

**PLB ENGINEERING BERHAD
CONCESSION AGREEMENT FOR THE OPERATION AND MAINTENANCE OF SANITARY
LANDFILL AND MATERIALS RECOVERY FACILITY (MRF) AT PULAU BURUNG,
SEBERANG PERAI SELATAN, PULAU PINANG**

1. INTRODUCTION

The Board of Directors of PLB Engineering Berhad (hereinafter referred to as “PLB”) is pleased to announce that its 65% owned subsidiary company, PLB Terang Sdn. Bhd. (Co. No.: 929923-U) (hereinafter referred to as “PLB Terang” or the “Concession Company”), has on 31 October 2012 entered into a Concession Agreement with Majlis Perbandaran Seberang Perai (“MPSP”) and Majlis Perbandaran Pulau Pinang (“MPPP”) (collectively, “the Local Authorities”) (the “Concession Agreement”), whereby the Local Authorities have granted to the Concession Company a twenty-year (20 year) concession for the operation and maintenance of sanitary landfill and materials recovery facility (MRF) at Pulau Burung, Seberang Perai Selatan, Pulau Pinang (the “Concession”).

2. SALIENT TERMS OF THE CONCESSION AGREEMENT

2.1 Scope of Concession

2.1.1 Under the Concession Agreement, the Local Authorities are the owners of the following pieces of land which are to be used as the site (“Site”) for the sanitary landfill and the material recovery facility for the State of Penang:-

	<i>Lot No.</i>	<i>Title No.</i>	<i>Area (hectare)</i>	<i>Registered Owner</i>
(i)	Lot 4494	H.S. (D) 2549	16.53	MPSP
(ii)	Lot 4495	H.S.(M) 366	4.04686	MPSP
(iii)	Lot 4496	H.S.(D) 2550	11.83	MPSP
(iv)	PT 517	H.S.(D) 28524	10.12	MPSP
(v)	PT 518	H.S.(D) 28525	18.94	MPSP
(vi)	P.T. 1253	H.S.(D) 45169	127.467	MPPP and MPSP

2.1.2 The Local Authorities are operating the following existing sanitary landfills located in Mukim 11, Pulau Burung, Seberang Perai Selatan:-

- (i) Phase 1 Site located on Lot 4494 (H.S. (D) 2549), Lot 4495 (H.S.(M) 366) and Lot 4496 (H.S.(D) 2550) measuring approximately 32.40686 hectares (“Phase 1 Site”);
- (ii) Phase 2 Site located on PT 518 (H.S. (D) 28525) measuring approximately 18.94 hectares (“Phase 2 Site”).

2.1.3 The Local Authorities awarded the Concession Company the exclusive rights to undertake the following:-

- (i) to design, develop, engineer, procure, install, supply, construct, startup, test, commission, implement, own, operate, manage, maintain the Facilities (means the

Sanitary Landfill, Materials Recovery Facility, leachate pond, leachate treatment plant, mobile leachate treatment plant, resource recovery or conservation system or program, and other facilities at Phase 3 Site for the collection, source separation, storage, treatment, or disposal of Municipal Solid Waste (“MSW”), including any and all equipment, improvements or other components thereof, to be designed, installed, provided, constructed, and operated by the Company under the Concession Agreement) and to provide the Services (as defined below) on Phase 3 Site (as defined below) for a term of twenty (20) years;

- (ii) to treat the leachate produced by the existing sanitary landfill at Phase 1 Site & Phase 2 Site;
- (iii) to extend the lifespan of the existing sanitary landfill at Phase 1 Site until 30 June 2013;
- (iv) to convert the wetlands located on PT 517 (H.S.(D) 28524) measuring approximately 10.12 hectares which is next to Phase 2 Site into an eco-park.

subject to the terms and conditions of the Concession Agreement.

2.2 Supply of Services

The Concession Company shall, in compliance with the ***Schedule B*** (*Details of the Project, Design and Drawings*) of the Concession Agreement, the provisions of Concession Agreement and the Legal Requirements and at its cost, perform and deliver the following services for the duration of the respective Operating Period (the “Services”):-

- (a) accept the MSW delivered by the Local Authorities’ contractor at the Phase 1 Site and the LEVEL IV Landfill to be located on P.T. 1253 in Mukim 11, Pulau Burung, Seberang Perai Selatan (“Phase 3 Site”) based on the agreed rates of Tipping Fee (as defined below) provided that the Concession Company may reject Unacceptable Waste delivered in violation of the Concession Agreement;
- (b) treat the leachate produced by the Existing Sanitary Landfill at Phase 1 Site & Phase 2 Site;
- (c) operate the Materials Recovery Facility and the Sanitary Landfill as a Level IV landfill;
- (d) develop and implement a recyclable or reusable materials recovery program, and carry out a system for the recovery of such recyclable or reusable materials from the waste stream at the Materials Recovery Facility
- (e) decommission and close the Facilities in accordance with the closure plan.

These Services shall not be offered to third parties nor shall the Facilities be used to accept MSW generated outside the intended territorial jurisdiction without the prior written consent of the Local Authorities.

2.3 **Payment**

2.3.1 The Local Authorities shall pay the Concession Company a tipping fee, expressed in RM per metric ton, for each billing month (the “**Tipping Fee**”) which shall be inclusive of the Tax that the Concession Company may be required to pay in relation to the sale and delivery of the Services to the Local Authorities.

2.3.2 Tipping Fee

The agreed rates of the Tipping Fee are as set out below:-

- Year 1-5 (from 16 July 2012 to 15 July 2017) : RM 20.20 per metric ton
- Year 6-10: (from 16 July 2017 to 15 July 2022) RM 22.22 per metric ton
- Year 11-15 (from 16 July 2022 to 15 July 2027): RM 24.44 per metric ton
- Year 16-20 (from 16 July 2027 to 15 July 2032) : RM 26.89 per metric ton

2.3.3 Payment Terms

The Local Authorities shall pay the amount due in each Company Invoice within thirty (30) days after the date of receipt by the Local Authorities of such invoice. If the last day for payment is not a Business Day, then payment shall be made on the next Business Day.

2.3.4 Manner of Payment

All sums payable by the Local Authorities under the Concession Agreement shall be paid in Ringgit Malaysia and remitted in same-day funds on the due date to an account maintained in a bank doing business in Penang to be specified in writing by the Concession Company to the Local Authorities.

3. **INFORMATION ON PLB TERANG**

PLB Terang was incorporated under the Companies Act, 1965 as a private limited company on 18 January 2011. The authorised capital of PLB Terang is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which all have been fully issued and paid up.

The principal activity of PLB Terang is waste management services.

4. **FINANCIAL EFFECTS**

The Concession Agreement is expected to contribute positively to the earnings and net assets per share of PLB Group for the financial years ending 2012 to 2032.

5. **RISK FACTORS**

Risk factors affecting the Concession Agreement include but not limited to any non-fulfilment of the terms and conditions of the contract by PLB Terang and changes in political, economic and regulatory conditions. Notwithstanding the above, the Company shall take all reasonable steps and procedures to ensure the completion of the Concession Agreement and to safeguard the Company’s position.

6. **DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors or major shareholders or persons connected with the Directors or major shareholders of the Company has any direct or indirect interest in the Concession.

7. **DIRECTORS' STATEMENT**

The Board of Directors of PLB is of the opinion that the Concession is in the best interest of the Company.

This announcement is dated 31 October 2012.