the Junior Debt is assumed to be twenty-nine (29) years from first drawdown. The Junior Debt will be drawn pari passu with the Senior Islamic MTNs Facility. The Junior Debt shall be subordinated to the Long Term Financing Facilities in terms of security and priority of payments. For so long as the Long Term Financing Facilities remain outstanding, SPV will not be able to declare an event of default ahead of the holders of the Senior Islamic MTNs or the issuing banks of the BG Facility and SBLC Facility.

For a detailed description, please refer to the Principal Terms and Conditions of the Junior Debt as attached in Exhibit 2 of this Information Memorandum.

1.11 SPV Financing Facilities

SPV shall raise the funds required to fund the Junior Debt via the issuance of up to RM1,015 million Islamic fixed rate notes in accordance with the Shariah principle of Bai' 'Inah. The fixed rate notes shall comprise the following facilities:

- (a) Class A Islamic medium term notes issuance facility of up to RM800 million in nominal value ("Class A MTN Facility"), and
- (b) Class B Islamic medium term notes issuance facility of up to RM215 million, but subject to a minimum of RM200 million, in nominal value ("Class B MTN Facility").

2 PROJECT COMPANY AND PROJECT SPONSOR

2.1 Project Company

JEV is the special purpose company formed to develop, own and operate the Project. JEV is a private limited company incorporated in Malaysia on 2 October 2003, and has its registered address at Level 13, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur.

2.2 Directors of Project Company

The directors of JEV are as follows:

- (i) YAM Tunku Naquiyuddin Ibni Tuanku Ja'afar
- (ii) YAM Tunku Imran Ibni Tuanku Ja'afar
- (iii) YM Tunku Datuk Mudzaffar bin Tunku Mustapha
- (iv) Zulkifli bin Ibrahim
- (v) Johari Kamil @ Intan Juhari bin Ibrahim
- (vi) Kamarul Ariffin bin Zainal.

2.3 Project Sponsor

JEV is a wholly-owned subsidiary of JEVH.

The shareholders of JEVH are currently Jimah Teknik Sdn Bhd which holds 90% and Jimah O&M Sdn Bhd which holds 10%, and are subject to the terms of the approval by the Economic Planning Unit and the provisions of the PPA.

3 GENERAL TECHNICAL DESCRIPTION

3.1 Overview

The Plant to be located in Mukim Jimah, Daerah Port Dickson, Negeri Sembilan is capable of providing a total of 1,400 MW (net) to the Grid System.

The two (2) coal fired generating Units, each with a nominal capacity of 700 MW, shall have a flue gas desulphurisation (FGD) plant and the Units will be supported by common systems including a coal handling system with its adjoining coal yard, a chimney, an ash disposal lagoon, a once-through cooling water system as well as power plant buildings, workshops and warehouses.

Imported coal will be received and stored by the fuel facilities (described in section 3.4.8) via conveyors, leading to the Plant coalbunkers. Coal for the Plant is expected to be imported mainly from Australia, Indonesia, China and other countries within the region having coal of similar properties.

Electricity produced by the Plant is passed via the generator transformers to the Interconnection Facilities (described in section 3.4.13) that are connected to TNB's Grid System.

3.2 Site Location

The Project is to be located at Mukim Jimah, Daerah Port Dickson, Negeri Sembilan Darul Khusus. The site is situated on a beach front facing the Straits of Malacca, adjacent to the mouth of Sungai Sepang on the eastern side. The nearest towns to the Project site are Sepang in Selangor and Port Dickson in Negeri Sembilan. The proposed site is approximately fifteen (15) kilometres from Sepang and twenty (20) kilometres from Port Dickson. A map of the site location is attached as Exhibit 5.

The total land area required for the development of the Project is approximately 515 acres. The site's proximity to the sea provides a source of cooling water for the steam/water cycle and access to vessels delivering coal to the Plant.

Currently the site may be accessed via an estate road which is located near Kampung Chuah, which can be reached via federal and state roads connecting Sepang, Selangor and Lukut, Negeri Sembilan approximately ten (10) kilometres from Kampung Chuah. As an alternative, the proposed site can also be accessed by sea via the Port Dickson jetty located twenty (20) kilometres across the eastern side.

3.3 Site Conditions

The Project site is located partly on the seawater reclamation and mangrove area facing the Straits of Malacca. The sea bed level generally varies from RL=+0.0m MLSD to RL=-2.5m MLSD. At the mangrove area, the ground level generally varies from RL=+0.8m MLSD to RL=+1.5m MLSD.

The Project site is underlain by Quaternary Deposite, of which thickness is 30m to 40m in most of the area. Generally, the upper half of the Quaternary Deposite is composed of highly compressive very soft to soft marine clay and the lower half of the Quaternary Deposite consists of stiff clay. Thin sand layers are interbedded in those clay layers irregularly. At the south-west part of the site, dense to very dense sand layer underlays the clay layers, where thickness of the sand layer is not confirmed. At other areas, residual soil of sedimentary rock underlays the Quaternary Deposite. The residual soil generally shows SPT N-value of more than 50. Occasionally, original rocks are encountered as boulders in the residual soil.

In order to develop the site for the construction of the Plant, the existing site level is to be raised by a minimum of 2.0m above the Highest Astronomical Tide. This is to allow for the settlement of the fill, the future sea level rising due to global warming, wave overtopping and to provide a margin above the Highest Astronomical Tide.

The tidal elevations for the site extracted from the Tide Predication Tables for 2003 published by the Department of Hydrograph of the Royal Malaysian Navy are as follows:

Highest Astronomical Tide	RL=+3.4m MLSD
Mean Sea Level	RL=+1.5m MLSD.

As the existing site levels are generally above the Highest Astronomical Tide, the finished site preparation level shall be RL=+5.4m MSLD for the platform of the Plant and for the ash pond.

The average meteorological conditions (as gathered from the Kuala Lumpur International Airport meteorological station) are as follows:

Mean annual temperature	29 deg C
Mean daily annual maximum temperature	35.8 deg C
Mean daily annual minimum temperature	21.4 deg C
Average humidity	80%
Average annual rainfall	2300 mm
Climate condition	Tropical
Atmospheric pressure	1013 mbar
Seawater (cooling water inlet) temperature	32 deg C

3.4 Technical Description

A diagram of the general plant layout is attached as Exhibit 6.

3.4.1 Steam Generator

The proposed steam generator for the Plant is a sub-critical drum-type design, single reheat type and consisting of a water-cooled furnace, superheaters, reheaters and economizers. The design pressure and temperature may be in the range of 17 to 19 MPa, and 535 to 575 deg C. The steam generator will be capable of variable pressure operation.

The function of the steam generator is to produce high pressure steam for electricity production at the steam turbine.

The furnace water walls of the steam generator are membrane type panels, fabricated by fusion welding or integral tube longitudinal fins method, to form gas light walls. This type of construction eliminates the need for an inner casing and refractories and requires only simple insulation by external mattresses.

The furnace rear wall tubes take off from the rear wall inlet header and after the furnace zone, to form the first and second passes which enclose the division wall, platen and final superheater in the first pass and the primary superheaters reheater, and economiser in the second pass. Beyond the superheaters, the rear wall tubes are arranged to provide adequate space for the gas to pass from the first pass to second pass.

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

Circulation through Water Wells

Boiler water from the steam drum flows by gravity to the downcomers and inlet headers of the water walls. From the inlet headers, water rises through the water walls. The water walls in the furnace region are exposed to the high intensity luminous flame in the combustion chamber, absorbing radiant heat and transferring the heat to the feedwater flowing through the tubes. The water in the tubes is converted into a water-steam mixture. The water-steam mixture is less dense than the water in the downcomers. This density difference sets up a natural circulation of water from the drum through the water walls and back to the drum. A volume of water from the drum has to circulate several times through the water walls to be converted fully into steam. The number of times the water circulates is inversely proportional to the boiler load. The circulation is at the maximum when the load (or the firing rate) is at the minimum.

The water walls hang from their outlet headers, expanding downwards and at the sides. The load of the outlet headers is transferred to the boiler structure through the hanger supports. Required openings have been formed on water wall panels to accommodate TV cameras (for flame monitoring at the control room), burner observation doors, sootblowers, flue gas pressure, temperature and other measurements. The water walls structure is reinforced to improve resistance to potential rupture damage from furnace draught explosions by horizontal buckstay beams placed around the outer perimeter of the furnace at several elevations. The buckstays have special corner connections that allow the water walls to expand and at the same time tie together the corners, where the forces of furnace explosions are concentrated.

The water walls are insulated by two layers of mattress insulation held on by retainers welded to the water walls. The mattresses are covered by ribbed aluminium or galvanized steel sheets. The water wall downcomers are provided with drains. The drains are used for draining the boiler (if required) after a shutdown and depressurisation. The drains are connected to the blowdown tank.

3.4.2 Turbine System

Arrangement

The steam turbine proposed for the Plant is of the sub-critical design in the range of 16 to 18 MPa and 538 to 575 deg C tandem-compound reheat unit. The tandem-compound double-flow reheat turbine for the Plant consists of an opposed flow high pressure (HP) and intermediate pressure (IP) section and two double-flows low pressure (LP) sections. The steam enters the HP section of the combined HP-IP turbine at mid-span, expanding toward the front standard, exhausting to the reheater. The reheated steam re-enters the HP-IP turbine at the reheat section and expands toward the generator end.

The casings for each turbine section are split at the horizontal centerline. The flanges are designed to minimize pressure and thermal stresses, provide a positive seal under all expected operating conditions, and provide easy access for assembly and disassembly. The horizontal joint is raised above the turbine deck to provide a simple and uncluttered arrangement. Main steam is admitted to the HP turbine through stop valves and control valves. Steam leads connect the control valve outlets to the steam turbine casing. Two leads are symmetrically flanged to the top shell of the HP section and two are symmetrically welded to the bottom half of the shell. Each lead is segmented and supplies a separate HP admission.

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

Turbine Casings

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

Turbine Castings

Castings or shells are designed to meet the following requirements:

- (a) Containment of high-pressure, high-temperature steam;
- (b) Support of internal steam path mid packings;
- (c) Built-in disassembly provisions, including lifting trunnions and jacking support surfaces;
- (d) Provisions for supervisory instrumentation installation;
- (e) Cyclic stress capability; and
- (f) Hydrostatic test.

The materials used are of low-alloy steel which have been developed over the years to provide the best material for each component. These materials have all been proven in service. All shell castings are inspected and minor foundry defects removed. Inspections include magnetic particle inspection of all surfaces, radiography of critical areas, and ultrasonic wall thickness checks. Each outer shell also receives a final hydrostatic test of each compartment at 150% of its design pressure.

HP Turbine Steam Admission

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

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

A generator load rejection results in rapid decrease in fire stage temperature. The turbine shall response immediately following a load rejection to minimize the temperature reduction and the associated transient thermal stress.

Crossover Piping

Crossover piping shall be used between the IP turbine section and the double-flow LP turbine sections. The elements of this pipe are sized for the flow conditions of each section. Flexible expansion bellows of an internally pressure-balanced design are used to eliminate transmission of pipe expansion load to the connected sections while providing freedom for necessary axial movement between the turbine sections. This design configuration results in low stresses and very high reliability.

LP Section

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

Arrangement of Steam Valves

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

Main Stop Valves

For large capacity steam turbines, the two separate stop valves are located typically in front of the turbine. An internal pilot valve is provided for pre-warming of the valve chest and high pressure turbine. Each stop valve is hydraulically opened against a spring. The hydraulic actuators are arranged so that the valve steam parts can be maintained with ease.

3.4.3 Combustion Air and Flue Gas System

The steam generator's combustion air system would consist of the following components:

- (a) **Primary air system**
Atmospheric air is taken through a silencer into the inlet of each primary air fan. Primary air is pressurized by the primary air fan and divided into cold and hot primary air. The latter flows through the gas air heater (GAH) and combines with cold tempering air at the pulverizer inlet, while a part of the former is led to the pulverizer and coal feeder for sealing. The primary air used for drying and transporting the pulverized coal is led to the furnace through the pulverized-fuel pipe, and eventually used to support furnace combustion.
- (b) **Secondary air system**
The secondary air system provides hot air to support the combustion of fuel in the furnace. Atmospheric air is taken through a silencer into the inlet of each forced-draft fan. Secondary air pressurized by the FDF passes through the GAH's secondary section, then through the secondary air duct and the wind box to the burners.
- (c) **Mill seal air system**
A sealing air system for the mill and coal feeder is provided. Mill seal air supplied from a primary cold air duct and that branches off upstream of the GAH.
- (d) **Cooling air for flame detector**
A cooling air system for the flame detector is provided. Cooling air is taken from the common duct of the forced-draft fan's outlet by the flame detector cooling fan and

supplied to each flame detector. The flame detector cooling fans consist of those for normal and backup use.

The steam generator's flue-gas system consists of the furnace, the gas path and ducting, the induced-draft fans, the electrostatic precipitator, FGD plant and the chimney. Flue gas flows through the GAH, the electrostatic precipitator and the FGD plant. Flue gas through the electrostatic precipitator is pressurized by the induced-draft fan and led to the FGD plant and chimney.

3.4.4 Electrostatic Precipitator (ESP) System

The steam generator's ESP shall be provided between the GAH and the induced-draft fan in a side-by-side arrangement. The system shall be installed outdoors and designed to operate under negative gas pressure. Particulate content at the ESP outlet should not exceed 50mg/m³ at 0°C, 1013 hPa, dry (or zero moisture), 6% O₂ contents.

3.4.5 Flue Gas Desulfurization and Seawater System

Gas handling

The FGD plant receives the flue gases downstream of the electrostatic precipitators. A double inlet centrifugal booster fan supplies the gas to two identical cylindrical quenchers which are immediately upstream of the absorber tower. The gas cooling in the quenchers enables maximum usage of corrosion resisting lightweight plastic materials in the absorber internals. Full cone spray nozzles direct seawater into a special grid, providing efficient adiabatic cooling even under low load situations.

Absorber

Once through seawater is supplied to the top of the absorber and quenched flue gases enter at the bottom of the absorber. The flue gases flows through a bed of seawater wetted packing which provides a very large contact area, promoting efficient absorption of SO₂ (85% - 95%). The packing is supported by special plates designed to permit relatively unrestricted flow of downcoming seawater and upward gas flow. The clean gas passes a single layer of mist eliminator elements where entrained water droplets are caught, before it leaves the absorber. The gas is then conducted to the stack. The acidic seawater containing the absorbed SO₂ is collected in the absorber sump and flows by gravity to the seawater treatment plant. The absorber is made of concrete lined with an organic lining for corrosion protection.

Reheat of cleaned gas

Due to the counter flow contact between the seawater and gas in the absorber packing, the treated gas will be cooled down to the temperature of the incoming seawater and will be saturated with water vapour. The gas is therefore reheated in order to reduce the risk of corrosion in the stack and to maintain a good buoyancy chimney discharge.

Seawater Supply

For the Plant, it is intended that the seawater to the FGD plant is supplied from the turbine cooling seawater discharge. Seawater which is not used in the FGD plant will be discharged to sea via CW outfall.

3.4.6 Water Treatment Plant / Demineralization Plant

A pipeline will be constructed for the supply of raw water direct from the nearest local water authority's storage/treatment plant to the Plant. The system will provide raw water to the water treatment plant and other plants as required.

The demineralized water treatment plant and system will provide high quality demineralized water for makeup to the main steam cycle. The water treatment plant and

system also supplies the water for various uses such as auxiliary cooling water makeup. The cycle makeup treatment system will be capable of meeting all the plant requirements.

3.4.7 Seawater Treatment Plant

The seawater treatment plant consists of three sections:

- (a) mixing chamber where acidic absorber effluent and additional seawater are mixed to raise the pH;
- (b) aeration basin where oxidation of SO₂ to sulphate, pH increase and oxygen saturation of the liquid takes place; and
- (c) discharge channel where the treated seawater is discharged back to the sea.

3.4.8 Coal Handling and Light Fuel Oil Storage Systems

An elaborate coal handling system including the coal handling control building would be provided. A coal unloading jetty will be located offshore at the seabed level of -18 meter admiralty chart datum (ACD) which is capable of berthing, at minimum, ships of Cape-size class of up to 150,000 DWT. From the coal jetty, coal would be unloaded and delivered to the coal storage yard by the receiving conveyors with approximate length of 1,350 meters, along the jetty trestle.

The coal yard will be constructed on land adjacent to the Plant with a storage area of approximately 180,000 sq meters. The coal yard shall have a storage capacity of sixty (60) days; however, a forty-five (45) day stockpile will be maintained at all times.

In principle the Plant's coal handling system would consist of:

- (a) facilities to unload arriving coal supplies from the ships berthed at the Plant's offshore wharf;
- (b) equipment for stacking coal at the Plant's coal storage yard;
- (c) equipment for storing the coal at the Plant itself (e.g. near the boilers); and
- (d) coal unloader and networks of interlocked conveyors belts for transporting coal from ships to the coal yard and to the Plant's boilers.

A diesel oil tank of 2,000 tons capacity will be designed for light fuel oil which is sufficient for the start-up of the Plant. The tank shall be located on land and equipped with road tanker fuel unloading facilities.

The fuel tank area would be bunded with foam and water fire protection systems. The design shall meet the requirements of the Malaysian Fire Department's (BOMBA) regulations.

3.4.9 Ash Handling and Waste Disposal System

Bottom-ash is to be removed by the ash-handling system's scraper conveyor to the bottom-ash silo. Contents of the bottom-ash silo are transported by ash slurry pumps or/and dump trucks to the plant's ash disposal area. A recirculating-water system is provided to supply water to the bottom-ash disposal system.

The Plant's fly-ash handling system carries fly-ash from the precipitator hoppers, the economizer hoppers and the air-heater hoppers to the fly-ash silo. The fly-ash silo is equipped with a vent filter, a fluidizing air system and dust-less unloaders. The contents of the fly-ash silo are loaded to dump trucks or/and barges.

3.4.10 Electrical Generator and Auxiliaries

The electrical generator is mechanically driven by its associated steam turbine, electrically excited by the static-excitation system, and internally cooled by gaseous hydrogen. The power output of each generator is fed mainly to the transmission lines through the generator transformer. In addition, part of the output is fed to the internal plant through the unit transformer, to which the generator is connected by isolated-phase bus ducts.

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

The stator core is supported by spring plates in the stator frame to isolate core vibration. The rotor is of gap pickup direct cooling type. Both ends of the rotor pass through the end shields, and shaft seals are used to prevent hydrogen leakage. The generator is designed for continuous operation and is so constructed as to withstand sudden change in load and three-phase short circuit. Various kinds of supervising and controlling instruments are provided for keeping the generator in satisfactory operation.

3.4.11 Power Transformer

All power transformers required for transmission to the grid system are included, as follows:

- (a) **Generator Transformer**
The generator transformer will be of outdoor use, three-phase, oil immersed, two-winding type. Its high voltage terminals will be connected to the switchyard by means of conventional bushings. Low voltage terminals will be connected via isolated phase bus.
- (b) **Unit Transformer**
The unit transformer will be of outdoor use, three-phase, oil immersed, three-winding type. Its high voltage terminals will be connected by means of isolated phase bus.

3.4.12 Instrumentation and Control System

The generating Units are designed to be operated from the central control room common to all two Units. A microprocessor-based, distributed control-and-supervision system of proven type will be used for unit control, alarm, supervision monitoring, interlock and protection.

Colour CRT monitors and keyboards are the primary tools for the system's operator-machine interface. The Plant's major auxiliary systems (coal-handling plant, ash-handling plant, etc.) will have independent control. Monitoring of these auxiliary systems which is essential for on-line coordination will also be possible from the Plant's central control room.

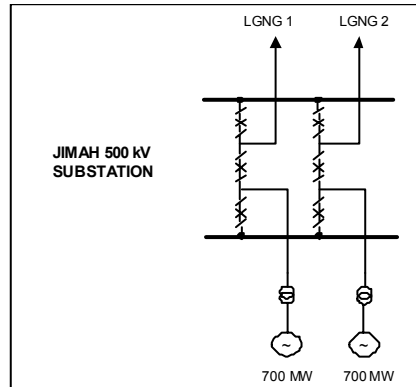
3.4.13 Interconnection Facilities

The substation will be conventional 500kV outdoor type with a one and half breaker scheme. Major items comprise of two diameters of 500kV circuit breakers for the generator transformer incomers and for the 500kV line feeders as shown in the single line diagram below.

The design of the Interconnection Facilities shall be capable of operation over the normal operating range, voltage, stability and loading limits. The Interconnection Facilities shall be capable of handling the load output of the Plant at 500kV.

The procedure for shutdown and commissioning of the Plant and Interconnection Facilities including backfeed from the Grid System shall comply with the procedures set out in the letter dated 25 February 2004 from TNB to JEV.

The interconnection point (i.e. demarcation line for ownership and maintenance) of the Interconnection Facilities shall be at the Interconnection Facilities perimeter fencing. All equipment within the fencing, inclusive of the slack span and accessories, gantry and joint box shall be owned and maintained by JEV and all equipment outside the fencing starting from the jumper logs and optical ground wires shall be owned and maintained by TNB.



4 KEY PROJECT PARTICIPANTS

4.1 Power Purchaser

Tenaga Nasional Berhad is the national utility involved in the generation, transmission and distribution of electrical power in Peninsular Malaysia and Sabah. Although listed on the Kuala Lumpur Stock Exchange, the Government of Malaysia through Khazanah Nasional Berhad, Minister of Finance and Bank Negara Malaysia continues to hold a controlling stake in TNB. According to its 2004 Annual Report, TNB Group has RM52 billion in net assets, and for the financial year ended 2004 recorded profit after tax of RM814 million. TNB has an installed capacity of 10,481 MW, accounting for approximately 60% of total installed capacity in Peninsular Malaysia.

4.2 Coal Supplier

TNB Fuel Services Sdn Bhd is a wholly owned subsidiary of TNB and started its business operations in 1998. TFS acts as the nominated fuel supplier to TNB's generation division and certain independent power producers. TFS' main activities are coal, distillate and fuel oil supply to power stations and gas and lubricating oil contract management. TFS has existing coal supply contracts with various suppliers in Australia, Indonesia, China and South Africa, as well as extensive experience with coal logistic management and procurement.

4.3 EPC Contractor

Sumitomo Corporation ("Sumitomo") is a public limited company incorporated in Japan with its registered office at 1-8-11 Harumi, Chuo-ku, Tokyo, Japan. Sumitomo was established on 24 December 1919 and has offices in 73 countries. Sumitomo is a diversified company, with businesses ranging from metal products, transportation, construction, machinery, power, media, chemicals, consumer goods and real estate. For the financial year ending 31 March 2004, Sumitomo recorded a net income of US\$641 million and total assets of US\$48 billion.

Sumi-Power Malaysia Sdn Bhd was incorporated in Malaysia on 27 August 2003 with a paid-up capital of RM400,000, and is principally involved in the undertaking of construction work.

4.4 Operations & Maintenance Operator

The Operator is an unincorporated joint venture between Jimah O&M Sdn Bhd and Jimah Teknik Sdn Bhd. Jimah O&M Sdn Bhd was incorporated on 2 October 2003 with a paid-up capital of RM1,000,000, while Jimah Teknik Sdn Bhd was incorporated on 5 February 1999 with a paid up capital of RM1,400,005.

The Operator will be staffed with highly experienced personnel in development, construction and commissioning activities as well as the operation and maintenance ("O&M") of power plants. In order to strengthen its capabilities, the Operator has executed a long-term spare parts supply and services agreement with the Contractor for the provision of technical support and expert services for a period of up to twenty (20) years. In addition, technical support and services agreements have been executed with various technical consultants of international repute with extensive experience in coal-fired power plants including Fichtner GmbH & Co. Kg and Connell Wagner (Malaysia) Sdn Bhd.

The Operator plans to mobilise its technical staff upon issuance of the notice to proceed to the Contractor. The technical staff will complement the Consortium's personnel in the supervision and monitoring of construction, erection, quality assurance, testing and commissioning activities prior to completion of the plant.

In order to ensure technical competency of the personnel, the Operator intends to conduct in-house and on-the-job training for its technical staff. Furthermore, the Contractor will be

obliged to provide overseas technical training under the EPCC to ensure familiarisation of O&M methodologies and technique.

During the operation period, latest tools and methodologies will be utilized for the O&M of the plant. A computerized maintenance management system will be installed to optimize the maintenance procedures, maintain equipment data and history and optimize spares. Modern concepts such as reliability centred maintenance, condition monitoring and performance monitoring will also be utilized. The Operator will also utilize financial models to optimize decision-making in cost benefit analysis when operating the Plant. A technical model will be developed to analyze plant degradation. With the utilization of these various tools and models, the Operator would be able to optimize operation of the Plant.

A Condition Based Maintenance (CBM) will also be implemented. A large number of maintenance routines, carried out at strict intervals without consideration being given as to whether the work actually needs to be carried out or not, usually results in unnecessary work being performed, involving high labour and materials cost. However, under the CBM strategy, maintenance is carried out only when the historical data indicates that it is required to do so. The essence of a CBM program is to measure small changes or trends and thereby estimate when the condition will reach a predetermined alarm or fault level. The use of vibration analysis as the medium of assessment not only enables the early detection of developing problems, but also permits the Operator to determine causes, and take appropriate action before failure occurs.

In order to ensure that a reliable and efficient Plant is put into service from the onset, emphasis will be given throughout the project implementation period on the standard of engineering design and quality of the Plant installation. The O&M activities of the Plant shall also be carried out according to Prudent Engineering Practices so as to ensure high availability and reliability of the Plant.

The Plant will be operated according to the National Grid Code requirements. Communication between the Main Control Room and National Load Dispatch Centre will be via a dedicated PLC line and a normal telephone will serve as a back up.

The Operator will also recommend the development and implementation of a sound quality management plan or system at the Plant that will provide the essential framework for a controlled working environment. In general, a quality plan is intended to prevent things going wrong by ensuring that activities are carried out in an organized, planned and controlled manner. The quality plan will be formulated to set out specific quality practices, resources and sequence of activities relevant to the O&M of the Plant. Part of the quality plan is to determine what procedures, work instructions and records need to be documented and controlled. The Operator will develop and maintain a Plant operation procedure specific for the Project. This will ensure that all the important information necessary for the Plant operation will be available to JEV at the end of the term of the contract. The operational procedures will be developed based on ISO 9002 Quality Management System.

Hence, with the blend of experienced personnel, technical support, technical competency enhancement training programmes as well as structured O&M methodologies to be implemented, it is envisaged that the Operator will be able to fulfil its obligations as the O&M operator.

4.5 Project Management Company

The project management Consortium was appointed by JEV on 1 October 2004. The Consortium will be responsible for the management of the Project during its development and construction phase. This move is to ensure early identification and understanding of potential construction and operational issues, and to take early remedial action where necessary.

During the construction phase, the Consortium will be manned by highly experienced personnel in civil works together with a reputable civil works contractor to augment its expertise. The Consortium has engaged Fichtner GmbH & Co. effective from 29 April 2004 as the Owner's Engineer to provide technical support during the development and construction phase.

The Consortium has also appointed other local consultants to oversee project development matters such as environmental issues, on-site soil investigation and land surveying matters. The term of the PMA is until one (1) year after COD of the second Unit.

5 ADVISORS TO PROJECT COMPANY

5.1 Owner's Engineer

Fichtner GmbH & Co. KG ("Fichtner") has been appointed as Owner's Engineer. Fichtner was founded in 1922, and since that time has been active in providing public utilities, industrial enterprises and government agencies with professional engineering services in the fields of energy, environmental and infrastructure engineering, covering a wide mix of projects. Being still entirely owned by members of the Fichtner family and leading personnel of the company, Fichtner today is Germany's largest independent engineering consultancy enterprise.

Fichtner has at its disposal a permanent staff numbering approximately 300, including more than 200 qualified and experienced engineers and scientists in 18 countries. Worldwide the total strength including subsidiaries, associates and locally recruited personnel engaged on a project related basis amounts to about 1,100 employees. In 2000 the gross revenues of the Fichtner Group was about 62 million Euro. Fichtner is a member of the Association of the International Federation of Consulting Engineers (FIDIC) in Paris, the Association of Consulting Engineers (VBI) in Essen, and Independent Consulting Engineers (VUBIC) in Berlin.

Fichtner has previously acted as owner's engineer for the developers and owners of the first coal-fired independent power project in Malaysia.

5.2 Legal Advisor

Zaid Ibrahim & Co has been appointed as the lead legal counsel to advise JEV on Project documentation and structuring. Zaid Ibrahim & Co. (commonly known by its acronym ZICO) is the largest law firm in Malaysia and has offices in Kuala Lumpur, Singapore, Johor Bahru, Penang, Kota Bharu and Labuan, as well as associated offices in Kuching and Jakarta, and an associated trust company in the Labuan International Offshore Financial Centre. ZICO is the leading law firm in advising on infrastructure projects development, privatisation and the establishment of new legal and regulatory framework for the implementation of new projects. The firm has been involved in the structuring, development, funding and implementation of most of the large-scale infrastructure projects in Malaysia, including the development, construction, financing and operation of a RM3.9 billion 1,300 MW independent power plant in Lumut, Perak (and the 650 MW expansion thereafter), the power purchase and construction contracts for the RM13.6 billion 2,400 MW Bakun hydro-electric power plant and the acquisition of a strategic stake in a 2,420 MW multi-fuel power plant in Kapar, Selangor. ZICO is also recognised as a market leader in advising on major project finance loans and innovative financing of major corporate transactions in Malaysia. Other practice areas include corporate, capital markets, litigation, property, taxation, technology and intellectual property.

5.3 Project Advisor

Babcock & Brown Asia Pacific has been appointed as project advisor to JEV. Babcock & Brown Asia Pacific was established in 2001 as a joint venture between Pakar Koperat Sdn Bhd and Babcock & Brown. Babcock & Brown is a global investment and advisory firm that specialises in structured finance and the creation, syndication and management of asset and cashflow-based investments. Babcock & Brown has its corporate headquarters in Sydney and is listed on the Australian Stock Exchange. Recent transactions advised by Babcock & Brown Asia Pacific are: the 350 MW combined cycle gas turbine power plant in Prai, Penang, the 650 MW combined cycle gas turbine expansion in Lumut, Perak and the 2,100 MW coal-fired power plant in Tanjung Bin, Johor.

5.4 Junior Debt & SPV Advisor

Bumiwerks Capital Management Sdn Bhd ("Bumiwerks") has been appointed as the financial advisor to JEV in relation to the Junior Debt and SPV Financing Facilities. Bumiwerks is an independent financial advisory firm established in April 2003 by professionals who were actively involved in investment banking activities with numerous global financial institutions. Bumiwerks is licensed by the Securities Commission as an Investment Adviser. Bumiwerks advisory specialists have vast experience in the Asian region, and have extensive experience in asset securitisation, structured finance, project finance and other investment banking activities.

5.5 Insurance Broker & Consultant

JEV has appointed Antah Heath Lambert Insurance Brokers Sdn Bhd to advise on matters relating to the insurance program for the construction and operation phases of the Project. Antah Heath Lambert is part of the global Heath Lambert group, with 122 offices in 47 countries. Antah Heath Lambert acted as the brokers for the Petronas onshore programme with assets valued over RM60 billion, the largest risk placement in Malaysia. Antah Heath Lambert has extensive experience in acting for clients in the oil, gas, petrochemical, power and construction industries.

5.6 Tax Advisor

KPMG Tax Services Sdn Bhd has been appointed as the tax advisor to JEV. KPMG Tax Services Sdn Bhd will advise JEV on the corporate and indirect tax matters relating to the Project, the tax implications of the intended capital structure, financial model and financing method, and develop and manage the import duty and sales tax exemptions on plant and equipment.

KPMG is a leading firm of professional accountants and business advisers in Malaysia with 10 offices nationwide and staff strength of about 1,500 employees. KPMG has acted as advisors to various independent power projects.

5.7 Environmental Consultant

UKM Pakarunding Sdn Bhd has been appointed to undertake and advise on the environmental matters relating to the Project. UKM Pakarunding is a Malaysian-owned company incorporated in October 2001 and is registered to undertake environmental work with the Department of Environment. The firm has more than 100 active in-house consultants in various fields of specialization, including environmental services such as environmental impact assessment, risk and hazard analysis, environmental monitoring and auditing, and health impact assessment.

6 PROJECT DOCUMENTS

6.1 Power Purchase Agreement

The following section outlines the key terms and conditions that are contained in the PPA.

6.1.1 Overview

The PPA was executed between JEV and TNB on 10 August 2004. The PPA provides for the exclusive sale of generating capacity and electrical energy from the Project to TNB for a period of twenty-five (25) years beginning from COD of the first Unit (the "Term"). The initial Term may be extended for up to three additional periods of five (5) years each subject to mutual agreement. The nominal capacity to be purchased from the plant will be 1,400 MW.

6.1.2 Conditions Precedent to the Commencement of Generation of Electricity

The Project shall only commence generation of electricity upon the satisfaction (or waiver of) the following conditions precedent:

- (i) the project documents and financing documents are effective and all conditions precedent to their effectiveness are satisfied or waived; and TNB shall have received a certified copy of each of the financing documents, EPC Contract (without pricing information), fuel supply contracts, IPP Licence and EIA Approval;
- (ii) TNB shall have received the plant conceptual design with the independent engineer's certificate verifying the Plant's conformance with PPA technical and operational requirements, that it is technically feasible for commercial operation of each Unit to occur on or before the respective Scheduled COD, and that the Plant shall have a useful life no shorter than the initial Term;
- (iii) the Interconnection Facilities for the relevant Unit are completed in accordance with the PPA and Prudent Utilities Practices;
- (iv) for the first Unit, that part of the TWA Works comprising the 500kV transmission lines connecting the Lenggeng substation with the Interconnection Facilities and for the second Unit, the 500kV transmission lines connecting the Lenggeng substation with the Olak Lempit substation, have been completed in accordance with the TWA and Prudent Utilities Practices;
- (v) the letter of credit delivered to TNB is effective; and
- (vi) TNB has received and approved (approval of which shall not be unreasonably withheld) the commissioning, start-up and testing programs of the Plant.

6.1.3 Conditions Precedent to Commercial Operations

The COD of each Unit shall only occur if the following conditions precedent are met or waived:

- (i) JEV has submitted to TNB the (a) "Commissioning Test Certificate" or similar document issued by the Energy Commission, (b) Plant final design and independent engineer's certificate confirming that the relevant Unit and Interconnection Facilities have been tested and commissioned in accordance with the PPA and EPCC, and TWA Works have been tested and commissioned in accordance with the TWA, and (c) documentation, data and certified test results set out in Appendix B of the PPA and verified by TNB within the specified time frames.

- (ii) JEV has established, tested and declared the Contractual Available Capacity for the relevant Unit and test results show that such declaration can be met; and
- (iii) JEV is not in breach or default of the PPA or financing documents (the breach of which has a material adverse effect on JEV's ability to perform or TNB's rights under the PPA); and representations and warranties made by JEV are true and correct as if made on the COD of that Unit.

6.1.4 Sale and Purchase Obligations

During the Term, JEV shall sell, and TNB shall purchase and pay for, DAC and NEO as set out further below. Title and risk of loss of electrical energy generated from the Plant passes to TNB at the Interconnection Point.

TNB is exempted from having to accept NEO in any of the following conditions: (i) an Emergency Condition occurs within the Grid System which prevents it from doing so, (ii) the NEO delivered from the Project does not conform to PPA requirements, or (iii) TNB conducts necessary maintenance work on the TWA works, TNB's metering equipment or the Grid System. TNB shall to the extent reasonably practicable coordinate such maintenance work with any maintenance outage, scheduled outage or major overhaul outage of the Plant.

Subject to the terms of the PPA, in the situation of (i) and (iii) above, TNB is to pay to JEV: (a) the Utilisation Payment (provided that in the case of situation (iii) the Plant is also under a planned outage) and the ACP; and (b) any reasonable additional costs incurred by JEV as a result of a rapid shutdown of the Plant if such situation is caused solely by TNB or the GSO.

6.1.5 Payment for Energy, Availability and Start-ups

TNB shall make payments to JEV in accordance with Appendix G of the PPA. Payments by TNB are to comprise of (i) Test Energy Payment, (ii) Energy Payment, (iii) Available Capacity Payment, (iv) Utilisation Payment and (v) Start-up Payment. All payments are to be denominated in Ringgit Malaysia.

(i) Test Energy Payment

TNB shall pay for any energy generated during start-up and commissioning, any revalidation test, re-commissioning after outages and any test requested by JEV. Prior to the COD of a Unit, Test Energy Payment shall be the cost of fuel used to generate the test energy based on a pre-agreed fuel cost calculation formula. Post-COD of a Unit, if the Grid System Operator ("GSO") establishes that the Unit would have been despatched had it not undergone the test, then TNB will make Test Energy Payment of an amount equivalent to the Energy Payment. If the GSO establishes otherwise, TNB will make Test Energy Payment of an amount equivalent to the cost of fuel based on the pre-agreed fuel cost calculation formula.

(ii) Energy Payment

From the COD of the relevant Unit, JEV is entitled to receive from TNB Energy Payment for NEO delivered from the Plant in response to each despatch. Energy Payment is intended to compensate JEV for the variable costs of operating the Plant. It consists of two parts: a Fuel Payment to recover fuel cost and a variable payment based on the Variable Operating Rate ("VOR"). The Fuel Payment of a billing period is determined as the NEO from the Plant multiplied by the weighted average fuel price and the applicable heat rate. The applicable heat rate is based on a schedule of pre-agreed heat rates at different operating levels. The variable payment is calculated as the VOR multiplied by the NEO delivered to TNB. This VOR is expressed in RM/kWh and shall be adjusted upwards by four percent (4%) every forty-eight (48) months from the month in which the COD of the first Unit occurred.

(iii) Available Capacity Payment ("ACP")

Available Capacity Payment is calculated to recover the Project's capital cost and fixed operating costs, including debt service. ACP is made for generating capacity made available to TNB and is based on the Tested Annual Available Capacity ("TAAC") of each Unit. The ACP comprises two components: a Fixed Operating Rate ("FOR") to cover fixed operating costs, and a Capacity Rate Financial ("CRF") to cover capital costs.

In simplified form, the ACP is calculated daily as:

$$TAAC \times [(X_f \times CRF) + FOR]$$

where X_f is equal to 50% for the period from COD of the first Unit to 31 August 2009 (defined as the Stage 1 period), 85% for the period from 1 September 2009 to the date that is thirteen (13) years from COD of the first Unit (defined as the Stage 2 period), and 80% thereafter until the end of the term (defined as the Stage 3 period). The ACP is subject to the Plant operating within its specified unplanned outage limits.

The remaining percentage of the CRF is intended to be paid through Utilisation Payments (as described below). The ACP is to be paid monthly. The FOR will be escalated at four percent (4%) every forty-eight (48) months from the month in which the COD of the first Unit occurred, while the CRF is not subject to escalation.

(iv) Utilisation Payment

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

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

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

The despatch dependent factor X_d varies according to the Maximum Despatch Ratio (MDR), which is the ratio of the highest average despatched capacity (in MW) met by the Unit for the day (as measured by TNB metering equipment for any half hour period), against the planned DAC of the relevant Unit. The factor X_d varies from X_f (the minimum, reflecting zero despatch level) to 1.025 (a bonus, reflecting 100% despatch level) according to the agreed table in Appendix G of the PPA for each of the Stage 1, 2 and 3 periods. The Utilisation Payment is subject to the Plant operating within its specified unplanned outage limits.

Daily Utilisation Payment shall also be paid by TNB to JEV in the following circumstances where the Units are not despatched:

- (a) planned maintenance or outages, in which case Daily Utilisation Payment will be paid in full where X_d is deemed to be equal to 1;
- (b) unplanned or forced outage or maintenance, in which case Daily Utilisation Payment will be paid where X_d is deemed to be equal to 0.925;
- (c) constraint in the Grid System, in which case if a Unit cannot be despatched at all due to a constraint in the Grid System, X_d is deemed to be the same as the day immediately prior to that day whenever applicable subject to a maximum of 1.

In order to receive the full Daily Utilisation Payment (and hence the full CRF charge), JEV will have to achieve certain targeted despatch levels, for different days of the week, as set out in the agreed PPA table. JEV will earn the full Daily Utilisation Payment so long as it meets a daily maximum despatch of at least eighty percent

(80%) of planned DAC on a weekday, sixty-five percent (65%) on a Saturday, fifty-five percent (55%) on a Sunday and forty-five percent (45%) on a public holiday.

JEV will earn a "bonus" of up to above the 2.5% of the CRF if it exceeds a daily maximum despatch of ninety percent (90%) on a weekday, seventy-five percent (75%) on a Saturday, seventy percent (70%) on a Sunday and sixty-five percent (65%) on a public holiday.

Because of the base-load nature of the Project and proximity to the load centre as well as having multiple substation injection points which provide flexibility in despatch, JEV expects to be despatched at high levels such that it will receive 100% of the CRF payment (through the Availability Capacity Payment and Utilisation Payment).

(v) **Start-up Payment**

TNB shall pay JEV for each start-up requested by TNB in excess of a pre-determined number. The amount that TNB will pay for each start-up varies according to the conditions (cold, warm, hot or very hot) prevailing for the Unit at the time the start-up was requested by TNB.

The ACP and Utilisation Payments may be adjusted according to the level of unscheduled outages achieved by the Plant.

6.1.6 Billing and Payment

JEV is to invoice TNB on a monthly basis. JEV shall download half hourly meter readings from the telemetering device connected to the main TNB Metering Equipment on the first day of each billing period. JEV shall prepare and render monthly billing statements to TNB within thirty (30) days of the downloading. TNB shall pay JEV the Available Capacity Payment, Daily Utilisation Payment, Energy Payment and Start-Up Payment within thirty (30) days from receipt of the billing statement, less any undisputed amount owing to TNB by JEV and any amount disputed by TNB in good faith. Payment disputes that cannot be resolved are to be settled by arbitration and the arbitration tribunal is to decide within 90 days of receipt of the arbitration referral notice.

Any other payments due to either party shall be paid or objected to within thirty (30) days of receipt of an itemised statement of the amount claimed. Interest of 2.0% per annum above the prevailing base lending rate of Maybank Berhad is payable on overdue amounts (including wrongfully withheld amounts). JEV is required to keep records, documents and other materials relating to or substantiating any charges for a minimum of seven (7) years.

6.1.7 Liquidated Damages and Security

JEV is liable for payment of liquidated damages to TNB if:

- i) the COD for the first Unit or the second Unit does not occur by its scheduled COD due to the default of JEV or its contractors or agents under the PPA or TWA, for an amount of RM400,000 per day for each day of delay in the specified Unit beyond its respective scheduled COD, up to a maximum of one hundred and eighty (180) days. If the delay extends beyond one hundred and eighty (180) days, JEV has the option to continue paying liquidated damages of RM500,000 per day, for a maximum of a further one hundred and eighty (180) days, provided it furnishes to TNB a certificate from the independent engineer that it is technically feasible to achieve COD within three hundred and sixty (360) days after the scheduled COD. As long as JEV chooses to exercise such option and continues to pay, TNB is not entitled to terminate the PPA; or
- ii) JEV abandons the Project or TWA Works after the effective date, for an amount of RM72 million.

The maximum amount of liquidated damages that JEV is liable for is capped at RM72 million per Unit. JEV is to provide TNB with a performance security of RM72 million two hundred and ten (210) days after the effective date of the PPA or seven (7) days from Financial Close, whichever is earlier. The performance security is to be in the form of an irrevocable letter of credit issued by a commercial bank acceptable to TNB. It will be valid until six (6) months after the scheduled COD of the second Unit. Failure to furnish such performance security will entitle TNB to terminate the PPA.

6.1.8 Maintenance Reserve

JEV shall establish and maintain for the term of the PPA a maintenance reserve for an amount of RM24 million to be built up over a three-year period from the COD of the first Unit at a rate of RM8 million per year. The maintenance reserve is to be used exclusively to pay for maintenance expenses for the Plant, and is to be replenished if withdrawn. TNB is not granted any security interest or implied trust in the maintenance reserve.

6.1.9 Debt Service Reserve

TNB shall establish a letter of credit, on behalf of JEV, to secure a debt service reserve of RM360 million that will be used by JEV to meet its debt service requirements under the financing documents. The debt service reserve is to be established progressively, commencing no earlier than COD of the first Unit. Each instalment shall be built up from an amount contributed for each billing period, calculated in accordance with Appendix G of the PPA. Each instalment sum shall be secured by a new letter of credit issued to JEV within thirty (30) days from receipt of each billing statement to reflect such increase in the debt service reserve, until the secured sum reaches the required amount of RM360 million. The letter of credit will expire at the end of thirteen (13) years from COD of the first Unit.

The debt service reserve may be drawn at any time by JEV to fulfil its requirements under the financing documents. Any amount drawn is to be repaid by JEV to TNB by the end of thirteen (13) years from COD of the first Unit, together with interest at the rate of four percent (4%) per annum.

6.1.10 Construction and Start-up

JEV shall design, engineer, procure, construct, install, energise, test and commission the Plant and Interconnection Facilities in accordance with Prudent Utility Practices and the PPA. The Plant and Interconnection Facilities conceptual design may be reviewed by TNB at its own cost and JEV shall comply with the recommendations of TNB that are related to the Interconnection Facilities and the safe operation of the Plant with the Grid System. TNB's prior written consent is required if JEV wishes to modify the design or construction of the Plant or Interconnection Facilities if such modification could reasonably be expected to have a material adverse effect on TNB's rights under the PPA or on the Grid System.

Upon completion of the Interconnection Facilities, TNB shall be entitled to carry out a pre-commissioning inspection and testing audit procedure to ensure that JEV has complied with the provisions of Appendix E. TNB will provide temporary supply of electricity for commissioning and start-up not earlier than 1 January 2008.

6.1.11 Initial Operation and Commercial Operations

Prior to the first generation of electricity from the Plant (the Initial Operation Date or "IOD"), JEV shall provide to TNB and GSO for approval the capability curves, relay types and settings of the electrical generators and transformers. JEV and TNB shall mutually agree on the commissioning, start-up and testing schedules of the Plant no later than sixty (60) days before IOD of the first Unit, which will be used to calculate Test Energy payments prior to COD.

The GSO shall have the right to delay the IOD of each Unit for fifteen (15) days without extending the scheduled CODs. If the IOD is delayed beyond 15 days through no fault of JEV, the scheduled CODs shall be extended by one day for each day of delay. TNB is obliged to pay Available Capacity Payments if the GSO delays the IOD of a Unit or TNB fails to energise the Interconnection Facilities or provide the required load for testing (not due to a force majeure event affecting TNB), resulting in the COD of a Unit being delayed beyond thirty (30) days after its scheduled COD. If TNB fails to inspect or approve the interconnection devices resulting in the COD of a Unit being delayed by more than thirty (30) days, then TNB shall pay the financing interest incurred as a result of the delay.

If COD of any Unit is delayed due to the failure of TNB to complete transmission facilities as specified in the PPA by 15 October 2008, then TNB shall pay the full Available Capacity Payment and Daily Utilisation Payment to JEV commencing from the scheduled COD until actual commercial operations.

If any Unit is able to achieve commercial operation before its scheduled COD, TNB may agree to an earlier COD. JEV and TNB may, subject to mutually agreed terms and the fulfilment of certain conditions by TNB, vary the scheduled COD of a Unit to a date no later than twelve (12) months after the initial scheduled date.

6.1.12 Despatching

Prior to the scheduled COD of the first Unit, JEV and TNB shall establish a committee ("Operations Committee") to discuss, co-ordinate and agree to relevant technical and operational issues and decisions under the PPA.

At least ninety (90) days before each Contract Year, JEV will issue to TNB the proposed Annual Scheduled Available Capacity ("ASAC") for each Unit for that Contract Year, taking into account the applicable availability target. TNB will review and agree to such ASAC, failing which the GSO will decide. The Daily Available Capacity (Planned) for each Unit is calculated as the weighted average of the hourly Availability in MW for that day in the agreed ASAC. JEV may reschedule any scheduled, maintenance or major overhaul outages with prior approval of the Operations Committee, and revise the ASAC correspondingly.

JEV shall notify the GSO each day throughout the term the Declared Daily Available Capacity for each Unit for the following day. JEV may re-declare any increase or deration in the Declared Daily Available Capacity. Despatching of any Unit is at the GSO's discretion, but in accordance with Prudent Utilities Practices, the Design Limits, the Grid Code and within the generation characteristics of the PPA and not exceeding the Declared Daily Available Capacity for that Unit. Other than in certain defined emergency conditions, any Unit shall not be despatched at a generating level below 210 MW.

JEV shall comply with the level of generation specified in a despatch instruction. If any Unit either exceeds that level by more than one percent (1%) over any one hour period or fails to achieve ninety-nine percent (99%) of that specified level within the specified ramp rates, then that Unit will be deemed to have failed the despatch instruction. JEV is excused from such failure if the failure was caused by a force majeure event or any fluctuation in the level of generation as a result of any event caused by or attributable to TNB, the GSO or the Grid System. Additionally, JEV will not be deemed to have failed to meet a despatch instruction if JEV achieves the specified despatch level but thereafter fails to maintain such level as a result of a forced outage.

If JEV fails to comply with a despatch instruction, the deemed available capacity shall be the most recently established of the following: (i) the capacity established pursuant to a revalidation test, (ii) the actual generating level achieved, or (iii) the availability established by JEV for a continuous period of two (2) hours pursuant to the relevant provisions of the PPA. JEV shall pay TNB liquidated damages of RM100,000 for each such failure, provided JEV has not exceeded its allowable outage limit. If the outage limit has been exceeded, JEV shall pay TNB an amount equal to the capacity shortfall (in kW) multiplied by the applicable Capacity Charge Rate (in RM/kW/day) multiplied by the

reference period (one-half (1/2) of the period from the date on which that Unit last complied with a despatch instruction until the date the availability is next re-established pursuant to a revalidation test or another despatch instruction).

6.1.13 Operation, Maintenance and Testing

The PPA stipulates that JEV shall operate and maintain each Unit and the Plant in accordance with: (i) the operation and maintenance standards recommended by the Contractor; (ii) Prudent Utility Practices; (iii) the requirements of the PPA; and (iv) the Plant's design limits. JEV shall also operate the Plant in parallel with the Grid System during the term and all electrical energy delivered to TNB shall have the electrical characteristics set forth in Appendix B of the PPA. If JEV fails to comply with the operating standards or characteristics set out in Appendix B, JEV shall pay liquidated damages of RM100,000 for each such failure.

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

- (i) on each Unit for the next Contract Year in the second half (1/2) of each Contract Year to establish the TAAC;
- (ii) monitoring tests by TNB at any time to monitor the Declared Daily Available Capacity subject to a maximum of six (6) tests for the Plant in each Contract Year;
- (iii) revalidation tests by JEV in the following circumstances, subject to a maximum of three (3) tests for the Plant in each Contract Year:
 - a. after a major overhaul outage;
 - b. after any TAAC test;
 - c. after any monitoring test or a failure by JEV to comply with a despatch instruction;
- (iv) availability tests by JEV after a forced outage on any Unit.

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

If JEV fails any monitoring test, the deemed declared availability of a Unit shall be the most recently established of the following: (i) the capacity established pursuant to such monitoring test, (ii) the capacity established pursuant to a revalidation test, or (iii) the actual generating level achieved. If JEV fails any monitoring test, the shortfall in capacity shall apply for one-half (1/2) of the period from the date on which that Unit last complied with a despatch instruction at that level until the date the availability for that Unit is next re-established pursuant to a test or another despatch instruction ("Reference Period"). JEV shall pay TNB an amount equal to the capacity shortfall (in kW) multiplied by the applicable Capacity Charge Rate (in RM/kW/day) multiplied by the Reference Period (in days or any fraction thereof).

6.1.14 Interconnection Facilities

JEV shall acquire the necessary rights-of-way, construct and commission the Interconnection Facilities in accordance with Appendix E of the PPA, and procure certification by the independent engineer that all relevant tests have been met. The Interconnection Facilities shall be completed no later than seven (7) days before IOD of the first Unit.

6.1.15 Metering

The transfer of electrical energy across the Interconnection Point shall be measured using the TNB Metering Equipment. The TNB Metering Equipment shall be installed by JEV and

transferred to TNB, with warranty periods of twenty-four (24) months (in respect of defects in materials or workmanship) and sixty (60) months (in respect of latent engineering or design defects), from the date of transfer. The TNB Metering Equipment shall thereafter be tested and inspected jointly by TNB and IPP. If the TNB Metering Equipment is found upon testing to be inaccurate by more than $\pm 1\%$, an adjustment shall be made correcting the billing for both the amount and the period of the inaccuracy.

6.1.16 Representations and Warranties

JEV and TNB have made certain representations, warranties and undertakings including:

- (i) each party has the appropriate legal status and authorisation and will preserve and keep in force and effect its corporate existence;
- (ii) each party has taken all actions necessary to execute and render the PPA legal, valid and binding;
- (iii) there is no pending action against either party that is likely to materially and adversely effect the financial or operational condition of the party;
- (iv) each party will acquire and maintain all Government authorisations;
- (v) JEV will not be involved in any business other than the construction, operation and maintenance of the Plant, the construction of the TWA works and the sale of generating capacity and electrical energy to TNB;
- (vi) JEV will comply with the terms and conditions of the IPP Licence and all laws applicable to it, and to the Plant including environmental regulations;
- (vii) TNB will comply with the terms and conditions of the TNB Licence and all laws applicable to it;
- (viii) each party is entitled to deliver to the other party reasonably requested certifications of its officers, accountants, engineers or agents;
- (ix) JEV will only employ trained, qualified and registered (if applicable) personnel for operating and maintaining the Plant and co-ordinating operations with the Grid System; and
- (x) each party will not permit any of its employees, agents or contractors to operate, maintain or tamper with the Interconnection Facilities or equipment on the other party's side, except for situations requiring immediate action to avoid injury, death or property damage.

6.1.17 Fuel

Under the PPA, except as set out in Appendix J, JEV shall procure all nominated fuel (coal) for use by the Plant from the nominated fuel supplier, TNB Fuel Services Sdn Bhd. JEV shall be responsible for the preparation and implementation of a safe, adequate and reliable coal supply plan, to be submitted to TNB thirty (30) days prior to the beginning of each Contract Year. Prior to each Contract Year, TNB will provide to JEV an annual despatch forecast for the Plant, in relation to the planning of JEV's coal supply requirements.

If the CSTA is terminated by JEV due to the nominated fuel supplier's failure to submit details of the intended coal brands and the coal quantities to be supplied under the Coal Purchase Contracts by twelve (12) months prior to the scheduled COD of the first Unit, then the scheduled COD of each Unit shall be extended by six (6) months each.

6.1.18 Taxes and Fines

JEV shall pay all taxes and duties imposed on it in connection with the ownership, operation and maintenance of the Project. JEV and TNB have indemnified one another for penalties or fines imposed on the other party due to non-compliance by the indemnifying

party with any laws or governmental requirements, and shall reimburse the other party for any legal expenses incurred in connection with such fines.

6.1.19 Insurance

JEV will maintain in effect the following insurance policies with respect to the Plant:

- (i) "Erection All Risks" insurance and physical loss insurance in amounts no less than the erection cost of the Plant and Interconnection Facilities and on a replacement cost basis subject to deductibles of no more than USD1 million, from commencement of construction until commercial operations;
- (ii) "Industrial All Risks" and "Machinery Breakdown", commencing from commercial operations until the end of the PPA term;
- (iii) throughout the PPA term, "Public Liability" insurance with combined single limits for bodily injury and property damages of at least RM25 million per occurrence and in aggregate, including "Operational Liability";
- (iv) throughout the PPA term, "Comprehensive Automobile Liability" or "Motor Vehicle Liability" insurance with combined single limit for third party property damage of at least RM3 million per occurrence and in aggregate, where applicable, covering vehicles owned, hired and non-owned and unlimited liability for bodily injury; and
- (v) throughout the PPA term, "Workmen's Compensation" and/or "Employer's Liability" insurance that complies with the laws of Malaysia

The insurance policies above shall also cover the TWA Works until the issue or deemed issue of the Taking-Over Certificate by TNB.

JEV shall, where applicable, cause the insurers to amend the scope of policies to include TNB as an additional insured, and shall apply the proceeds in accordance with the financing documents.

6.1.20 Force Majeure

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

- (i) strikes and/or other work stoppages or industrial action (other than those solely affecting the party claiming the same as a Force Majeure Event);
- (ii) acts of public enemies or terrorists or acts of war, whether or not war is declared, acts of force by a foreign nation or embargo;
- (iii) public disorders, insurrection, rebellion, sabotage, riots or violent demonstrations;
- (iv) explosions, fire, earthquakes, landslides, subsidence, and/or other natural calamities and acts of God;
- (v) unusually severe weather conditions;
- (vi) expropriation or compulsory acquisition by any government entity;
- (vii) failure to obtain or renew any Governmental Authorisations;
- (viii) an Emergency Condition;
- (ix) any Force Majeure Event affecting the performance of any party to the EPC Contract, or other contract between JEV and such person relating to the construction, operation or maintenance of the Plant or construction of the TWA works; and
- (x) any interruption in the supply of nominated fuel to the Plant due to a force majeure event, default or negligence of the nominated fuel supplier under the CSTA.

The PPA provides for certain remedies if either party claims force majeure, before or after commercial operation has commenced. In the event of a force majeure that occurs pre-COD,

- (a) the scheduled COD of the affected Unit will be extended by one day for each day its COD is delayed by force majeure and JEV shall not be liable to pay liquidated damages for such delay, and
- (b) TNB will pay JEV its costs of debt servicing and unavoidable costs (not exceeding the fixed operating rate portion of fixed availability payment) incurred to the extent there is no entitlement under insurance, if TNB is the affected party.

In the event of a force majeure that occurs post-COD,

- (a) the Term shall be extended by one day for each day that any Unit is not available due to force majeure, when there is no insurance entitlement to replace any Available Capacity Payments and Daily Utilisation Payments not received by JEV for such period;
- (b) if JEV is the affected party, TNB shall pay JEV Available Capacity Payments and Daily Utilisation Payments in accordance with Appendix G of the PPA;
- (c) if TNB is the affected party, TNB shall not pay Available Capacity Payments and Daily Utilisation Payments in respect of the affected Unit, but shall continue to pay for the other Unit to the extent available. TNB shall also pay JEV any positive difference between (i) its costs of debt servicing and unavoidable costs (not exceeding the fixed operating rate portion of fixed availability payment) and (ii) the total Available Capacity Payments and Daily Utilisation Payments due to JEV and any insurance proceeds for the period.

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

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

6.1.21 Default, Termination and Step-In Rights

The PPA has provisions for events of default applicable to both TNB and JEV. Major events of default include:

- (i) either JEV or TNB fails to make payments due under the PPA sixty (60) days after receipt of written notice for non-payment;
- (ii) either JEV or TNB fails to comply or operate in conformity with any obligation of the PPA for ninety (90) days after being notified by the other party;
- (iii) either JEV or TNB enters receivership or becomes insolvent;
- (iv) the COD for each Unit fails to occur within six (6) months of the respective scheduled COD (unless excused or extended under the PPA);
- (v) JEV abandons the project after the effective date and fails to resume activities within a period of time agreeable to TNB;
- (vi) JEV's licence is suspended, revoked, terminated or expired (due to JEV's default) and all available appeals and applications have been exhausted;
- (vii) without the prior written approval of the Federal Government of Malaysia, the aggregate Bumiputra interest in JEV becomes less than eighty percent (80%);
- (viii) the right to terminate the TWA has arisen due to default of JEV;

- (ix) the CSTA is terminated by the nominated fuel supplier due to default of JEV; and
- (x) prior to the seventh anniversary of the COD of the first Unit, without the prior written approval of the Federal Government of Malaysia, JEV sells or transfers the Project or any material interest in it to any other person, or any shareholder sells or transfers any share of either JEV or JEVH or there is a change in control of JEV.

If an Event of Default occurs (other than that falling within paragraph (ii)) which cannot be cured within ninety (90) days, the non-defaulting party may terminate the PPA by giving fourteen (14) days written notice. If an Event of Default falling within paragraph (ii) cannot be cured with reasonable diligence within the specified ninety (90) days, then that period is to be extended for a further one hundred eighty (180) days. If the Event of Default remains uncured at the end of such further period, the non-defaulting party may terminate the PPA immediately by written notice.

If the PPA is terminated by TNB due to default of JEV, then TNB has the option to purchase the Project in accordance with the pre-agreed price in Appendix K2.1 of the PPA. If the PPA is terminated by JEV due to default of TNB, then JEV has the option to sell the Project to TNB in accordance with the pre-agreed formula in Appendix K2.2 of the PPA. The purchase price covers outstanding indebtedness under the financing documents, reasonable returns to the shareholders of the Project (if JEV is not in default) and costs of transferring.

If JEV is in default, TNB is entitled to assume responsibility for the operation of the Plant. TNB must wait for the expiry of any applicable cure period unless requested to step-in by the financiers. The financiers have the right to assume, or assign to an approved assignee, the operation of the Plant within the cure period. TNB's step-in rights do not amount to a transfer of title of the Project assets. TNB shall pay to JEV, in-lieu of any Available Capacity Payments, Daily Utilisation Payments and Energy Payments, all scheduled debt service payments, fuel, maintenance, repairs and other operating costs. TNB is entitled to return the Plant to JEV at any time, but not exceeding six (6) months from the time TNB exercised its step-in rights, in a condition no worse than before stepping in, fair wear and tear excepted. If the Energy Commission exercises its statutory right to operate the Plant, TNB will continue to make Energy Payments, Available Capacity Payments and Daily Utilisation Payments to JEV in accordance with the PPA to the extent that the Plant is available and permitted by law.

6.1.22 Indemnification and Liability

The PPA provides for indemnification by both parties except for damage caused by breach or negligence. Indemnification provisions include:

- (i) each party indemnifies the other from and against damages for personal injury, death or property damage to third parties caused by any act or omission of the indemnifying party arising out of the performance of the PPA (except to the extent attributable to the negligence, misconduct or breach by the other party);
- (ii) JEV indemnifies TNB for liabilities under applicable environmental laws arising out of conditions of the site, JEV's ownership or operation of the Plant and Interconnection Facilities or JEV's construction of the TWA works (except to the extent attributable to the negligence, misconduct or breach by TNB);
- (iii) TNB indemnifies JEV for liabilities under applicable environmental laws arising out of conditions of or TNB's ownership or operation of the TWA Works after its transfer to TNB (except to the extent attributable to the negligence, misconduct or breach by JEV); and
- (iv) neither party is liable for indirect or consequential damages.

6.1.23 Dispute Resolution and Arbitration

If a dispute under the PPA arises, it will be resolved in the following order:

- (i) initially by negotiation between representatives designated by JEV and TNB; or later
- (ii) by negotiation between senior officers designated by JEV and TNB; or finally if the dispute cannot be resolved within three (3) months, then
- (iii) by arbitration.

Arbitration is to be conducted in accordance with the Rules for Arbitration of the Kuala Lumpur Regional Centre for Arbitration. Each arbitration tribunal will consist of three (3) arbitrators: one (1) each appointed by JEV and TNB, and a third arbitrator who will act as Chairman. The decision of the arbitrators will be final and binding and the parties waive, to the extent permitted under law, any rights of appeal or review of the arbitrators' award by any court of competent jurisdiction. If a related dispute between JEV and the nominated fuel supplier has been referred to arbitration, the parties agree that the same arbitral tribunal may be referred to if the dispute under the PPA has substantially the same issues.

6.1.24 Change-In-Law

In the event of any Change-in-Law that requires JEV to make any capital improvement or modification to the Plant and/or Interconnection Facilities exceeding RM10 million in any calendar year, JEV is entitled to an extension of the Term or an adjustment to the Capacity Rate Financial to reflect such cost incurred by JEV. A change in the Grid Code shall be treated as a Change-in-Law.

6.1.25 Transfers and Assignment

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

If required by the financing documents, TNB shall (i) provide its consent for assignment and acknowledgement of rights of the financiers for the purpose of financing, (ii) make payments to JEV directly into a collateral security account established under the financing documents, (iii) accept the financiers or their agents as substitutes for JEV in event of a default, and (iv) afford the financiers an opportunity to remedy any Event of Default by JEV within the relevant cure period in the PPA before termination.

6.1.26 Governing Law

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

6.1.27 Industry Restructuring

In the event of an industry restructuring taking place, TNB and JEV shall renegotiate to amend the PPA within six (6) months, failing which TNB may terminate the PPA immediately and purchase the Project at the price in accordance with the pre-agreed formula and provisions of Appendix K2.3 of the PPA. In principle, the formula includes the outstanding indebtedness under the financing documents, sponsors equity return and the cost of transferring the Project.

6.2 Coal Supply and Transportation Agreement

The following section outlines the key terms and conditions that are contained in the CSTA.

6.2.1 Overview

The CSTA was executed between JEV and TFS on 10 August 2004. The CSTA provides that, subject to the conditions thereof, TFS shall be the sole and exclusive supplier of coal to JEV.

6.2.2 Term

The term of the CSTA will mirror that of the PPA and shall, unless extended by mutual agreement, continue in effect until the expiry or earlier termination of the PPA.

6.2.3 Coal Supply Plan

Within twelve (12) months of the signing of the CSTA, TFS shall prepare a master supply plan setting out the source, manner and timing in which TFS intends to procure, supply, deliver and transport coal to JEV throughout the delivery term of the CSTA. Thereafter, prior to each delivery year, TFS will provide a coal supply plan for the Plant, based on JEV's estimation of the amount of coal required pursuant to TNB's five (5) year despatch forecast. The coal supply plan is to be approved by the fuel committee as stipulated in the PPA. The fuel committee shall be established ninety (90) days from the effective date of the PPA and will comprise two (2) representatives each from JEV and TNB.

6.2.4 Coal Purchase Contracts

TFS will meet its coal supply obligations by entering into spot contracts, and short-term and long-term Coal Purchase Contracts ("CPCs"). TFS will enter into CPCs for an amount equal to 2.9 million tons or if less, seventy percent (70%) of the estimated average annual coal requirement of JEV as set out in the most recent coal supply plan. The initial CPCs shall comprise (i) contracts for at least 1,657,000 tonnes of coal with a term of not less than five (5) years, and (ii) contracts for at least 1,243,000 tonnes with a term of not less than two (2) years.

At least twelve (12) months prior to the scheduled COD of the first Unit, TFS shall submit details of the intended coal brands and CPC quantities for the approval of the fuel committee, and upon such approval, enter into the CPCs. If TFS fails to submit the said details to the fuel committee within the given time, JEV may terminate the CSTA and the scheduled CODs for each Unit shall be extended by six (6) months.

CPCs must contain the minimum CPC terms as agreed under the CSTA, unless otherwise approved by the fuel committee. TFS shall assign its rights under each CPC to JEV, and provide step-in rights to JEV if the CSTA is terminated due to TFS default. Coal supplied under the CPCs must be from one of the pre-agreed selected coals list as set out in the PPA.

Until the financing facilities for construction and commissioning of the Project have been fully repaid, TFS is required to maintain, in each year, CPCs for an amount equal to 2.9 million tons or if less, seventy percent (70%) of the estimated coal requirement for that year. TFS is required to show evidence that it has entered into a new CPC to satisfy the foregoing no later than sixty (60) days prior to any expiry of a CPC.

If any CPC is terminated for any reason other than expiry of its term, TFS shall, within seventy-five (75) days, submit to the fuel committee for its approval details of coal brands and quantities for replacement CPCs, and upon such approval, enter into replacement CPCs within ninety (90) days.

6.2.5 Coal Producers

TFS is obliged to ensure that the producers provide reasonable evidence of their ability to meet their obligations under the CPCs. TFS shall require that, for CPCs with a term of more than two (2) years, producers (i) maintain sufficient quantities of coal reserves required under the CPCs, (ii) are obliged to provide JEV and the financiers with information regarding measured reserves, indicated reserves and their commitment to sell coal under other contracts, and (iii) cooperate with JEV and the financiers with any analysis and studies as may be conducted on a producer's reserves, production and delivery capacity.

6.2.6 Transportation Contracts

Subject to JEV providing TFS twenty-four (24) months' prior notice of the anticipated COD of the first Unit, TFS will enter into transportation contracts, on normal industry terms, for the delivery of coal to the Project six (6) months prior to such anticipated COD of the first Unit.

6.2.7 Testing, Commissioning and Initial Stockpiles

TFS shall deliver coal required for testing and commissioning of the Plant. JEV may purchase coal for construction of stockpile base layers and initial stockpile from any party including TFS.

6.2.8 Delivery and Shipment of Coal

TFS is obligated to deliver coal, in accordance with a mutually acceptable delivery and shipping schedule, in the quantities specified in the monthly nomination notice submitted by JEV to TFS for each specified Delivery Month. Title and risk of loss to any coal transfers to JEV when the coal passes over the vessel's rail at the Discharge Port. JEV shall be responsible for all costs of discharging the coal at the Discharge Port and for all stevedore charges.

JEV may cancel or reduce an order, or request TFS to divert or not to load a shipment of coal, if an event of force majeure precludes discharging of vessels at the discharge port, or if coal stockpiles are at a maximum due to any of the following: (i) TNB despatches the Plant at a lower level than TNB's prior forecast levels, (ii) forced outage, or (iii) force majeure. Any costs reasonably incurred by TFS in accommodating such requests will be borne by JEV, provided that such costs will be equally shared between JEV and TFS in the case described in paragraph (i). JEV may resell coal for purposes of stockpile management with prior written consent of TFS.

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

6.2.9 Remedial Plan and Replacement Coal

TFS shall provide details and updates on the estimated arrival times of the vessels at the loading port and discharge port. As soon as TFS is aware of any possible delay in the arrival of a shipment or availability of coal, TFS shall give written notice to JEV stating the details of such delay. If a shipment does not arrive at the discharge port by the last day of the applicable Delivery Month (unless excused by force majeure affecting JEV, TFS or the vessel or if due to JEV's default), TFS must submit a remedial plan detailing the actions it proposes to take ("Remedial Plan") within three (3) business days. The Remedial Plan shall be subject to JEV's approval.

TFS shall also prepare a Remedial Plan if any of the following situations occur: (i) JEV rejects a shipment of coal for failing the meet any coal quality rejection limit or if

discharging the coal would cause damage to the discharge port or the Plant due to spontaneous combustion or impurities, or if, for coal originating from loading ports with Impurities Free Certification, the certification indicates more than negligible impurities; or (ii) a shipment is withdrawn by TFS, or (iii) a Potential Failure of Delivery occurs, in which case a Remedial Plan is to be prepared within five (5) business days of such notice unless due to force majeure affecting TFS.

If TFS fails to provide JEV with an acceptable Remedial Plan, JEV may purchase replacement coal from any other party, including existing coal producers. TFS shall use its best efforts to assist JEV in acquiring replacement coal. TFS shall reimburse JEV for any additional costs incurred, calculated as the net positive difference, if any, between: (i) the reasonable actual net costs incurred by JEV for purchase and transportation of such coal and, (ii) the amount calculated by multiplying the Base Price with the tonnage of coal purchased adjusted for its gross calorific value.

6.2.10 Quality of Coal

All coal delivered by TFS shall meet quality specifications stipulated in the CSTA and be substantially free from impurities. JEV will have the right to reject coal under any of the following circumstances: (a) if the coal fails to meet any coal quality rejection limit, as certified by the Inspection Company, or (b) if discharging the coal would cause damage to the discharge port or the Plant due to spontaneous combustion or impurities, or (c) if, for coal originating from loading ports with Impurities Free Certification, the certification indicates more than negligible impurities.

Upon valid rejection of a shipment, TFS, will at its own expense (i) promptly remove the rejected shipment; (ii) prepare and implement a Remedial Plan; (iii) reimburse JEV for any amount paid to TFS for such shipment; (iv) take steps to correct for future deliveries; and (v) compensate JEV for damage and removal costs due to spontaneous combustion or impurities (only for shipments without impurities certification). TFS shall suspend further deliveries of coal brands that have been validly rejected, if requested to do so by JEV.

A producer is in breach of its CPC if it fails to timely deliver two (2) out of any six (6) consecutive shipments or delivers two (2) or more shipments exceeding the quality rejection limits out of any six (6) consecutive shipments. TFS has the right to terminate the defaulting producer subject to JEV's consent. In the event JEV accepts any rejectable shipment, both parties shall mutually agree any reduction in price, in addition to applicable liquidated damages. JEV may at its option purchase replacement coal from another source in order to replace rejected coal.

Prior to loading, coal shall be sampled and analysed by the Inspection Company to determine its quality according to the specified parameters. The Inspection Company will transmit the results of the analysis (the "Rejection Limit Analysis") to all parties and such results will be final.

The Marine Surveyor will determine the weight of each shipment of coal. JEV may at its expense, confirm the weight of shipments using conveyor belt scales at the Discharge Port. If the weight difference is more than one percent (1.0%) then the parties will co-operate to determine the cause of such difference.

6.2.11 Base Price, Billing and Payment

The cost of coal purchased through TFS is a pass-through. JEV will pay the Base Price for coal delivered by TFS. The Base Price payable to TFS and the Fuel Payments received by JEV are calculated based on the Applicable Coal Price. The Applicable Coal Price, which is the price of coal measured in RM/Gj, includes all costs for coal delivered ex-ship to the coal wharves of the Plant, adjusted for gross calorific value. The Applicable Coal Price will be set by TNB in consultation with TFS and is effective on January 1st and/or July 1st of each year subject to any interim resets by TNB (with at least one (1) month's notice to JEV).

The Base Price payable by JEV to TFS will be adjusted for variations in quality parameters, such as gross calorific value, total moisture, sulphur and ash content, based on certification by the Inspection Company. In addition, liquidated damages are payable by TFS for shipments where quality parameters exceed rejection limits.

If JEV is entitled to purchase coal from other parties under the CSTA, due to a default by TFS or if JEV reasonably rejects a Remedial Plan, then TFS will reimburse JEV for any reasonable additional costs incurred by JEV above the Applicable Coal Price.

TFS will invoice JEV not later than the fifteenth (15th) day of each month for all shipments delivered to and accepted by JEV in the prior month. JEV shall make payment within thirty (30) days of receipt of such invoice. Late payment charges will be levied for any undisputed amount owed by either party.

6.2.12 Performance Guarantee Bond

Prior to the execution of the first CPC, TFS shall deposit a performance guarantee bond for RM2 million to ensure its performance under the CSTA, failing which JEV may terminate the CSTA. JEV will have the right to call on the performance guarantee bond if, among others, TFS is in breach of any of its obligations or the CSTA is terminated due to TFS default. TFS shall also require that each coal producer be obliged under its CPC to deposit with TFS a performance guarantee bond stipulating that any calls made on it will be deposited into a joint bank account of TFS and JEV. The minimum CPC terms require such bond to be for an amount equal to five percent (5%) of the CPC coal price for the contracted annual quantity.

6.2.13 Insurance

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

6.2.14 Force Majeure

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

- (i) unusually severe weather conditions not reasonably foreseeable;
- (ii) epidemic or plague;
- (iii) acts of war (whether war has been declared or is undeclared), acts of force by a foreign nation, embargo, blockade, rationing, trade or economic sanctions;
- (iv) strike, work stoppage, work to rule or other industrial action, riots or acts or terrorists;
- (v) failure (other than due to an act or omission of the affected party) to obtain or renew any required governmental approval;
- (vi) accident, earthquake, flooding, sabotage or fire;
- (vii) damage to, or breakdown of, any of the wharf or loading gear at the loading port or discharge port;
- (viii) unavailability or breakdown of vessels, machinery or equipment used to produce or transport coal other than due to negligence or wilful misconduct on the part of the affected party;
- (ix) unavailability, obstruction or blockage of the loading port or discharge port;

- (x) unusually severe congestion or unusually long queue of vessels at the loading port that were not reasonably foreseeable;
- (xi) any event of force majeure declared under the PPA;
- (l) any event of force majeure declared by any coal producer or TFS under the related CPC, unless due to failure to have sufficient workforce, machinery, supplies or raw materials; and
- (m) any event of force majeure declared by any transporter or TFS under related transportation contracts.

If a force majeure event occurs that prevents TFS from supplying coal to the Project, JEV may purchase coal from other parties, subject to TNB's approval of the coal price.

6.2.15 Events of Default and Termination

The CSTA may be terminated by either party if the financing date does not occur by 30 September 2004 (or such other date as may be agreed), or if TFS ceases to be a subsidiary of TNB.

Events of default include:

- (a) if either TFS or JEV fails to pay any undisputed amount when due;
- (b) any representation or warranty made by either party in the CSTA prove to be false or misleading, and has a material adverse effect on the ability of that party to perform its obligations;
- (c) either party fails to perform its material covenants or obligations within the applicable cure period, or if any obligation conflicts with legal requirements resulting in its inability to perform;
- (d) either party fails to comply with any award by an arbitrator;
- (e) either TFS or JEV enters receivership or becomes insolvent.

In addition, TFS will be in default if:

- (a) three (3) times in a delivery year, TFS fails to provide or implement an agreed Remedial Plan when due or if JEV reasonably rejects a Remedial Plan proposed by TFS, resulting in JEV having to purchase replacement coal;
- (b) it fails to make payments when due under CPCs amounting to at least twenty percent (20%) of aggregate CPC quantities;
- (c) it fails to maintain the required minimum CPC quantities for each period as agreed;
- (d) it fails to preserve in full force and effect the assignment to JEV of its rights in respect of the CPCs;
- (e) it fails to terminate a defaulting coal producer; or
- (f) it fails to submit to the fuel committee for its approval details of replacement CPCs when so required.

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

If any event of default continues, either party may terminate the CSTA by giving thirty (30) days written notice. In the case of an event of default in the form of non-payment by JEV, TFS may terminate sixty (60) days after the payment due date by giving notice of immediate termination. If a force majeure event continues unresolved for three hundred

thirty (30) days, either party may terminate the CSTA by giving thirty (30) days written notice.

6.2.16 Indemnification

Neither JEV nor TFS shall be liable to the other party for any indirect or consequential losses as a result of the performance or non-performance of its obligations under the CSTA. Each party agrees to indemnify the other party against any claims or damages caused by the wilful misconduct or negligence of the indemnifying party or its own agents.

6.2.17 Representations, Warranties and Covenants

JEV and TFS have represented that each party has the relevant legal power and has obtained all governmental consents and corporate actions necessary to render the CSTA effective and binding.

The CSTA provides for specific covenants by both TFS and JEV. Among others, TFS covenants to:

- (i) provide its annual financial statements to JEV and its financiers;
- (ii) require each coal producer of the initial CPCs and the replacement CPCs with a term of more than two (2) years to enforce and maintain the mining rights necessary to perform its obligations under the CPC, and to ensure delivery of coal to the loading ports;
- (iii) deliver to JEV and its financiers legal opinions on the validity and enforceability of the CSTA and CPCs; and
- (iv) comply with all applicable legal requirements in performance of the CSTA.

JEV covenants that no modifications will be made to the PPA or to the Plant that might adversely affect JEV's ability to use or pay for the coal. Neither TFS nor JEV shall enter into any merger or dissolution, or in any way transfer or dispose of substantially all of its assets unless the resulting entity assumes all of its obligations under the CSTA in a manner acceptable to the other party.

6.2.18 Dispute Resolution and Arbitration

If any dispute arises that cannot be resolved by mutual discussion between JEV and TFS, then a qualified expert shall be appointed, whose decision shall be binding. If the expert cannot settle the dispute, then the dispute shall be referred to arbitration under the Rules of Arbitration of the Kuala Lumpur Centre for Arbitration. The arbitration tribunal shall consist of three (3) arbitrators whose award shall be final and binding. If a related dispute between JEV and TNB under the PPA has been referred to arbitration, the parties agree that the same arbitral tribunal may be referred to if the dispute under the CSTA has substantially the same issues.

6.2.19 Assignment and Financing Parties

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

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

6.3 Engineering, Procurement and Construction Contract

The following section outlines the key terms and conditions that are contained in the EPCC.

6.3.1 Overview

The EPCC was executed between JEV and the Contractor on 23 September 2004 and restated pursuant to a Supplementary Agreement on 8 April 2005. The EPCC provides the terms and conditions under which the Contractor is to reclaim land, design, engineer, procure, construct, test and commission the Plant, Interconnection Facilities and TWA Works on a fixed price, lump sum turnkey basis.

6.3.2 Contractor Obligations

The EPCC sets out the scope of services and obligations of the Contractor, as well as remedies in the event the obligations are not met. The Contractor is obligated to (among others) perform all works as defined in accordance with the performance guarantees, milestones and requirements of the EPCC, the performance and operation parameters required under the PPA, TWA, Prudent Utility Practices, applicable laws and permits, EIA Approval and Grid Code; provide for spare parts, consumables, waste disposal services, water and other facilities during construction and commissioning up to Provisional Acceptance of the Units; obtain and maintain all construction permits necessary; provide manuals, progress reports, data, personnel and training to JEV; be responsible for the proper packing, transportation, shipping and warehousing of all materials, equipment and supplies; make available for purchase by JEV suitable spare parts during the operation of the plant; implement an environmental monitoring programme; set out the TWA Works in accordance with the route plan; carry out and submit for JEV's approval the system study reports and ensure that all works as defined proceeds in general accordance with the project schedule (as defined in the EPCC).

The EPCC establishes the performance standards by which the Contractor must perform its services, as well as the time periods and procedures with respect to submission of the conceptual design, detailed design, TWA Works parameters, design documents, drawings and progress reports, and its coordination with the various sub-contractors and TNB.

The Contractor is deemed to have inspected and examined the Project and TWA Works site, its surroundings and the conditions at site, and to have properly estimated the difficulty or cost of successfully performing the works. The Contractor will not be entitled to any equitable adjustments if it fails to do so.

6.3.3 JEV Obligations

JEV is obligated under the EPCC to (among others) provide spare parts, disposal services, water and consumables after Provisional Acceptance of each Unit; secure and maintain applicable permits and access rights in sufficient time; secure and provide the relevant access rights and receiving points for the TWA Works in accordance with the agreed timeframes; furnish data, information or documents reasonably required by the Contractor; procure TNB to make available electricity supply for start-up, testing and commissioning of each Unit by 3 January 2008; provide coal for start-up, testing and commissioning seven (7) months prior to the first guaranteed completion date, except that the Contractor bears any fuel cost exceeding 110% of the requirements forecasted by the Contractor; as well as furnish required reviews and responses to drawings and other items submitted by the Contractor within the specified time periods. JEV shall not be responsible for the supply of electricity, water, gas or any services at the TWA Works site to the Contractor.

In the event JEV fails to meet any of its obligations and the Contractor was reasonably delayed as a result, then the Contractor shall be entitled to an equitable adjustment.

6.3.4 Performance Bond

A performance bond, issued by a bank in Malaysia, will be provided by the Contractor as security for its performance under the EPCC within seven (7) days of a request from JEV. The bond will be for an amount equivalent to ten percent (10%) of the total contract price, which will subsequently be reduced to five percent (5%) upon final acceptance of the second Unit, and will remain valid until expiry of the warranty period for the second Unit. The bond will be irrevocable and payable unconditionally on demand, and is assignable to the financing parties. JEV has the right to terminate the EPCC should the Contractor fail to provide the performance bond.

The Contractor will provide a performance bond as security for its obligations in relation to the TWA Works within seven (7) days of a request from JEV. The bond will be for an amount of RM29.5 million and will remain valid until thirty (30) days after final completion of the TWA Works. The bond will be irrevocable and payable unconditionally on demand, and is assignable to the financing parties. JEV has the right to terminate the transmission works portion of the EPCC should the Contractor fail to provide the bond. The bond shall be returned to the Contractor if NTP-TW (as described below) does not occur by 30 September 2005.

6.3.5 Advance Payment

An advance payment representing ten percent (10%) of the total contract price will be made to the Contractor upon achievement of Financial Close and as a condition for the issuance of a valid Notice to Proceed ("NTP 2"), subject to the Contractor providing an advance payment bond for an equivalent sum. The value of the advance payment bond will be reduced to five percent (5%) of the contract price upon Provisional Acceptance of the first Unit being achieved, and will remain valid until Provisional Acceptance of the second Unit. The bond will be issued by a bank in Malaysia acceptable to JEV, and will be assignable to the financing parties.

JEV shall pay to the Contractor an advance payment equivalent to ten percent (10%) of the transmission works price in accordance with the agreed milestone schedule, provided that the Contractor has delivered the TWA Works performance bond.

6.3.6 Commencement of Works

The Contractor shall undertake the construction of the main water supply system and access road on agreed terms, which will be absorbed into the EPCC upon completion.

The Contractor will commence reclamation works upon issue of a Notice to Proceed, which shall be given only after the EIA Approval has been obtained, access rights in relation to the reclamation works have been secured, the relevant reclamation works payment as stated in the EPCC has been made by JEV to the Contractor and the Contractor has provided an equivalent payment guarantee to JEV ("NTP 1"). Reclamation works shall commence no later than 31 January 2005, but in the event NTP 1 is issued after 31 January 2005, JEV may exercise its acceleration options in order to ensure that the guaranteed completion dates are met. As long as NTP 1 is issued no later than 31 March 2005, there will be no adjustment to the contract price.

Within three (3) months of NTP 1, NTP 2 will be issued subject to achievement of Financial Close and fulfilment of all conditions including the advance payment by JEV and the advance payment bond by the Contractor. In the event NTP 2 is issued later than three (3) months from NTP 1, JEV may make the reclamation works payment as stated in the EPCC in order to ensure that the guaranteed completion dates are met. As long as NTP 2 is issued no later than six (6) months from NTP 1, there will be no adjustment to the contract price. Upon NTP 2, all previous reclamation works payments will be absorbed and deemed included in the contract price.

The Contractor will commence TWA Works upon issue of NTP-TW, which shall be valid only if NTP 1 has occurred, JEV has received the TWA Works advance payment bond, the Contractor has received the TWA Works advance payment, and access rights consisting of a contiguous first block of at least ten percent (10%) of total access rights for the TWA Works have been provided. If NTP-TW is not issued by 30 September 2005, JEV shall reimburse the Contractor for costs incurred in performing the system study up to such time, including any termination charges payable to the relevant sub-contractor.

6.3.7 TWA Works Time for Performance

The Contractor is entitled to an extension of time for completion of the TWA Works if the Contractor is delayed due to any of the following:

- (a) NTP-TW is not issued by 1 August 2005;
- (b) additional work ordered pursuant to a variation order;
- (c) force majeure event affecting TWA Works;
- (d) any breach by JEV under the EPCC;
- (e) JEV fails to provide sufficient notice to the Contractor of TNB's request for the route plan to be revised which results in the Contractor failing to maintain the TWA Works program and achieving the guaranteed completion dates; or
- (f) change in law.

In addition, if delay in the issuance of NTP-TW after 1 August 2005 could reasonably impact on the remainder of the works, the Contractor is entitled to an equitable adjustment to the completion dates of the Units and facility.

6.3.8 Force Majeure

A force majeure event shall excuse either party from its obligations (other than a payment obligation), subject to certain limitations. A force majeure event is defined as an event, condition, occurrence or circumstance which is beyond the reasonable control and without the fault or negligence of the party claiming relief, which despite all reasonable efforts of the party claiming force majeure to prevent or mitigate its effects, causes a material delay or disruption in the performance of any material obligation. Force majeure events include acts of God, malicious damage, embargoes, an unreasonable delay by a court or public authority, strikes and declarations of force majeure pursuant to the PPA and/or TWA. The Contractor is entitled to an equitable adjustment to the guaranteed completion dates, milestones, progress payment schedule and/or project schedule if delayed by a force majeure event. All costs resulting from any Force Majeure event up to six (6) months shall be borne by the Contractor.

Provisions of force majeure in respect of the TWA Works mirror the force majeure provisions in the TWA where either party may terminate the TWA Works by giving thirty (30) days written notice if the force majeure event exceeds one hundred eighty (180) days and if the force majeure cannot be remedied within three hundred sixty (360) days following consultations between the parties.

6.3.9 Termination or Suspension

JEV may at any time instruct the Contractor to suspend any or all works, or suspend delivery of any plant or equipment to the Project site. The additional cost reasonably and actually incurred by the Contractor will be added to the contract price.

JEV is entitled to terminate the EPCC if the Contractor fails to complete any milestone event by the corresponding milestone and fails to carry out corrective action to achieve the guaranteed completion dates.

In addition, the EPCC may be terminated in the following circumstances: (a) by JEV for its convenience, upon thirty (30) days prior written notice, for either all or part of the works; (b) by either party if NTP 1 has not occurred by 30 June 2005, and no agreement is reached on how to proceed; (c) by either party if NTP 2 has not occurred by 30 September 2005 and no agreement is reached on how to proceed; (d) by either party if a Force Majeure event persists for more than three hundred and sixty (360) days; and (e) by either party if a suspension of works cumulatively exceeds one hundred and eighty (180) days.

The TWA Works portion of the EPCC may be terminated in the following circumstances: (a) by either party if an event of default occurs in relation to TWA Works which is not cured within sixty (60) days; (b) by either party if a force majeure event persists for more than one hundred and eighty (180) days; (c) by either party if NTP-TW has not occurred by 30 September 2005 and no agreement is reached on how to proceed; and (d) by either party if a suspension of TWA Works cumulatively exceeds one hundred and eighty (180) days.

In the event that the TWA Works portion of the EPCC is terminated, the EPCC as of the date prior to the Supplementary Agreement shall prevail. In any of the preceding circumstances, the EPCC sets out the maximum liability and obligations of JEV and the Contractor.

6.3.10 Contract Price and Payment

The contract price is a fixed lump sum turnkey price and will not be adjusted for any fluctuations in the exchange rate, prices of materials, cost of labour or other costs. The contract price may be adjusted only in limited circumstances as provided in the EPCC.

Payments to the Contractor will be made in accordance with the agreed progress payment schedule set out in the EPCC, provided that (a) the corresponding payment milestone has been achieved by the relevant date; (b) JEV or the independent engineer has certified that the invoice package from the Contractor is correct; and (c) no more than one (1) invoice package per month is submitted. Overdue payments will accrue interest at the default rate specified in the EPCC. JEV is entitled to set-off or deduct any amounts due from the Contractor. The Contractor is entitled to an equitable adjustment for costs in excess of RM1 million incurred by the Contractor as a result of complying with new government requirements.

6.3.11 Transmission Works Price and Payment

The transmission works price is a fixed lump sum price and is inclusive of all works necessary for completion of the TWA Works up to the agreed budgeted length. The transmission works price will not be adjusted for any fluctuations in the exchange rate, prices of materials, cost of labour or other cost. The transmission works price may be adjusted only in limited circumstances as provided in the EPCC. Any tax savings (net of any tax expenses) received by the Contractor shall be paid to JEV, which under the TWA shall be then paid to TNB.

Payments to the Contractor for the TWA Works will be made in accordance with the agreed progress payment schedule, provided that (a) the corresponding payment milestone has been achieved by the relevant date; (b) the Contractor has submitted no earlier than the scheduled progress payment date an invoice with the relevant certifications; and (c) JEV and/or the independent engineer is not of the opinion that the certification provided by the Contractor is not accurate. JEV is entitled to retain ten percent (10%) of the transmission works price as retention money, which will be released to the Contractor upon Provisional Acceptance of the TWA Works. The Contractor is entitled to an equitable adjustment for costs in excess of RM1 million incurred by the Contractor for the TWA Works as a result of complying with new government requirements.

6.3.12 Initial Operation

The Contractor is responsible for the start-up and synchronisation of each Unit and the Plant with the Grid System in accordance with applicable laws and permits, Prudent Utility

Practices, the Electrical Interconnection Requirements, PPA and the operation and maintenance manuals. The Contractor recognises the rights of the GSO with respect to the initial operation date of each Unit. If the GSO delays initial operation by no more than fifteen days (15) days, or more than fifteen (15) days due to any fault of the Contractor, then the Contractor is still obliged to ensure completion by the guaranteed dates. If the GSO delays by more than fifteen (15) days not due to any fault of the Contractor, then the Contractor is entitled to an equitable adjustment.

6.3.13 Acceptance Testing, Provisional Acceptance and Final Acceptance

Completion of each Unit, the Plant and the TWA Works is to be achieved in stages, with each stage subject to specified criteria and conditions before final acceptance.

(a) Commissioning and Testing

Commissioning tests are to be conducted in accordance with an agreed program and approved procedures. The Contractor is to fulfil all specified requirements before JEV and the independent engineer confirm that Final Commissioning Completion has been achieved, and that the performance tests and reliability run can be carried out. The performance tests must show that the Units meet the relevant permitted emissions, permitted noise level and minimum performance criteria as stipulated in the EPCC.

All acceptance tests, and any subsequent corrections, are to be done at the Contractor's cost, except that if the tests are delayed due to JEV's fault, then the Contractor is entitled to an equitable adjustment for additional costs.

The Contractor is to conduct all tests and inspections of the TWA Works, including the pre-commissioning inspection and testing audit procedure, in compliance with the requirements of JEV, TNB and the conditions specified in the EPCC.

(b) Provisional Acceptance

A Unit shall have achieved Provisional Acceptance when the Contractor demonstrates the following:

- (i) achievement during the performance test of a maximum continuous net electrical output of 97.493% (being 700 MW) or higher of the Guaranteed Net Output, and a net heat rate of 105% or lower of the Guaranteed Net Heat Rate. In the event that Guaranteed Net Output and Guaranteed Net Heat Rate are not met, then the Contractor is liable to pay the applicable liquidated damages;
- (ii) the Unit operates within the permitted emissions and noise levels during the performance test, and all required performance testing has been completed;
- (iii) successful completion of the reliability run;
- (iv) the Unit is properly synchronised to the Grid System;
- (v) the operation and maintenance manuals as well as relevant special tools have been provided by the Contractor;
- (vi) the Interconnection Facilities and TWA Works have achieved Provisional Acceptance;
- (vii) all services except for punch list items have been completed;
- (viii) common facilities required for the commercial operation of the relevant Unit are fully functional; and
- (ix) start-up times, load despatch rates and operating characteristics conform to the requirements contained in the relevant appendices of the EPCC and PPA.

When JEV and the independent engineer are satisfied with the results of the performance tests and reports submitted by the Contractor, a certificate indicating achievement of Provisional Acceptance will be issued. Upon Provisional Acceptance, JEV will take sole

responsibility for the operation and maintenance of that Unit, and risk of loss passes to JEV. The Contractor will be given reasonable access to complete punch list items and to fulfil its obligations with respect to warranties.

Provisional Acceptance of the facility is achieved when the Contractor has caused the Facility to be operated as an integrated whole, including the common facilities, each Unit has achieved Provisional Acceptance and all relevant criteria has been fulfilled.

The Interconnection Facilities and TWA Works shall have achieved Provisional Acceptance when all relevant testing and criteria specified in the EPCC have been fulfilled and each is properly interconnected with the Grid System, and additionally in the case of the TWA Works, the independent engineer has certified such compliance and the as-built and O&M manuals have been delivered to JEV.

(c) Final Acceptance

Final Acceptance of the facility shall occur only when all previous criteria for Provisional Acceptance of the Units, facility, common facilities, Interconnection Facilities and TWA Works have been met, and all punch list items have been completed. When JEV and the independent engineer are satisfied that all conditions have been fulfilled, a certificate indicating achievement of Final Acceptance will be issued. Final Acceptance must be achieved by the Contractor within six (6) months from Provisional Acceptance of the facility, otherwise JEV may appoint another contractor to complete the works at the Contractor's cost.

(d) Final Completion

Final Completion of any Unit, facility, common facilities, Interconnection Facilities and TWA Works is achieved upon the expiry of the applicable warranty period.

6.3.14 Liquidated Damages

The Contractor is obligated to complete the works by certain specified dates and to achieve specified performance criteria, failing which liquidated damages shall be payable to JEV.

(a) Guaranteed Completion Date

The Contractor guarantees that Provisional Acceptance will be achieved by the following dates:

- (i) for the first Unit : 1 January 2009
- (ii) for the second Unit : 1 July 2009
- (iii) for the facility : 1 July 2009
- (iv) for the TWA Works : 1 December 2007.

If Provisional Acceptance of a Unit or facility has not occurred by the relevant guaranteed dates, then the Contractor shall pay to JEV liquidated damages in the sums specified in the EPCC for each day of delay. If failure by the Contractor to achieve Provisional Acceptance of the TWA Works contributes, whether directly or indirectly, to any delay in Provisional Acceptance of a Unit or the facility, liquidated damages shall be payable. Total liquidated damages for delay payable by the Contractor may not exceed twenty percent (20%) of the contract price.

(b) Guaranteed Performance

The Contractor guarantees that each Unit establishes the following during the performance test:

- (i) a Guaranteed Net Output of 718 MW as set out in the EPCC

- (ii) a Guaranteed Net Heat Rate of 9,869 kJ/kWh (weighted mean value) as set out in the EPCC.

In the event the performance guarantees are not met during testing, then the Contractor will pay the applicable liquidated damages in the sums specified in the EPCC for each kW of shortfall, or each kJ/kWh of excess, as the case may be. Total liquidated damages for failure to achieve the Guaranteed Net Output and/or Guaranteed Net Heat Rate may not exceed twenty percent (20%) of the contract price.

If liquidated damages have been paid, the Contractor is entitled to make further modifications during the warranty period to correct its failure. Such corrections will only be carried out during scheduled outage periods, failing which the Contractor is to pay the relevant rebates for each additional day taken.

6.3.15 Warranties

The warranties for each Unit, facility and TWA Works shall apply for a period of twenty-four (24) months from their respective date of Provisional Acceptance, provided that in the case of a replaced or repaired part, the period is extended by a further twenty-four (24) months from the date of such replacement or repair, up to a maximum of forty-eight (48) months from Provisional Acceptance. During the warranty period, the Contractor is obligated to replace, repair and correct any breach of warranty at its expense. The Contractor shall make good at its expense any latent defect in the works caused by the Contractor's gross negligence and discovered within twenty-four (24) months from expiry of the warranty period for the second Unit. The latent defect period in the case of metering equipment is thirty-six (36) months from expiry of the warranty period for the second Unit.

In respect of the TWA Works, the Contractor further warrants that a design life of at least twenty-five (25) years has been used as the basis of the design and the TWA Works is warranted to be free from latent engineering or design defects for a period of twenty-four (24) months from Provisional Acceptance of the TWA Works

6.3.16 Insurance

The EPCC sets out the insurance policies that are to be obtained by JEV and the Contractor, which are as typically required for such projects, and include erection all risks, all risk transit, workmen's compensation, all risks physical damage and motor vehicle liability. Where applicable, the policies shall name JEV, the financing parties and TNB as additional insureds, and all proceeds shall be subject to any assignment rights or conditions of the financing parties.

6.3.17 Termination for Default

Any of the following events constitute an event of default by the Contractor:

- (i) the Contractor is dissolved or institutes any proceedings for insolvency or reorganisation of its debts;
- (ii) the Contractor fails substantially to perform any of its obligations under the EPCC in any material respect;
- (iii) construction of any Unit is abandoned by more than thirty (30) consecutive days unless excused by Force Majeure;
- (iv) any material representation made by the Contractor is false or misleading;
- (v) failure to achieve Provisional Acceptance of any Unit within one hundred and eighty (180) days after the Guaranteed Completion Date and the PPA is terminated;
- (vi) the measured output of a Unit is more than five percent (5%) below the Guaranteed Net Output;
- (vii) the measured heat rate of a Unit is more than five percent (5%) above the Guaranteed Net Heat Rate;

- (viii) liquidated damages have reached the maximum payable;
- (ix) the Contractor assigns or transfers the EPCC without JEV's consent;
- (x) the Contractor fails to comply with any applicable law or permit and fails to remedy within the cure periods;
- (xi) any insurance coverage required by the Contractor is not maintained;
- (xii) any part of the works is abandoned, unless excused by an emergency; or
- (xiii) the Contractor fails to supply sufficient skilled workers or suitable materials.

If the Contractor does not commence remedial action within the stipulated cure periods, JEV has the right to terminate the EPCC, take possession of all rights to the works, recover from the Contractor the difference between the cost of completing the works and the unpaid contract price and exercise any remedy available at law.

If an event of default occurs in relation to the TWA Works which is not cured within the stipulated cure period, the non-defaulting party may terminate the TWA Works portion of the EPCC upon written notice. The EPCC sets out the remedies and obligations of each party under the different circumstances in which the TWA Works portion of the EPCC may be terminated due to default.

6.3.18 Variations

The EPCC sets out respectively the particular procedures and conditions under which JEV may instruct the Contractor to amend or vary any part of the works. A variation order issued by JEV and permitted in the EPCC will entitle the Contractor to an equitable adjustment.

6.3.19 Assignment and Subcontracts

The Contractor acknowledges that JEV may assign all of its rights under the EPCC to the financing parties, and will afford the financing parties an opportunity to remedy any default of JEV.

6.3.20 Dispute Resolution

Any dispute shall be resolved by negotiations between the parties, failing which after sixty (60) days, shall be referred to arbitration. Within ninety (90) days from appointment of the arbitral tribunal, a determination shall be reached, which will be final and binding. Arbitration will be held in London and in accordance with the laws of Malaysia.

6.3.21 Representations and Warranties

Each party represents and warrants that it has the power and authority to enter into the EPCC, execution of the EPCC will not conflict with or result in a breach of any covenant or applicable law, and the EPCC constitutes a legal, valid and binding obligation.

6.4 Spare Parts Supply, Maintenance Services and Technical Personnel Despatch Agreement

The following section outlines the key terms and conditions that are contained in the Spare Parts Supply, Maintenance Services and Technical Personnel Despatch Agreement (or "Services Agreement").

6.4.1 Overview

The Services Agreement was executed between the Operator and the Contractor on 23 September 2004. The term of the Services Agreement shall be for twenty (20) years from the date of execution.

6.4.2 Technical Personnel Services

The Contractor shall make available properly qualified and experienced personnel to provide technical and operational support to the Operator as may be required from time to time. The technical personnel shall provide advisory services in relation to operational matters such as scheduled and unscheduled maintenance, warranty issues, training, testing of equipment, technical analysis and technical support.

The Operator shall pay the agreed daily rates and costs in consideration for such services. The daily rates are subject to an annual escalation formula to be applied to the despatch daily base rates which are fixed for a period of five (5) years and are to be revised at the end of the fifth year.

6.4.3 Supply of Spares

The Contractor agrees to make available for purchase spares as may be required by the Operator from time to time. The spares shall be supplied at the agreed prices and annual escalation formulas, and will be subject to revision every five (5) years. In the event the Contractor intends to discontinue supply of any spares, it shall give the Operator at least six (6) months notice to enable the Operator to make bulk purchase of the relevant spares. The Contractor shall also either identify potential alternative suppliers of such spares or license the Operator (royalty free) to enable the Operator to manufacture the spares.

6.4.4 Maintenance and Stand Alone Services

The Operator may request the Contractor to provide maintenance and/or other advisory services, in which case both parties shall mutually agree on the scope, terms and payment for such services.

6.4.5 Termination

The Operator is entitled to terminate the Services Agreement at any time upon thirty (30) days notice. The Contractor may terminate the Services Agreement if either: (a) the Operator has failed to pay any amount due to it and fails to rectify such default within forty-five (45) days of written notice; (b) a winding up order is passed against the Operator; or (c) the Operator commits any serious breach of its obligations and fails to rectify such default within thirty (30) days written notice.

6.5 Operation and Maintenance Agreement

The following section outlines the key terms and conditions that are contained in the OMA.

6.5.1 Overview

The OMA was executed between JEV and an unincorporated joint venture comprising Jimah O&M Sdn Bhd and Jimah Teknik Sdn Bhd (the "Operator") on 9 November 2004 and was supplemented by a Supplementary Agreement to the OMA on 23 March 2005. The OMA sets out the terms and conditions under which the Operator is to provide operation, maintenance and repair services as well as the supply of parts in relation to the Plant and Interconnection Facilities.

The term of the OMA commences from the date of its execution for a period of twenty-five (25) years from COD of the first Unit, and may be extended subject to mutual agreement.

6.5.2 Obligations of the Operator

The Operator is obliged to perform its services in accordance with the Grid Code, O&M manuals, government authorisations, the IPP Licence, design limits, Project documents, Prudent Utility Practices, insurance requirements, applicable laws and terms and conditions of the OMA. The OMA sets out the general obligations of the Operator as well as its specific obligations during the mobilisation and operating periods.

During the mobilisation period, the Operator's obligations include (among others): the review of drawings and specifications relating to O&M, commissioning and O&M manuals; provision of personnel to the Contractor; and preparation of a safety control system. During the operating period, the Operator is obligated to (among others): operate each Unit from its Provisional Acceptance Date according to despatch instructions and to meet the stipulated performance guarantees; carry out performance testing of each Unit in accordance with the PPA; monitor fuel, water quality and emissions; implement an environmental monitoring programme; provide monthly and annual reports, and maintain records and logs of the Plant; monitor claims in relation to warranties and insurance; procure contractors to undertake minor civil and marine works; and control stores stock.

The Operator shall engage sufficient and reliable personnel, with the level of competency and experience necessary to perform its obligations.

6.5.3 Obligations of JEV

The OMA sets out the various obligations of JEV to the Operator. Responsibility for the O&M of each Unit shall be transferred to the Operator on the Provisional Acceptance Date of that Unit, subject to certain terms and conditions as stipulated in the OMA.

6.5.4 Spares and Tools

JEV is to provide at its own cost the first set of initial spares, emergency spares, initial tools and special tools for each Unit as at that Unit's Provisional Acceptance Date. Thereafter, the Operator is to provide at its own cost all replacements or repairs of the spares and tools (except those covered by insurance and the Contractor's warranties).

6.5.5 Covenants, Representations and Warranties

The Operator covenants that (among others) it shall use reasonable endeavours to utilise local content and personnel, provide adequate training, and undertake any necessary repairs or replacements at its own cost. The Operator represents and warrants that (among others) it has the requisite government authorisations and licences necessary, it will comply with all laws relating to the site and it has the skill and experience necessary to perform its services. The Operator shall not sell electricity to any other party except TNB.

6.5.6 Curtailment of Operation

In the event that the Operator must curtail or shut down the Plant due to either (i) an emergency condition or (ii) as a result of TNB or GSO's refusal to accept NEO, JEV shall continue to pay the service fee. JEV shall also pay any reasonable additional cost due to rapid shutdown for situation (ii) above unless due to NEO that does not conform to Appendix B of the PPA or the fault of the Operator. The Operator will be excused from its performance guarantees provided such curtailment is not due to its act or omission.

If the Operator requests that TFS diverts or disposes of a coal shipment because coal stockpiles are at a maximum due to forced outage, then any costs reasonably incurred by TFS shall be borne by the Operator.

6.5.7 Fees and Payment

JEV shall pay the Operator the following fees in accordance with Appendix 3 of the OMA: (a) engagement fee, (b) mobilisation fee, (c) monthly service fee comprising a fixed operating fee, variable operating fee and start-up fee, and (d) if applicable, any bonus or deduction for liquidated damages, costs for minor civil and marine works and payments for variation orders.

The Operator is to deliver to JEV a monthly invoice (together with the billing statement to TNB from COD of the first Unit) for the service fee due, which is to be paid within thirty (30) days from the date of invoice unless disputed. Late payments will accrue interest at one percent (1%) per annum above the prevailing base lending rate of Maybank Berhad or its successors.

The service fee shall be adjusted to reflect any increased O&M costs if the average exchange rate of Ringgit Malaysia to United States Dollar or Japanese Yen in any contract year appreciates more than three percent (3%) from the reference rates as set out in Appendix 11 of the OMA, or due to any increase in import duties and/or taxes.

6.5.8 Reserves

The Operator shall establish a reserve of RM12 million to be built up over a two (2) year period commencing from COD of the first Unit at RM6 million per year ("Operator's Reserve"). The Operator's Reserve shall be used exclusively to pay for unanticipated maintenance expenses, including any repair or replacement. Amounts withdrawn will be replenished by the Operator at a rate of no less than RM500,000 per month.

The Operator's Reserve is in addition to the Maintenance Reserve required to be established by JEV under the PPA. The Operator may apply to JEV, subject to approval by the financing parties, to utilise part of the Maintenance Reserve for maintenance expenses exceeding RM12 million. Funds withdrawn from the Maintenance Reserve by the Operator will be replenished within the next five (5) months to the required level, failing which JEV may deduct an appropriate amount from the variable operating fee.

The Operator shall also establish a reserve of RM60 million to be built up in accordance with Appendix 12 of the OMA ("Mid-life Refurbishment Reserve"), which is to be used exclusively for restoration of machinery or items due to wear and tear. The Operator is not obliged to replenish any amounts withdrawn from the Mid-life Refurbishment Reserve.

6.5.9 Variations

A variation order shall be prepared by the Operator if: (a) either JEV requests for, or the Operator recommends, additional services to be performed; (b) any change in circumstance (as defined in the OMA) occurs which results or may result in the Operator having to perform additional work, change its scope of services, incur additional cost or affect the

Operator's ability to perform; or (c) any plant or equipment becomes obsolete and as a result of complying with the agreed recommended alternative, the Operator incurs costs in excess of RM1 million per contract year. Both parties shall negotiate any adjustments pursuant to the variation order, including with respect to additional costs, fees and timetable, failing which the matter will be referred to arbitration.

6.5.10 Limitation of Liability

The Operator's total liability under the OMA shall not exceed the total fixed operating fee received by the Operator for the preceding twelve (12) months.

6.5.11 Insurance

JEV shall be responsible for insuring the Plant against loss or damage in accordance with requirements of the EPCC and PPA. The Operator shall pay fifty percent (50%) of the deductibles for industrial all risks, machinery breakdown and public liability insurance, and in addition, pay for any increase in deductibles if such increase was a direct result of the Operator's negligence or breach. The Operator shall maintain workmen's compensation insurance and motor vehicle liability insurance, and shall name JEV and TNB as additional insureds where applicable. Proceeds of any claims will be paid to the relevant party, subject to the conditions of the financing parties.

6.5.12 Guarantees

The Operator guarantees that it will meet the following performance guarantees as set out in Appendix 6 of the OMA, subject to each Unit passing their respective performance tests defined in the EPCC:

- (a) Guaranteed Heat Rate: the applicable heat rates set out in Appendix G of the PPA.
- (b) Unplanned Outage Limit: the aggregate unplanned outage (in kWh) shall not exceed 6% of TAAC in relation to Available Capacity Payments. The aggregate unplanned outage (in kWh) shall not exceed 3.5% of TAAC in relation to Utilisation Payments during peak hours. The outage limits are determined in reference to the PPA.
- (c) TAAC: not less than 700 MW per Unit, established in accordance with the PPA.
- (d) Contracted Average Availability Target: not less than the contracted average availability targets as set out in Appendix G of the PPA.
- (e) Compliance with Despatch Instruction, Monitoring Test and Operating Characteristics: as determined in the relevant provisions and requirements of the PPA.
- (f) Compliance with laytime for unloading coal: as determined under the shipping contract between TFS and the vessel owner.

The Operator guarantees that emission and discharge levels will comply with applicable laws and government authorisations.

6.5.13 Performance Guarantee Bond

The Operator will obtain and maintain a performance guarantee bond in the amount of RM40 million within thirty (30) days of the Financial Close date. The performance guarantee bond will be valid for a period of one (1) year and will be annually renewed by the Operator until the end of the term or earlier termination of the OMA.

The performance guarantee bond may be drawn up in full if JEV reasonably determines that to be necessary to compensate it for losses, damages, expenses and other costs for breach of the Operator's obligations under the OMA.

The performance guarantee bond may be assigned to the financing parties of JEV.

6.5.14 Liquidated Damages and Bonuses

If the Operator fails to achieve the performance guarantees, it shall pay to JEV all reduction in revenues and penalties incurred by JEV as liquidated damages as specified in Appendix 7 of the OMA, as the same is supplemented by the Supplementary Agreement to the OMA, subject to a maximum of RM70 million per year. Should the liquidated damages payable by the Operator exceed the amount available in the performance guarantee bond, JEV has the right to set-off the balance of such liquidated damages payable by the Operator (subject to the Operator's aforementioned aggregate liability of RM70 million per year) against any payments which are and/or may become due and payable to the Operator by JEV.

If the Operator achieves performance levels above the guarantees, it is entitled to receive bonuses as specified in Appendix 7 of the OMA as the same is supplemented by the Supplementary Agreement to the OMA.

6.5.15 Termination

The OMA sets out the events under which the OMA may be terminated and consequences of termination. JEV may terminate the OMA in the following circumstances:

- (a) if the Operator has not remedied a breach committed by it under the OMA within one hundred and twenty (120) days from JEV's notice;
- (b) either one of the Operator partners is dissolved or liquidated, but alternatively JEV has the right to terminate only the insolvent partner and novate the OMA to the non-insolvent partner;
- (c) either one of the Operator partners ceases to carry on power generation and operation as its principal business, but alternatively JEV has the right to terminate only the outgoing partner and novate the OMA to the remaining partner;
- (d) if liquidated damages or demurrage costs payable by the Operator reaches RM40 million per year and the Operator fails to implement a remedial plan agreed by the parties or delays the implementation of the agreed remedial plan for more than thirty (30) days for reasons not attributable to a force majeure event or any misconduct of JEV, JEV may terminate the OMA by giving sixty (60) days' notice to the Operator (or assume operational responsibility for the Plant and Interconnection Facilities to remedy the situation);
- (e) if any of the Plant's emission levels exceed the permitted gaseous emissions level and any of the Plant's discharge levels exceed the permitted liquid discharge level and the Operator fails to cure the exceeded emissions within the agreed cure period for reasons not attributable to a force majeure event or any misconduct of JEV, JEV may terminate the OMA by giving sixty (60) days' notice to the Operator (or assume operational responsibility for the Plant and Interconnection Facilities to remedy the situation); or
- (f) the PPA is terminated or expires.

The Operator may terminate the OMA if:

- (i) the EPCC is terminated before COD of the first Unit, or if any Unit fails to achieve COD within one hundred and eighty (180) days of its scheduled date, and both parties have failed to agree on the necessary amendments to the OMA within the stipulated time periods; or
- (ii) Financial Close is not achieved within eighteen (18) months (or other period as agreed) of the OMA, or if JEV has sold or transferred the Project to a third party (other than any sale, conveyance, transfer or disposal of the Project pursuant to any Islamic financing in accordance with the principles of Shariah and following which JEV re-acquires title to the Project), or if JEV is in default under the OMA or becomes insolvent.

Either party may terminate the OMA if a force majeure event persists for more than a continuous period of ninety (90) days or one hundred and eighty (180) days in aggregate during a calendar year.

If the OMA is terminated, JEV shall pay the Operator for work properly performed to date and the agreed cancellation charges. In addition, if the OMA is terminated due to JEV's default, events as described in paragraph (f) above, or events as described in paragraph (i) above, then JEV shall also pay demobilisation costs. Upon termination or expiry, the Operator and JEV shall ensure that operation of the Plant is properly transferred to the successor operator. The Operator acknowledges that TNB, the financing parties and the Energy Commission may exercise their step-in rights for either partial or complete operational responsibility of the Plant.

6.5.16 Delays to COD

If TNB exercises its right under the PPA to delay COD of any Unit, JEV may suspend part or all of the services under the OMA, and shall pay the Operator's unavoidable and manpower costs.

6.5.17 Force Majeure

Force majeure events that may excuse either party from its obligations include acts of terrorism, acts of God, any force majeure event under the EPCC or other contract entered into by JEV related to the construction or ownership of the Plant or TWA works, and any interruption in the supply of coal due to TFS' default.

If a force majeure event delays COD of the first Unit beyond its scheduled date, then JEV shall continue to pay the Operator the monthly mobilisation fee until COD occurs. If a force majeure event occurs after COD of the first Unit, then JEV shall continue to pay the monthly service fee as long as the Unit is available, or its unavoidable costs, whichever higher. However, if TNB declares a force majeure event affecting itself under the PPA, then JEV shall pay only the fixed operating fee to the Operator. JEV shall pay for any costs incurred by the Operator in mitigating a force majeure event.

6.5.18 Industry Restructuring

In the event of industry restructuring, the Operator shall participate in any intermediate market and provide any reasonable data and advice, subject to adjustments under a variation order. If the parties fail to agree to amendments to the OMA within three (3) months of negotiations, then either party may terminate the OMA, in which case JEV shall pay the Operator the agreed compensation amounts.

6.5.19 Title, Risk of Loss and Liens

Title to any material or equipment incorporated into the Plant and Interconnection Facilities will pass to JEV upon incorporation. Title to all items, drawings and documents furnished by JEV, including intellectual property, shall remain with JEV.

6.5.20 Dispute Resolution and Arbitration

Any dispute shall first be resolved through good faith negotiations between the parties, failing which after sixty (60) days, shall be referred to arbitration. If the parties cannot agree on one arbitrator, then each party shall appoint one person and the arbitrators shall appoint a third person to act as chairperson. The tribunal shall reach a decision within ninety (90) days of appointment, which shall be final. Arbitration is to be held at the Regional Centre for Arbitration in Kuala Lumpur and in accordance with prevailing rules of UNCITRAL for commercial arbitration.

6.6 Lease Agreement

The following section outlines the key terms and conditions that are contained in the Lease Agreement.

6.6.1 Overview

The Lease Agreement was executed between JEV and JJSB on 14 October 2004, and was further supplemented with a Supplementary Agreement on 12 April 2005. The Lease Agreement sets out the conditions under which JEV is to lease an area measuring approximately five hundred and fifteen (515) acres, comprising of a forest reserve area, seafront area, adjoining seafront area and land, all located in Kuala Sungai Sepang (collectively the "Land") for the Project.

6.6.2 Term

The lease is for a term of forty-five (45) years and will commence 1 April 2005.

JEV shall register the lease at its own cost, and JJSB shall deliver the issued title to JEV and execute such documents as may be necessary for registration. Upon the issue of titles to the Land but pending registration of the lease, JEV is entitled to lodge a private caveat on the Land.

Vacant possession to the Land is to be delivered to JEV immediately upon registration of the Land title to be procured by JJSB.

6.6.3 Lease Rental and Security Deposit

Pursuant to the Supplementary Agreement dated 12 April 2005, JEV is not liable to pay any annual lease rental or security deposit to JJSB. The security deposit received by JJSB on 18 October 2004 shall be refunded without interest to JEV in accordance with a payment schedule to be mutually agreed.

6.6.4 Early Commencement of Work

JJSB shall procure the necessary approvals for JEV's right of access to carry out works on the Land prior to registration of title.

6.6.5 JEV's Covenants

JEV shall use the Land solely in relation to the Project, and in compliance with the requirements of the appropriate authority. During the term, JEV will be responsible for all payments in respect of the occupation, possession and use of the Land including quit rent, assessments and taxes. JEV shall not sub-lease any part of the Land, except for any transfer of the switchyard area to TNB.

6.6.6 JJSB's Covenants

If JEV performs its covenants as set forth in the agreement, JJSB shall ensure JEV's right to the quiet enjoyment of the Land. JJSB undertakes the following: (a) the category of land use will be consistent with that of the Project, and not subject to any conditions which could prevent or delay the Project; (b) the leasehold term will not be less than ninety-nine (99) years; (c) consent of the state authority will be obtained for the grant of the lease; and (d) no restriction in interest on the Land or other conditions unacceptable to JEV or detrimental to the development and implementation of the Project.

Title to any equipment, building, plant or other property shall vest in JEV.

JJSB represents and warrants that it shall not agree to sell, assign or encumber the Land in any way, and has not granted any person any licence, option or other rights in respect of the Land.

6.6.7 Termination or Forfeiture

The Lease Agreement may not be terminated or forfeited by JJSB.

JEV has the right to terminate the Lease Agreement if: JJSB fails to either (a) secure alienation of the Land or registration of the Land title, (b) deliver vacant possession of the Land to JEV, (c) fulfil any of its covenants, or (d) remedy any material breach within thirty (30) days of written notice; or if the lease is not registrable under the National Land Code 1965 for any reason. Upon termination, JEV will quit and deliver vacant possession of the Land to JJSB.

6.6.8 Assignment

JEV shall be entitled to assign its rights under the Lease Agreement to the financing parties as well as to any transferee of the Project without JJSB's approval, provided that JEV is not in default under the agreement.

6.6.9 Condition of the Land

JEV is deemed to have inspected the Land and accepts the Land on an "as is where is" basis. All costs in relation to site preparation including land filling, reclamation, drainage and surveys shall be borne by JEV. JEV is not obligated to restore the Land to its previous condition in the event that the Lease Agreement is terminated, the Project is abandoned or upon expiry of the lease term.

6.6.10 Force Majeure

Neither party will be considered to be in default if an event of force majeure prevents the performance of its obligations. If an event of force majeure persists, the Lease Agreement shall not be terminated but suspended and both parties shall agree on the best alternative or new terms.

6.6.11 Arbitration

Disputes shall be referred to an arbitration panel comprising three (3) persons, to be held in Kuala Lumpur, which decision shall be final and binding on both parties.

6.7 Project Management Agreement

The following section outlines the key terms and conditions that are contained in the PMA.

6.7.1 Overview

The PMA was executed between JEV and an unincorporated joint venture comprising Jimah O&M Sdn Bhd and Jimah Teknik Sdn Bhd (the "Consortium") on 1 October 2004. The PMA sets out the terms and conditions under which the Consortium is to provide project management services for the Project. The PMA is effective from the date of its execution until one (1) year from COD of the second Unit. The term may be extended subject to mutual agreement.

6.7.2 Consortium's Obligations and Services

The Consortium is to provide JEV with the services as described in the PMA, which shall include the following: (a) to manage, monitor, coordinate and supervise the EPC Contractor, other contractors and technical consultants, as well as use reasonable endeavours to ensure the Project is carried out in accordance with the Project agreements and completed within the required period; (b) assist JEV in negotiating Project agreements and in obtaining the necessary approvals, and provide engineering services in relation to tenders by the various contractors; (c) preparation of the Project manual, review of plant installation, designs and drawings, as well as site supervision to monitor construction, commissioning, testing and environmental compliance; and (d) manage the procurement of all access rights and rights-of-way.

The Consortium is to provide JEV and/or the financing parties with progress reports if requested. Any error or discrepancy that occurs due to the fault of the Consortium must be rectified by the Consortium at its cost. The Consortium warrants that it shall engage sufficient and competent personnel to perform the services. The Consortium is to procure and maintain "Project Professional Indemnity" insurance of at least RM2,000,000 per occurrence.

6.7.3 JEV's Obligations

In consideration of the Consortium providing the services, JEV is obligated to pay the Consortium a monthly fee as stipulated in Appendix 3 of the PMA. JEV shall also pay for reimbursable expenses properly verified and substantiated as well as any additional fees as may be agreed by both parties for any additional services requested by JEV.

6.7.4 Assignment and Subcontracting

Neither party may assign its rights under the PMA without prior written consent of the other party, except that JEV may assign its rights as security to the financing parties.

The Consortium may subcontract or delegate any part of the services to other technical consultants as may be appointed by the Consortium; however, the Consortium shall remain responsible for the performance of such services. JEV may require that the Consortium novate all of its rights and obligations under any subcontract to JEV.

6.7.5 Limitation of Liability

No party shall be liable for any indirect or consequential loss arising from the PMA. The Consortium will not be liable to JEV for any loss due to complying with JEV's instructions or resulting from a constraint imposed by JEV, provided it has informed JEV of such consequence. In addition, the Consortium is not liable if it is unable to perform its obligations due to acts or omissions by JEV, the EPC Contractor, other contractors, JEV's consultants or any other third party.

The Consortium's total aggregate liability under the PMA shall not exceed the higher of (a) twenty percent (20%) of the total fees payable by JEV, and (b) the fees payable to the Consortium for the preceding twelve (12) months.

6.7.6 Force Majeure

A force majeure event shall excuse either party from its obligations. Both parties shall agree to equitable adjustments as may be necessary as a result of a force majeure event. If a force majeure event persists for more than a continuous period of ninety (90) days, or one hundred and eighty (180) days in aggregate, then either party may terminate the PMA by thirty (30) days written notice. Upon termination, JEV shall pay all fees due and payable to the Consortium as well as cancellation charges in accordance with the PMA.

6.7.7 Suspension and Delay

If a suspension or delay is caused by any of the following:

- (a) a government entity orders a stoppage or suspension of works;
- (b) JEV delays issuance of the notice to proceed to the EPC Contractor;
- (c) the EPC Contractor suspends any part of the works under the EPCC; or
- (d) TNB or the GSO exercises its right under the PPA to delay COD of a Unit beyond its scheduled date and the EPCC is suspended;

then JEV shall continue to pay the Consortium the fees as stated in the PMA during the period of suspension, provided that (i) in the event of a suspension ordered by a government entity that continues for more than six (6) months, JEV shall have the option to terminate the PMA, and (ii) if JEV chooses not to issue a notice of suspension in the event of a TNB or GSO delay, the Consortium shall continue to provide the services and JEV shall pay the fees as stated in the PMA.

6.7.8 Termination

JEV shall have the right to terminate the PMA in the following circumstances: (a) default by the Consortium where the breach is not remedied within the cure periods; (b) any Consortium partner becomes insolvent, undergoes liquidation or debt reorganisation; or (c) any Consortium partner commits a breach which is not remedied within the cure periods. JEV shall then pay the Consortium all fees due and payable as at the date of termination, without prejudice to JEV's rights to recover damages.

In the event of insolvency or default by any one Consortium partner, JEV shall have the option to terminate the engagement of that partner and novate all rights and obligations under the PMA to the non-insolvent or non-defaulting partner.

JEV may terminate the PMA for its convenience, or if the Project is aborted for any reason, in which case it shall pay all fees due and payable as at the date of termination and cancellation charges in accordance with the PMA.

The Consortium shall have the right to terminate the PMA in the following circumstances: (a) default by JEV where the breach is not remedied within the cure periods; (b) failure by JEV to make payment when due; or (c) JEV becomes insolvent, undergoes liquidation or debt reorganisation. Upon termination, JEV shall pay the Consortium all sums due as at the date of termination and cancellation charges.

Either party shall have the right to terminate the PMA if: (a) the PPA is terminated; or (b) the Project is transferred or sold to a third party. Upon termination, JEV shall pay the Consortium all sums due as at the date of termination and cancellation charges.

6.7.9 Dispute Resolution

Any dispute not settled by mutual consultation shall be referred to arbitration by one arbitrator. Arbitration shall be in accordance with the UNCITRAL Arbitration Rules at Kuala Lumpur, and the award shall be final and binding on the parties.

6.8 Technical Support Agreement

The following section outlines the key terms and conditions that are contained in the TSA.

6.8.1 Overview

The TSA was executed between the Operator and Connell Wagner (M) Sdn Bhd ("Connell Wagner") on 10 January 2005. The TSA sets out the terms and conditions under which Connell Wagner is to provide technical advisory services and operation, maintenance and commission services for the Project. The TSA shall be effective for seven (7) years from the commencement date (which is the date that the OMA is executed and in full force and effect). The term may be extended for a further five (5) years at JEV's option.

6.8.2 Services

The Operator may request Connell Wagner to provide the services as described in Appendix I of the TSA as required from time to time through a purchase order. The Operator shall provide Connell Wagner with the scope and schedule of services which it requires Connell Wagner to perform, giving at least fifteen (15) days notice or such reasonable period commensurate with the nature of services required, upon which both parties shall agree on the details for the provision of such services.

The services to be provided by Connell Wagner may include the following: (a) O&M consulting services; (b) engineering and technical support during project development, design, construction, commissioning and O&M phases; (c) provision of experienced O&M staff; (d) training; and (e) coal combustion testing facility and plant performance optimisation.

The Operator shall pay to Connell Wagner the agreed hourly rates for work performed in Malaysia and/or carried out in Australia subject to an annual escalation, as well as any other expenses and disbursements, in which the rates are to be agreed.

6.8.3 Assignment and Sub-Contract

If so requested by JEV, the TSA shall be novated or assigned by the Operator to JEV, or any third party nominated by JEV as the successor operator, in any of the following circumstances: (a) the OMA is terminated; or (b) the Operator commits a default under the TSA, provided the default is not remedied within the agreed remedy period.

Connell Wagner may sub-contract part of its rights and obligations under the TSA subject to the prior written approval of the Operator.

6.8.4 Limitation of Liability

The aggregate liability of Connell Wagner to the Operator in respect of any claim for loss or damage arising out of the performance or non-performance of Connell Wagner's services pursuant to an agreed purchase order shall not exceed the higher of (a) the aggregate remuneration actually received by Connell Wagner in respect of an agreed purchase order for the relevant services performed and (b) the aggregate remuneration actually received by Connell Wagner within the calendar year in which the claim for loss or damage was received, capped at AUS\$2 million per year less any sums actually paid by Connell Wagner to the Operator and any amount subsequently agreed between the Operator and Connell Wagner in respect of any claims within the same calendar year.

6.8.5 Termination

Either party may terminate the TSA by giving thirty (30) days written notice if the other party either (a) fails to make any payment which is due and payable within thirty (30) days of notice unless disputed in good faith; or (b) commits a material breach which is not

remedied within thirty (30) days of notice. If the Operator has committed a breach of its obligations, upon written notice by Connell Wagner of its intention to terminate the TSA, JEV shall have the right to request for the assignment or novation of the TSA to JEV or any third party nominated by JEV as successor operator, failing which Connell Wagner may terminate the agreement.

6.9 Transmission Works Agreement

The following section outlines the key terms and conditions that are contained in the TWA.

6.9.1 Overview

The TWA was executed between JEV and TNB on 14 March 2005. Under the TWA, TNB has appointed JEV to design, engineer, construct, install, test and commission the transmission works as defined below, and upon completion to transfer the works to TNB. The TWA specifies the obligations of JEV, as well as the terms and conditions of payment by TNB for such works.

6.9.2 Transmission Works

JEV shall construct and commission the TWA Works in accordance with the requirements of the TWA and Prudent Utility Practices. The TWA Works comprise of two (2) transmission lines. The first transmission line is a double circuit 500kV, 2800MVA transmission line of approximately fifty-one (51) kilometres in length connecting the Interconnection Facilities to the 500/275kV Lenggeng substation as per the route plan, and the second transmission line is a double circuit 500kV, 2800 MVA transmission line of approximately forty-eight (48) kilometres in length connecting the Lenggeng substation to the Olak Lempit 275kV substation as per the route plan (including the provision of all Plant, spares and tools as defined in the TWA).

6.9.3 Contract Sum

In consideration for the TWA Works, TNB shall pay JEV a fixed contract sum in accordance with the milestone payment schedule. The contract sum is an all inclusive lump sum price, and shall include all costs for any increase in the length of the transmission lines of up to four (4) kilometres.

On each applicable milestone date, JEV shall submit a detailed invoice to TNB, together with certification by the independent engineer and owner's engineer of the completion of the relevant milestone. TNB shall pay the amount due within thirty (30) days from the date of receipt of each invoice by TNB provided the relevant milestone has been achieved, and subject to TNB's right to deduct the advance payment recovery, retention sum and any amounts due from JEV. Upon payment of each invoice, legal title to the plant and materials relating to such invoice shall vest in TNB. Interest of two percent (2%) above the base lending rate in effect of Malayan Banking Berhad is payable on late payment.

TNB shall be entitled to withhold ten percent (10%) from each amount invoiced as a retention sum, up to an aggregate of ten percent (10%) of the contract sum. Within thirty (30) days after expiration of the defects liability period, TNB shall release the retention money less any amounts necessary to make good any defects if JEV has failed to do so.

Any tax savings or benefits received by JEV in connection with the TWA Works shall be for the benefit of TNB, and JEV shall pay to TNB within thirty (30) days of receiving any such tax savings net of expenses.

6.9.4 Advance Payment

Within two hundred and ten (210) days from the date of execution of the TWA, TNB shall pay to JEV an advance payment of five percent (5%) of the contract sum, provided that JEV has delivered an advance payment bond for an equivalent amount and an initial program in respect of the TWA Works has been reasonably agreed by the parties. The advance payment is to be repaid in four (4) equal instalments at three (3) month intervals within one (1) year, and such repayment is to be deducted from the relevant invoice by TNB. The advance payment bond may be reduced by an equivalent amount each time the advance payment is recovered.

6.9.5 Rights of Way, Access Rights and Wayleaves

JEV shall at its own cost, but in TNB's name, procure all necessary ownership rights, leases or rights of way and access rights over the parcels of land upon which the TWA Works are to be located.

JEV shall procure in TNB's name all wayleaves necessary for the TWA Works, with the reasonable assistance of TNB. The cost of acquiring the wayleaves (or if specifically directed by the district land administrator, the cost of acquiring land) shall be reimbursed by TNB. JEV shall invoice such wayleaves cost to TNB on a monthly basis together with the relevant supporting documents including the assessment by the district land administrator, and TNB shall pay within thirty (30) days of receipt of the invoice.

6.9.6 Performance Obligations

The TWA sets out in detail the obligations of both JEV and TNB.

Among others, JEV is to (i) set out the TWA Works in accordance with the agreed route plan; (ii) comply with all its obligations with respect to system study requirements; (iii) submit for TNB's approval a program for completion of the works; (iv) inspect and investigate the site and its surroundings prior to execution of the TWA Works, or be deemed to have done so; (v) obtain all import permits, licences and consents required for the works and comply with all applicable laws; (vi) submit the conceptual design, detailed design and transmission line parameters to TNB within the stipulated timeframes and comply with recommendations made by TNB where necessary; (vii) provide monthly progress reports; (viii) undertake all necessary works at its own cost if recommended by TNB to ensure safe operation and compliance with the agreed specifications.

6.9.7 Completion and Taking-Over

The TWA Works shall have been completed and shall have passed the pre-commissioning inspection and testing audit procedure as well as tests on completion on or before 15 December 2007.

Subject to certain provisions, the time for completion may be extended by one day for each day of delay caused by any of the following circumstances:

- (a) extra or additional work ordered in writing by TNB;
- (b) physical obstructions or adverse conditions which could not have been reasonably foreseen by JEV despite due inquiry;
- (c) failure of TNB to fulfil any of its material obligations under the TWA;
- (d) occurrence of a force majeure event;
- (e) delay on the part of a subcontractor due to any of the causes mentioned above resulting in JEV being unable to meet the completion date.

A Taking-Over Certificate is issued when the TWA Works have been completed and approved by TNB, provided the following conditions are also fulfilled: (a) the works have passed all required tests and audit procedures, (b) the independent engineer has certified that all tests have been successfully carried out and that the TWA Works can be operated safely in parallel with the Grid System, and (c) the as-built drawings of the TWA Works have been received by TNB. JEV will transfer all rights and title to TNB upon the issuance or deemed issuance of the Taking-Over Certificate, and TNB shall thereafter be responsible for the operation and maintenance of the TWA Works.

A Completion Certificate is issued to JEV when: (a) the TWA Works have been fully completed in accordance with the TWA without any remaining works to be done, (b) TNB

has received from JEV the documents of title to all land in which wayleaves, rights of way and access rights are necessary for the operation and maintenance of the TWA Works, (c) TNB has received the original documents of title to all land in which ownership rights have been vested in its name, (d) the defects liability period has expired, and (e) JEV has fulfilled its obligations for making good any defects.

6.9.8 Defects after Taking Over

The defects liability period is twenty-four (24) months from the issuance of the Taking-Over Certificate, during which JEV is responsible for making good any defects and damage at its own cost. The defects liability period shall be extended for another twenty-four (24) months from the date of any replacement or repair, provided that the aggregate period is capped at forty-two (42) months from the date of taking-over of the whole TWA Works.

6.9.9 Variations

TNB may, at any time before taking over, issue a variation order to JEV to alter, amend, omit, add to or otherwise vary any part of the TWA Works. A variation can only be done if a variation order is issued by TNB, in accordance with the procedures set out in the TWA. If TNB agrees to any proposed variations by JEV, any resulting reduction in cost will be deducted from the contract sum.

No variation shall be carried out if it would result in completion of the TWA Works being delayed beyond six (6) months before the scheduled COD of the first Unit, provided that the backfeed is not delayed. A variation order that results in additional costs of more than five percent (5%) of the contract sum shall only be carried out by JEV if both parties agree to the resulting adjustments to the cost and payment schedule, and if such variation is necessary for security of the Grid System. In the event both parties are unable to agree on the adjustment to the contract sum, the independent engineer will decide.

6.9.10 Risk Transfer Date

The risk transfer date shall be the earliest of: (a) the date of issuance or deemed issuance of the Taking-Over Certificate, (b) the date when TNB is deemed to have taken over the works, or (c) the date of termination of the TWA by JEV or TNB. JEV will be responsible for care of the works and all activities on the site until the risk transfer date. Subject to JEV's obligations within the defects liability period, the risk of loss or damage shall pass from JEV to TNB on the risk transfer date.

6.9.11 Indemnification and Liability

The TWA provides for indemnification for all claims and damages for personal injury, death or property damage by both parties, except in respect of workers compensation claims and damage caused by breach or negligence. JEV shall indemnify TNB for liabilities associated with environmental laws and conditions of the site and construction of the TWA Works, from commencement date of the works until forty-eight (48) months following issuance of the Completion Certificate. TNB shall indemnify JEV for liabilities associated with environmental laws and its ownership and operation of the TWA Works, from the risk transfer date until forty-eight (48) months after the risk transfer date.

Neither party is liable for loss of profit, loss of use, loss of production, loss of contracts or any other indirect or consequential damage that may be suffered by the other party as a result of the performance or non-performance of the TWA. The maximum liability of JEV to TNB shall not exceed the contract sum as at the date of the TWA. The maximum liability of TNB to JEV shall not exceed twenty-five percent (25%) of the contract sum.

6.9.12 Force Majeure

Subject to certain limitations, a party is relieved from its obligations in the case of a force majeure event. These are events beyond the reasonable control and without the fault or negligence of the party claiming force majeure, which causes a material delay or disruption in the performance of its obligations. Such events include general strikes or lockouts, acts of terrorists or war, public disorders, acts of God and unusually severe weather conditions.

If a force majeure event that prevents either party from substantially performing its obligations cannot be remedied within one hundred and eighty (180) days, that period shall be extended for a further one hundred and eighty (180) days or an agreed period, failing which either party may terminate the TWA upon thirty (30) days written notice.

6.9.13 Default and Termination

Events of default applicable to JEV and TNB include the following:

- (a) either JEV or TNB fails to pay any amount when due within thirty (30) days after receipt of written notice for non-payment;
- (b) either JEV or TNB fails to comply with any material obligation of the TWA and fails to cure for a period of ninety (90) days after receipt of notification by the other party;
- (c) either JEV or TNB is dissolved or liquidated, or any proceedings for insolvency, winding-up, reorganisation of debt or similar are taken, whether voluntary or involuntary; or
- (d) the PPA is terminated due to an event by either JEV or TNB.

In addition, JEV shall be in default if any representation made by it shall be proved to have been false or misleading or if it abandons the TWA Works and fails to resume activities within a period of time agreeable to TNB.

If an event of default occurs (other than item (b) above where the cure period may be extended for a further ninety (90) days), the non-defaulting party may terminate the TWA by giving fourteen (14) days written notice.

If the TWA is terminated due to an event of default by JEV and the PPA is terminated, TNB shall be entitled to complete the works and take possession of all plant, materials and property furnished by JEV. If the TWA is terminated due to an event of default by JEV and the PPA is not terminated, TNB may use its reasonable efforts to complete the works but is not bound to do so within the specified completion date. JEV shall reimburse TNB for any additional costs properly incurred by TNB and verified by the independent engineer exceeding the contract sum.

If the TWA is terminated due to an event of default by TNB, TNB shall pay JEV for all work completed up to the date of termination, as well as costs reasonably incurred by JEV in expectation of completing the works and reasonable demobilisation costs. Upon such payments by TNB, all rights and title to the TWA Works shall be transferred to TNB.

6.9.14 Change in Law

If any change in law requires JEV to make any material modification to the works in excess of RM3 million, or if the change in law results in a reduction of actual costs incurred by JEV, both parties shall mutually determine the adjustment to be made to the contract sum. If the parties cannot agree on the adjustment, the matter will be referred to arbitration.

6.9.15 Assignment

The provisions for assignment and transfers contained in the PPA shall apply equally to the TWA.

6.9.16 Disputes and Arbitration

If a dispute arises under the TWA, it shall be resolved in good faith by representatives of both parties, failing which after three (3) months, it shall be referred to arbitration. Arbitration shall be conducted in accordance with the Rules for Arbitration of the Regional Centre for Arbitration in Kuala Lumpur. Each arbitration tribunal shall consist of three (3) arbitrators and the decision of the arbitrators shall be valid and binding upon the parties.

7 LICENSING AND PERMITS

7.1 License to Generate Electricity

The Energy Commission has on 22 March 2005 granted a licence to JEV to finance, construct, complete, own, operate and maintain a coal-fired power station with a nominal installation capacity of 1,400 MW at PT 7308 and PT 7309, Mukim Jimah, Port Dickson, Negeri Sembilan and any transmission and/ or interconnection facilities in order to supply electricity for the use of TNB, or any other person so approved by the Energy Commission and Minister in writing. The licence comes into force from the date the licence is granted and expires twenty-nine (29) years thereafter. The licence is subject to terms and conditions normally applied to independent power projects, and provides for step-in rights by the Energy Commission.

7.2 Environmental Requirements

The Project is classified as a Prescribed Activity under Section 34A of the Malaysian Environmental Quality (Prescribed Activities, Environmental Impact Assessment) Order of 1987. The major components of the Project which falls under this Section 34A are (i) land reclamation, in particular coastal reclamation involving areas of fifty (50) hectares or more; and (ii) power generation and transmission, in particular construction of steam generated power stations burning fossil fuels and having a capacity of more than 10 MW.

The EIA Approval for the Project was granted by the Department of Environment on 31 January 2005. The approval is specific for the following activities: (a) construction of the Plant; (b) construction of the coal jetty; (c) reclamation of the sea area measuring 300 acres; (d) construction of the transmission lines for the TWA Works; and is subject to certain on-going conditions which JEV must meet. These conditions include those in relation to the construction of the Plant, jetty, transmission lines, cooling water system and ash pond; management of water and air quality; preparation of an emergency response plan; control of noise emission; waste disposal; execution of an environmental management plan; continuous monitoring of emissions and impact on the surrounding environs; as well as progress reports and submissions to be made to the Department of Environment.

7.2.1 Planning Approval

The Planning Approval for the Project was granted by the state Town and Urban Planning Department on 31 January 2005. The approval covers the proposed power plant layout, access road and construction of water supply pipeline to the Project. The Planning Approval allows JEV to commence the preliminary works, site preparation and construction works at site.

8 PROJECT RISKS AND OTHER MATERIAL INFORMATION

In this section, certain risks which may affect the Project and their possible mitigating factors are identified. The section does not purport to be comprehensive or cover every Project risk and is not a substitute or replacement for an independent assessment of the risk factors that may affect the Project and its viability. Each recipient should carefully conduct an independent evaluation of the risks associated with investing in the Senior Islamic MTNs Facility. Each Senior Islamic MTN issue will carry different risks and all potential investors are strongly encouraged to evaluate each Senior Islamic MTN issue on its own merit.

The risk profile may change as the Project develops toward completion, and during the operational phase of the Plant.

8.1 Pre-Completion Risks

8.1.1 Cost Overrun

JEV has entered into a fixed price, lump sum EPCC for the Project. Within the specifications of the EPCC, the Contractor is expected to bear all cost overruns. The EPCC provides for equitable adjustments to the contract price only in certain limited and well-defined circumstances, which are:

- (i) if JEV elects for any of the optional works listed in the EPCC;
- (ii) if the Contractor is required to comply with TNB's recommendation which do not relate to the safe operation of the Facility with the Grid System;
- (iii) if JEV's failure to meet its obligations results in delay to, or suspension by, the Contractor;
- (iv) if JEV fails to issue NTP1 on or before 31 March 2005 and/or NTP2 on or before 30 June 2005 (or within six (6) months from NTP1 in the case where the applicable reclamation works ("RW2" as defined in the EPCC) payments are made by JEV);
- (v) if TNB or GSO withholds its consent for the initial operation date beyond fifteen (15) days otherwise than due to the Contractor's fault;
- (vi) if a variation order is issued by JEV or new government requirement comes into effect that requires the Contractor to incur cost in excess of RM1 million;
- (vii) to compensate the Contractor for incremental costs beyond six (6) months due to force majeure, or if JEV instructs the Contractor to restore or repair any damaged works caused by force majeure;
- (viii) if JEV elects to suspend works after Notice to Proceed subject to certain conditions stipulated in the EPCC;
- (ix) if JEV fails to be present during commissioning and performance tests which results in a delay in achieving the guaranteed completion date of a Unit, or if acceptance tests are delayed due to JEV's failure to fulfil its obligations;
- (x) to compensate the Contractor for any delay or expense incurred if JEV takes action for work it considers to be non-conforming, and subsequent tests or arbitration award finds that such work was conforming; and
- (xi) if JEV fails to provide the relevant access rights or receiving points for the TWA Works within the agreed timeframes and such failure results in a delay to the remainder of the works.

The transmission works price may be adjusted in the following circumstances:

- (i) if the TWA Works actual length exceeds the agreed budgeted length due to a change in route plan requested by TNB;

- (ii) if actual quantities of items used for the TWA Works (as listed in Appendix Z of the EPCC) exceed the budgeted quantities due to JEV's instruction or requirements of authorities;
- (iii) if a variation order is issued for the TWA Works or for actual costs incurred for the system study exceeding RM250,000;
- (iv) if JEV fails to provide the relevant access rights for the TWA Works within the agreed timeframes and such failure results in a delay to the TWA Works;
- (v) change in law results in the Contractor having to incur additional cost in excess of RM1 million, provided such adjustment shall occur only once; or
- (vi) to compensate the Contractor for incremental costs reasonably incurred beyond six (6) months due to force majeure, or if JEV instructs the Contractor to restore or repair any part of the TWA Works damaged due to force majeure.

Repair and reconstruction costs due to loss or damage to the Plant prior to provisional acceptance will be borne by the Contractor, unless caused by force majeure or JEV's negligence or misconduct.

Cost overruns would be funded out of budgeted construction contingency. The budgeted construction contingency represents completion support of RM93.3 million or approximately 2.5% of EPC cost. In addition, JEVH has provided an irrevocable and unconditional undertaking to JEV whereby JEVH will provide a bank guarantee of up to USD75 million to meet any approved variation orders beyond the budgeted contingency of RM93.3 million.

There is also a general contingency of RM8.5 million or approximately 1.5% of the total soft cost (exclusive of financing related fees, expenses and interest during construction). Non-EPC related costs represent a significantly smaller proportion of total project cost of approximately thirty percent (30%), and comprise mainly financing fees, consultant fees and interest expense which are largely fixed in nature. Any increase in such costs may be funded from the above contingency.

8.1.2 Technology

The design of the Plant is based on proven technology, which has been in commercial use for several decades. The equipment to be supplied under the EPCC is selected on the basis of equipment reliability and efficiency. The turbo-generators will be supplied by Toshiba Corporation of Japan and the boilers are manufactured by Ishikawajima-Harima Heavy Industries Co Ltd (IHI) Japan. Similar turbo-generators and boilers were used in Mount Piper Power Plant (No.1 and No.2), Eraring Power Plant (No.1, No.2, No.3 and No.4) as well as Bayswater Power Plant (No.1, No.2, No.3 and No.4) in Australia since 1981. Additionally, similar turbo-generators and boilers are currently being constructed for the 3x700 MW Tanjung Bin power plant in Johor, Malaysia, which should be in commercial operations from August 2006.

8.1.3 Completion Delay due to EPC Contractor's Default

The Contractor has guaranteed the following completion dates:

- (a) for the first Unit on 1 January 2009;
- (b) for the second Unit on 1 July 2009;
- (c) for the facility (including the Interconnection Facilities and common facilities) on 1 July 2009; and
- (d) for the TWA Works on 1 December 2007.

If the Contractor fails to achieve the above completion dates for a Unit or the facility, liquidated damages would be paid as follows:

- (a) RM1,976,000 for each calendar day by which Provisional Acceptance of each Unit occurs later than the respective guaranteed completion dates. However, if the delay in completion is caused by the GSO delaying the initial operations of the Plant, then

the amount payable by the Contractor for such period of the GSO delay (up to a maximum of fifteen (15) days) shall be RM990,000 for each calendar day; and

- (b) RM550,000 for each calendar day by which Provisional Acceptance of the facility occurs later than the guaranteed completion date.

If Provisional Acceptance of the TWA Works is delayed beyond its guaranteed completion date and such delay contributes, whether directly or indirectly, to a delay in the Provisional Acceptance of a Unit or facility, the liquidated damages stated above shall be payable.

Late completion liquidated damages are capped at twenty percent (20%) of the contract price. The liquidated damages have been derived by taking into account the anticipated loss or delay in revenue of the Project caused by such delay, and are sufficient to cover debt service and shareholders' return subject to the cap.

Under the PPA, if COD for the first Unit or the second Unit does not occur by its scheduled date (except for an excusable delay), JEV is liable for liquidated damages of RM400,000 for each day of delay for each Unit beyond its respective scheduled date, up to a maximum of one hundred and eighty (180) days. If the delay is due to the Contractor, the above liquidated damage rates payable by the Contractor should also be sufficient to compensate for the TNB liquidated damages subject to the cap.

8.1.4 Other Completion Delays

The delayed revenue caused by, for example, certain force majeure events affecting timely completion is expected to be covered by delay-in-start-up insurance. In addition, the budgeted construction contingency of RM93.3 million, if by that time not exhausted, is sufficient to cover delayed capacity revenues of up to approximately six (6) months of any one Unit.

Any delay to the initial operation date imposed by the GSO (otherwise than due to JEV's fault) beyond fifteen (15) days will allow the extension of the scheduled CODs under the PPA. Additionally, if COD of a Unit fails to occur within thirty (30) days from its scheduled date due to (a) any delay to its initial operation date imposed by the GSO or (b) any failure by TNB to energise the interconnection facilities or provide the required load for the testing of any Unit (otherwise than due to a force majeure event or default of JEV), TNB will pay Available Capacity Payments to JEV from the date that is thirty (30) days after the scheduled COD of the relevant Unit. If TNB fails to complete the transmission facilities specified in the PPA by the stipulated date thereby delaying COD of a Unit, it will pay JEV the full Available Capacity Payments and Daily Utilisation Payments from the scheduled COD.

8.1.5 Plant Performance

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

- (a) net output of 718 MW per Unit; and
- (b) weighted mean net heat rate of 9,869 kJ/kWh per Unit.

If the Contractor fails to achieve the above guarantees, liquidated damages are payable as follows:

- (a) RM6,966 per kW shortfall from the guaranteed net output; and
- (b) RM230,000 per kJ/kWh increase over the guaranteed net heat rate.

Such damages are capped at twenty percent (20%) of the contract price. The liquidated damages have been derived by taking into account the anticipated reduction in the net present value of the Project caused by the shortfall in performance, and are sufficient to compensate debt and equity providers for the loss due to the shortfall in performance.

The Contractor must achieve the minimum criteria of at least 700 MW per Unit and no higher than 105% of the heat rate guarantee, and must pay any applicable liquidated damages, before provisional acceptance can be achieved. After provisional acceptance, the Contractor may undertake corrective action if necessary to achieve the performance guarantees, to recover such liquidated damages.

Provisional acceptance criteria conform to PPA requirements for commercial operation.

8.1.6 Start-up and Commissioning

Under the EPCC, JEV is obligated to supply electricity for start-up, commissioning and testing of the Units as well as water after Provisional Acceptance of the first Unit. Electricity is to be provided no later than 3 January 2008 for the first and second Units.

JEV's start-up power supply responsibility is shifted to TNB under the PPA (see section 6.1.10 for further details). As for the supply of water, it will be sourced from the local utility, which is expected to be highly reliable. Further, in-plant raw water storage will provide additional security of supply.

8.1.7 Force Majeure during Construction

Under the PPA, JEV is able to extend the scheduled COD of any Unit for each day its COD is delayed by any force majeure event. Furthermore, if a force majeure event affects TNB such that it delays COD of the first Unit, TNB shall pay JEV its debt service and any unavoidable costs above any amounts which may be claimed from insurance.

Damage and increased costs resulting from certain force majeure events will be covered by all-risk and delay-in-start-up insurance as well as the budgeted construction contingency.

8.1.8 Change-in-Law

Under the PPA, if there is a change-in-law that requires JEV to make any material capital improvement or other material modification to the Plant and/or Interconnection Facilities costing more than RM10 million in any calendar year, TNB is obligated to compensate JEV. Compensation is made, upon approval by the Energy Commission, through an extension of the term of the PPA or an adjustment in the CRF rate of the tariff.

8.1.9 Exchange Rates

Approximately fifty percent (50%) of the EPCC is denominated in US Dollar whilst the remainder is in Ringgit Malaysia. At this juncture, JEV does not expect to enter into hedging arrangements to hedge its future foreign exchange exposure under the EPCC.

8.1.10 Litigation involving the Project Land

JJSB has entered into a Lease Agreement to lease the Project land to JEV. Qualified titles to the Project land have been issued and on 16 March 2005, the state authority approved creation of the lease to JEV.

In January 2005, a legal proceeding was filed in the High Court of Malaya (Kuala Lumpur High Court Civil Suit No. S3-21-191-2004) by Koperasi Pembangunan Belia Negara Berhad ("KPB") and KBN Holdings Sdn Bhd ("KBN"), as plaintiffs against the following defendants: (a) the state government of Negeri Sembilan, (b) Pentadbir Tanah Daerah Port Dickson, (c) Jimah Power Sdn Bhd, and (d) JJSB. The legal proceeding involves the subject land as further described in the Statement of Claim dated 21 December 2004. The Project land overlaps the location of the subject land to some extent. The relief claimed by the plaintiffs pursuant to the legal proceeding will impinge upon JJSB's ability to lease the Project land to JEV.

However, on 24 March 2005, Jimah Power and JJSB entered into an agreement ("Settlement Agreement") with KBN to settle the legal proceeding on the terms and conditions contained therein. The Settlement Agreement was entered only with KBN owing to KPB having absolutely assigned all of its rights under the legal proceedings and all other rights to make any claim against any party pertaining to the matters raised in the legal proceedings to KBN.

The salient terms of the Settlement Agreement provide:

- (i) Jimah Power and JJSB to pay a sum of RM5.5 million as full and final settlement of all claims made in the legal proceeding. A portion of such sum is to be paid immediately upon execution of the Settlement Agreement (which payment has been made on 24 March 2005) and the balance to be paid on or before 31 May 2005 (with an option to Jimah Power Sdn Bhd and JJSB to extend up to 30 June 2005 with interest incurred on such balance to be paid);
- (ii) within twenty-four (24) hours of execution of the Settlement Agreement, the legal proceeding shall be discontinued with no order as to costs;
- (iii) upon payment of the balance sum, the parties shall forever release and discharge each other from all claims, actions and demands which they have or may thereafter have against each other arising out of the legal proceeding save and except as set out in the Settlement Agreement.

Notice of discontinuance of the legal proceeding against Jimah Power Sdn Bhd and JJSB was filed on 26 March 2005, while the notice of discontinuance of the legal proceeding against the state government and Pentadbir Tanah Daerah Port Dickson was filed on 7 April 2005. The notices of discontinuance thereby terminate the litigation described above. In addition, the shareholders of JJSB have agreed that a sum of RM5.2 million, constituting part of the agreed purchase price under the share sale agreement signed between JEV and the shareholders of JJSB, shall be remitted into an escrow account to be utilised towards payment of the balance settlement sum under the Settlement Agreement.

8.2 Post-Completion Risks

8.2.1 Despatch Risk

Under the PPA, TNB will be required to make Available Capacity Payments to the extent the Project makes capacity available to TNB and meets the specified availability targets. This portion of the Project revenue (representing 50% during Stage 1 period, 85% during Stage 2 period and 80% during Stage 3 period of the CRF payment and 100% of the FOR payment) is expected to sufficiently cover Project senior debt service and is not subject to despatch risk. JEV is exposed to despatch risk on 50% during Stage 1 period, 15% during Stage 2 period and 20% during Stage 3 period, respectively, of the CRF rate, as paid under the Utilisation Payment component of the tariff. However, as the Project is expected to be run at base load due to the high merit order of coal power plants, JEV anticipates receiving 100% of the CRF rate paid under the PPA.

8.2.2 Operations and Maintenance Risk

Failure to achieve availability targets, higher than anticipated heat rates and unexpected breakdowns may result in reduced revenue, penalties and/or increased costs. The PPA provides an outage limit of six percent (6%) for forced outages, which a prudent operator may reasonably be expected to meet. If actual forced outages are within the six percent (6%) outage limit, Available Capacity Payments remain unaffected. With respect to the fixed or ACP portion of CRF revenue, for every MW decrease in availability from the 6% outage limit to the second outage limit of 8%, the Project is expected to lose approximately RM240,006 during Tier 1 (RM141,180 during the Stage 1 period), RM531,420 during Tier 2 and RM256,128 during Tier 3, respectively, in a year. For every MW decrease in availability

where accumulated forced outages exceed 8%, an additional penalty of RM240,006 during Tier 1 (RM141,180 during the Stage 1 period), RM531,420 during Tier 2 and RM256,128 during Tier 3, respectively, will be incurred.

The O&M Operator is obligated to achieve capacity, heat rate, outage limit and availability target guarantees that mirror PPA requirements, and is liable for one hundred percent (100%) of any loss in revenue suffered by JEV if these guarantees are not met, except in respect of heat rate where it is liable to pay fifty percent (50%) of the difference between the aggregate audited fuel consumption and the total fuel payment received by JEV from TNB. The maximum liquidated damages payable by the Operator is however capped at RM70 million per year.

The Operator has an Operator's Reserve of RM12 million for unanticipated maintenance expenses including repair or replacement to ensure the obligations under the PPA are met. In addition, the Operator has a Mid-Life Refurbishment Reserve of RM60 million for the restoration of the efficiency of the machinery which has degraded due to wear and tear. The Operator will further mitigate its risks with the execution of a long term Services Agreement with the EPC Contractor, as well as a TSA with Connell Wagner from Australia to provide technical advisory, operation, maintenance and commission services for the plant.

JEV will procure insurance to cover machinery breakdown and loss of revenue. TNB and the financiers have step-in rights in the event of default by the Operator.

8.2.3 Force Majeure Risk

Under the PPA, JEV is excused from performance obligations for force majeure events. In addition, if a force majeure event affects TNB, TNB's obligation to make Available Capacity Payments and Daily Utilisation Payments will continue to the extent that the Unit is available to deliver electrical energy to TNB. Should these amounts be insufficient to cover debt service and JEV's unavoidable costs, TNB shall additionally pay such amounts necessary to do so. If a force majeure event affects JEV, TNB will continue to make Available Capacity Payments and Daily Utilisation Payments according to Appendix G of the PPA. Damage and increased costs resulting from certain force majeure events will be covered by all-risk and loss of revenue insurance.

8.2.4 Industry Restructuring Risk

If industry restructuring (such as the introduction of a power pool or other market system) is implemented, and TNB and JEV are unable to reach agreement on amendments to the PPA to reflect such industry restructuring within a period of six (6) months, then TNB may terminate the PPA immediately. TNB shall then purchase the Project at a pre-agreed formula which includes payment of all outstanding indebtedness, an agreed level of shareholders' return and the cost of transferring the Project to TNB.

8.2.5 Coal Supply

TFS is a subsidiary of TNB, which supplies fuel to all TNB-owned generating facilities. Under the CSTA, TFS is obligated to enter into CPCs for an amount equal to 2.90 million tons or if less, seventy percent (70%) of JEV's annual coal requirements, through a variety of short term, medium term and long term contracts. Coal producers supplying coal to TFS must provide reasonable evidence of sufficient reserves. Additionally, TFS anticipates purchasing coal from a diversified pool of sources in Australia, Indonesia, China and South Africa.

If JEV faces unacceptable delays in the delivery of coal from TFS and TFS fails to provide an acceptable remedial plan, JEV may purchase replacement coal on its own, including from existing CPC parties. TFS will reimburse JEV for any reasonable additional costs incurred in sourcing such replacement coal. Coal is a commodity easily available and traded through the spot market, and in view of the Project site it is expected that procurement and delivery of coal may require no more than twenty (20) days.

In the case of supply interruptions, JEV has an on-site stockpile of coal equivalent to forty five (45) days of full load despatch for the Plant.

8.2.6 Coal Quality

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

Should JEV accept non-conforming coal, TFS shall adjust the coal price for gross calorific value, moisture, ash content, sulphur content and size and shall additionally pay liquidated damages calculated accordingly based on the result of professional analysis.

8.2.7 Coal Price

The coal price (including insurance, transportation charges and certain taxes) is a pass-through to TNB in the form of Energy Payment payable under the PPA based on an agreed-upon partial heat rate table. Please refer to section 6.2.11 above for a description on the determination and adjustment of the coal price.

8.2.8 Diesel Supply and Quality

Diesel for the start-up and shut-down of the Plant is a common commodity easily available from a variety of oil product suppliers.

8.2.9 Environmental Requirements

The Contractor is obligated to achieve guaranteed emissions limits as required under the EIA Approval, applicable laws, the environmental standards in Appendix I of the PPA and Appendix A of the EPCC. During operations, the O&M Operator must ensure that emissions and discharge levels are within the permitted levels in accordance with applicable laws and government authorisations, at its own cost.

8.2.10 Generating Licence Risk

JEV has obtained the generating licence from the Energy Commission on 22 March 2005. However, there can be no assurance, as with all independent power producers, that it will not be revoked or suspended prior to its expiration upon a failure to comply or breach of any of the conditions stipulated therein.

8.2.11 TNB Credit Risk

TNB is obligated under the PPA to purchase all of the Plant's available capacity and any electrical output despatched. JEV is therefore dependent on the credit quality of a single buyer. To the extent that TNB's future power purchase obligations are compromised, there could be material adverse effect on JEV's ability to meet debt service obligations.

TNB is the main electricity utility in Malaysia. TNB Group has RM52 billion in net assets, and for the financial year ended 2004 recorded profit after tax of RM813.7 million. Most importantly, although TNB is a listed company, it is fifty-seven percent (57%) owned by the Government of Malaysia through Khazanah Nasional Berhad, Petroliaam Nasional Berhad and Bank Negara Malaysia. As a result of these factors, TNB is expected to meet its financial obligations under the PPA.

8.2.12 Inflation Rate Risk

Inflationary pressures in respect of general and administration, permitting and licensing, insurance, land assessment, and other owner's costs are mitigated to the extent that the

FOR and VOR rates are adjusted every forty-eight (48) months during the term of the PPA. A general inflation rate of four percent (4%) per annum has been incorporated into the financial projections for general and administration, and permitting costs which are borne by JEV.

8.2.13 Interest Rate Risk

JEV will issue up to RM657 million in floating rate medium term notes to part-finance the Project. To the extent that the actual interest rate exceeds the assumed interest rate, the Base Case Financial Model will be affected. The floating rate notes comprise approximately 13% of total medium term notes to be issued and will be utilised to finance approximately 11% of total net estimated Project cost. The floating rate notes are to be issued within the last eight (8) months of the construction period, and will be fully redeemed or repaid within four (4) years from issue. The Base Case Financial Model assumes an average 6-month KLIBOR rate of 6.35% during the construction period and 6.50% during the operation period. The average 6-month KLIBOR over the past fifteen (15) years has been 6.00% and the current 6-month KLIBOR is 2.86%.

The profit payments for the floating rate medium term notes are set at a ceiling profit rate as further described in the Principal Terms and Conditions of the Long Term Financing Facilities, as attached in Exhibit 1. The ceiling profit rate is set at 13.75%.

8.2.14 Market Risk

The Senior Islamic MTNs Facility comprises a new issue of securities for which there is currently no prior market. There can be no assurance as to the liquidity of any market that may develop for the medium term notes, the ability of holders to sell their notes or the prices at which holders may be able to sell their notes.

8.3 Forward Looking Statements

Certain statements in this Information Memorandum are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by JEV. Although JEV believes that these forward-looking statements are 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 future results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by JEV or its advisors or arrangers that the plans and objectives of JEV will be achieved.

8.4 Conflict of Interest Situations

The conflict and potential conflict of interest situations that may arise are:

8.4.1 Syndicated Bridging Financing Facilities

Up to RM300.0 million from the issuance proceeds of the Senior Islamic MTNs Facility will be utilised to repay the Syndicated Bridging Financing Facilities. Up to RM230 million of the Syndicated Bridging Financing Facilities has been granted by AmMerchant, RHB Sakura and BMMB while the remaining up to RM70 million has been granted by EON Bank Berhad, which is a financial institution related to MIMB.

The potential conflict of interest arising is from the capacities of AmMerchant, RHB Sakura, BMMB and EON Bank Berhad as provider of the Syndicated Bridging Financing Facilities (which is to be repaid via JEV's Senior Islamic MTNs Facility and SPV's Financing Facilities of up to RM1,015.0 million (SPV Financing Facilities)).

8.4.2 Class A MTN Facility and Junior Debt

AmMerchant, RHB Sakura, MIMB and BMMB have been jointly mandated by SPV as the Joint Lead Arrangers and the Joint Principal Advisers for the proposed Class A MTN Facility. AmMerchant, RHB Sakura, MIMB and BMMB have also been jointly mandated by JEV as the Joint Lead Arrangers for the Junior Debt.

The potential conflict of interest is as follows:

- (a) arising from the capacities of AmMerchant, RHB Sakura, MIMB and BMMB as the Joint Lead Arrangers and the Joint Principal Advisers for the SPV Financing Facilities as well as the Primary Subscribers for both SPV's Class A MTN Facility and JEV's Senior Islamic MTNs Facility;
- (b) arising from the capacities of AmMerchant, RHB Sakura, MIMB and BMMB as the Joint Lead Arrangers for the Junior Debt;
- (c) part of the proceeds from the Class A MTN Facility will be utilised by SPV to fund the Junior Debt;
- (d) the proceeds from the Junior Debt will then be utilised in combination with the proceeds from the Senior Islamic MTNs Facility in accordance with the schedule of utilisation of proceeds.

8.4.3 Project Insurance Programme

AmAssurance Berhad ("AmAssurance") has been selected as one of the co-insurers to the project insurance programme for the Project and will be providing 7.5% of the insurance coverage.

The potential conflict of interest arising therefrom is by virtue of AmAssurance being related to AmMerchant. As at March 2005, AMMB Holdings Berhad ("AMMB Holdings") holds 65.94% of the equity stakes in AmAssurance, while AmBank Berhad (a wholly owned subsidiary of AMMB Holdings) holds 14.06% thereof, that is to say the direct and indirect shareholding of AMMB Holdings in AmAssurance is 80.0%. AmMerchant is a wholly owned subsidiary of AmInvestment Group Berhad ("AIGB"), who in turn is a wholly owned subsidiary of AMMB Holdings. Further, there are common directors amongst these companies, i.e. Tan Sri Dato' Azman Hashim is a director of AmMerchant, AIGB, AMMB Holdings and AmAssurance; Mr Kok Tuck Cheong is a director of AmMerchant, AIGB and AmAssurance; and Dato' Azlan Hashim is a director of AMMB Holdings and AmAssurance.

8.4.4 Appropriate Mitigating Measures

AmMerchant, RHB Sakura, MIMB and BMMB, in acting as the Joint Lead Arrangers, shall be governed by the agreements relating to the Senior Islamic MTNs Facility and Junior Debt applicable to their relevant capacities. AmMerchant, RHB Sakura, MIMB and BMMB, in acting as the Joint Lead Arrangers and the Joint Principal Advisers in respect of the Class A MTN Facility, shall be governed by the agreements relating thereto applicable to their relevant capacities. Such agreements shall set out the rights, duties and responsibilities of AmMerchant, RHB Sakura, MIMB and BMMB acting in their relevant capacities in relation to the Senior Islamic MTNs Facility, Junior Debt and the Class A MTN Facility, respectively.

The board of directors of JEV is fully informed of and aware of the conflict of interest situations and is agreeable to proceed with the present arrangement.

9 PROJECT ECONOMICS

9.1 Objectives of the Financial Model

The information and assumptions contained in the detailed financial model ("Base Case Financial Model") are presented in this section and represent the current and anticipated contractual terms between JEV and the relevant parties as well as other assumptions on the operating and financial parameters of the Project, made as of the date of this Information Memorandum. As the Project is still under development, these parameters are expected to change or be revised from time to time in the future.

An extract of the Base Case Financial Model is attached as Exhibit 7 of this Information Memorandum.

The Base Case Financial Model has been prepared strictly for illustrative purposes only. Prospective investors should and are expected to undertake their own independent analysis and associated due diligence to determine the viability of the undermentioned assumptions.

The Base Case Financial Model has been prepared by JEV. The Independent Checking Engineer has reviewed certain assumptions underlying the Base Case Financial Model.

9.2 Project Capital Structure

A summary of the estimated sources and uses of funds is shown below, based on assumptions and estimates of the expected timing and amounts of Project expenditures.

Uses of Funds	RM million
Total EPC Cost	3,752
TWA Works and Wayleaves	390
Land Security Deposit and Acquisition Cost of JJSB	100
Other Development Expenses	739
Interest During Construction	1,162
Total	6,143

Sources of Funds	RM million
TWA Payment from TNB	390
Interest Earnings from Permitted Investments	20
<u>Senior Debt</u>	
Senior Islamic MTNs Facility	4,837
<u>Shareholders' Funds</u>	
Junior Debt	891
Shareholders' Contribution	5
Total Debt and Equity	5,733
Total	6,143

Interest earned on permitted investments and amounts received from TNB in relation to the TWA Works prior to COD of the second Unit will be utilised as a source of funds. The total net Project cost (after taking into account such interest earnings and TWA revenue) is to be financed, on a pari passu basis, from shareholders' funds and the Long Term Financing Facilities in the ratio of sixteen percent (16%) and eighty-four percent (84%) respectively, after taking into account the SBLC and BG facilities.

9.3 Parameters of the Base Case Financial Model

The Base Case Financial Model reflects assumptions current at the time of issue of the Information Memorandum and may be revised from time to time with updated information as appropriate.

9.3.1 Net Capacity

The Base Case Financial Model assumes a Plant net capacity of 1,400 MW throughout the PPA term after taking into account degradation, auxiliary usage and transformer losses, being the nominal capacity for two Units as stipulated in the PPA.

9.3.2 Capacity Factor

The Base Case Financial Model assumes that the capacity factor for the Plant will be eighty-five percent (85%) for the life of the Project, notwithstanding fluctuations that may occur throughout the period.

9.3.3 Net Electrical Output

Based on the assumption that the capacity factor for the Plant will be eighty-five percent (85%) for the life of the Project, the resulting net electrical output will be a constant 10,424,400 MWh per annum with all two Units in operation.

9.3.4 Heat Rate

The Base Case Financial Model assumes a net heat rate of 9,991 kJ/kWh for the purpose of calculating fuel revenue, being the PPA heat rate applicable to a 700 MW Unit load. For the purpose of calculating fuel costs, the net heat rate is assumed to be 9,791 kJ/kWh over the life of the Project.

9.3.5 Fuel Consumption

Fuel (coal) consumption is a function of the net electrical output generated by the Project and the heat content of the coal. The Base Case Financial Model assumes that approximately 4.4 million tonnes of coal will be required per annum.

9.3.6 Coal Price

Coal price is assumed constant at RM106/ton or RM4.603/GJ. The Base Case Financial Model assumes that the price of coal is a pass-through cost to TNB, and is therefore insensitive to price fluctuations.

9.3.7 Commercial Operation Dates

The Base Case Financial Model assumes the following commercial operation dates, based on the Contractor's construction schedule and guaranteed completion dates: (a) 1 January 2009 for the first Unit; and (b) 1 July 2009 for the second Unit.

9.3.8 Operating Revenues

Revenues earned under the PPA are assumed to comprise of the following:

- (a) Capacity Rate Financial ("CRF") Revenue;
- (b) Fixed Operating Rate ("FOR") Revenue;
- (c) Variable Operating Rate ("VOR") Revenue; and
- (d) Fuel Revenue.

The Base Case Financial Model assumes that the Plant will be fully despatched and will meet its contracted availability targets according to the agreed Annual Scheduled Available Capacity, and will operate within its outage limits.

9.3.9 Operating Expenses

The operating expenses for the Plant are assumed to comprise of fuel expenses, variable expenses and fixed expenses. Fuel expenses and variable expenses vary directly with the net electrical output produced by the Plant. Fuel expenses are assumed to be a pass-through cost to TNB. Fixed expenses include a fixed fee to be paid to the O&M Operator, as well as general & administration costs, permitting costs, generating licence fee, land assessment and quit rent, and insurance.

9.3.10 Cess Fund

An annual cess fund payment of one percent (1%) of total capacity payment received has been assumed.

9.3.11 Maintenance Reserve

A Maintenance Reserve of RM24 million is assumed to be built up at a rate of RM8 million per annum, commencing from COD of the first Unit.

9.3.12 Approved Services Project ("ASP") Status

The Base Case Financial Model assumes that the Project will be granted ASP status. Obtaining the ASP status is subject to the Ministry of Finance's approval. It is assumed that the Project will be granted exemptions in respect of import duty and/or sales tax for imported equipment and spares. Assuming investment allowance is granted, 60% of qualifying capital expenditure incurred within five (5) years from the date capital expenditure is first incurred can be set off against 70% of annual statutory income. In the event investment allowances are not obtained, the average senior debt service cover ratio before distribution decreases from 2.91 to 2.84. The ability of JEV to service its senior debt obligations from Project cash flows is not affected.

9.3.13 TWA Works

TNB shall pay JEV a fixed transmission works price for the TWA Works on a progressive milestone basis. JEV may utilise an amount of up to RM60 million to be transferred from the proceeds of the Senior Islamic MTNs Facility for payment of the TWA Works and wayleaves, provided that all amounts utilised are to be transferred back to the Project bank account upon receiving final payment from TNB. The Base Case Financial Model assumes that an amount of up to RM60 million is utilised for the TWA Works.

9.4 Financing Assumptions

For a detailed description of the financing assumptions, please refer to the Principal Terms and Conditions of the Long Term Financing Facilities as attached in Exhibit 1 of this Information Memorandum.

9.4.1 Debt to Equity Ratio

The debt to equity ratio at each drawdown from the Senior Islamic MTNs Facility escrow account is 85:15, but will take into account the SBLC and BG facilities, as well as any interest earnings and TWA payments from TNB utilised as a source of funds.

9.4.2 Syndicated Bridging Financing Facility

Bridging facilities of up to RM300 million have been assumed for costs prior to Financial Close. An interest rate of 6.00% per annum has been assumed. The bridging facilities will be fully repaid from the proceeds of the Senior Islamic MTNs Facility and Junior Debt.

9.4.3 SBLC Facility

A standby letter of credit facility of up to RM72 million (as required under the PPA) is assumed to be available from Financial Close until six (6) months after COD of the second Unit, at a commission rate of 0.075% per month.

9.4.4 BG Facility

Bank guarantee facilities of up to RM167.6 million have been assumed to be issued to (a) the customs department pending approval of import duties exemptions, (b) TNB as advance payment security under the TWA, (c) the Department of Environment as performance security, and (d) Jabatan Bekalan Air Negeri Sembilan as performance security. The bank guarantee facilities have been assumed at a commission rate of 1.00% per annum.

9.4.5 Senior Islamic MTNs Facility

A senior Islamic medium terms notes facility of RM4.8 billion in nominal value is assumed to be issued, comprising RM4,190 million in senior Islamic fixed rate medium term notes and RM647 million in senior Islamic floating rate medium term notes. The fixed rate medium term notes facility is assumed to be issued at par in seven (7) tranches six (6) months apart, with the first tranche assumed to be issued at Financial Close. The floating rate medium term notes facility is assumed to be issued in two (2) tranches, with the first tranche issued forty-two (42) months after Financial Close and the final tranche six (6) months after the date of the first tranche.

Proceeds that have been issued and not yet utilised are assumed to be reinvested at an earnings rate of 3.00% per annum. Such interest earnings are assumed to be a source of funds towards project costs.

The tenure of the Senior Islamic MTNs Facility is assumed to vary according to the different series of each tranche, with the maximum tenure assumed to be 20.0 years from Financial Close.

9.4.6 Senior Finance Service Reserve Account

Under the terms of the PPA, TNB is to provide a letter of credit to JEV for the amount of RM360 million as guarantee for the finance service reserve. The finance service reserve, secured by the letter of credit, will be built up progressively from COD of the first Unit and this letter of credit shall remain valid for a period of thirteen (13) years from COD of the first Unit. The Base Case Financial Model assumes that the Project maintains a finance service reserve account equal to the next twelve (12) months of total debt service (profit and principal repayment). The cash flows of the Base Case Financial Model are modelled on an annual basis. It is assumed that the finance service reserve account will be funded from Project cash flow if the letter of credit from TNB is insufficient or has expired. The finance service reserve account is released to JEV upon final principal repayment of the Senior Islamic MTNs Facility.

9.4.7 Shareholders' Funds

Shareholders' funds are assumed to comprise of Junior Debt of RM891 million as well as equity contribution of RM5 million. Payments to the shareholders which may be made from time to time (whether in the form of dividends, profit payments, principal repayment or accrued penalty on the Junior Debt) shall be made in accordance with the restrictions as contained in the terms and conditions of the Long Term Financing Facilities.

9.4.8 Junior Debt

JEV will raise the Junior Debt via a RM891 million fixed rate Islamic financing facility in accordance with the Shariah principle of Istisna'. The Istisna' financing facility will be funded by SPV.

The tenure of the Junior Debt is assumed to be twenty-nine (29) years from first drawdown. The Junior Debt will be drawn pari passu with the Senior Islamic MTNs Facility. The Junior Debt shall be subordinated to the Long Term Financing Facilities in terms of security and priority of payments.

9.4.9 SPV Financing Facilities

SPV shall raise the funds required to fund the Junior Debt via the issuance of up to RM1,015 million fixed rate notes. The fixed rate notes shall comprise the following facilities:

- (a) Class A MTN Facility of up to RM800 million in nominal value, to be issued in two (2) tranches twelve (12) months apart, and
- (b) Class B MTN Facility of up to RM215 million in nominal value but subject to a minimum of RM200 million, to be issued at Financial Close.

10 PROJECT INSURANCE

The following section has been confirmed by the Project insurance broker & consultant, and by Sterling Insurance Brokers Sdn Bhd, the Insurance Consultant of the Joint Lead Arrangers.

10.1 Overview

The primary objective of the insurance policies described in this section is to protect the interest of shareholders and financiers via the protection of the assets and the operational revenue stream. The insurance policies aim to achieve these risk management objectives by mitigating risks of loss from the Project to selected insurance underwriters. The insurance policies also consider the contractual obligations imposed on JEV by the respective project documents, i.e. the PPA, TWA, CSTA, EPCC and OMA.

The insurance term sheets summarized in this section have been prepared to provide the financiers with a broad overview of the classes of insurance required for the respective phases of the Project:

- (a) the construction/erection phase commencing with the shipment of materials intended for the Project from suppliers' premises and the EPC works at the site and ends with the commencement of commercial operation of all two Units of the Plant;
- (b) the operation phase commences when the first Unit achieves commercial operation in accordance with the terms of the PPA and continues for the term of the Project.

10.2 Insurance for the Construction / Erection Phase

Insurance necessary for the construction/erection phase will comprise of the following classes of insurance:

- (a) Marine Open Cargo Insurance - Material Damage,
- (b) Marine Delay in Start-Up Insurance, and
- (c) Erection All Risks Insurance - Material Damage/Third Party Liability/Delay in Start-Up.

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

The marine cargo - delay in start-up policy provides cover against loss of protected gross revenue following a loss under the marine cargo policy which consequently results in a delay in commercial operations.

After the equipment and materials arrive at the site, the erection all risks insurance will take effect. A 50/50 clause will be included in both the marine open cargo cover and the erection all risks insurance to mitigate the risk of a dispute between insurers as to which policy pays when the cause and time of loss is unclear.

The erection all risks insurance covers the works and project materials, while in storage on site, during construction, erection, commissioning and testing until substantial completion of the plant, and an additional twenty-four (24) months extended maintenance. The policy will be structured to cover for the replacement value of the loss. Coverage provided by this policy is on an "all risks" basis and covers most accidental losses common to construction/erection. Once the plant is commissioned, the insurance for the operation phase will take effect.

The third party liability section of the erection all risks insurance will provide insurance coverage to the named insureds i.e. JEV, TNB, the security agent, project manager, EPC Contractor, O&M Operator and other parties with an interest in the Project, for any legal action brought against them by third parties for bodily injury, or death, or loss or damage to third party property from sudden and accidental means arising out of and in connection with the construction/erection works.

Similar to the delay risks outlined in the marine cargo - delay in start-up policy, loss or damage during the construction/erection may cause material delay in the commercial operation of the Project. The delay in start-up section of the erection all risks insurance provides cover against loss of projected gross revenue arising from the delay.

The insurance policies for the construction/erection phase will be structured to safeguard the interests of the respective named insureds comprising of JEV, the security agent, TNB and the EPC Contractor. The policies will include a waiver of subrogation against the respective named insureds other than the original equipment manufacturer.

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

10.2.1 Marine Open Cargo - Material Damage

Insured	:	Owner, Security Agent, Project Manager, EPC Contractor, O&M Operator and all other contractors, subcontractors and suppliers of whatsoever tier but only to the extent of their respective interest.
Insurers	:	American Home Assurance Company Allianz General Insurance Malaysia Berhad Mitsui Sumitomo Insurance (M) Berhad Multi-Purpose Insurans Berhad AmAssurance Berhad AMI Insurans Berhad.
Period	:	Continuous open cover commencing on the day Notice to Proceed is issued until all shipments are delivered to site.
Property	:	All materials, equipment and supplies for the erection/construction covered pertaining to the Project.
Voyage	:	From the suppliers' premises anywhere in the world to the site including intermediate transit storage.
Transshipment/ Reshipment	:	Held covered subject to additional premium, if warranted.
Conveyance	:	By air, road, rail and any land conveyance. By approved sea vessels as per Institute Classification Clause. All other conveyances / vessels held covered subject to additional premium if warranted.
Limit	:	RM210,000,000 per conveyance.
Estimated Total Carrying	:	RM2,300,000,000.
Valuation	:	As declared, but in event of loss prior to declaration, invoice price, FOB or CIF plus 10.0%.
Perils	:	"All risks" of physical loss or damage per institute cargo clauses;

		institute war clauses; institute strikes clauses.
Additional Clauses	:	Loading / unloading; deferred unpacking; 50/50 clause.
Deductibles	:	(a) RM95,000 each and every loss for item value more than RM38,000,000; (b) RM38,000 each and every loss for item value between RM3,800,000 to RM38,000,000; (c) RM19,000 each and every loss for item value less than RM3,800,000.

10.2.2 Marine Delay in Start-Up

Insured	:	Owner and Security Agent for their respective rights and interests.
Insurers	:	American Home Assurance Company Allianz General Insurance Malaysia Berhad Mitsui Sumitomo Insurance (M) Berhad Multi-Purpose Insurans Berhad AmAssurance Berhad AMI Insurans Berhad.
Period	:	Parallel with the marine cargo open cover.
Risks covered	:	Loss of revenue following delay in the scheduled commercial operation date of the power plant arising out of :- (a) A risk which would be covered under the marine open cargo; (b) Loss of, mechanical breakdown of, or damage to the hull, machinery and/or equipment or the vessel or aircraft or any other conveyance on which any of the insured property is being carried from any fortuitous cause; (c) The vessel aircraft or other conveyance on which any of the insured property is carried being involved in a general average salvage of life-saving operation.
Sum Insured	:	RM1,141,938,000.
Indemnity period	:	Eighteen (18) months.
Deductibles	:	The first sixty (60) days of each and every loss.

10.2.3 Erection All Risk

Insured	:	In respect of Section I & II Owner, Security Agent, Project Manager, EPC Contractor, O&M Operator and all other contractors, subcontractors and suppliers of whatsoever tier but only to the extent of their respective interest. In respect of Section III Owner and Security Agent for their respective rights and interests.
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Insurers	:	American Home Assurance Company Allianz General Insurance Malaysia Berhad Mitsui Sumitomo Insurance (M) Berhad Multi-Purpose Insurans Berhad AmAssurance Berhad AMI Insurans Berhad.
Period	:	<p>The whole Project estimated at fifty-three (53) months from 31 January 2005 to 1 July 2009 consisting of the following:</p> <p>The first Unit: From the date Notice to Proceed is issued estimated on or about 31 January 2005 until COD of the first Unit estimated to occur on or about 1 January 2009 inclusive of seven (7) months testing and commissioning.</p> <p>The second Unit: From the date Notice to Proceed is issued estimated on or about 31 January 2005 until COD of the second Unit estimated to occur on or about 1 July 2009 inclusive of seven (7) months testing and commissioning.</p> <p>Plus twenty-four (24) months maintenance period effective from the issue of the Provisional Acceptance certificate.</p>
Interest Insured	:	<p><u>Section 1 (Material Damage)</u></p> <p>On the contract works comprising of all materials, equipment and supplies for the construction of the Project including damage caused to the completed works as a result of maintenance during the contract maintenance period.</p> <p>Sum Insured: RM4,080,800,000</p> <p><u>Section II (3rd Party Liability)</u></p> <p>On the legal liability of the insured parties in respect of: (a) accidental death or bodily injury to third parties; and (b) loss or damage to properties of third parties arising out of and in connection with the Project.</p> <p>Limit of Liability: RM25,000,000 for any one accident or series of accidents arising out of any one event for bodily injury and property damage combined. Unlimited during the period of insurance.</p> <p><u>Section III : Delay In Start-Up</u> On loss of projected gross revenue arising from a delay in the commercial operation of the Project.</p> <p>Sum Insured : RM1,141,938,000.</p> <p>Indemnity Period: Eighteen (18) months for every block.</p>
Geographical Limits	:	On and about the site including offsite fabrication and storage, repair works anywhere in Malaysia.
Perils	:	"All Risk" but subject to certain exclusions as per policy wordings.
Coverage Extension and	:	50/50 clause as with marine cargo - material damage.

Provisions:		
Basis of Insurance	:	Property damage - replacement / reinstatement value basis.
Deductibles	:	(a) RM2,650,000 each and every loss in respect of testing, commissioning, consequence of design and bad workmanship; (b) RM1,900,000 each and every loss in respect of Act of God, maintenance, collapse, landslide, subsidence and flood; (c) RM1,000,000 each and every loss in respect of marine works; (d) RM380,000 each and every loss for other losses; (e) RM38,000 each and every loss for 3 rd party property damage; (f) Minimum RM38,000 or 20% of loss whichever is higher for each and every loss in respect of vibration, weakening of support and underground services; (g) RM500,000 for transmission and distribution line; (h) The first sixty (60) days per Unit / block of each and every loss in respect of Delay In Start-Up.

10.3 Insurance for the Operation Phase

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

- (a) Industrial All Risks - Material Damage/Loss of Revenue;
- (b) Machinery Breakdown - Material Damage/Loss of Revenue; and
- (c) Public Liability.

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

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

In the event that any loss or damage insured by the material damage policies highlighted above, adversely affects the income earning capabilities of the Project, such "financial loss" will be catered for with the industrial all risks - loss of revenue and machinery breakdown - loss of revenue policies.

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

10.3.1 Industrial All Risk - Material Damage (Section 1)

Insured	:	Owner, Security Agent, O&M Operator and TNB for their respective rights and interests.
Insurers	:	To be determined at the time the Project is completed.

Period	:	Twelve (12) months from commencement of COD of the first Unit.
Property Covered	:	On all property comprising the Project.
Sum insured	:	To be determined at the time the Project is completed.
Coverage	:	"All risk" including fire & lightning, riot & strike, malicious damage, flood, windstorm, accidental damage.
Basis of Insurance	:	Property damage - replacement/reinstatement value basis.
Deductibles	:	To be determined at the time the Project is completed.

10.3.2 Industrial All Risk - Loss of Revenue (Section 2)

Insured	:	Owner and Security Agent for their respective rights and interests.
Insurers	:	To be determined at the time Project is completed.
Period	:	Twelve (12) months from commencement of COD of the first Unit.
Interest Insured	:	On gross revenue including auditors fees.
Sum Insured	:	To be determined at the time the Project is completed.
Coverage	:	On loss of gross revenue and increase in cost of working suffered by the insured due to interruption or interference in the operation resulting from a loss or damage indemnifiable under the industrial all risks insurance.
Period of Indemnity	:	Period during which the results of the business shall be affected by the loss and/or damage.
Deductibles	:	To be determined at the time the Project is completed.

10.3.3 Machinery Breakdown - Material Damage

Insured	:	Owner, Security Agent, O&M Operator and TNB for their respective rights and interests.
Insurers	:	To be determined at the time the Project is completed.
Period	:	Twelve (12) months from commencement of COD of the first Unit.
Property Covered	:	On all plant and machinery.
Sum Insured	:	To be determined at the time the Project is completed.
Coverage/ Extensions	:	Policy covers sudden and accidental loss of plant and machinery due to breakdown, explosion and collapse during the course of normal operations. Including sudden and unforeseen physical loss or damage from causes such as defects in casting and material, faulty designs, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, shortage of water in boiler, tearing

		apart on account of centrifugal force and short circuit.
Deductibles	:	To be determined at the time the Project is completed.

10.3.4 Machinery Breakdown - Loss of Revenue

Insured	:	Owner and Security Agent for their respective rights and interests.
Insurers	:	To be determined at the time the Project is completed.
Period	:	Twelve (12) months from commencement of COD of the first Unit.
Interest Insured	:	On gross revenue including auditors fees.
Sum Insured	:	To be determined at the time the Project is completed.
Coverage	:	On loss of gross revenue and increase in cost of working suffered by the insured due to interruption or interference in the operation resulting from a loss or damage indemnifiable under the Machinery Breakdown insurance.
Period of Indemnity	:	Period during which the results of the business shall be affected by the loss and/or damage.
Deductibles	:	To be determined at the time the Project is completed.

10.3.5 Public Liability Insurance

Insured	:	Owner, TNB, Security Agent, O&M Operator and all other parties with an interest in the Project.
Insurers	:	To be determined at the time the Project is completed.
Period	:	Twelve (12) months from commencement of COD of the first Unit.
Risks Covered	:	On the legal liability of the insured parties in respect of: (a) accidental death or bodily injury to third parties; and (b) loss or damage to properties of third parties arising out of and in connection with the Project.
Limits	:	To be determined at the time the Project is completed, for any one accident or series of accidents arising out of any one event for bodily injury and property damage combines. Unlimited - during the period of insurance.