
7. INDUSTRY OVERVIEW

7.1 The Road Transportation System in Malaysia

The statements regarding the Government's road transport policy and certain of the other statements set out in this section are extracted from the Third Outline Perspective Plan, the Seventh Malaysia Plan and the Eighth Malaysia Plan and are believed by PLUS Expressways to be the current policies of the Government.

7.1.1 Overview

In the 1980s, the Government began the implementation of its privatisation policy, which included the award of concessions and construction contracts to private developers for the construction, maintenance and operation of infrastructure facilities. In the road transportation sector, the Federal Roads (Private Management) Act 1984 was enacted to allow the Government to grant private developers the right to collect tolls on public roads. This Act enabled private developers to construct, operate and maintain new road systems and thereafter recover the costs of doing so through the collection of tolls.

7.1.2 Road Development Policy in Malaysia

Road development in Malaysia has taken place in accordance with plans outlined by the Government in the form of five-year plans, known as Malaysia Plans, and longer-term Outline Perspective Plans. The Government's First Outline Perspective Plan was issued in 1971 and covered the period from 1971 to 1990. The Government's priority during this period was to develop road projects in the rural and under-developed regions of Malaysia in order to facilitate and accelerate the development of these regions. The Government's Second Outline Perspective Plan, which covered the period from 1991 to 2000, placed greater emphasis on improving inter-urban road networks and alleviating transport-related problems arising from the rapid urbanisation of major towns and cities in Malaysia.

Under the Third Outline Perspective Plan, which covers the period 2001 to 2010, the Government's stated policy is for the expansion, upgrading and integration of roads and highways, railways, ports, airports and telecommunications infrastructure to be undertaken in a co-ordinated and integrated manner. The focus of the Government's road transportation policy is to enhance the efficiency and improve the quality of Malaysia's road services. In particular, the Government's stated priorities in respect of road development are to:

- increase accessibility by road, with a view to facilitating the establishment of new growth centres in Malaysia, as well as reducing travel time and costs;
- enhance standards to be applied in the construction of new roads, especially those linking the industrial areas of Malaysia to ports and airports;
- improve accessibility to rural areas, particularly in Sabah and Sarawak, to promote economic and social development; and
- increase safety standards in the construction of new roads and the upgrading of existing roads.

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During the period covered by the Seventh Malaysia Plan, 1996 to 2000, road development was guided by the need to expand capacity and upgrade the existing road network in Malaysia. As a result, the total road network in Malaysia, in terms of km in operation, increased by 7.3% from 61,380 km in 1995 to 65,880 km in 2000. Reflecting this expansion, the road subsector accounted for approximately 59.8% of the Government's total infrastructure-sector expenditure during this period, with expenditure on road development amounting to RM12.3 billion. At the same time, between 1996 to 2000, private sector expenditure on road development declined to RM7.9 billion from RM15.2 billion during the period of the Sixth Malaysia Plan (1991 to 1995). This decline in private investment in the road subsector, caused mainly by the economic crisis in South East Asia, was mitigated by the increased Government expenditure on road construction and improvement projects during this period.

7.1.3 Expressways under Concession in Malaysia

Following the implementation of the Government's privatisation policy and its Outline Perspective Plans, there are currently approximately 1,230 km of expressway operated under concession in Malaysia according to the MHA. The Expressways represent approximately 69% of total expressway km operated under concession in Malaysia.

The table below sets out details of other major expressways operated under concession in Peninsular Malaysia as at 31 May 2002.

Expressway/Highway	Location	Approximate length (km)	Concession company
Kuala Lumpur-Karak Expressway	Kuala Lumpur – Pahang	60	MTD Prime Sdn. Bhd
North-South Expressway Central Link	Negeri Sembilan – Selangor	48	ELITE ⁽¹⁾
Malaysia-Singapore Second Crossing	Johor, Malaysia – Tuas, Singapore	45	Linkedua ⁽¹⁾
Damansara-Puchong Highway	Selangor	40	Lingkar Trans Kota Sdn Bhd (LITRAK)
Shah Alam Expressway	Selangor	35	KESAS Sdn. Bhd
Seremban-Port Dickson Highway	Negeri Sembilan	22	Seremban-Port Dickson Highway Sdn. Bhd
Western Kuala Lumpur Traffic Dispersal Scheme ⁽²⁾ (Damansara Link and Kerinchi Link) ⁽³⁾	Kuala Lumpur	20	SPRINT
New North Klang Straits Bypass	Selangor	18	Lebuhraya Shapadu Sdn Bhd

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Expressway/Highway	Location	Approximate length (km)	Concession company
Butterworth-Kulim Expressway	Kedah – Pulau Pinang	17	Konsortium Lebuhraya Butterworth-Kulim (KLBK) Sdn. Bhd
Sungai Besi Highway	Kuala Lumpur - Selangor	16	Besraya (M) Sdn. Bhd
Penang Bridge ⁽³⁾	Pulau Pinang	14	Penang Bridge Sdn. Bhd ⁽¹⁾
Cheras-Kajang Highway	Selangor	12	Grand Saga Sdn. Bhd
Ampang Elevated Highway ⁽³⁾	Kuala Lumpur - Selangor	7	Projek Lintasan Kota Sdn. Bhd

Source: Eighth Malaysia Plan

Note:

- (1) UEM Group company.
(2) Out of the originally planned 26 km, approximately 20 km has been completed under the Damansara Link and Kerinchi Link. The remaining 6 km under the Penchala Link remain under construction.
(3) This expressway was not listed in the Eight Malaysia Plan

The table below sets out the principal Government-funded road projects completed in Peninsular Malaysia since 1995.

Road Project	Approximate length (km)	Year of completion
Access Road to Kulim Hi-Tech Industrial Park	9	1996
Kota Tinggi Bypass	10	1997
Eastern Access to KLIA	17	1998
Middle Ring Road II (Phase I)	35	1998
Kuala Perlis-Changloon Highway	36	2000
Access Road to Port of Tanjung Pelepas, Johore	8	2000
Sungai Dinding Bridge	10	2000
Upgrading of B15	10	2000
South Klang Valley Expressway Section 1A	11	2000
Access Road to Toxic Waste Plant in Bukit Nenas, Negeri Sembilan	17	2000

Source: Eighth Malaysia Plan

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In addition to existing expressways and highways operated under private concession, the Government has awarded concessions for the construction and development of a number of other expressways in Peninsular Malaysia.

The table below sets out certain major expressway and highway projects under construction in Peninsular Malaysia as at 31 May 2002:

Expressway/Highway	Location	Approximate length (km)	Concession company
East Coast Expressway (Karak-Kuantan)	Pahang	169	MTD Capital Bhd ⁽¹⁾
Kajang Traffic Dispersal Highway	Selangor	37	SILK
Guthrie Corridor Expressway ⁽²⁾	Selangor	23	Guthrie Corridor Expressway Sdn Berhad
New Pantai Highway	Selangor	20	New Pantai Expressway Sdn. Bhd
Butterworth Outer Ring Road	Pulau Pinang	19	Lingkaran Luar Butterworth (Penang) Sdn Bhd
Western Kuala Lumpur Traffic Dispersal Scheme (Penchala Link)	Selangor	6 ⁽³⁾	SPRINT

Source: Eighth Malaysia Plan

Notes:

- (1) Turnkey Contractor.
 (2) Not in the Eighth Malaysia Plan.
 (3) In addition to the 20 km already in operation.

The following table sets out the principal Government – funded road projects under construction in Peninsular Malaysia as at 31 May 2002:

Road Project	Approximate length (km)
Lipat Kajang (Melaka) Interchange to North-South Expressway	2
Brinchang-Lojing Road	22

Source: Eighth Malaysia Plan

7. INDUSTRY OVERVIEW

The Government has announced that its road expansion programme will continue under the Eighth Malaysia Plan. In addition to the 169-kilometre East-Coast Highway, which will be Government funded, the table below sets out expressway and highway projects which are scheduled to be developed under private concession pursuant to the Eighth Malaysia Plan:

Expressway/Highway	Location	Approximate length (km)
Ipoh-Lumut Highway	Perak	70
Kajang-Seremban Highway	Selangor – Negeri Sembilan	48

The expansion of the road network in Malaysia has resulted in the gradual improvement of road development indicators. Road density, which measures road length over a designated area, increased from 0.19 in 1995 to 0.20 in 2000 in Malaysia as a whole, indicating wider road coverage and greater accessibility. The road development index, which measures the level of road development, taking into consideration both the area and population size of a country, also improved marginally from 0.74 in 1995 to 0.75 in 2000, as did the road service level, measuring total road length per 1,000 population, which increased from 2.96 to 2.98.

Road Development Indicators, 1995-2005

Indicator	1995	2000	2005 (projected)
Road density ⁽¹⁾	0.19	0.20	0.21
Road development index ⁽²⁾	0.74	0.75	0.76
Road service level ⁽³⁾	2.96	2.98	3.02

Notes:

(1) Road density measures road length (km) over a designated area.

(2) Road development index measures the level of road development taking into account both the land area and population size of a country.

(3) Road service level measures total road length (km) per 1,000 population.

Source: Eighth Malaysia Plan

To date, most toll roads in Malaysia have been built under a build, operate and transfer system. Under this system, the Government awards a concession for the construction of an expressway and the concessionaire bears the cost of building, managing and maintaining the road in return for the right to collect tolls at a stipulated rate over a fixed period, typically around 30 years. At the end of the concession period, ownership of the expressway and other ancillary assets reverts to the Government.

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To stimulate economic growth while maintaining Government expenditure within specified limits, in 1997 the Government initiated a deferred payment scheme for the development of road projects in Malaysia. Under this scheme, a private sector developer finances the project and payment is made by the Government after an agreed period subsequent to the completion of the project. Most of these projects involved the upgrading of existing roads which was delayed as a result of the economic crisis in South East Asia in 1997 and 1998.

7.1.4 Future Road Development in Malaysia

Under the Eighth Malaysia Plan, the Government has stated that it plans to continue its road development programme with an emphasis on quality and safety. The construction of new roads will focus on opening corridors for development as well as improving accessibility to rural areas. Construction of roads through privatisation and the deferred payment method will continue on a selective basis. During the period of the Eighth Malaysia Plan, which covers the period between 2001 to 2005, the Government has stated that it plans to allocate a total of RM5.1 billion for the development of new roads and RM8.9 billion for the improvement and upgrading of existing roads.

In addition, under the Eighth Malaysia Plan, the Government has announced new road development projects which are expected to be developed under concession arrangements, including:

- the Senai-Desaru Highway, which will provide an east-west link between Senai and Desaru, in the southern state of Johor;
- the Kajang-Seremban Highway, a 48-km road, which will generally run parallel to the North-South Expressway and link Kajang in the state of Selangor with Seremban in the state of Negeri Sembilan; and
- the Western Kuala Lumpur Traffic Dispersal Scheme, a 26-km road in the Kuala Lumpur area comprising three sections, two of which are already operational and one of which is under construction.

While the timing and other details with respect to the completion of these highways has yet to be announced by the Government, these expressways are expected to add approximately 100 km of privately-operated expressway to the total road network in Malaysia.

7.1.5 Regulation of the Road Transportation System

The MHA is the principal regulator of the toll road transportation system in Malaysia and was established under the Highway Authority Malaysia (Incorporation) Act, 1980.

The MHA is the official monitoring authority of most toll roads in Malaysia. Its functions in relation to the Expressways include:

- approving detailed designs for initial construction of the Expressways and any upgrading or additional works on the Expressways, including road widening and the construction of interchanges;
- issuing guidelines on maintenance work;

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- approving the maintenance manual, and inspecting the Expressways to ensure maintenance works are carried out in accordance with the approved Maintenance Manual;
- approving the construction of billboards along the Expressways; and
- monitoring PLUS' procedures and controls for determining actual traffic volume.

7.1.6 The Expressways

The Expressways as a whole commenced operation in 1994. Before the construction of the Expressways, Peninsular Malaysia was served by a road network consisting principally of single two-lane carriageways. The major highways forming part of this road network were Federal Highway Route 1 and Federal Highway Route 2. Federal Highway Route 1 runs the entire length of the west coast of Peninsular Malaysia connecting Penang, Ipoh, Kuala Lumpur and Johor Bahru. Federal Highway Route 2 runs in an east-west direction between Kuala Lumpur and Klang.

In order to improve the road network and avoid traffic congestion, the Government began construction of the North-South Expressway in the 1970s and the first section from Kuala Lumpur to Seremban was completed and opened in 1977.

Following the announcement of the Government's road privatisation policy in February 1983, the Expressways were designated for private operation. On 29 December 1986, the Minister of Works announced the award of the Concession for the Expressways to UEM and the Concession Agreement was executed on 18 March 1988 between the Government and UEM. The Concession was novated to PLUS on 20 July 1988. See "Section 8.3 - Information on PLUS Expressways Group - The Concession Arrangements and Regulations".

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8. INFORMATION ON PLUS EXPRESSWAYS GROUP

8.1 Business

PLUS Expressways was incorporated in Malaysia as a public company on 29 January 2002 under the Companies Act. PLUS Expressways is a holding company which wholly owns PLUS, its only subsidiary. PLUS' business primarily consists of the operation and maintenance of the Expressways.

8.1.1 Introduction

The Directors of PLUS Expressways believe that PLUS is the largest expressways concessionaire in Malaysia in terms of toll receipts and, once listed, the PLUS Expressways Group will be the largest listed expressway operator in South East Asia in terms of toll receipts. As at 31 March 2002, PLUS operated 848 km of total expressways which, based on MHA statistics, represented approximately 69% of toll expressway km operated under concession in Malaysia. In 2001, PLUS generated RM1,222.6 million in toll receipts, an increase of 6.0% from the prior year. Toll receipts represented 97.6% of PLUS' revenues in 2001.

Situated primarily along the west coast of Peninsular Malaysia, the Expressways have benefited from economic growth in the industrial and urban centres of Malaysia as well as international commerce and traffic between Malaysia, Thailand and Singapore. PLUS operates some of the busiest toll expressways in Malaysia. Annual traffic volume on the Expressways, based on average PCU-km, has increased by an average of 2.9% per year since 1997 and amounted to 10,877 million PCU-km in 2001. In 2001, PLUS conducted 306.9 million toll transactions, with an average of 840,790 vehicles using the Expressways each day.

As at 31 May 2002, PLUS operated approximately 128 km of dual three-lane expressways, representing 15.1% of the Expressways, and approximately 720 km of dual two-lane expressways, representing 84.9% of the Expressways as well as 67 toll plazas, 78 interchanges and 584 toll lanes.

PLUS was assigned the Concession in 1988 and the Expressways became fully operational in 1994 following the construction by PLUS of 513 km, or 60.5% of the Expressways. On the basis of 14 years of service as an expressways concessionaire, PLUS believes that it has developed the skills and expertise necessary to operate and maintain an efficient and reliable expressway network.

As at 31 May 2002, Khazanah, the investment holding arm of the Government, had an aggregate direct and indirect interest of 86.4% in PLUS Expressways.

8.1.2 History

Pursuant to a corporate reorganisation, PLUS Expressways became the holding company of PLUS on 31 May 2002. See "Section 9 – Debt Restructuring and Flotation Scheme". PLUS was incorporated in Malaysia on 27 June 1986 under the name Highway Concessionaires Berhad. It changed its name to Projek Lebuhraya Utara-Selatan Berhad on 13 May 1988. On 18 March 1988, the Government and UEM entered into the Concession Agreement under which UEM was granted the concession to finance, design, construct, operate and maintain the Expressways. On 20 July 1988, UEM, PLUS (a wholly-owned subsidiary of UEM at the time) and the Government entered into a novation agreement under which UEM transferred all its rights, obligations and liabilities under the Concession Agreement to PLUS.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

The Concession was originally awarded for a period of 30 years commencing on 31 May 1988, the date on which the Concession Agreement came into effect. Pursuant to the Supplemental Concession Agreement dated 8 July 1999 and as part of a revision of toll rates agreed with the Government, the Concession Agreement was extended by 12 years to 31 May 2030. Upon the expiry or earlier termination of the Concession Agreement, all assets of PLUS (except those subject to a security interest in favour of the Lenders) will be transferred to the Government at no cost. See “Section 3 - Risk Factors” and “Section 8.3 - The Concession Arrangements and Regulation.”

PLUS has no subsidiaries and no associated companies (as defined by the Companies Act).

8.1.3 The Expressways

PLUS operates and maintains three interconnected expressways: the North-South Expressway, the New Klang Valley Expressway and a section of the Federal Highway Route 2, each of which serves leading industrial, urban and residential areas in Peninsular Malaysia. In 2001, PLUS collected 81.8% of total toll receipts, or RM999.6 million, from vehicles using the North-South Expressway and 18.2% of total toll receipts, or RM223.0 million, from vehicles using the New Klang Valley Expressway and Federal Highway Route 2.

The principal structural features of the Expressways for which PLUS is responsible are set out in the table below:

	North-South Expressway	New Klang Valley Expressway	Federal Highway Route 2
Length (<i>km</i>)	797	35	16
Toll Lanes	471	73	40
Toll Plazas	61	4	2
Interchanges	64	5	9
Bridges	296	21	33
Tunnels	2	-	-

A. The North-South Expressway

The North-South Expressway is a 797-kilometre toll expressway running the length of the west coast of Peninsular Malaysia from Bukit Kayu Hitam near the border of Thailand in the north to Johor Bahru at the border of Singapore in the south, including the Senai to Johor Bahru stretch and the Kempas Spur Road. It is the only expressway serving all the major cities along Peninsular Malaysia’s west coast, including Kuala Lumpur (population 1.3 million), Petaling (population 1.2 million), Johor Bahru (population 1.1 million), Klang (population 600,000), Ipoh (population 600,000), Penang (population 1.2 million) and Melaka (population 600,000), as well as industrial developments in Kulim, Sungai Besi and Senawang. The North-South Expressway also provides links to other principal roadways, including the Penang Bridge, the Malaysia-Singapore Second Crossing, the Federal Highways, the North-South Expressway Central Link and the SILK highway.

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Approximately 10%, or 77 km, of the North-South Expressway consists of dual three-lane expressways, and approximately 90%, or 720 km, consists of dual two-lane expressways. PLUS operates and maintains ancillary facilities along the North-South Expressway, including 2 overhead bridge restaurants, 18 rest and service areas, 47 lay-bys and 244 billboards.

The North-South Expressway is one of the busiest toll expressways in Malaysia. The table below sets out the traffic volume, expressed in PCU-km, and toll receipts collected by PLUS, on the North-South Expressway for the years indicated:

Traffic Volume and Toll Revenue Data for North-South Expressway

Year	Traffic Volume		Toll Receipts		
	PCU-km (million)	Increase (Decrease) from Previous Year (%)	(RM million)	Percentage of Total Toll Receipts	Increase (Decrease) from Previous Year (%)
1995	6,669	18.6	500.1	79.1	18.6
1996	7,660	14.9	601.4	78.7	20.3
1997	7,676	0.2	805.9	79.8	34.0
1998	7,312	(4.8)	767.8	81.1	(4.7)
1999	7,427	1.6	825.3	81.7	7.5
2000	8,600	15.8	966.6	83.8	17.1
2001	8,893	3.4	999.6	81.8	3.4

Traffic volume on the North-South Expressway, measured in PCU-km, has increased by an average of 3.3% per year since 1997. In 2001, PLUS conducted 182.8 million toll transactions on the North-South Expressway, representing an average of 500,939 transactions per day. In 2001, average daily traffic volume on the North-South Expressway was 24.4 million PCU-km, generating average daily toll receipts of RM2.7 million. In 2001, 85.4% of traffic volume on the North-South Expressway consisted of Class 1 vehicles (primarily passenger cars) and 14.6% consisted of commercial and other vehicles.

Traffic to and from Singapore connects to the North-South Expressway via the Johor Bahru Causeway and the Malaysia-Singapore Second Crossing. Traffic to and from Thailand connects to the North-South Expressway via the Bukit Kayu Hitam toll plaza in Kedah. Border crossings to and from Thailand and Singapore accounted for approximately 3% of North-South Expressway toll transactions in 2001, with 7.4 million vehicle crossings at the Singapore border and 1.1 million vehicle crossings at the Thai border. Cross-border traffic accounted for 1.6% of PLUS' toll receipts in 2001, or RM20.0 million.

Approximately 82% of cross-border traffic volume in 2001 consisted of Class 1 vehicles (primarily passenger cars) and approximately 18% consisted of commercial and other vehicles. Cross-border traffic volume is affected by trends in economic growth in Malaysia, Singapore and Thailand, by the volume of cross-border trade and by political factors.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

B. The New Klang Valley Expressway

The table below sets out the traffic volume, expressed in PCU-km, and toll receipts collected by PLUS on the New Klang Valley Expressway for the years indicated.

Traffic Volume and Toll Revenue Data for New Klang Valley Expressway

Year	Traffic Volume		Toll Receipts		
	PCU-km (million)	Increase (Decrease) from Previous Year (%)	(RM million)	Percentage of Total Toll Receipts	Increase (Decrease) from Previous Year (%)
1995	1,091	25.7	81.8	12.9	25.7
1996	1,333	22.1	104.7	13.7	27.9
1997	1,286	(3.5)	135.0	13.4	28.9
1998	1,114	(13.4)	116.9	12.4	(13.4)
1999	1,058	(5.0)	117.6	11.6	0.5
2000	1,080	2.1	121.4	10.5	3.3
2001	1,310	21.3	147.3	12.0	21.3

The New Klang Valley Expressway is a 35-kilometre expressway running between Kuala Lumpur and North Klang through Shah Alam, a growing residential area, state capital and centre for light industry. The entire length of the New Klang Valley Expressway consists of dual three-lane expressways. In 2001, PLUS collected 12.0% of total toll receipts, or RM147.3 million, from vehicles using the New Klang Valley Expressway, an increase of 21.3% from the previous year.

PLUS conducted 37.8 million toll transactions on the New Klang Valley Expressway in 2001, representing an average of 103,253 transactions per day. Total traffic volume on the New Klang Valley Expressway in 2001 was 1,310 million PCU-km. In 2001, 91.1% of traffic volume on the New Klang Valley Expressway consisted of Class 1 vehicles and 8.9% consisted of commercial and other vehicles.

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C. Federal Highway Route 2

The table below sets forth the traffic volume, expressed in PCU-km, and toll receipts collected by PLUS, on Federal Highway Route 2 for the years indicated:

Traffic Volume and Toll Revenue Data for Federal Highway Route 2

Year	Traffic Volume		Toll Receipts		
	PCU-km (million)	Increase (Decrease) from Previous Year (%)	(RM million)	Percentage of Total Toll Receipts	Increase (Decrease) from Previous Year (%)
1995	678	13.2	50.9	8.0	13.2
1996	542	(20.0)	57.7	7.6	13.4
1997	657	21.2	69.0	6.8	19.6
1998	589	(10.3)	61.9	6.5	(10.3)
1999	605	2.7	67.3	6.7	8.8
2000	578	(4.5)	64.9	5.6	(3.5)
2001	674	16.6	75.8	6.2	16.6

PLUS operates and maintains a 16-kilometre section of Federal Highway Route 2 connecting Subang and Klang. Located near a leading port, Klang has a population of 0.6 million. In 2001, PLUS collected 6.2% of total toll receipts, or RM75.8 million, from vehicles using Federal Highway Route 2, an increase of 16.6% from the previous year.

PLUS conducted 86.4 million toll transactions on Federal Highway Route 2 in 2001, representing an average of 236,607 transactions per day. Traffic volumes on Federal Highway Route 2, measured in PCU-km, have increased by an average of 5.1% per year since 1997, and in 2001 traffic volume was 674.1 million PCU-km.

In 2001, 92.3% of PLUS' traffic volume on Federal Highway Route 2 consisted of Class 1 vehicles and 7.7% consisted of commercial and other vehicles.

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8. INFORMATION ON PLUS EXPRESSWAYS GROUP

D. Coverage of Expressways

Major regions served by the Expressways include:

- The Central Region, including Kuala Lumpur.** The North-South Expressway links the Federal Territory of Kuala Lumpur population (1.3 million), the growing Government administrative centre of Putrajaya and the state of Selangor (population 3.9 million) to the rest of Peninsular Malaysia. The New Klang Valley Expressway and Federal Highway Route 2 links many of the leading urban, industrial and residential areas surrounding Kuala Lumpur (including Subang, Klang, Shah Alam and Petaling Jaya, one of Kuala Lumpur's largest suburbs) to the city and each other. Traditionally, growth trends in the Kuala Lumpur economy have corresponded to growth trends in the national economy. The Federal Territory's GDP growth from 1996 through 2000 averaged 4.2%, compared to national average GDP growth of 4.7% for the same period. Kuala Lumpur's population grew by an average of 2.0% per year from 1996 through 2000, and the Government predicts average population growth of 2.9% per year for 2001 through 2005. Selangor's GDP growth from 1996 through 2000 averaged 5.6%, while average population growth from 1996 through 2000 was 5.4%.
- The Northern Region.** The North-South Expressway serves the states of Perak (population 2.0 million), Penang (population 1.2 million) and Kedah (population 1.6 million) in the north of Peninsular Malaysia. Average GDP growth from 1996 through 2000 in Perak, Penang and Kedah was 3.9%, 5.4% and 4.8%, respectively, while average population growth from 1996 through 2000 was 0.7%, 2.1% and 1.9%, respectively. Kulim in Kedah, and Penang are growing regional centres for the manufacture of electronics.
- The Southern Region.** The North-South Expressway serves the states of Negeri Sembilan (population 0.8 million), Melaka (population 0.6 million) and Johor (2.6 million) in the south of Peninsular Malaysia. Average GDP growth from 1996 through 2000 in Negeri Sembilan, Melaka and Johor was 4.5%, 3.9% and 5.2%, respectively, while average population growth from 1996 through 2000 was 1.3%, 1.1% and 2.4%, respectively.

The table below sets out the actual number of vehicles passing through PLUS' toll plazas by region.

Actual Traffic Volume by Region

Year Ended 31 December	Northern Region (‘000)	Central Region (‘000)	Southern Region (‘000)	Total (‘000)
1995	32,823	166,419	50,268	249,510
1996	39,028	187,946	57,980	284,954
1997	42,062	192,263	60,269	294,594
1998	40,533	173,965	56,723	271,222
1999	41,612	167,244	58,089	266,945
2000	47,488	178,445	65,304	291,237
2001	51,718	187,646	67,527	306,892

Administratively, PLUS divides each region into sections between toll plazas. PLUS maintains 16 section offices along the Expressways.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

8.1.4 Strategy

The PLUS Expressways Group intends to capitalise on its extensive experience in the operation and maintenance of expressways in Malaysia. As the operator of the North-South Expressway, the backbone of the road system that extends the entire length of Peninsular Malaysia, the PLUS Expressways Group intends to maximise returns on its existing assets and review opportunities to expand its operation and maintenance business in Malaysia. By doing so, the PLUS Expressway Group believes that it will be well-placed to maintain its position as the leading expressway operator in Malaysia.

To achieve its strategic objectives, the PLUS Expressways Group intends to:

A. Optimise returns from the operation and maintenance of the Expressways and review opportunities to expand its core operation and maintenance competence to other expressways

The PLUS Expressways Group intends to focus on its core competence of operating and maintaining the Expressways in order to maximise returns on its existing assets. In addition to pursuing continued improvement in the quality of its products and services, the PLUS Expressways Group believes that its position as the leading expressway operator in Malaysia, and the experience it has gained, will enable it to expand its core operation and maintenance competence to other expressways in Malaysia. While the PLUS Expressways Group will review opportunities to develop and operate additional expressways if such development enhances the overall value of the PLUS Expressways Group, it intends to focus only on expressway-related businesses.

B. Further enhance the operation and management of the Expressways

PLUS Expressways Group intends to implement a number of initiatives to further improve its management systems, products and services. These initiatives include:

- extending the “*Touch ‘n Go*” and “*SmartTag*” systems for automated payment of tolls to all classes of vehicles;
- undertaking lane and toll plaza expansion and the construction of new interchanges where PLUS believes that this will enhance service levels, subject to the availability of appropriate financing arrangements;
- enhancing the quality and scope of Ancillary Facilities offered by PLUS;
- introducing electronic displays to inform drivers of traffic conditions and assist drivers to plan their journeys;
- increasing the use of electronic technology for inventory management, tender submissions, supplies and contracts procurement; and
- expanding its computerised maintenance management tool, “*TEMAN*”, in order to improve maintenance efficiency.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

C. Continue to operate safe and reliable Expressways

PLUS Expressways Group plans to continue serving Expressway users by enhancing safety features and services to promote the Expressways as a safe, fast and convenient mode of travel. To this end, PLUS Expressways Group intends to expand its traffic management and safety services, including PLUS Ronda, its 24-hour vehicle breakdown service, and expand its range of Ancillary Services.

D. Enhance its financial performance by optimising its capital structure

Following the Debt Restructuring and Flotation Scheme, the PLUS Expressways Group intends to continue to optimise its capital structure. To do so, the PLUS Expressways Group intends to continue to monitor and manage its level of indebtedness as well as carefully monitor capital expenditures, investments and other financial commitments. See “Section 9 - Debt Restructuring and Flotation Scheme”.

8.1.5 Business Overview

PLUS’ principal lines of business consist of:

- the operation and maintenance of the Expressways, which comprise the core activities of PLUS; and
- the provision of Ancillary Facilities, which PLUS believes are complementary to the operation of the Expressways and enhance the convenience of the Expressways to motorists.

8.1.6 Operation and Maintenance of the Expressways

The operation and maintenance of the Expressways consists of:

- the collection of tolls from Expressway-users at toll plazas, both in cash and electronically;
- maintenance of the Expressways, namely routine maintenance and heavy repairs including structural overlay work; and
- managing the Expressways to, among other things, improve traffic flows, maintain road safety and enhance facilities and services along the Expressways.

A. Toll Collection

PLUS uses two toll collection systems for the Expressways, an “open” system and a “closed” system. Both of these systems are commonly used within the toll road industry.

Open System: On open system expressways, a vehicle does not need to enter or leave the Expressways through a toll plaza and motorists pay the toll upon reaching an open toll plaza. The tariff is a fixed toll charged according to the class of vehicle regardless of distance travelled or where the vehicle enters or leaves the expressway. PLUS believes that this type of system is suitable for urban or semi-urban sections of the Expressways with numerous intersections. Approximately 6% of the North-South Expressway and all of the portion of Federal Highway Route 2 operated by PLUS use the open system.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Closed System: In a closed system users collect a ticket at the toll plaza upon entry to the expressway and pay a toll upon exiting based on the distance travelled and class of vehicle. PLUS believes that this type of system is suitable for roads linking urban centres. PLUS uses the closed system for the entire New Klang Valley Expressway and 751 km, or approximately 94%, of the North-South Expressway.

Method of Toll Collection. PLUS collects tolls manually or through an automated system. Manual collection allows the user to pay by cash. When the Expressways commenced operation in 1994, tolls were collected in cash only, and cash is still the most common mode of payment. In order to increase user convenience, facilitate faster vehicle throughput and improve operational efficiencies, PLUS has, in collaboration with RSSB, a UEM Group company, introduced two electronic payment systems for toll collections, the “*Touch ‘n Go*” and “*SmartTag*” systems. The “*Touch ‘n Go*” system is based on reloadable contactless smart card technology, which enables a user to store credits on a smart card and place the card in front of a sensor panel for instant payment at the toll plazas through electronic deduction of credits from the smart card.

The “*SmartTag*” system complements the “*Touch ‘n Go*” system and uses the same smart card technology, in combination with an on-board unit installed in the user’s vehicle. With this device, a user is able to drive through the toll plaza without stopping, and toll payment is deducted automatically from the smart card. Expressway users can load credit automatically on the smart card. While the facility to load credit on smart cards automatically was introduced in 1995, it has been suspended since the fourth quarter of 2001. RSSB has informed PLUS that it intends to launch a new automatic credit loading system in the second half of 2002.

The “*Touch ‘n Go*” and “*SmartTag*” systems, including the “*Touch ‘n Go*” trademark and other related intellectual property, is owned by RSSB, except for the rights related to the “*SmartTag*” on board unit, which are owned by its supplier, Infrared Advanced Technologies Sdn Bhd. RSSB registered the “*Touch ‘n Go*” trademark in January 2002 and has applied for registration of the “*SmartTag*” trademark. Under the terms of a Service Provider Agreement between PLUS and RSSB, RSSB promotes and markets “*Touch ‘n Go*” smart cards to users and operates the electronic payment system in return for a fee payable by PLUS. This fee is based on a sliding scale ranging from 4.0% to 2.8% of monthly revenue collected using the system.

The “*Touch ‘n Go*” system has been implemented throughout the Expressways, except at the Bukit Kayu Hitam toll plaza near the Thai border, and in 2001 collected 19.0% of PLUS’ toll receipts while processing 22.0% of total traffic volume. The “*SmartTag*” system has been implemented at all four toll plazas on the New Klang Valley Expressway, at each of the toll plazas on Federal Highway Route 2 and at 18 of the 61 toll plazas on the North-South Expressway. In 2001, the “*SmartTag*” system collected 4.0% of PLUS’ total toll receipts, or 7.0% of total traffic volume. At present the “*SmartTag*” system has been implemented only for “Class 1” vehicles.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

In order to use the “Touch ‘n Go” or the “SmartTag” systems, Expressways users are required to purchase a smart card, which accepts credits of between RM20 to RM500. In the case of the “SmartTag” system, the smart card is inserted into an on-board unit which costs RM220. Touch ‘n Go cards are supplied to PLUS by RSSB. The SmartTags units are supplied to PLUS by Infrared Advanced Technologies Sdn Bhd, a UEM Group company. In 2001, PLUS allocated RM5.0 million of its budget to purchase SmartTags units as part of its customer loyalty marketing programme. The smart card used for the “Touch ‘n Go” system was originally limited to payment of PLUS’ tolls but can now be used outside the Expressways, including for bus and train fares, on competing expressways and in certain car parks. PLUS believes that expanded usage of the smart card for other services may lead to increased use of it on the Expressways.

RSSB collects and deposits all funds received from prepaid credits on smart cards into a designated trust account held with Bumiputra-Commerce Bank Berhad, a Malaysian bank. As Expressway users utilise the smart card to pay tolls, PLUS forwards the corresponding toll data to RSSB on a daily basis. RSSB then verifies the toll data and arranges for payment to be made to PLUS from the designated trust account. Payments by RSSB to PLUS are typically made within 24 hours of receipt of the toll data from PLUS. PLUS recognises toll revenue derived from smart card payments upon receipt of the toll payments from the account.

Toll Collection Controls. PLUS operates a number of control procedures in order to minimise potential loss of toll revenue. For toll plazas operating under the closed system, computer systems monitor vehicles as they enter and exit the Expressways. This includes an automatic vehicle detection system which determines the class of each vehicle (except for Class 4 and 5 vehicles) according to its number of axles. This information is used to help compute the toll payment due for each vehicle. At the end of each toll teller’s shift, a toll supervisor reconciles actual receipts received by the toll teller against the computed toll recorded by the system.

In addition, PLUS has installed closed circuit television (“CCTV”) systems at toll plazas along the Expressways to monitor traffic and vehicle throughput. PLUS intends to install CCTV systems in all remaining toll plazas by the end of 2002. Further, in order to prevent any improper use or re-use of Expressway tickets and to prevent any improper use of Expressway tickets, each ticket has a validity period limited of 20 hours.

PLUS also operates a toll inspectorate unit, which conducts unscheduled, unannounced visits to toll plazas to ensure compliance with toll collection procedures.

PLUS believes that loss of toll revenue from theft or fraud has not had a material impact on operating revenues. While there have been instances of fraud involving the false crediting of “Touch ‘n Go” smart cards, any loss arising from such fraud is contractually borne by RSSB, not PLUS.

Toll/Volume Certification. The Concession Agreement provides for the appointment of a Government Auditor, appointed by the Government, and a Concession Company Auditor, appointed by PLUS, to jointly certify, on an annual basis, PLUS’ actual traffic volume and actual toll revenue. This certification is for the purposes of determining the Government’s obligation to pay toll compensation should the actual toll rate imposed be lower than the Agreed Toll Rate. The joint certification is also required to determine PLUS’ obligation to share toll revenue with the Government should PLUS’ actual toll revenue exceed the Threshold Toll Revenue. PLUS has appointed Ernst & Young, its independent auditors, as Concession Company Auditor.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Cross-Collection Arrangements. PLUS also collects tolls on behalf of other expressway operators in Malaysia. PLUS and ELITE, a UEM Group company, which operates the North-South Expressway Central Link, entered into a toll collection agreement in September 1999. Under the terms of this agreement, PLUS collects tolls at its toll plazas, on behalf of ELITE, from vehicles using the North-South Expressway Central Link and exiting at any of PLUS' toll plazas. ELITE, in turn, collects tolls at its toll plazas, on behalf of PLUS from vehicles using the Expressways and exiting at any of ELITE's toll plazas. The tolls collected are paid into designated accounts at Bumiputra-Commerce Bank Berhad in Malaysia on a daily basis. Net payments are made between ELITE and PLUS upon the issue of a joint certificate directing the bank to pay either PLUS or ELITE. Net payments are typically made within three days after issue of the joint certificate, and the joint certificate is typically issued within five days of the corresponding transactions. In 2001, ELITE collected approximately 4.0% of PLUS' toll receipts.

B. Toll Revenue

Between 1995 and 2001, PLUS' toll revenues increased by an average of 13.8% per year, from RM632.9 million in 1995 to RM1,222.6 million in 2001.

PLUS' revenue from operating the Expressways depends principally on traffic volumes and toll rates. The toll rates that PLUS can charge are imposed by the Government. The Government is obliged to pay compensation to PLUS if actual toll rates are lower than the Agreed Toll Rates set out in the Concession Agreement. See "Section 8.3 - The Concession Arrangements and Regulation" and "Section 3 - Risk Factors."

The table below sets out PLUS' toll revenues from the Expressways, broken down by open and closed systems, for the periods indicated:

Toll Receipts

Year	Open System (RM million)	Increase (Decrease) from Previous Period (%)	Closed System (RM million)	Increase (Decrease) from Previous Year (%)	Total (RM million)	Increase (Decrease) from Previous Period (%)
1995	83.5	15.8	549.4	19.5	632.9	19.0
1996	97.1	16.3	666.7	21.4	763.8	20.7
1997	119.8	23.4	890.2	33.5	1,010.0	32.2
1998	107.7	(10.1)	838.9	(5.8)	946.6	(6.3)
1999	115.8	7.5	894.4	6.6	1,010.2	6.7
2000	120.7	4.2	1,032.3	15.4	1,153.0	14.1
2001	136.3	12.9	1,086.3	5.2	1,222.6	6.0
2002 ⁽¹⁾	37.5	10.5	292.9	15.6	330.5	39.0

Note:

(1) For the three-month ended 31 March 2002.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Toll Rates. PLUS' toll rates vary according to the class of vehicle using the Expressway. PLUS classifies the vehicles using the Expressways as follows.

Vehicle Classes	Description
Class 1	Vehicle with two axles and three or four wheels (excluding taxis)
Class 2	Vehicles with two axles and six wheels (excluding buses)
Class 3	Vehicles with three or more axles
Class 4	Taxis
Class 5	Buses

The Concession Agreement sets out certain Agreed Toll Rates for each class of vehicle using the Expressways. The Agreed Toll Rates are based on the toll rate for Class 1 vehicles. Toll rates for other vehicle classes are arrived at by multiplying the Class 1 vehicle toll rate by a factor set out in the Concession Agreement. The table below sets out these toll rate "multipliers" as at 31 March 2002.

	Class 1	Class 2	Class 3	Class 4	Class 5
Toll Rate Multiplier	1.00	1.50	2.0	0.50	0.75

See "Section 8.3 - The Concession Arrangements and Regulation" below and "Section 5 - Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information on toll rates.

In the closed system, the toll that each vehicle pays upon exiting the Expressways is calculated by multiplying the rate for the relevant class of vehicle by the distance travelled. In the open system, fixed toll rates, which vary among the different sections of the Expressways, are charged based only on the class of vehicle. Certain vehicles are exempt from paying tolls, including vehicles carrying royalty and dignitaries, military vehicles, fire engines, police vehicles and ambulances. The Government may add to the categories of vehicles that are exempt from paying tolls. PLUS considers the revenue foregone with respect to vehicles currently exempt from paying tolls to be immaterial.

Toll rates are published by the Government in the Government gazette, following approval by the Malaysian Cabinet. The Government may change the toll rates and publish the revised toll rate in the Government gazette before the revised toll rate takes effect. In the past the toll rate imposed by the Government has, in certain years, been lower than the Agreed Toll Rate as a result of economic pressures and negative consumer perceptions of high toll rates on the Expressways. See "Section 3 - Risk Factors."

Traffic Volumes. Between 1995 and 2001, traffic on the Expressways, as measured by PCU-km, increased by approximately 29%, representing an average annual increase of 4.1%. Traffic volumes and toll rates are the primary factors affecting PLUS' revenues.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

PLUS analyses historic traffic volumes in terms of both PCU-km and actual traffic volumes. PCU-km represents total toll revenue divided by the Class 1 vehicle toll rate, giving an approximate rate for the total number of vehicle km travelled on either the open or closed system. PLUS believes that this measure is more useful for analysing traffic on the closed system than the open system, since users of the closed system pay a variable toll depending on distance travelled. Actual traffic volume is a measure of the aggregate number of toll transactions (irrespective of the class of vehicle) conducted by all toll plazas operated by PLUS. PLUS believes this measure is more helpful when analysing the open system, as open system users pay fixed tolls at each toll plaza they pass through irrespective of distance travelled.

The table below sets out, for the periods indicated, the Expressway traffic volume measured in PCU-km and total toll revenue collected by PLUS.

Year ended 31 December	Expressways traffic volume		Total toll revenue	
	PCU-km (millions)	Increase (Decrease) from Previous Year (%)	(RM millions)	Increase (Decrease) from Previous Year (%)
1995	8,438	19.0	632.9	19.0
1996	9,535	13.0	763.8 ⁽¹⁾	20.7
1997	9,619	0.9	1,010.0 ⁽¹⁾	32.2
1998	9,015	(6.3)	946.6	(6.3)
1999	9,090	0.8	1,010.2 ⁽¹⁾	6.7
2000	10,258	12.8	1,153.0	14.1
2001	10,877	6.0	1,222.6 ⁽²⁾	6.0

Notes:

(1) Excludes Government compensation.

(2) Includes Toll Sharing Amounts.

The table below sets forth, for the periods indicated, data on actual traffic volume and toll revenues in respect of PLUS' open system.

Open System

Period ended 31 December/31 March	Actual Traffic Volume		Total Revenue	
	('000)	Increase (Decrease) from Previous Year (%)	(RM millions)	Increase (Decrease) from Previous Year (%)
1995	109,776	13.8	83.5	15.8
1996	119,451	8.8	97.1 ⁽¹⁾	16.3
1997	116,076	(2.8)	119.8 ⁽¹⁾	23.4
1998	102,130	(12.0)	107.7	(10.1)
1999	105,733	3.5	115.8 ⁽¹⁾	7.5
2000	113,078	6.9	120.7	4.2
2001	117,630	4.0	136.3 ⁽²⁾	12.9

Notes:

(1) Excludes Government compensation.

(2) Includes Toll Sharing Amounts.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

The table below sets out, for the periods indicated, data on actual traffic volume and toll revenues in respect of PLUS' closed system.

Closed System

Year ended 31 December	Actual Traffic Volume ('000)	Traffic Volume		Total Revenue		
		Increase (Decrease) from Previous Year (%)	PCU-km (millions)	Increase (Decrease) from Previous Year (%)	(RM millions)	Increase (Decrease) from Previous Year (%)
1995	139,734	19.0	7,325	19.5	549.4	19.5
1996	165,503	18.4	8,322	13.6	666.7 ⁽¹⁾	21.4
1997	178,518	7.9	8,478	1.9	890.2 ⁽¹⁾	33.5
1998	169,092	(5.3)	7,990	(5.8)	838.9	(5.8)
1999	161,213	(4.7)	8,043	0.7	894.4 ⁽¹⁾	6.6
2000	178,159	10.5	9,185	14.2	1,032.3	15.4
2001	189,262	6.2	9,655	5.1	1,086.3 ⁽²⁾	5.2

Notes:

(1) Excludes Government compensation.

(2) Includes Toll Sharing Amounts.

PLUS derives significantly more revenue from its closed system than from its open system operations. Although traffic volumes are higher for the closed system, the higher revenue is primarily a result of vehicles on the closed systems travelling longer distances, and therefore paying more toll, compared to vehicles on the open system.

The majority of vehicles using the Expressways are Class 1 vehicles. In 2001, Class 1 vehicles represented 88.1% of all traffic using the Expressways, reflecting the high proportion of commuter traffic on the Expressways. The table below sets out, for the periods indicated, the aggregate number of vehicles passing through toll plazas by class.

Actual Traffic Volume by Class

Year ended 31 December	Class 1 (000)	Class 2 (000)	Class 3 (000)	Class 4 (000)	Class 5 (000)	Total (000)
1995	214,439	10,104	11,482	6,907	6,578	249,510
1996	245,725	11,259	13,360	7,753	6,857	284,954
1997	253,311	12,243	14,354	7,742	6,944	294,594
1998	235,566	10,785	11,039	6,951	6,881	271,222
1999	232,021	10,609	10,806	6,690	6,819	266,945
2000	254,340	11,598	11,415	6,933	6,951	291,237
2001	270,215	11,961	11,390	6,515	6,799	306,880

While toll rates for Class 1 vehicles are lower than toll rates for Classes 2 and 3, Class 1 vehicles contribute the largest portion of revenues because they account for the highest traffic volume. Non-Class 1 traffic volume primarily consists of commercial vehicles.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

While the central region, which encompasses Kuala Lumpur and the Klang Valley, faces more competition from other toll expressways than the northern and southern regions, it contributes the highest proportion of traffic volumes, reflecting the higher population of the central region.

C. Maintenance

PLUS' maintenance policy seeks to preserve a high level of safety for motorists by keeping the Expressways in good condition, which also helps PLUS to comply with relevant maintenance obligations under the Concession Agreement and Malaysian law. The Concession Agreement requires that maintenance be carried out by, or on behalf of, PLUS in accordance with a maintenance manual approved by the MHA. The Maintenance Manual was published by the MHA in 1991.

PLUS distinguishes between routine maintenance and heavy repairs. Routine maintenance involves work which is repetitive, cyclical or periodic in nature and which is performed to aid traffic flow maintain functionality and aesthetics. This includes maintenance of grass, drainage, landscaping, pavement markings, bridge parapets, right of way fences, road signs, toll plazas, rest and service areas, lay-bys and buildings. Routine maintenance also includes cleaning carriageways and repairing or replacing expressway furniture as well as the maintenance of electrical, electronic and mechanical works, including street lighting, toll equipment, emergency telephone systems and tunnel equipment.

Heavy repairs includes repairs to pavement, bridges, slopes, embankments, earthworks, drainage structures and tunnels to maintain safety and serviceability. Heavy repairs are carried out to maintain the structural integrity of the Expressways and to ensure the continued safety of users. Unlike routine maintenance, PLUS amortises heavy repairs on a straight-line basis over a seven-year period from the date of incurrence. PLUS is required to inspect the Expressways in accordance with standards required by the Maintenance Manual in order to identify deterioration and defects which warrant heavy repairs. In cases where heavy repairs warrant detailed investigation and monitoring, temporary measures may be undertaken by PLUS prior to performance of heavy repairs.

Approximately 79% of the Expressways has been constructed with flexible pavement, which has been designed on a staged construction approach to provide a design life of approximately 10 years. PLUS is required to carry out bituminous structural overlays in accordance with procedures and programmes approved by the MHA. Structural overlay work on each section of the Expressways is carried out approximately every 7 to 10 years, depending on the actual cumulative standard axle load and traffic volume borne by that section. Approximately 21% of the Expressways was built with concrete pavement designed for 40 years of cumulative traffic volume.

As required by the Concession Agreement, PLUS has procured in favour of the Government a maintenance bond in the amount of RM20.0 million as security for its maintenance obligations for the duration of the Concession. No calls have been made on the maintenance bond.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Master Maintenance Agreement. PLUS entered into a Master Maintenance Agreement with UEM in 1988 pursuant to which it appointed UEM to carry out PLUS' maintenance obligations with respect to the Expressways during the Concession Period. The Master Maintenance Agreement provides that UEM will carry out maintenance in respect of:

- routine maintenance, heavy repair and bituminous structural overlay for the Expressways;
- the Ancillary Facilities;
- the tolling and other equipment on the Expressways; and
- the regional and section offices of PLUS located along the Expressways.

The Master Maintenance Agreement also permits UEM from time to time to:

- enter into sub-contracts for maintenance with third parties approved by PLUS; UEM remains fully liable to PLUS for carrying out such sub-contracted maintenance; and
- nominate contractors to perform specified maintenance obligations, such contractors being required to enter into maintenance contracts directly with PLUS; on the termination or expiration of these maintenance contracts, UEM is obliged to complete such maintenance following agreement with PLUS as to the details of implementation.

With PLUS' consent, UEM sub-contracts civil, mechanical, electrical and electronic routine maintenance, heavy repair works and toll equipment maintenance to PROPEL and UEC, both of which are UEM Group companies.

The Master Maintenance Agreement will terminate automatically if the Concession is terminated or if a substitute entity is appointed under the Concession Agreement to take over the Concession. PLUS has the right to terminate the Master Maintenance Agreement if the Government gives it notice pursuant to the Concession Agreement that PLUS has failed to comply with its maintenance obligations under the Concession Agreement or if UEM is subject to liquidation.

UEM has the right to terminate the Master Maintenance Agreement:

- if the Government gives notice to PLUS under the Concession Agreement that PLUS has failed to comply with its obligations under the Concession Agreement, other than with respect to maintenance;
- if PLUS fails to make payment to UEM or any of the nominated contractors;
- if PLUS fails to perform any other obligations under the Master Maintenance Agreement or any maintenance contract; or
- if PLUS goes into liquidation.

UEM also has the right to terminate the Master Maintenance Agreement at any time on six months' notice to PLUS.

If the Master Maintenance Agreement is terminated in circumstances entitling PLUS to compensation in accordance with the Concession Agreement, PLUS is also obliged to reimburse UEM for any loss of future profits suffered as a direct result of such termination.

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D. Traffic Management and Safety

PLUS provides a 24-hour vehicle breakdown and accident service known as PLUS Ronda, which is free of charge to Expressways users. This service is available throughout the year, and includes 29 PLUS Ronda teams patrolling the Expressways at night and 34 teams during the day. The purpose of PLUS Ronda is to prevent secondary accidents, re-direct traffic, warn other drivers of breakdowns or accidents and provide towing services to the nearest toll plaza, rest and service area or lay-by. PLUS Ronda's personnel have been granted auxiliary police authority by the Royal Malaysian Police.

PLUS Ronda works in close coordination with the Expressway Mobile Patrolling Vehicle ("EMPV") unit of the Malaysian Police, whose personnel are dedicated to the Expressways and are based in PLUS' offices along the Expressways. PLUS provides the EMPV police with information about emergency situations and traffic flow. In the event of an emergency, the EMPV police and PLUS coordinate their responses. PLUS conducts quarterly meetings with the EMPV police to discuss accident statistics, road safety and other matters.

PLUS also operates a 24-hour call centre known as PLUSLine. PLUSLine connects users to PLUS' traffic monitoring centre ("TMC") in Kuala Lumpur. PLUSLine enables Expressway users to seek assistance in the event of breakdowns, report traffic accidents and other incidents, provide feedback on services and facilities or make enquiries. Complaints and suggestions are forwarded to the relevant PLUS department heads for their follow-up. TMC also disseminates information to PLUS' Regional Communication Centres ("RCCs") which are located at Bertam (in Penang), Subang (in Selangor) and Yong Peng (in Johor). Information on accidents and vehicles breakdowns can also be conveyed to the RCCs through PLUS' free emergency telephones, which are located at two km intervals along the Expressways. In the event of a breakdown or accident along the Expressways, the RCCs despatches PLUS Ronda to the breakdown or accident site. PLUS also conducts aerial surveillance by helicopter for routine inspection of the Expressways on a monthly basis and during holiday seasons.

PLUS has also undertaken a number of initiatives intended to increase road safety for Expressway users and improve traffic management. As part of its road safety programme, PLUS is upgrading its Expressway infrastructure by introducing solar-powered delineator posts and road studs and installing wire-rope guardrails between the carriageways to prevent vehicles crossing the median. PLUS also sponsors safety campaigns to educate drivers about proper driving etiquette.

The accident rate on the Expressways has declined since the introduction of the road safety campaigns in 2000. There were 69.7 accidents per 100 million vehicle km travelled on the Expressways in 2000 compared to 63.0 accidents per 100 million vehicle km travelled in 2001.

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The table below sets out accident rates for the years indicated.

Accident Rates for Closed and Open Systems

Year	Closed System (Accidents per 100 million vehicle kms travelled)	Open System (Accidents per one million vehicles)
1998	72.2	5.8
1999	74.8	7.1
2000	69.7	5.6
2001	63.0	5.7

In order to safeguard PLUS' assets and operation personnel, a security services company is engaged to provide guard services. CCTVs are installed at most toll plazas and strategic locations along the Expressways to provide additional surveillance.

8.1.7 Ancillary Facilities

PLUS operates a range of Ancillary Facilities which enhance the convenience and service levels of the Expressways and complement the operation of the Expressways.

The Concession Agreement requires PLUS to provide facilities along the Expressways, including food and beverage stalls, retail outlets, land for petrol stations, motels and restaurants and billboards. Although the income derived by PLUS from Ancillary Facilities represented only 0.5% of PLUS' revenue in 2001, Ancillary Facilities are an important part of PLUS' services because they provide value-added services to Expressways users. In 1999, 2000 and 2001, PLUS generated approximately RM8 million, RM7 million and RM6 million of revenue, respectively, from Ancillary Facilities. These amounts represented approximately 0.7%, 0.6% and 0.5% of PLUS' total revenues in 1999, 2000 and 2001, respectively. PLUS expects that Ancillary Facilities will remain a small contributor to PLUS' overall revenue.

Lay-bys and major rest and service areas are located at intervals of approximately every 30 and 60 km, respectively, along the North-South Expressway. PLUS also operates two overhead bridge restaurants, 18 rest and service areas, nine upgraded lay-bys and 35 other lay-bys and three vista points.

The rest and service areas, overhead bridge restaurants and lay-bys are managed and monitored by PLUS. Rest and service areas provide food and beverage stalls, retail outlets, public toilets, public telephones, surau (prayer rooms), rest huts, ATMs, parking, petrol stations and playgrounds. Some rest and service areas also have motels, restaurants and fruit stalls. Lay-bys provide toilets, parking, public telephones and rest huts, while some upgraded lay-bys provide food and beverage stalls and enhanced facilities.

The food and beverage stalls, retail outlets and restaurants are leased by PLUS to appointed tenants under rental agreements or sub-licence agreements. PLUS is currently discussing the leasing of motels at certain points adjacent to the Expressways with potential operators.

In addition, as part of its Ancillary Facilities, PLUS has entered into an agreement with Uniteers Sdn Bhd ("UOA"), a Malaysian advertising agency, to manage and market billboards along the Expressways. PLUS derives rental income from UOA. While the construction of billboards along the Expressways requires the prior approval of the MHA, the display of advertisements on the billboards does not.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

PLUS also derives rental income from TTdotCom, a UEM Group company, in respect of fibre-optic cable owned by PLUS and laid alongside certain sections of the Expressways. In 2001, rental income from TTdotCom was RM11.3 million. Under a Wayleave and Right of Use Agreement with TTdotCom dated 12 May 2000, rental income will increase 5.0% per year for the first 15 years of the lease and thereafter be capped at RM4.2 million per year. As at 31 May 2002, a principal amount of approximately RM26 million was owed to PLUS by TTdotCom in respect of rental income for a period of 2 years. TTdotCom has confirmed in writing that it will pay this outstanding sum in due course. TTdotCom has the option to purchase from PLUS the cable and associated ducts for RM180.0 million, exercisable within 30 months from the date of the Agreement. Upon termination of the Concession, the cable and ducts will revert to the Government.

8.1.8 Construction

In addition to its principal business of operating and maintaining the Expressways, PLUS is required to undertake certain construction activities under the terms of the Concession Agreement.

After completion of the Expressways in 1994, PLUS was required to construct an additional six interchanges under the terms of the Concession Agreement. Two of these interchanges, Ladang Bertam (Penang) and Senai North (Johor), were completed by PLUS in 1996 and 1998, respectively. The remaining four interchanges are to be located at Kota Sarang Semut (Kedah), Bukit Gambir (Johor), Taiping West (Perak) and Alor Pongsu (Perak), although the Government is entitled to designate alternative locations. Each interchange will connect the North-South Expressway with other roadways.

Construction of these interchanges was originally scheduled to commence in the years 2008, 2009, 2010 and 2011, respectively. Construction of the Kota Sarang Semut interchange has been brought forward at the request of the Government and is scheduled to commence in the second half of 2002 and be completed in 2004. The Government has agreed to provide PLUS with a loan of RM32.0 million, reflecting the preliminary estimate of the construction costs of the Kota Sarang Semut interchange.

PLUS expects to appoint contractors to undertake the construction of the additional interchanges. PLUS generally tenders construction works to pre-selected contractors. In selecting the contractors, PLUS takes into account the contractor's track record and financial capability. The design of these interchanges which is subject to MHA approval will be undertaken by professional engineering consultants appointed by PLUS as specified in the Concession Agreement. Generally, upon completion of the design for the construction works, PLUS places the work out for tender. The engineering consultant appointed by PLUS then supervises the construction works.

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The construction cost of each of the two completed interchanges at Ladang Bertam and Senai North was RM21 million and RM41 million, respectively. Under the terms of the Concession Agreement, the costs and expenses incurred in the design, construction and maintenance of the interchanges to be constructed will be borne by PLUS, unless the Government requests an expedited construction timetable. Under the Concession Agreement, the responsibility for acquiring any land required to build an interchange (and undertaking any other construction work relating to the Expressways) rests with the Government. The Government may appoint a third party to undertake the construction of any of the interchanges should PLUS fail to construct the relevant interchange in accordance with the Concession Agreement, in which case the Government is entitled to reimbursement from PLUS for any additional costs incurred by it.

In addition to the interchanges mentioned, additional interchanges connecting to the Expressways may also be financed and constructed by third parties, subject to PLUS' and the Government's prior approval. PLUS expects that other construction projects which are not specified under the Concession Agreement, such as adding lanes to the Expressways, will only be undertaken by PLUS if, and to the extent that, the Government finances such projects.

8.1.9 Competition

PLUS faces competition from alternative road networks in Peninsular Malaysia and from other modes of transportation.

As Malaysia's highway network develops and expands, competing roads may divert traffic from certain sections of the Expressways. In particular, new or developing localised road schemes, whether Government-owned or privately developed, may impact on traffic volumes on adjacent sections of the Expressways, particularly in the higher populated central region. However, due to the length and coverage of the Expressways, PLUS believes that localised road schemes will not materially affect the Expressway's overall traffic volumes and toll revenues. PLUS believes that only highways which would compete directly with PLUS over a material proportion of the Expressways' length are likely to have a material impact on its traffic or revenues. PLUS believes that the main road schemes which may become potentially significant competitors to the Expressways are the proposed West Coast Expressway ("WCE") and Kajang-Seremban Highway ("KASEH"). The timetables for completion of the WCE have not been officially announced. See "Section 7 - Industry Overview" for further information on proposed road developments in Malaysia.

Upon its completion, the WCE is expected to be a major 240-kilometre inter-urban expressway that will link Taiping in Perak with Banting in Selangor. PLUS believes that the Expressways offer a more central route than the WCE, as traffic using the Expressways can originate from or terminate at most parts of the Klang Valley. The proposed 48-kilometre KASEH highway, if completed, would run parallel to the Expressways between the Kajang and Seremban interchanges of the North-South Expressway, providing an additional link between these two centres.

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In addition, there are a number of smaller road schemes under construction in Malaysia, or proposed as privatised projects, some of which are likely to lead to traffic being diverted from the Expressways. Some of these highways will form a network of roads in the Klang Valley and are designed mainly as intra-urban roads and access roads targeted at vehicles travelling relatively short distances. PLUS believes that the individual impact of these developments on its revenue will not be material as these roads may also act as feeder roads for traffic to the Expressways. However, the combined effect of these and other planned or proposed road schemes may have an adverse impact on PLUS' traffic volumes and results of operations. See "Section 7 - Industry Overview" and "Section 3 - Risk Factors."

PLUS believes that improving service levels on the Expressways and expanding the Ancillary Facilities may reduce the adverse effect of competing routes. In particular, in order to face increasing competition from other road schemes, PLUS intends to improve surface conditions of the Expressways, expand Ancillary Facilities, improve road safety and enhance its PLUS Ronda and PLUSLine services.

Traffic volume on the Expressways is also affected by competition from alternative means of transport such as rail, air and sea.

Domestic airports, including those at Alor Setar, Penang and Langkawi in the north and Senai in the south, may affect domestic passenger and freight traffic on certain sections of the Expressways. However, PLUS believes that the correlations between volume of air traffic changes to airline fares, and traffic volume on the Expressways are not significant.

PLUS also faces competition from rail operators. An express rail link between Kuala Lumpur and Malaysia's primary international airport, the Kuala Lumpur International Airport, commenced operation in April 2002. PLUS believes that this rail link will not have a material effect on its traffic volumes as the passenger fares charged by the operator of this service are significantly higher than the toll charged for Class 1 vehicles travelling between Kuala Lumpur and the airport. In addition, the Government has announced a long-term proposal to build a high-speed railway between Kuala Lumpur and Singapore, although no details have been announced in respect of the timing of this development.

Furthermore, Keretapi Tanah Melayu Berhad, which operates the existing national rail network in Peninsular Malaysia from the northern border of Peninsular Malaysia to Singapore has commenced upgrading works to certain sections of its rail network. The existing rail network primarily comprises a single track railway running from the northern border of Peninsular Malaysia to Singapore. The upgrading works will result in an entirely dual track rail network in Malaysia which would significantly increase the capacity of the rail network. While these new rail developments may impact on traffic volumes on certain sections of the Expressways, PLUS believes that the overall impact on PLUS' traffic volumes will not be material.

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8.1.10 Insurance

PLUS' insurance programme insures against operational and construction risks, including risks arising from operating the Expressways and the Ancillary Facilities, to the extent it considers commercially reasonable and prudent, taking into account PLUS' obligations under the Concession Agreement and its financing arrangements. PLUS' aggregate insurance premium expense for the year 2002 is estimated to be RM3.29 million, a 26.0% increase over 2001. This increase is primarily due to the premium incurred for the aerial-surveillance helicopter purchased in December 2001 and the overall increase in insurance premiums imposed by the insurance industry in Malaysia and globally following the September 11, 2001 attacks on the United States.

PLUS has insurance policies to cover material damage to the Expressways and the Ancillary Facilities, all buildings, equipment, monies and other assets which PLUS is responsible for, loss of anticipated toll revenue as a direct result of physical loss or damage due to insured perils, public liability, fidelity guarantee, employer's liability and Director's and officer's liability. PLUS also provides staff-related insurance such as personal accident and term life insurance.

In relation to construction to improve the Expressways or Ancillary Facilities, PLUS' policies require that PLUS and/or the contractor takes out "contractors all risk" insurance to provide insurance cover in respect of reinstatement cost for permanent and temporary works and materials following any physical loss or damage due to insured perils. PLUS' policies also require that construction contracts which PLUS enters into with third parties place an obligation on the relevant contractor and/or sub-contractor to insure for, among other things, workmen's compensation, plant and equipment loss or damage, professional indemnity and liability for third party injury.

Notwithstanding PLUS' insurance coverage, damage to PLUS' facilities, equipment, machinery, buildings or other properties as a result of occurrences such as fire, explosion, power loss, communications failure, intentional unlawful act, human error or natural disaster could nevertheless have a material adverse effect on PLUS' financial condition and results of operations to the extent that such occurrences disrupt the normal operation of PLUS' businesses. Further, since the attacks on the United States on September 11, 2001, many insurance companies are seeking to exclude insurance risks and claims relating to terrorism or related activity. As a result, the PLUS Expressways Group's insurance policies contain exceptions for damages and losses arising from acts of terrorism or related events. See "Section 3 -- Risk Factors."

Since the commencement of its operations, the largest claim made by PLUS under its insurance programme was with respect of heavy repairs and loss of revenue arising from the failure of a slope on the North-South Expressway near Gunung Tempurung in January 1996. As part of the reconstruction works, that section of the North-South Expressway was reconstructed and realigned for increased safety at a cost of approximately RM48 million. As a result, PLUS claimed the cost of repairs necessary to restore the affected area to the condition immediately before the occurrence of the damage and recovered approximately RM5 million from its insurance company, which was then the maximum limit for a single incident. The remaining costs for repairs to that section of the Expressway, which represented the majority of the cost incurred, was not recovered under the insurance policy. The maximum limit has now been increased to RM20.0 million.

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8.1.11 Intellectual Property

PLUS is in the process of applying to register “PLUS” and “TEMAN” as trademarks in Malaysia. At the date of this Prospectus, such registration has not been completed. PLUS is the registered owner of the domain name “www.plus.com.my”.

PLUS licenses and uses in its business certain intellectual property belonging to third parties including the intellectual property relating to *Touch ‘n Go* and *SmartTag*, which is owned by RSSB. PLUS does not have any other material intellectual property rights, proprietary rights, patents, trade marks, franchise or any official technical agreements.

8.1.12 Major Suppliers

The major suppliers of goods, services and materials for the operation and maintenance of the Expressways are suppliers of:

- maintenance contracting services;
- raw materials such as asphalt and concrete for maintenance, heavy repairs and construction; and
- toll collection equipment and systems.

PLUS is primarily dependent upon UEM and UEM Group Companies for maintenance services pursuant to the Master Maintenance Agreement. While UEM currently sub-contracts most of the works to PROPEL and UEC, both of which are UEM Group companies, PLUS believes it would be able to find alternative maintenance contractors at similar price levels if necessary. See “Section 11 – Related Party Transactions”.

Purchases of asphalt and other maintenance-related raw materials for the Expressways are carried out by UEM pursuant to the Master Maintenance Agreement from a number of local suppliers and local affiliates of international producers. PLUS is not dependent on any one supplier and expects to be able to secure a sufficient supply of raw materials for the foreseeable future. PLUS purchases toll collection equipment and systems directly from TERAS, a UEM Group company.

8.1.13 Environmental Regulation

PLUS complies with all applicable environmental regulations relating to the Expressways in Malaysia. See “Section 8.3 – The Concession Arrangements and Regulation”

8.1.14 Significant Interruption of Business

The Group has not experienced any disruption in business which had a significant effect on its operations during the 12 months prior to the date of this Prospectus.

8.1.15 Litigation

PLUS is involved in a number of claims and legal proceedings in the ordinary course of its business, most of which relate to traffic accidents on the Expressways. PLUS does not believe that any liabilities related to such claims and proceedings are likely to be, individually or in the aggregate, material to the financial condition of PLUS.

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8.2 Organisational Structure

PLUS operates through five principal divisions:

- Human Resources, Administration and Total Quality Assurance;
- Planning and Development;
- Marketing;
- Operations; and
- Finance.

PLUS also has an Internal and Management Audit Department and a Legal and Secretarial Department.

In March 1998, the Operations division of PLUS achieved quality system certification based on ISO 9002:1994 standards, while the Finance division, Planning and Development division and Human Resources, Administration and Total Quality Assurance division achieved the ISO 9002: 1994 certification in December 1998.

A brief description of each division, and the functions of each department within each division is set out below.

8.2.1 Human Resources, Administration and Total Quality Assurance Division

This division is responsible for the management and co-ordination of all PLUS' human resources related matters, provision of administrative services, co-ordination of quality programmes and activities and records management. The departments within the Human Resources, Administration and Total Quality Assurance Division and their respective functions are as follows:

- The Human Resources Department is responsible for meeting PLUS' manpower requirements, co-ordination of training, payroll and staff benefits, the Human Resources Information System, staff career development, staff welfare and industrial relations activities.
- The Administration Department is responsible for co-ordinating office services, purchasing of office equipment and maintenance of company assets.
- The Total Quality Assurance Department co-ordinates and monitors quality control and related activities and records management and manages a resource centre.

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8.2.2 Planning and Development Division

PLUS' Planning and Development Division is responsible for planning, developing and implementing upgrading and major rehabilitation projects as well as monitoring PLUS' obligations under the Concession Agreement. The departments within the Planning and Development Division and their respective functions are as follows:

- The Concession Monitoring Department is responsible for liaising with the MHA and Government agencies, all land matters, appointment of design and supervision consultants, management of consultants' claims and monitoring PLUS' obligation under the Concession Agreement. The department also handles third parties' access applications.
- The Database Management Department is responsible for managing TEMAN, PLUS' Geographical Information Systems database and other relevant database systems.
- The Operations Research Department is responsible for undertaking research and analysis on technical and operational matters and proposing measures to enhance operational efficiency.
- The Strategic Planning and Project Development Department is responsible for planning the implementation of upgrading projects, co-ordinating project development works and monitoring the execution of projects.
- The Works Monitoring Department is responsible for co-ordinating the implementation of upgrading and major rehabilitation projects, monitoring the network planning carried out by PLUS' Network Maintenance Manager, co-ordinating the development and implementation of all electrical and mechanical, electronics and telecommunication projects, providing technical support to regional offices and sections on operational matters and co-ordinating all works relating to contract procurement.

8.2.3 Operations Division

PLUS' Operations Division is responsible for all operational aspects of the Expressways. Its responsibilities include toll collection and system management, maintaining high safety standards for Expressway users and monitoring the operating activities of the three regional offices, Expressway maintenance and the provision of facilities along the Expressways. The departments within PLUS' Operations Division and their respective functions are as follows:

- The Toll Department is responsible for monitoring and enhancing toll collection policies, procedures and internal controls to ensure tolls are collected in accordance with PLUS' policies and procedures and the Concession Agreement. The department is responsible for reviewing and improving existing toll collection procedures, preparing operational and procedural manuals, providing training for operational staff, conducting inspections at toll plazas, maintaining an accurate database of toll revenue and traffic statistics for daily and monthly management reports and monitoring traffic.

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- The Traffic Safety Department is responsible for the provision of suitable safety standards for operational support, logistics, equipment and vehicles to the sections. In addition, it is responsible for the implementation of traffic planning, conducting road safety audits, advice and assistance in the development and implementation of PLUS' operations security programmes and reporting statistics on accidents and breakdowns, traffic safety violations, PLUSLine customer calls and PLUS Ronda response time. It is also responsible for analysing and proposing measures to reduce accidents on the Expressways and for designing, implementing and supervising all aspects of the PLUS Ronda services.
- PLUS Regional Offices (North, Central and South) are responsible for monitoring and co-ordinating section operations through the section managers, co-ordinating and reviewing maintenance plans and execution schedules for the region, monitoring of landscaping activities in the region, monitoring and managing traffic safety requirements and the compilation of operational reports from the region, ensuring efficient toll collection and system operation and managing and co-ordinating the human resources, administrative needs, contract works and procurement activities of the region.

8.2.4 Marketing Division

The Marketing Division is responsible for enhancing customer service and PLUS' corporate image, managing public, government and media relations, the marketing and promotion and management of PLUS' Ancillary Facilities, including billboard advertising along the Expressways, and monitoring commercial facilities and food outlets, including selection of tenants. The departments within the Marketing Division and their respective functions are as follows:

- The Corporate Communication Department is responsible for corporate advertising and promotions, public, government and media relations and corporate publications. These include event management, corporate advertising, promotional items, publication of printed materials such as Rangkaian PLUS, an internal newsletter, press releases and leaflets, holding press conferences and creative, multimedia and production works for PLUS and PLUS' corporate identity.
- The Commercial Facilities Department is responsible for the management and monitoring of contracts in respect of billboards, advertisements and retail outlet tenancy agreements, monitoring the operations of the commercial premises along the Expressways and monitoring the supply and distribution of *Touch 'n Go* and *SmartTag* systems.
- The Marketing Services Department is responsible for co-ordinating marketing surveys, enhancing customer service and customer satisfaction, promoting usage of the electronic toll collection system, conducting joint promotion with relevant parties and developing marketing programmes for PLUS' products and services.

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8.2.5 Finance Division

The Finance Division is responsible for all aspects of financing, the Concession, accounting and budgeting functions and management of liquidity. The departments within the Finance Division and their respective functions are as follows:

- The Accounting Department is responsible for accounting policies and procedures. It is also responsible for maintaining a proper accounting system and for preparation of the financial statements, schedules and reconciliation statements.
- The Corporate Affairs Department is responsible for preparing and monitoring PLUS' annual business plan and budget, preparing and reviewing financial projections, undertaking project feasibility studies and management reporting.
- The Risk Management Department is responsible for developing, reviewing and implementing insurance programmes for the assets of PLUS, as well as staff-related insurance. It also assists with assisting on claims recovery and advising on insurance-related matters.
- The Treasury Department is responsible for managing PLUS' payments and collections, banking activities, liquidity, cash and investment and loan monitoring and administration.

8.3 The Concession Arrangements and Regulation

The following is a summary of certain provisions of the Concession Agreement.

8.3.1 Overview

Under Malaysian law, the design, construction, operation, management and maintenance of a toll expressway is under the authority of the Government. The privatisation of toll expressways is usually effected by means of a concession, typically awarded on a build, operate and transfer basis. Highway concessions are regulated principally by the Federal Roads Act, 1959 (Revised 1989) and the Federal Roads (Private Management) Act, 1984. In addition, the terms of the Concession are set out in, and the Concession is governed by, the Concession Agreement.

UEM and the Government entered into the Concession Agreement on 18 March 1988. Under a Novation Agreement dated 20 July 1988 between the Government, UEM and PLUS, UEM novated the Concession to PLUS.

Following a decrease in the toll rates PLUS was permitted to charge motorists, the Government and PLUS entered into the Supplemental Concession Agreement on 8 July 1999 which, among other things, amended the Agreed Toll Rates and introduced Government compensation and Toll Sharing. On 11 May 2002, the Government and PLUS entered into the Second Supplemental Concession Agreement to further amend the Concession Agreement. The Second Supplemental Concession Agreement includes new actual toll rates and new Government compensation arrangements resulting from the imposition of lower toll rates with effect from 1 January 2002.

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8.3.2 Scope of the Concession

The Concession Agreement addresses a number of significant aspects of PLUS' business, including the Agreed Toll Rates, PLUS' obligations to maintain and expand the Expressways and the scope of PLUS' permitted business activities.

The Concession Agreement defines the Concession as extending to the Expressways and certain Ancillary Facilities relating to the Expressways, including rest and service areas, parking areas and lay-bys, advertising hoardings and other amenities. During the Concession Period, PLUS enjoys the exclusive right to demand, collect and retain tolls from motorists using the Expressways, subject to any Toll Sharing Amounts payable to the Government. The Concession expires on 31 May 2030. Upon the expiration termination of the Concession, the Expressways (including Ancillary Facilities), the right to operate the Expressways and related assets, as well as all other assets of PLUS not subject to security interests in favour of PLUS' Lenders, will be transferred to the Government without any compensation to PLUS.

When awarded in 1988, the Concession included completed portions of the Expressways and sections then under construction, together comprising approximately 40% of the current length of the North-South Expressway (approximately 310 km), and the Tanjong Malim to Slim River and Senai to Johor Bahru sections of Federal Highway Route 1 (approximately 46 km in total). Responsibility for the Tanjong Malim to Slim River section was handed back to the Government after the opening of the Tapah to Tanjong Malim section of the North-South Expressway in October 1993.

The Government has granted to PLUS the use of all land required in relation to the Concession (including the Ancillary Facilities) free of any rent or other costs during the Concession Period. The Government is responsible for paying rent due to state governments for the land included in the Concession.

8.3.3 Construction

The Concession Agreement specifies the design and construction requirements for the Expressways along with targeted completion dates. Following the award of the concession in 1988, PLUS constructed 462 km (approximately 60%) of the North-South Expressway, PLUS constructed the New Klang Valley Expressway and PLUS upgraded Federal Highway Route 2 between Subang and Klang.

In 1994, construction of the Expressways was completed and the Expressways became fully operational. However, as specified in the Concession Agreement, PLUS is obliged to finance and construct a total of six additional interchanges, two of which have already been completed. The remaining four are Kota Sarang Semut (construction of which is scheduled to commence in the second half of 2002), Bukit Gambir (to commence by 2009), Taiping West (to commence by 2010) and Alor Pongsu (to commence by 2011). In consideration for PLUS agreeing to commence construction of the Kota Sarang Semut interchange six years earlier than scheduled in the Concession Agreement, the Government has agreed to extend to PLUS a loan of RM32.0 million for the construction of the interchange.

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8.3.4 Maintenance

During the Concession Period, PLUS is required to perform maintenance on the Expressways, providing routine maintenance and heavy repairs in accordance with the Maintenance Manual approved by the MHA. PLUS is also obliged to carry out bituminous structural overlays based on a detailed programme which is approved by the MHA.

PLUS has procured in favour of the Government a RM20.0 million maintenance bond issued by a Malaysian bank as security for the due performance by PLUS of its maintenance and structural overlay obligations, as required by the Concession Agreement.

8.3.5 Ancillary Facilities

In addition to the Expressways, PLUS is required by the Concession Agreement to design, construct, manage, operate and maintain Ancillary Facilities along the Expressways, including rest and service areas, lay-bys, advertising hoardings and other amenities, with the assistance of agents, contractors and suppliers selected by PLUS with the approval of the Government. PLUS may enter into licensing, franchising or other contractual arrangements as it deems appropriate for the design, construction, management, operation and maintenance of the Ancillary Facilities. In return, PLUS imposes rental charges, fees and royalties and retains all revenues received in relation to the Ancillary Facilities.

8.3.6 Toll Rates

Agreed Toll Rates. The toll rates which PLUS charges for different classes of vehicles are subject to the Concession Agreement. The Agreed Toll Rate is the toll specified for each class of vehicle using the Expressways for the relevant calendar year of the Concession as set out in the Concession Agreement.

Toll rates are published by the Government in the Government gazette, an official publication of the Government, following approval by the Cabinet. The Government may change the toll rates and publish the revised toll rate in the Government gazette before the revised toll takes effect. The Government has, on a number of occasions in the past, changed the toll rates that PLUS is permitted to charge, thus imposing toll rates which were lower than the Agreed Toll Rates.

The Agreed Toll Rates established under the Concession Agreement and the changes made to Agreed Toll Rates since 1988 are described below.

From May 1988 - July 1999: The Concession Agreement sets out certain Agreed Toll Rates for each class of vehicle using the Expressways from 1988 through 1996. Thereafter, the Agreed Toll Rates increased at a rate equivalent to the greater of (i) 6.0% per annum or (ii) increases in the Malaysian CPI.

July 1999 - 2001: The Agreed Toll Rates were revised when the Supplemental Concession Agreement was executed on 8 July 1999. The table below presents a summary of the Agreed Toll Rates for Class 1 Vehicles under the closed system, established by the Supplemental Concession Agreement. The toll rates for other vehicle classes were similarly increased based on the revised Class 1 vehicle toll rates. The unit tolls for the open system were also increased in line with the increase in the toll rates for the closed system. The Agreed Toll Rates set out in the table below form the basis for calculating Government compensation as explained below.

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Agreed Toll Rates for Class 1 Vehicles in the Closed Toll System under the Supplemental Concession Agreement

Years	Rate for Class 1 Vehicles (sen/km)
1999-2001	11.91
2002-2005	15.01
2006-2010	18.91
2011-2015	23.82
2016-2030	30.02

Government Compensation. Pursuant to the Concession Agreement, the Government may impose toll rates lower than the Agreed Toll Rates but must compensate PLUS for any resulting shortfall. Government compensation is calculated based upon the difference between toll receipts collected by PLUS using the Government-imposed toll rates and the toll revenue PLUS would have collected had PLUS been permitted to charge the Agreed Toll Rates. To calculate Government compensation, the difference between actual toll rates and Agreed Toll Rates are multiplied by actual traffic volume, in terms of PCU-km, for the relevant period. See “Section 5.1.3 – Managements’ Discussion and Analysis of Financial Condition and Results of Operation - New Government Compensation Arrangements” and “Section 8.3.13 – Information on PLUS Expressways Group - Second Supplemental Concession Agreement”.

In response to the view among Malaysian consumers that toll rates on the Expressways were too high and a decline in the Malaysian economy in 1997, in each of the Concession Years 1996, 1997 and 1998 the Government imposed toll rates which were lower than the Agreed Toll Rates under the Concession Agreement. The Government therefore paid compensation in cash to PLUS for Concession Years 1996 through 1998.

The Government again imposed toll rates lower than the Agreed Toll Rates effective 1 March 1999 and imposed a revised toll rate from March 1999 to 2001 of 11.24 sen/km (for Class 1 vehicles), which was lower than the Agreed Toll Rate of 11.91 sen/km set by the Supplemental Concession Agreement. In response, the Government agreed to provide an interest-free Additional Support Loan to PLUS’ in lieu of its obligation to provide cash compensation for the years ended 1999 through 2001 and also agreed to extend the Concession Period by 12 years.

In December 2001, the Government announced a schedule of lower than previously agreed increases in toll rates applicable to the remaining years of the Concession Period, resulting in a significant difference between the actual toll rates imposed by the Government and the Agreed Toll Rates. The Government agreed to several new arrangements to compensate PLUS for the resultant toll revenue shortfall. These new arrangements affect the manner in which Government compensation is recognised by PLUS. The new Government compensation arrangements will generally result in Government compensation in the future taking the form of non-cash compensation. See “Section 5 – Management’s Discussion and Analysis of Financial Conditions and Results of Operations”.

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The current Government-imposed toll rates, which have been gazetted in the Government Gazette, are set out in the table below alongside the Agreed Toll Rates as set out in the Supplemental Concession Agreement, and are based on the rates applicable to Class 1 vehicles in the closed system.

Year	Agreed Toll Rates (sen/km)	Gazetted Toll Rates	Year	Agreed Toll Rates	Gazetted Toll Rates (sen/km)
2001	11.91	11.24	2016	30.02	18.11
2002	15.01	12.36	2017	30.02	19.92
2003		13.60	2018		2019
2004	18.91		2020		21.91
2005		14.96	2021		2022
2006	16.46		2023		24.10
2007		23.82	2024		2025
2008	18.11		2026		26.51
2009		18.11	2027		2028
2010	18.11		2029		29.16
2011		18.11	2030		
2012					
2013					
2014					
2015					

For further discussion of current Government compensation arrangements, see “Section 5 - Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Government Toll Sharing. Under the Supplemental Concession Agreement, the Government is entitled to share in any toll revenue which exceeds the Threshold Toll Revenue. The Toll Sharing Amount payable by PLUS to the Government is calculated by reference to specified revenue thresholds. The table below presents the Threshold Toll Revenue used as the basis for the toll sharing arrangements between the Government and PLUS. If PLUS’ revenue exceeds the applicable threshold, the Government will be entitled to a proportion of the excess toll revenue.

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Year	Revenue (RM million)	Year	Revenue (RM million)
1999	1,108.9	2015	4,448.2
2000	1,155.5	2016	5,773.8
2001	1,209.6	2017	5,938.6
2002	1,630.4	2018	6,109.1
2003	1,743.0	2019	6,295.8
2004	1,813.4	2020	6,472.9
2005	1,939.3	2021	6,605.3
2006	2,578.2	2022	6,746.4
2007	2,614.3	2023	6,888.1
2008	2,754.6	2024	7,029.5
2009	2,845.2	2025	7,176.9
2010	2,995.9	2026	7,324.0
2011	3,907.0	2027	7,469.9
2012	4,035.4	2028	7,615.2
2013	4,174.5	2029	7,757.5
2014	4,309.5	2030 ⁽¹⁾	3,294.3

Note:

(1) For the period from 1 January 2030 to 31 May 2030

The table below sets out the percentage share of revenues, in excess of the Threshold Toll Revenue, payable to the Government in the form of Toll Sharing Amounts.

Period	Proportion of excess toll revenue payable to the Government (%)
1999-2008	20.0
2009-2020	25.0
2021-2030	30.0

8.3.7 Termination

Termination by the Government. Following written notice to PLUS, the Government may require PLUS to remedy any default under the Concession Agreement within three months if PLUS fails to perform its obligations under the Concession in accordance with its terms, abandons the Concession (in the opinion of the Government) or persistently or flagrantly breaches any material obligation under the Concession Agreement, or if PLUS, without reasonable cause:

- fails to commence construction of any part of the Expressways within a period of 30 days after the latest date for the commencement of such construction in accordance with the Concession Agreement;

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- suspends any construction for a continuous period of 30 days;
- fails to complete construction of any part of the Expressways within the period specified in the Concession Agreement or fails to complete the construction of the Expressways within a period of seven years after the effective date of the Concession Agreement or, in either case, within any further period granted by the Government;
- fails to comply with its obligations in relation to design, supervision, management and maintenance;
- deviates from the approved design for any portion of the Expressways, unless such deviation is requested or approved by the Government or the MHA; or
- defaults under the Support Loan Agreement.

If PLUS fails to remedy a default within three months after the Government gives notice of such default or such other longer period in accordance with the terms of the Concession Agreement, or if PLUS subsequently goes into liquidation, the Government may, by notice to the Lenders, give the Lenders the right to appoint a substituted entity to take over the Concession in accordance with the terms of the Concession Agreement. If the Lenders do not exercise their right to appoint a substituted entity within 60 days after the Government gives notice of such right of substitution, the Government may terminate the Concession. If the Government completes any construction being carried out by PLUS at the termination date, PLUS must compensate the Government for any additional costs incurred by the Government in excess of the costs which would have been incurred by PLUS in connection with such construction.

In the event that the Government chooses to terminate the Concession (otherwise than due to PLUS' default), expropriates or takes effective control of PLUS on a non-arm's length basis, the Government must pay:

- to the Lenders, within six months after the termination date, an amount equal to the aggregate amount owing to the Lenders at the date of payment or otherwise assume the liabilities and obligations of PLUS to the Lenders;
- to PLUS, within six months after the termination date, the amount (if any) by which the value of works exceeds the aggregate of the amounts paid or the liabilities and obligations assumed by the Government and all amounts owing to the Government by PLUS under the Concession Agreement and the Support Loan Agreement; and
- to PLUS, an amount equal to the loss of future profit suffered by PLUS as a direct result of termination, to be agreed between the Government and PLUS or, in the absence of agreement, determined pursuant to arbitration as provided in the Concession Agreement.

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Termination by PLUS. On three months' notice to the Government, PLUS may terminate the Concession if the Government, without reasonable cause, breaches any of the terms of the Concession Agreement or of the Support Loan Agreement, which breach:

- adversely affects PLUS' exclusive right and authority to collect and retain toll revenues; or
- results in the non-payment of any amount payable to PLUS by the Government under the Support Loan Agreement.

At PLUS' option or at the Government's request, PLUS may grant the Government such period as PLUS may specify in which to remedy any default. After such period, PLUS may terminate the Concession if the Government fails to provide a remedy. In the event that PLUS chooses not to terminate, then either the Concession Period may be extended or PLUS and the Government shall agree an amount of compensation to be paid by the Government to PLUS.

In the event that PLUS chooses to terminate due to the default of the Government, the Government must pay:

- to the Lenders, within six months after the termination date, an amount equal to the aggregate amount owing to the Lenders at the date of payment or otherwise assume the liabilities and obligations of PLUS to the Lenders;
- to PLUS, within six months after the termination date, the amount (if any) by which the value of works exceeds the aggregate of the amounts paid or the liabilities and obligations assumed by the Government and all amounts owing to the Government by PLUS under the Concession Agreement and the Support Loan Agreement; and
- to PLUS, an amount equal to the loss of future profit suffered by PLUS as a direct result of termination, to be agreed between the Government and PLUS or, in the absence of agreement, referred to arbitration as provided in the Concession Agreement.

8.3.8 Ownership and control of PLUS

During the Concession Period, the following conditions apply to the ownership and control of PLUS:

- at least 51% of the equity share capital of PLUS must at all times be held by Malaysians, and at least 30% of its share capital must at all times be held by Bumiputera interests, unless otherwise agreed by the Government;
- in the event of any proposed change to the shareholding or the shareholding structure of PLUS, PLUS must obtain the prior written approval of the Government;
- PLUS must have a minimum paid-up share capital of RM25 million or 10.0% of the certified value of the completed construction works at the relevant time, whichever is higher; and
- PLUS must at all times remain a Malaysian-incorporated company.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

8.3.9 Force Majeure

The Government and PLUS will not be in breach of the Concession Agreement if either party cannot perform its obligations because of a force majeure event (such as war, an act of terrorism or a natural catastrophe) having occurred. If a force majeure event occurs, both the Government and PLUS are obligated to take all reasonable measures to prevent any delay or interruption to the operation and maintenance of the Expressways. In such event, the Concession may be extended as agreed between the Government and PLUS, or as may be determined by the Minister of Works.

In the event that the Government and PLUS agree to continue their obligations under the Concession Agreement despite the occurrence of a force majeure event, then in any case where the Expressways have been destroyed or substantially damaged, PLUS is responsible for restoring the Expressways at its own expense and must ensure that, wherever practicable, insurance is effected to cover the occurrence of force majeure events.

8.3.10 Dispute resolution

The Concession Agreement is governed by the laws of Malaysia. Any dispute, controversy or claim arising out of or relating to the Concession Agreement is to be settled by arbitration in Malaysia in accordance with the United Nations Commission on International Trade and Law (UNCITRAL) Arbitration Rules.

8.3.11 Regulatory framework

The Concession Agreement requires that PLUS comply with the provisions of any written law with which it may be required to comply, including any Act, enactment or ordinance, or any by-laws, rules, regulations or other subsidiary legislation, or any direction, order, requirement or instruction whatsoever given by any authority competent to do so under any written law and having appropriate jurisdiction over PLUS.

8.3.12 Environmental legislation

The MHA, as PLUS' primary regulator monitors PLUS' compliance with environmental laws and regulations and regularly consults with other governmental agencies with respect to PLUS' environmental compliance. PLUS does not have any outstanding material environmental liabilities or claims.

In Malaysia, the principal legislation dealing with environmental protection is the Environmental Quality Act, 1974 (the "EQA"), which was amended in 1996, 1998 and 2001. The EQA is based on environmental policy formulated by the Government to balance the twin objectives of environmental protection and economic growth.

In recent years, the Government has made it clear through express provisions in concession agreements that concessionaires will be required to comply with all relevant laws, in particular the EQA and Government policies set out in the approval conditions of the Environmental Impact Assessment ("EIA") Report. Concessionaires must comply with the approval conditions of the EIA Report and shall satisfy the applicable laws relating to noise, visual impact, aerial pollution and vibration parameters required in respect of construction works.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Concessionaires are required to ensure the incorporation of appropriate mitigating, rehabilitative, restorative and enhancement measures in the planning, design and implementation of works and to give due consideration to the preservation and social implications of the water and air quality, soil, flora and fauna within the site of the construction works. The concessionaires are also required to ensure that their concession areas are appropriately landscaped to enhance visual amenity. The Government reserves the right to determine the cutting, felling or preservation of trees or the replanting thereof on any such areas and concessionaires are expected to comply with any direction of the Government in this respect.

For PLUS, none of these requirements is expressly provided for in the Concession Agreement. However, to control the impact of PLUS' activities, products or services on the environment, PLUS has begun to develop an Environmental Management System ("EMS") which complies with the ISO 14001 standards as well as other legal or policy requirements.

In respect of landscaping, PLUS has established dedicated landscaping teams based at its regional offices. The landscaping concept adopted by PLUS closely follows the Malaysian National Guidelines on Landscaping (published in 1997). PLUS also liaises directly with the Forest Reserve Institute of Malaysia on landscaping matters.

8.3.13 Second Supplemental Concession Agreement

The following is a summary of certain terms relating to the new Government compensation arrangements contained in the Second Supplemental Concession Agreement dated 11 May 2002.

The Government has acknowledged that in the event that the Government imposes toll rates for any class of vehicle for any Concession Year lower than the Agreed Toll Rates for that class of vehicle for that Concession Year, it is required under the terms of the Concession Agreement to compensate PLUS in the amounts as determined in accordance with the Concession Agreement and in accordance with the applicable computation, certification and procedures as set out in the Concession Agreement.

The Government has decided to impose toll which are lower than the Agreed Toll Rates for the Concession Years commencing 1 January 2002 up to the expiry of the Concession Period. The parties agree that the amount of compensation due from the Government to PLUS for each Concession Year commencing with the Concession Year 2002 up to the expiry of the Concession Period shall be calculated in the following manner:

$$CAAC = CAC + C_t - z_f - x_f - z - x - TP - TS$$

Where:

$CAAC$ = the cumulative aggregate actual compensation to the end of the relevant Concession Year;

CAC = the cumulative aggregate actual compensation to the end of the immediately preceding Concession Year;

C_t = the amount of compensation due from the Government for the relevant Concession Year;

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

- z = the amount of notional tax on dividends paid by PLUS in the year out of tax exempt profits earned during the tax-exempt years 2002 to 2006 (hereinafter referred to as the “Tax Exempt Period”), calculated at the rate applicable to dividends at the date of payment of such dividends;
- z^f = any extent of z in respect of any previous Concession Year that had not been fully deducted in the form of z in the manner set out above in the applicable Concession Year or not fully deducted when accumulated and carried forward in the form of z^f in the manner set out above in the following Concession Year;
- x = interest that would have been payable on the Government Support Loan had the Government not waived its rights to charge and collect such interest;
- x^f = any extent of x in respect of a previous Concession Year that had not been fully deducted in the form of x in the manner set out above in that Concession Year or not fully deducted when accumulated and carried forward in the form of x^f in the manner set out above in a following Concession Year;
- TP = the amount of income tax payable by PLUS for the relevant Concession Year, adjusted for any change determined to the amount of income tax in respect of any previous Concession Year included in a certification;
- TS = the toll sharing amount determined in accordance with the Concession Agreement.

In the application of the above:

C_t shall be calculated in accordance with the following formula:

$$C_t = (TRA_t - TRB_t) \times TV_t$$

Where:

TRA_t = the Agreed Toll Rates as specified in the Concession Agreement for the relevant Concession Year;

TRB_t = the actual toll rates gazetted by the Government as specified in the Second Supplemental Concession Agreement for the relevant Concession Year;

TV_t = the actual total traffic volume, having been converted into PCU-km for the relevant Concession Year.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

If in any Concession Year:

- (a) where the amount of z exceeds $CAC + C_t - zf - xf$, and as a consequence of which, CAAC for that Concession Year will be reduced to nil, the excess, which is zf , shall be carried forward as a memorandum amount and aggregated with any previously accumulated amount of zf from any previous Concession Year which has not yet been deducted in full, and such aggregate shall be deducted in respect of the following Concession Year, and x for the Concession Year shall be carried forward as a memorandum amount, which is xf and aggregated with any previously accumulated amount of xf from any previous Concession Year which has not yet been deducted in full, and such aggregate shall be deducted in the following Concession Year; and
- (b) where the amount of x exceeds $CAC + C_t - zf - xf - z$, as a consequence of which CAAC for that Concession Year will be reduced to nil, the excess shall be carried forward as a memorandum amount, which is xf , for deduction against $C_t - z$ in respect of the following Concession Year.

Upon the determination of the elements $CAC + C_t - zf - xf - z - x$ at the end of each Concession Year:

- (a) PLUS shall issue to the Government a 'Toll Compensation Debit Note' for the Compensation, which amount shall be recorded in a 'Government Toll Compensation Due' subsidiary ledger account maintained as part of the accounting books and records of PLUS;
- (b) PLUS shall determine its Tax Liability as indicated in its submission of its Tax Returns required to be submitted to the IRB and such other returns as may be appropriate and such Tax Liability shall be reflected in a 'Tax Liability' subsidiary ledger account maintained as part of the accounting books and records of PLUS; and
- (c) PLUS shall determine the amount of any toll sharing liability for each Concession Year in accordance with its obligations and such amount shall be certified by the joint auditors and recorded in a 'Toll Sharing Due to the Government' subsidiary ledger account maintained as part of the accounting books and records of PLUS.

The 'Government Toll Compensation Due' account, the 'Tax Liability' account and the 'Toll Sharing Due to the Government' account shall constitute subsidiary ledger accounts within the 'Amount Due To / From the Government' account in the general ledger of PLUS.

PLUS shall, for each Concession Year commencing from the Concession Year 2002, submit to the Government a joint certificate signed by the Operation Auditors (the "Joint Compensation Certificate") setting out the certified amount of CAAC incorporating the elements within the formula:-

$$CAAC = CAC + C_t - zf - xf - z - x - TP - TS$$

The Joint Compensation Certificate in respect of each Concession Year shall be submitted to the Government by 30 June of the following Concession Year.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Notwithstanding that no compensation is due from the Government to PLUS or no Toll Sharing Liability or Tax Liability is incurred by PLUS in any particular Concession Year, the Joint Compensation Certificate shall be submitted by PLUS to the Government by 30 June of the following Concession Year.

The parties agreed that in the event the Concession is terminated, the amount as determined in accordance with the Concession Agreement and as set out in the Joint Compensation Certificate in the relevant Concession Year immediately prior to the date of such termination shall become immediately due and payable in cash by the indebted party to the other and the parties further agree that:

- (a) if the Joint Compensation Certificate for the relevant Concession Year immediately prior to the date of termination has not been issued, they shall procure that the Operation Auditors certify the CAAC due under the Concession Agreement and for the Joint Compensation Certificate to be issued on or before 30 June of the Concession Year in which the Concession is terminated; and
- (b) the parties shall further procure that the Operation Auditors certify by 30 June of the year following the Concession Year in which the Concession is terminated, the amount to be calculated in respect of that Concession Year in the following manner:

$$C_{t-z-x} - TP - TS$$

and upon such certification, the amount so certified shall become immediately payable by the relevant party to the other party.

The Government undertakes that it shall take all necessary steps and do all such acts, deeds and things and render all necessary assistance to PLUS in order to give full effect to the Compensation Arrangement.

For the avoidance of doubt and subject to the terms of the Second Supplemental Concession Agreement, the parties have confirmed and have acknowledged that:-

- (a) no interest shall be chargeable on any amount which the certified amount of CAAC is referred to above;
- (b) for the purpose of PLUS' annual Tax Returns, the toll revenue shall include the actual toll revenue, and adjustments for the elements $C_{t-zf-xf-z-x}$;
- (c) no cash payment shall be payable by the Government to PLUS in respect of any of the Compensation Arrangements other than as a result of termination;
- (d) any amount of compensation due and payable by the Government to PLUS as a result of the Government imposing toll rates for any class of vehicle for that Concession Year which is lower than the Agreed Toll Rate for that class of vehicle for that Concession Year, shall be paid in full by the Government to PLUS in accordance with the terms of the Concession Agreement;

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

- (e) in any Concession Year after the Tax Exempt Period, if there is any tax amount owing by PLUS to the Government after taking into consideration the Compensation Arrangements, PLUS shall pay such tax amount owed by it to the Government in cash on the due date. For the avoidance of doubt, the payment of such tax amount shall not include any toll sharing to be paid to the Government (if applicable) which shall continue to be carried forward. In the event that PLUS has paid tax in excess of its actual tax liability in any Concession Year, the Government shall immediately refund such excess tax amount to PLUS; and
- (f) upon the expiry of the Concession Period, PLUS hereby agrees to :
 - (i) waive all its rights to the CAAC, if any, which is due to it by the Government;
 - (ii) pay to the Government, the aggregate of *TP* and *TS* which PLUS has not utilised under the Compensation Arrangements, the amount of which shall be certified by the Operation Auditors in the Joint Compensation Certificate which shall be submitted to the Government by 30 June of the year following the end of the Concession Period and which amount shall be paid by PLUS to the Government within sixty (60) days of the date of the Joint Compensation Certificate.

If there is any Change in Law which may prevent the Parties from successfully implementing the Compensation Arrangements, the parties shall, within sixty (60) days from the date of the Change in Law, determine in good faith any necessary adjustment or variation to the Compensation Arrangements and to the extent reasonably possible, the Parties shall endeavour to put PLUS in the position that it would have been in had the Change in Law not occurred.

For the purposes of this summary:

- (a) “Tax Liability” means any income tax payable for the relevant Concession Year to or imposed by the IRB;
- (b) “Tax Returns” means any report, return, declaration, certificate, statement or other document required to be supplied to the IRB in connection with the Tax Liability or in compliance with any law or notice, order or direction by the IRB;
- (c) “IRB” means the Inland Revenue Board of Malaysia or such other body or authority which has taken over IRB’s responsibilities upon IRB’s cessation; and

“Change in Law” means in each case after the date of the Second Supplemental Concession Agreement and at any time during the Concession Period, the enactment, introduction, adoption or making of any new law, any change in, variation to, repeal or modification of any existing law, the commencement of any law which has yet to come into effect or any change in the interpretation or application of any law which may materially and adversely affect PLUS, PLUS’ Tax Liability and/or the Compensation Arrangements.

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

8.4 Landed Properties

A summary of the landed properties of the PLUS Expressways Group, valued in total at approximately RM3.5 million, based on the net book value as at 31 March 2002 is set out below:-

Beneficial Owner/Description/ Location	Approximate Age of Building	Existing Use	Land Area and Tenure	Acquisition Value	Net Book value as at 31 March 2002
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey terrace house situated on PM 604 PT 31822 (formerly HS(M) 14622, PT. No. 21107). Tempat: Bukit Raja, Mukim Kapar, Selangor	8 years	Residential	130 sq. m Leasehold of 99 years ending 8 May 2093	RM 198,000	RM 180,761
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey intermediate terrace house situated on HS(M) 6455, PT 1451, Tempat: Kelana Jaya, Mukim Damansara, Selangor	10 years	Residential	121 sq. m Leasehold of 99 years ending 27 September 2091	RM 225,000	RM 211,985
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey terrace house situated on HS(M)20930, PT No. 15368, Lot 44171, Tempat : Seri Kembangan, Mukim Petaling, Selangor.	9 years	Residential	1430 sq. f Leasehold ending 31 March 2092	RM 212,040	RM 199,628
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey terrace house situated on HS(M)20931, PT No. 15369, Lot 44172, Tempat: Seri Kembangan, Mukim Petaling, Selangor	9 years	Residential	1430 sq. f Leasehold ending 31 March 2092	RM 212,040	RM 199,628
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey terrace house situated on HS(M)20932, PT No. 15370, Lot 44173, Tempat : Seri Kembangan, Mukim Petaling, Selangor.	9 years	Residential	1430 sq. f Leasehold ending 31 March 2092	RM 212,040	RM 199,628

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Beneficial Owner/Description/ Location	Approximate Age of Building	Existing Use	Land Area and Tenure	Acquisition Value	Net Book value as at 31 March 2002
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey intermediate terrace house situated on Geran 16170, Lot 42889, Mukim Batu, Kuala Lumpur, Wilayah Persekutuan.	10 years	Residential	130 sq. m Freehold	RM 198,000	RM 183,993
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey link house situated on Geran 16214, Lot 42936, Mukim Batu, Kuala Lumpur, Wilayah Persekutuan.	10 years	Residential	195 sq. m Freehold	RM 195,000	RM 183,794
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey link house situated on P.N. 7696, Lot 257, Seksyen 13, Daerah Petaling, Bandar Shah Alam., Selangor	4 years	Residential	120.75 sq. m Leasehold of 99 years ending 1 November 2092	RM 181,350	RM 169,771
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey link house situated on P.N 7686, Lot 247, Seksyen 13, Daerah Petaling, Bandar Shah Alam, Selangor.	4 years	Residential	120.75 sq. m Leasehold of 99 years ending 1 November 2092	RM 181,350	RM 169,771
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey link house situated on P.N. 7692, Lot 253, Seksyen 13, Daerah Petaling, Bandar Shah Alam, Selangor.	4 years	Residential	120.75 sq. m Leasehold of 99 years ending 28 December 2094	RM 181,350	RM 169,771
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey link house situated on P.N 7687, Lot 248, Seksyen 13, Daerah Petaling, Bandar Shah Alam, Selangor.	4 years	Residential	120.75 sq. m Leasehold of 99 years ending 1 November 2092	RM 181,350	RM 169,771

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Beneficial Owner/Description/ Location	Approximate Age of Building	Existing Use	Land Area and Tenure	Acquisition Value	Net Book value as at 31 March 2002
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey terrace house situated on PM 603 PT 31821 (formerly HS(M) 14621, PT No. 21106) Tempat Bukit Raja, Mukim Kapar, Selangor.	8 years	Residential	130 sq. m Leasehold of 99 years ending 8 May 2093	RM 198,000	RM 180,761
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey intermediate terrace house situated on HS(M) 14638, PT. No. 21123, Tempat: Bukit Raja, Mukim Kapar, Selangor	8 years	Residential	130 sq. m Leasehold of 99 years ending 8 May 2093	RM 198,000	RM 180,761
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Double storey intermediate terrace house situated on HS(M) 14639, PT. No. 21124, Tempat: Bukit Raja, Mukim Kapar, Selangor	8 years	Residential	130 sq. m Leasehold of 99 years ending 8 May 2093	RM 198,000	RM 180,761
Registered under Abu Talib bin Abdul Rahman and held on trust for PLUS. Apartment unit held under master title HS(D) No. 44643, PT No. 11539, Mukim Damansara, Selangor.	7 years	Residential	1,076 sq. ft Leasehold of 99 years ending 13.4.2089	RM 159,495	RM 156,265
Registered under Ikmal Hijaz Hashim and held on trust for PLUS. Single storey terrace house (Mezzanine) situated on HS(D) 116090, PTD 32590, Mukim Pulau, Daerah Johor Bharu, Johor	17 years	Residential	Approx. 155.33 sq. m Freehold (Bumiputra restricted)	RM 142,800	RM 131,826
Registered under Ikmal Hijaz Hashim and held on trust for PLUS. Single storey terrace house (Mezzanine) situated on HS(D) 116091, PTD 32591, Mukim Pulau, Daerah Johor Bharu, Johor	17 years	Residential	155.33 sq. m Freehold (Bumiputra restriction)	RM 142,800	RM 131,826

8. INFORMATION ON PLUS EXPRESSWAYS GROUP

Beneficial Owner/Description/ Location	Approximate Age of Building	Existing Use	Land Area and Tenure	Acquisition Value	Net Book value as at 31 March 2002
Registered under Ikmal Hijaz Hashim and held on trust for PLUS. Single storey terrace house (Mezzanine) situated on HS(D) 126310, PT No. 29026, CT 2087, Mukim Senai-Kulai, Daerah Johor Bharu.	5 years	Residential	1,540 sq.ft Freehold (Bumiputra restriction)	RM 108,800	RM 101,783
Registered under Ikmal Hijaz Hashim and held on trust for PLUS. Apartment unit held under master title HS(D) No. 44643, PT No. 11539, Mukim Damansara, Selangor.	7 years	Residential	1,345 sq. ft Leasehold of 99 years ending 13.4.2089	RM 193,905	RM 189,594
Registered under Ikmal Hijaz Hashim and held on trust for PLUS. Double storey terrace house (Mezzanine) situated on HS(M) 6468, PT1464, Mukim Damansara, Kelana Jaya, Selangor.	10 years	Residential	121 sq. m Leasehold ending 27 September 2091	RM 230,000	RM 216,332

The aforesaid properties provide accommodation to staff of PLUS who work at the toll plazas along the Expressways. All these properties are presently registered under the name of either PLUS' Company Secretary or its immediate past Managing Director. These are held on trust in favour of PLUS. PLUS has taken steps to transfer the registered ownership of these properties to PLUS. In accordance with the Concession Agreement, these properties, which have been and will continue to be considered as assets, will revert to the Government upon the expiry or earlier termination of the Concession.

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9. DEBT RESTRUCTURING AND FLOTATION SCHEME

9.1 Introduction

The proposed initial public offering of PLUS Expressways is part of a restructuring undertaken by UEM, the majority shareholder of PLUS Expressways, in respect of the UEM Group. See “Section 10.2 - Information on Major Shareholders, Promoter, Directors and Key Management - Major Shareholders” for further details of the UEM Group restructuring.

To prepare for the initial public offering of PLUS Expressways, PLUS undertook the following restructuring initiatives:

- a restructuring of PLUS’ indebtedness, involving the repayment, refinancing and cancellation of a portion of PLUS’ indebtedness, and a related recapitalisation exercise; and
- a merger of PLUS and PLUS Expressways by the Scheme of Arrangement pursuant to which PLUS became a wholly owned subsidiary of PLUS Expressways.

PLUS completed its Debt Restructuring on 31 May 2002. Prior to the Debt Restructuring, as at 31 March 2002, PLUS had total indebtedness of RM14,825.2 million. Following completion of the Debt Restructuring, PLUS’ indebtedness was reduced to RM7,149.9 million as at 31 May 2002. Prior to the Debt Restructuring, PLUS’ level of indebtedness was scheduled to increase to a high of approximately RM20 billion by 2005, with RM2,192.9 million nominal amount of RCBs and RM13,709.7 million nominal amount of PLUS Bonds scheduled for maturity by 2005 and 2006, respectively. PLUS would not have been able to repay this indebtedness from its projected cash flows. As a result, PLUS undertook the Debt Restructuring in order to:

- reduce PLUS’ level of indebtedness;
- extend the maturity and reduce the debt servicing requirements of PLUS’ indebtedness; and
- reduce PLUS’ financial arrangements with related parties by settling debt owed to PLUS by UEM and Renong.

Specifically, the Debt Restructuring was undertaken to refinance the following indebtedness:

- the PLUS Bonds, which had an accreted value as at 31 May 2002 of RM9,210.5 million; and
- the Commercial Loans and Serial Bonds, which had an aggregate outstanding nominal amount as at 31 May 2002 of RM1,985.2 million ;

PLUS’ principal sources of funding for the Debt Restructuring were as follows:

- RM1,185.1 million received from the sale to UEM of the Renong SPV Bond, RM2,370.2 million received from the redemption by UEM of the UEM Bond and RM44.7 million received from the repayment of the UEM Loan;
- RM2,400.3 million raised by way of a renounceable rights issue by PLUS of PLUS Shares which was renounced by UEM and subscribed for by Khazanah;

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

- RM5,100.0 million from the issue of new debt securities, the BAIDS;
- RM95.4 million from PLUS' internal funds.

In addition, as part of the Debt Restructuring, the RCBs with an accreted value of RM1,775.6 million were converted into 214.03 million PLUS Shares based on the terms of the Trust Deed governing the RCBs dated 15 September 1999. The conversion of this portion of PLUS' indebtedness had no cash effect.

As a result of certain debt write-offs pursuant to the Debt Restructuring, PLUS recognised an exceptional loss of RM4,239.5 million as at 31 May 2002. The accumulated loss resulting from these transactions was eliminated in full against PLUS' share premium reserves on 31 May 2002. See "Section 9.3 - Debt Restructuring and Scheme of Arrangement" and "Section 6.2 - Financial Information - Consolidated Forecast Results".

9.2 Background

9.2.1 PLUS' Indebtedness

The table below sets out details of the indebtedness of PLUS before and after the completion of the Debt Restructuring:

PLUS' indebtedness before the Debt Restructuring (as at 31 March 2002)			PLUS' indebtedness after the Debt Restructuring (as at 31 May 2002)		
Facility/Status	Repayment Period	Amount Outstanding (RM million)	Facility/Status	Repayment Period	Amount Outstanding (RM million)
Commercial Loans:			Commercial Loans:		
- Stage 1	Current-2004	873.0	- Stage 1	Repaid in full	-
- Stage 2	Current-2004	544.3	- Stage 2	Repaid in full	-
Serial Bonds:			Serial Bonds :		
- tranche 2	2000-2005	468.0	- tranche 2	Repaid in full	-
- tranche 3	2004-2005	100.0	- tranche 3	Repaid in full	-
Government Support Loan ⁽¹⁾			Government Support Loan:		
- Principal ⁽²⁾	2014-2023	750.0	- Principal	2014-2023	750.0
Additional Support Loan	2024	212.0	Additional Support Loan	2024	212.0
Link Bonds	2011-2019	1,070.5 ⁽³⁾	Link Bonds	2011-2019	1,087.9 ⁽⁴⁾
RCBs	2005/2006	1,734.9 ⁽³⁾	RCBs	Converted in full	-
PLUS Bonds	2006	9,072.5 ⁽³⁾	PLUS Bonds	Repaid in full	-
			BAIDS	2003-2017	5,100.0
Total Indebtedness		14,825.2			7,149.9

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

Notes:

- (1) All capitalised and future interest under the Government Support Loan was waived by the Government on 1 January 2002 pursuant to the new Government compensation arrangements. See "Section 5.1.3 - Management's Discussion and Analysis of Financial Condition and Results of Operations- New Government Compensation Arrangements".
- (2) After the assumption of RM900.0 million of the Government Support Loan by Linkedua on 21 June 2000.
- (3) Accreted value as at 31 March 2002.
- (4) Accreted value as at 31 May 2002.

PLUS' principal indebtedness prior to the Debt Restructuring comprised:

(a) Commercial Loans - First Stage Financing

In 21 November 1989, PLUS raised RM2,068.5 million pursuant to a syndicated loan agreement dated 21 November 1989 between PLUS and a syndicate of Malaysian banks. On 27 August 1990, PLUS entered into a further loan agreement with a syndicate of Malaysian banks which raised RM466.5 million. The purpose of these commercial loans was to finance the design and construction of the North-South Expressway, the New Klang Valley Expressway, improvements to the 16-kilometre section of the Federal Highway Route 2 operated by PLUS and the operation of PLUS' toll collection systems. As at 31 March 2002, the principal amount outstanding under PLUS' first stage commercial loans was RM873.0 million. These commercial loans were repaid in full on 31 May 2002 as part of the Debt Restructuring.

(b) Commercial Loans - Second Stage Financing

In 1993, PLUS entered into a second stage of financing to complete the construction of the Expressways. The original estimated construction cost for the Expressways, which was set in 1986 at a time when the construction industry in Malaysia was experiencing low or negative growth, was approximately RM3,446 million. The construction cost was subsequently revised upwards in 1993 to approximately RM5,987 million, an increase of approximately RM2,541 million.

In order to complete construction works under the Concession, PLUS undertook a second stage financing exercise in 1993 to raise RM3,097.0 million, which included a syndicated term loan with a syndicate of Malaysian banks of RM2,097.0 million pursuant to a loan agreement dated 14 August 1995. The balance of RM1,000.0 million was raised by PLUS pursuant to an issue of 100.0 million redeemable convertible cumulative preference shares (the RCCPS) in August 1993. All the preference shares were purchased and cancelled by PLUS in 1999. As at 31 March 2002, the principal sum outstanding under the second stage commercial loans was RM544.3 million. This commercial loan was repaid in full on 31 May 2002 as part of the Debt Restructuring.

(c) Million Serial Bonds

On 9 February 1998, PLUS issued RM1,000.0 million in principal amount of Serial Bonds to refinance a portion of the first stage and second stage financings. As at 31 March 2002, the principal sum outstanding under the Serial Bonds was RM568.0 million. The Serial Bonds were redeemed in full by PLUS on 31 May 2002 as part of the Debt Restructuring.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

(d) Government Financial Agreements

The Government has from time to time made available to PLUS certain loan facilities to support PLUS' performance under of the Concession, including the construction of the Expressways. These included the Government Support Loan and the External Risks Supplements Agreement. All drawings under these facilities must be applied by PLUS in accordance with the Project Control Account Agreement, as explained in "Section 9.5 – Summary of Material Indebtedness and Security Arrangements".

(i) Government Support Loan

The Government Support Loan of RM1,650.0 million was provided pursuant to an agreement between the Government and UEM dated 31 May 1988, and was transferred to PLUS under the Novation Agreement. The original principal amount provided by the Government of RM1,650.0 million was repayable in 10 equal instalments from 29 December 2014 to 29 December 2023. The loan was provided to PLUS to finance or refinance the construction of the Expressways. Interest under the Government Support Loan was initially 8.0% per year, and was to be capitalised for the first 14 years.

In September 1999, the principal amount of the Government Support Loan was reduced by RM900.0 million to RM750.0 million after Linkedua, a UEM Group company, assumed RM900.0 million of the loan's principal as part of Linkedua's debt restructuring. (See "Section 9.2.1(e) - Link Bonds" below). As at 31 December 2001, outstanding principal and capitalised interest under the Government Support Loan amounted to RM2,479.2 million. As part of the new Government compensation arrangements, on 1 January 2002 the Government waived its right to collect capitalised interest, amounting to RM1,729.2 million, and future interest, under the Government Support Loan. The capitalised interest and future interest that would have been payable by PLUS will instead be deducted from amounts due to PLUS under the new Government compensation arrangements. See "Section 5.1.3 - Management's Discussion and Analysis of Financial Condition and Results of Operations - New Government Compensation Arrangements".

The principal amount outstanding under the Government Support Loan is RM750.0 million, repayable in 10 instalments from 29 December 2014 to 29 December 2023. The Government Support Loan is interest-free and secured over certain assets of PLUS. See "Section 9.5 - Summary of Material Indebtedness and Security Arrangements" below.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

(ii) Traffic Volume Supplements Agreement

Under the Traffic Volume Supplements Agreement dated 31 May 1988, the Government agreed to provide PLUS with a loan facility which may be drawn by PLUS to meet any cumulative aggregate shortfall between PLUS' actual toll revenues and the product of the Agreed Toll Rate and the base case traffic volume as set out in the Traffic Volume Supplemental Agreement, in respect of each completed section of the Expressways for each class of vehicles from 31 May 1988, the effective date of the Concession Agreement, until 31 May 2005. PLUS made no drawings under this agreement, which was cancelled as part of the new Government compensation arrangements.

(iii) External Risks Supplements

Under the External Risks Supplements Agreement dated 31 May 1988, the Government agreed to provide PLUS with a loan facility which may be drawn to meet additional costs incurred by PLUS arising from adverse foreign exchange and interest rate movements in respect of PLUS' foreign currency debt at a time when PLUS would otherwise be unable to pay its debts. PLUS did not incur any foreign currency debt and did not therefore make any drawing on this loan facility. This agreement was cancelled as part of the new Government compensation arrangements.

(iv) Additional Support Loan

On 25 August 1999, PLUS entered into the Additional Support Loan with the Government under which it borrowed an interest-free amount of RM212.0 million in lieu of the payment of Government compensation for Concession Years 1999 to 2001. The loan, which was fully drawn by PLUS on 2 March 2001, is repayable in full in 2024. The Additional Support Loan is secured over certain assets of PLUS. See "Section 9.5 — Summary of Material Indebtedness and Security Arrangements" below.

(e) Link Bonds

In June 2000, as part of the restructuring of the indebtedness of Linkedua, a UEM Group company, PLUS issued RM900.0 million of unsecured bonds (the Link Bonds) due for maturity in tranches from 2011 to 2019 at a yield to maturity of 10.0% per year to Hartanah, a UEM Group company. This enabled Hartanah to in turn issue RM698.0 million of Hartanah Bonds to the commercial lenders of Linkedua. The subscription of the Hartanah Bonds by such lenders was off set against the amount due and owing to the commercial lenders by Linkedua under a syndicated term loan facility. In consideration for this arrangement, Linkedua assumed RM900.0 million in principal amount of PLUS' obligation under the Government Support Loan. These arrangements had no cash flow impact on PLUS.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

The terms of the Link Bonds and the Hartanah Bonds are substantially identical. The Link Bonds had an accreted value of RM1,070.5 million as at 31 March 2002 and are repayable by PLUS in 17 semi-annual instalments of RM218.3 million each from 2011 to 2019, and a final instalment of RM111.3 million in 2019, representing a total repayment of RM3,822.4 million. The Link Bonds are unsecured. PLUS created security over its cash flows to secure certain payments under the Hartanah Bonds. See “Section 9.5 - Summary of Material Indebtedness and Security Arrangements” below.

(f) PLUS Bonds

In 1999, Renong and the UEM Group restructured their indebtedness as a result of the financial crisis that occurred in South East Asia in 1997. To assist Renong and UEM reduce their respective indebtedness as part of a debt restructuring by the UEM Group, PLUS subscribed for the UEM Bond and the Renong SPV Bond, as described below.

On 30 September 1999, PLUS issued RM8,368.5 million of zero coupon redeemable secured bonds (the PLUS Bonds). The PLUS Bonds had a yield to maturity of 9.4% per year and were due to mature in 2006 at a principal amount of RM15,918.6 million. The PLUS Bonds were used as follows:

- (i) PLUS issued RM1,072.8 million of PLUS Bonds to UEM in exchange for the early redemption of 45 million preferred shares (the ‘A’ RCCPS), held by UEM;
- (ii) PLUS issued RM373.0 million of PLUS Bonds to pay for a portion of its subscription for the Renong SPV Bond; and
- (iii) the remaining proceeds of the PLUS Bonds of RM6,922.7 million were lent to UEM and Renong.

The PLUS Bonds were secured over certain assets of PLUS.

In order to lend the proceeds of the PLUS Bonds to Renong and UEM, the following transactions also took place on 30 September 1999:

- (i) PLUS subscribed for RM2,951.2 million in nominal amount of the UEM Bond for cash. The UEM Bond, with a yield to maturity of 9.4% per year, was scheduled to mature in 2006 at a nominal value of RM5,613.7 million; and
- (ii) PLUS subscribed for RM4,309.6 million in nominal amount of the Renong SPV Bond for RM3,936.5 million in cash and RM373.1 million of PLUS Bonds. The Renong SPV Bond had a yield to maturity of 9.4% per year and was scheduled to mature in 2006 at a nominal value of RM8,197.6 million.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

In addition, on 24 April 2000, PLUS advanced the RM35.0 million UEM Loan to cover UEM's portion of the expenses incurred in connection with the issuance of the PLUS Bonds. The loan was a seven-year term loan, commencing on 30 September 1999, with an interest rate of 9.4% per year, capitalised semi-annually.

In October 2001, Renong redeemed RM1,397.0 million of the Renong SPV Bond in cash. PLUS used the proceeds to redeem an equivalent value of PLUS Bonds on 30 October 2001. In addition, PLUS also redeemed RM4.3 million and RM4.9 million of the PLUS Bonds on 28 September 2001 and 29 March 2002 respectively, from the proceeds of redemption of the Renong SPV Bond issued by Renong.

The outstanding PLUS Bonds were redeemed in full by PLUS on 31 May 2002 as part of the Debt Restructuring.

(g) RCBs

On 30 September 1999, PLUS issued two tranches of redeemable convertible bonds (the RCBs) in amounts of RM132.5 million and RM1,256.5 million, respectively. The RCBs were issued in exchange for the early redemption of 55 million outstanding preference shares, consisting of five million 'A' RCCPS, and 50 million 'B' RCCPS respectively.

The RCBs were converted in full into PLUS Shares as at 31 May 2002.

9.3 Debt Restructuring and Scheme of Arrangement

On 31 May 2002, PLUS completed a series of transactions to:

- restructure its indebtedness, which consisted of steps one to four described below; and
- effect a scheme of arrangement to become a wholly-owned subsidiary of PLUS Expressways, which consisted of steps five and six described below.

The Debt Restructuring

The Debt Restructuring consisted of a number of related transactions which took effect as at 31 May 2002. As a result of certain debt write-offs pursuant to Debt Restructuring, PLUS recognised an exceptional loss of RM4,239.5 million as at 31 May 2002. The accumulated loss resulting from the Debt Restructuring was eliminated in full against PLUS' share premium reserves on 31 May 2002.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

The table below sets out the audited balance sheet of PLUS as at 31 March 2002, and the pro forma effect, on a cumulative basis, of each of the steps of the Debt Restructuring, as if they had occurred on 31 March 2002. Unless otherwise stated, each transaction was completed on 31 May 2002.

	Audited as at 31 March 2002	Pro forma as at 31 March 2002			
		Step 1	Step 2	Step 3	Step 4
			(RM'000)		
ASSETS EMPLOYED:					
PROPERTY, PLANT AND EQUIPMENT	26,630	26,630	26,630	26,630	26,630
EXPRESSWAY DEVELOPMENT EXPENDITURE	8,315,217	8,315,217	8,315,217	8,315,217	8,315,217
HEAVY REPAIRS	238,388	238,388	238,388	238,388	238,388
INVESTMENTS	7,677,987	7,677,987	—	—	—
AMOUNT OWING BY HOLDING COMPANY – LOAN	44,052	44,052	—	—	—
FUTURE INCOME TAX BENEFIT	70,322	70,322	70,322	70,322	70,322
CURRENT ASSETS					
Amount receivable from the Government of Malaysia	68,156	68,156	68,156	68,156	68,156
Sundry debtors, deposits and prepayments	7,658	7,658	7,658	7,658	7,658
Amounts owing by related companies - trade transactions	28,698	28,698	28,698	28,698	28,698
Short term deposits with licensed banks	581,661	581,661	581,661	581,661	581,661
Cash and bank balances	15,093	15,093	15,093	57,743	32,743
	701,266	701,266	701,266	743,916	718,916
CURRENT LIABILITIES					
Trade creditors	17,209	17,209	17,209	17,209	17,209
Sundry creditors and accruals	66,605	66,605	66,605	66,605	66,605
Amount owing to holding company - trade transactions	43,810	43,810	43,810	43,810	43,810
Amount owing to related company - trade transactions	59,033	59,033	59,033	59,033	59,033
Borrowings	615,667	615,667	615,667	—	—
Serial Bonds	144,000	144,000	144,000	—	—
Taxation	9,207	9,207	9,207	9,207	9,207
	955,531	955,531	955,531	195,864	195,864
NET CURRENT ASSETS/(LIABILITIES)	(254,265)	(254,265)	(254,265)	548,052	523,052
	16,118,331	16,118,331	8,396,292	9,198,609	9,173,609
FINANCED BY:					
SHARE CAPITAL	1,018,553	1,548,834	1,548,834	1,548,834	1,548,834
SHARE PREMIUM	-	3,604,946	3,604,946	3,604,946	432,504

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

	Audited as at 31 March 2002	Pro forma as at 31 March 2002			
		Step 1	Step 2 (RM'000)	Step 3	Step 4
CAPITAL REDEMPTION RESERVE	10,000	10,000	10,000	10,000	10,000
REVENUE RESERVES/ACCUMULATED LOSSES	974,597	974,597	(3,147,442)	(3,147,442)	-
	2,003,150	6,138,377	2,016,338	2,016,338	1,991,338
BORROWINGS	1,763,552	1,763,552	1,763,552	962,000	962,000
SERIAL BONDS	424,000	424,000	424,000	-	-
PLUS BONDS	9,072,469	6,672,131	3,072,131	-	-
REDEEMABLE CONVERTIBLE BONDS	1,734,889	-	-	-	-
LINK BONDS	1,070,485	1,070,485	1,070,485	1,070,485	1,070,485
NEW BONDS (BAIDS)	-	-	-	5,100,000	5,100,000
LONG TERM LIABILITIES					
Amount owing to holding company	6,885	6,885	6,885	6,885	6,885
Retirement benefits	10,073	10,073	10,073	10,073	10,073
DEFERRED LIABILITIES	32,828	32,828	32,828	32,828	32,828
	16,118,331	16,118,331	8,396,292	9,198,609	9,173,609
NUMBER OF PLUS SHARES IN ISSUE ('000)	650,000	1,180,281	1,180,281	1,180,281	1,548,834
NTA PER PLUS SHARE (RM)	2.97	5.14	1.65	1.65	1.24

PLUS' Debt Restructuring involved the following steps:

9.3.1 Step 1 – Renounceable Rights Issue, Conversion of RCBs and Partial Redemption of the PLUS Bonds

PLUS undertook a renounceable rights issue of 316.25 million new PLUS Shares to UEM. UEM renounced the rights to its parent, Khazanah, which subscribed for the underlying shares at a price of RM7.59 per share on 31 May 2002, resulting in proceeds to PLUS of RM2,400.3 million. PLUS used the proceeds to redeem a portion of the PLUS Bonds on 31 May 2002.

In addition, the RCB holders converted RM1,775.6 million of the RCBs into 214.03 million new PLUS Shares at a conversion price of RM8.39 per PLUS Share on 31 May 2002. The conversion reduced PLUS' indebtedness by RM1,775.6 million and increased PLUS' share premium by RM1,561.6 million. These transactions were completed on 31 May 2002.

Together, the issuance of the new PLUS Shares to Khazanah and to the RCB holders increased PLUS' share premium by RM3,645.7 million on 31 May 2002. These transactions were undertaken in order to assist in the recapitalisation of PLUS following the exceptional loss incurred by PLUS of RM4,239.5 million as part of the Debt Restructuring, as explained below.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

Step 1 in the above table illustrates the pro forma effect of these transactions as if they had been completed on 31 March 2002 on the basis of the audited balance sheet of PLUS as at that date.

9.3.2 Step 2 – Redemption of PLUS’ Inter-Company Debt and Partial Redemption of the PLUS Bonds

On 31 May 2002, PLUS sold the Renong SPV Bond, with an accreted value as at 31 May 2002 of RM4,023.4 million, to UEM for a cash consideration of RM1,185.1 million, and as a result, recognised a loss of RM2,838.3 million. UEM redeemed the UEM Bond on 31 May 2002, with an accreted value as at that date of RM3,771.4 million, for a cash consideration of RM2,370.2 million, and as a result, PLUS recognised a loss of RM1,401.2 million. In addition, the carrying amount of the UEM Loan of RM44.7 million was fully repaid in cash on 31 May 2002.

Step 2 in the above table reflects the pro forma effect of these transactions as if they had been completed on 31 March 2002 on the basis of the audited balance sheet of PLUS as at that date.

9.3.3 Step 3 – Issue of BAIDS and redemption of the Commercial Loans, the Serial Bonds and the remainder of the PLUS Bonds

PLUS issued the BAIDS, in an amount of RM5,100.0 million, on 31 May 2002. The proceeds of the BAIDS were used to repay all RM1,417.2 million of PLUS’ Commercial Loans, to repay all RM568.0 million of PLUS’ Serial Bonds and to redeem the remaining RM3,114.8 million in principal amount of PLUS Bonds, each on 31 May 2002. The BAIDS are secured by certain assets of PLUS. See “Section 9.5 – Debt Restructuring and Flotation Scheme - Summary of Material Indebtedness and Security Arrangements” below.

Step 3 in the above table illustrates the pro forma effect of these transactions as if they had been completed on 31 March 2002 on the basis of the audited balance sheet of PLUS as at that date.

9.3.4 Step 4 – Conversion of NCCPS and Reduction in Capital

On 31 May 2002, UEM converted 368.55 million non-cumulative convertible preference shares, NCCPS, into an equal number of ordinary PLUS Shares at a conversion price equal to the par value of the PLUS Shares, RM1.00, in accordance with the terms of the NCCPS. Because such PLUS Shares were issued at par, the conversion had no effect on PLUS’ share premium account.

PLUS undertook a capital reduction pursuant to the Scheme of Arrangement on 31 May 2002, which involved the elimination of the entire amount of accumulated losses of PLUS by the application of an equivalent amount from PLUS’ share premium account. In addition, estimated expenses of RM25.0 million relating to the Debt Restructuring were written off against the share premium account on 31 May 2002.

Step 4 in the above table reflects the pro forma effect of these transactions as if they had been completed on 31 March 2002 on the basis of the audited balance sheet of PLUS as at that date.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

The Scheme of Arrangement

Pursuant to the Scheme of Arrangement, PLUS Expressways and PLUS completed a merger through an exchange of shares. The Scheme of Arrangement was accounted for using the merger method set out in MASB Standard 21, "Business Combinations".

The proforma consolidated balance sheets of PLUS Expressways below have been prepared on a cumulative basis as if the Debt Restructuring and Scheme of Arrangement had been completed on 31 March 2002 :-

	Proforma as at 31 March 2002		
	Step 4 - PLUS	Step 5 - PLUS Expressways (Unconsolidated)	Step 6 - PLUS Expressways (Consolidated)
	(RM'000)	RM'000	RM'000
ASSETS EMPLOYED:			
PROPERTY, PLANT AND EQUIPMENT	26,630	-	26,630
EXPRESSWAY DEVELOPMENT EXPENDITURE	8,315,217	-	8,315,217
HEAVY REPAIRS	238,888	-	238,388
INVESTMENTS	-	-	-
INVESTMENT IN PLUS	-	1,250,000	-
AMOUNT OWING BY HOLDING COMPANY - LOAN	-	-	-
FUTURE INCOME TAX BENEFIT	70,322	-	70,322
CURRENT ASSETS			
Amount receivable from the Government of Malaysia	68,156	-	68,156
Sundry debtors, deposits and prepayments	7,658	-	7,658
Amounts owing by related companies - trade transactions	28,698	-	28,698
Short term deposits with licensed banks	581,661	-	581,661
Cash and bank balances	32,743	-	27,743
	718,916	-	713,916
CURRENT LIABILITIES			
Trade creditors	17,209	-	17,209
Sundry creditors and accruals	66,605	-	66,605
Amounts owing to holding company - trade transactions	43,810	2	43,812
Amounts owing to related companies - trade transactions	59,033	-	59,033
Borrowings	-	-	-
Serial Bonds	-	-	-
Taxation	9,207	-	9,207
	195,864	2	195,866
NET CURRENT ASSETS	523,052	(2)	518,050
	9,173,609	1,249,998	9,168,607

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

	Proforma as at 31 March 2002		
	Step 4 - PLUS	Step 5 - PLUS Expressways (Unconsolidated)	Step 6 - PLUS Expressways (Consolidated)
	(RM'000)	RM'000	RM'000
FINANCED BY:			
SHARE CAPITAL	1,548,834	1,250,000	1,250,000
SHARE PREMIUM	432,504	-	-
CAPITAL REDEMPTION RESERVE	10,000	-	-
REVENUE RESERVES/ACCUMULATED LOSSES	-	(2)	(5,002)
CAPITAL RESERVE	-	-	442,504
MERGER RESERVE	-	-	298,834
	<u>1,991,338</u>	<u>1,249,998</u>	<u>1,986,336</u>
BORROWINGS	962,000	-	962,000
SERIAL BONDS	-	-	-
PLUS BONDS	-	-	-
REDEEMABLE CONVERTIBLE BONDS	-	-	-
LINK BONDS	1,070,485	-	1,070,485
NEW BONDS (BAIDS)	5,100,000	-	5,100,000
LONG TERM LIABILITIES:			
Amount owing to holding company	6,885	-	6,885
Retirement benefits	10,073	-	10,073
DEFERRED LIABILITIES	32,828	-	32,828
	<u>9,173,609</u>	<u>1,249,998</u>	<u>9,168,607</u>
NUMBER OF ORDINARY SHARES IN ISSUE ('000)	<u>1,548,834</u>	<u>5,000,000</u>	<u>5,000,000</u>
NET TANGIBLE ASSETS PER SHARE (RM)	<u>1.24</u>	<u>0.25</u>	<u>0.38</u>

PLUS' Scheme of Arrangement involved the following steps:

9.3.5 Step 5 – The Merger of PLUS and PLUS Expressways

Step 5 in the above table illustrates the acquisition by PLUS Expressways of the entire issued and paid-up share capital of PLUS and, in exchange, the issuance of new PLUS Expressways Shares to the shareholders of PLUS. Upon completion of the Scheme of Arrangement as at 31 May 2002, PLUS became a wholly owned subsidiary of PLUS Expressways.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

As at 31 May 2002, PLUS Expressways acquired the entire issued and paid-up share capital of PLUS, comprising 1,548,834,344 PLUS Shares, from the following shareholders of PLUS:

- (a) 530,281,403 PLUS Shares held by former holders of the RCBs and Khazanah; and
- (b) 1,018,552,941 PLUS Shares held by UEM.

In exchange, PLUS Expressways agreed to issue 4,999,999,998 new PLUS Expressways Shares to the former RCB holders, Khazanah and UEM, in proportion to their respective entitlements as follows ;

RCB Holders: Under a trust deed dated 15 September 1999 constituting the RCBs, the RCB holders are entitled to convert the RCBs into PLUS Shares upon the initial public offering of PLUS. Upon conversion, the RCB holders as a group are entitled to the number of PLUS Shares which, when multiplied by the initial public offering price per PLUS Share, will provide the RCB holders with PLUS Shares having an aggregate value of RM1,795.7 million if the RCBs were converted prior to 30 June 2002. The Scheme of Arrangement was designed to ensure that the RCB holders receive PLUS Expressways Shares of an equivalent value to their entitlement to PLUS Shares under the trust deed for the RCBs.

Pursuant to the Scheme of Arrangement, the PLUS Expressways Shares will be issued in two tranches. In the first tranche, issued on 31 May 2002, prior to determination of the Institutional Offering Price, 634,261,014 new PLUS Expressways Shares were issued to the RCB holders at a price equal to an estimate of the Institutional Offering Price. Such estimated price was an estimate of the maximum level of the Institutional Offering Price, in order that the RCB holders were not issued more PLUS Expressways Shares in the first tranche than their total entitlement. If the final Institutional Offering Price is lower than the estimated Institutional Offering Price, a second tranche of PLUS Expressways Shares will be issued on the Settlement Date. In the second tranche, the RCB holders will receive the number of additional PLUS Expressways Shares, if any, required to ensure that the RCB holders, as a group, receive PLUS Expressways Shares of an aggregate value of RM1,795.7 million based on the final Institutional Offering Price. If the final Institutional Offering Price is higher than the estimated Institutional Offering Price, no adjustment will be made to the number of PLUS Expressways Shares issued to the RCB holders in the first tranche.

Khazanah: In the first tranche, Khazanah was issued 937,146,222 PLUS Expressways Shares at the same price as the RCB holders. In the second tranche, Khazanah will receive the number of PLUS Expressways Shares which, in combination with the PLUS Expressways Shares it received in the first tranche, will have a value of RM2,400.3 million based on the Final Retail Offering Price, representing the amount Khazanah invested pursuant to the rights issue described in Step 1 above. If the final Institutional Offering Price is higher than the estimated Institutional Offering Price, so that the PLUS Expressways Shares issued to Khazanah in the first tranche have a value of more than RM2,400.3 million, no adjustment will be made to the number of PLUS Expressways Shares issued to Khazanah in the first tranche.

Khazanah's entitlement is calculated on the basis of the Retail Offering Price pursuant to the terms of Khazanah's agreement to subscribe for the rights issue described in Step 1 above.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

UEM: UEM was issued 3,092,844,492 PLUS Expressways Shares in the first tranche at a price equal to an estimate of the minimum Institutional Offering Price. In the second tranche, UEM will receive the PLUS Expressways Shares remaining after the second tranche allocations to the RCB holders and Khazanah.

Following the issue of the first tranche of PLUS Expressways Shares on 31 May 2002, PLUS Expressways had an issued and paid-up share capital of RM1,166,057,932.50 comprising 4,664,231,730 PLUS Expressways Shares. UEM is offering the Offer Shares from the 3,092,844,494 PLUS Expressways Shares received by it under the first tranche.

Following the issue of the second tranche of PLUS Expressways Shares on the Settlement Date, PLUS Expressways will have an issued and paid-up share capital of RM1,250,000,000 comprising 5,000,000,000 PLUS Expressways Shares.

9.3.6 Step 6 – The Exchange of Shares in PLUS Expressways

Step 6 in the above table illustrates the effects upon the exchange of shares between PLUS and PLUS Expressways, as if they had been completed on 31 March 2002 on a consolidated basis including:

- the combination between PLUS and PLUS Expressways, accounted for by the merger method under MASB 21; and
- estimated expenses in relation to the Offerings of RM5.0 million, settled in cash and written-off to the income statement of PLUS Expressways.

9.4 Flotation Scheme

The flotation scheme involves the following:

- **Institutional Global Offering** - The offer for sale by UEM of between 530,000,000 and 630,000,000 PLUS Expressways Shares comprising an offering to Malaysian and foreign institutional investors at the Institutional Offering Price.
- **Restricted Offering** - The offer for sale by UEM of 125,641,000 PLUS Expressways Shares to Previous UEM Shareholders at the Restricted Offering Price and in the proportion of one PLUS Expressways Share for every four UEM Shares previously held.
- **Retail Offering** - The offer for sale by UEM of 174,359,000 PLUS Expressways Shares at the Retail Offering Price comprising:
 - (i) up to 46,800,000 PLUS Expressways Shares to eligible Directors and employees of UEM Group, Renong Group and Khazanah;
 - (ii) up to 26,200,000 PLUS Expressways Shares to eligible users of “Touch ‘n Go” (PLUS’ electronic payment system); and

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

(iii) not less than 101,359,000 PLUS Expressways Shares (and any shares not applied for under (i) and (ii) above), to Malaysian public at the Retail Offering Price, of which a minimum of 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions.

- **Listing on the Main Board of the KLSE**

Pursuant to the Offerings, application will be made for the admission of PLUS Expressways to the Official List of the KLSE for the listing of and quotation for the entire issued and paid-up share capital of PLUS Expressways of RM1,250,000,000 comprising 5,000,000,000 PLUS Expressways Shares.

9.5 Summary of Material Indebtedness and Security Arrangements

The following is a summary of the material outstanding indebtedness of PLUS following the Debt Restructuring and of certain security arrangements created by PLUS. It does not purport to be a complete description of all the terms of the instruments described and should be read in conjunction with the financial statements and the notes thereto appearing elsewhere in this Prospectus.

BAIDS. The BAIDS are bonds issued in accordance with the Islamic finance concept of Bai' Bithaman Ajil. In accordance with such concept, PLUS assigns certain assets to a trustee, who sells them back at the same price together with an agreed profit margin. PLUS' payment of the purchase price is deferred in accordance with the maturities of the BAIDS. The BAIDS are issued in 15 series, with maturities of one to 15 years, as shown in the table below.

Series	Maturity Date	Cost Portion of Sale Price (RM million)	Profit Rate (% per annum)	Profit Amount (RM million)
1	31 May 2003	100.0	3.40	3.40
2	31 May 2004	200.0	3.95	15.80
3	31 May 2005	300.0	4.45	40.05
4	31 May 2006	400.0	4.90	78.40
5	31 May 2007	550.0	5.40	148.50
6	31 May 2008	550.0	5.70	188.10
7	31 May 2009	550.0	6.10	234.85
8	31 May 2010	550.0	6.40	281.60
9	31 May 2011	550.0	6.70	331.65
10	31 May 2012	350.0	6.85	239.75
11	31 May 2013	300.0	7.10	234.30
12	31 May 2014	300.0	7.25	261.00
13	31 May 2015	200.0	7.35	191.10
14	31 May 2016	100.0	7.40	103.60
15	31 May 2017	100.0	7.50	112.50
Total		5100.0		2,464.60

The terms of the BAIDS contain various restrictive covenants, including the following:

- PLUS must maintain a Finance Service Coverage Ratio (as defined below) of at least 2.75 times on each calculation date, being 31 December and 30 June in each year, or such other date in respect of any calculation required to be made prior to any payment of dividend or distribution, or any advances:

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

"Finance Service Coverage Ratio" is calculated at the end of each calculation date, as the ratio of PLUS's Available Cash Flow (as defined below) to the sum of (i) principal paid in respect of Designated Debt (as defined below); (ii) interest and fees paid under the Designated Debt which are not capitalised; and (iii) principal and interest paid under any debt as permitted by the BAIDS holders, each during the previous 12 months;

"Available Cash Flow" is defined as:

in any relevant period, the sum of:

- (i) all income received and receivable by PLUS in cash under the Concession Agreement and any other receipts of a capital or revenue nature under any other contract or agreement;
- (ii) interest/income received by PLUS;
- (iii) all Credit Balances (as defined below) and all amounts standing to the credit of the Project Control Accounts (as defined in the Project Control Account Agreement) including accrued interest/income retained by or on behalf of PLUS at the end of the previous period; and
- (iv) proceeds of insurance claims;

during that period

less

- (i) the total amount spent on management, administration, operation, maintenance and repairs;
- (ii) tax paid in cash;
- (iii) Toll Sharing Amounts paid in cash to the Government; and
- (iv) capital expenditure incurred;

during that period.

Available Cash Flow is required to be duly audited by PLUS' auditors.

"Credit Balances" is defined as all amounts (whether of principal or interest or profits) from time to time and at any time standing to the credit of PLUS' Additional Project Accounts (as defined in the Project Control Account Agreement).

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

“Designated Debt” is defined as any indebtedness of PLUS secured under the security documents relating to the BAIDS. As at the date of this Prospectus, this included the BAIDS, the Government Support Loan, the Additional Support Loan, PLUS’ overdraft facility and the Maintenance Bond. Other debt may be included as Designated Debt in the future with the consent of the Security Trustee, except where the aggregate principal amount of the Designated Debt has reached RM5,170.0 million, in which case a special resolution passed by the BAIDS holders if required.

- PLUS must maintain a Finance Service Reserve Account during the tenure of the BAIDS which has, within three months from 31 May 2002, a minimum balance equivalent to the next 12 months’ finance service due under the BAIDS. The amount therein may be withdrawn to meet any payment under the BAIDS, subject always that PLUS shall transfer monies into such account within 30 days from such withdrawal to maintain the minimum balance described above;
- PLUS must maintain a Maintenance Reserve Account during the tenure of the BAIDS which has (i) within six months from 31 May 2002, a minimum balance equivalent to the projected capital expenditure for the Expressways in respect of the three months following 31 May 2002; (ii) within nine months from 31 May 2002, a minimum balance equivalent to the projected capital expenditure for the Expressways in respect of the nine months following 31 May 2002, and (iii) within 12 months from 31 May 2002, a minimum balance equivalent to the projected capital expenditure for the Expressways in respect of the 12 months following 31 May 2002. However, a minimum balance may be withdrawn to meet any payment of the projected capital expenditure for Expressways, subject always that PLUS shall transfer monies into the Maintenance Reserve Account within 30 days of such withdrawal to maintain the minimum balance described above;
- Without the consent of a special resolution passed by BAIDS holders, PLUS may not incur any indebtedness or give guarantees, except for certain pre-agreed indebtedness, including Designated Debt, existing indebtedness under the Hartanah Bonds, certain existing unsecured bank guarantees, trade and overdraft facilities, the Maintenance Bond, indebtedness due under the Additional Support Loan and certain debt due to the Government (which is subordinated to the Designated Debt to the satisfaction of RHB Sakura as the programme agent for the BAIDS) or indebtedness arising from the Government financing of PLUS’ obligations under the Concession Agreement;
- Without the consent of a special resolution passed by BAIDS holders, PLUS may not grant any new security over any of PLUS’ assets, undertaking, property, revenues or rights other than in respect of the BAIDS security documents, the assignment and charge of the rights of PLUS under the Concession and the assignment and charge of the rights of certain of PLUS’ cash flow proceeds;
- PLUS may not withdraw balances from certain accounts, except in accordance with the Project Control Account Agreement and the Additional Project Control Account Agreement as more fully described below under “Project Control Account Agreement”;
- PLUS may not, without the approval of the programme agent for the BAIDS, invest in or create any subsidiary or associated company, or invest in the shares of its holding company other than permitted investments;
- PLUS may not, without the approval of the programme agent for the BAIDS, prepay any of its debts, other than the existing unsecured bank guarantee and trade and overdraft facilities; and

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

- PLUS may not, without the approval of the programme agent for the BAIDS, carry on any business other than the Concession, and may not abandon the Concession.

Further, the BAIDS restrict PLUS from paying dividends or other distributions whether of an income or capital nature or making any advances to PLUS Expressways without the approval of the programme agent for the BAIDS if:

- the Finance Service Coverage Ratio (as defined above) falls below 3.0 times as a result of the payment of such dividend or advance; or
- an event of default under the BAIDS has occurred, is continuing and has been remedied or waived; or
- the minimum balances (as described above) are not maintained in the Finance Service Reserve Account and the Maintenance Reserve Account.

Events of default under the BAIDS include:

- the failure of PLUS to redeem any of the BAIDS within seven days of their due date of redemption upon maturity;
- any indebtedness of PLUS' becoming due or is declared due before its stated maturity as a result of default or any security for such indebtedness becoming enforceable which would have a material adverse effect on PLUS;
- the breach of financial covenants, where such breach is likely to have a material adverse effect on PLUS;
- the making of any representation or warranty or undertaking or declaration, which is incorrect in any material respect when made or repeated and which is likely to have a material adverse effect on the ability of PLUS to perform its obligations under the various financing agreements in respect of the BAIDS;
- non-payment of principal under the BAIDS;
- the insolvency of PLUS; and
- if the Government expropriates all or part of the Concession or threatens to do so in writing or if the Concession Agreement is terminated.

The security created by PLUS with respect to the BAIDS is described in "Security" below.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

Government Support Loan. The outstanding principal amount of the Government Support Loan of RM750.0 million is repayable in ten instalments from 2014 to 2023, as follows:

Repayment Dates	Principal Amount (RM million)
29 December 2014	50.6
29 December 2015	54.9
29 December 2016	59.4
29 December 2017	64.6
29 December 2018	70.1
29 December 2019	76.0
29 December 2020	82.4
29 December 2021	89.5
29 December 2022	97.1
29 December 2023	105.4
Total	750.0

The Government Support Loan contain various restrictive covenants, including the following:

- restrictions on PLUS undertaking any business other than the Concession;
- restrictions on incurring additional indebtedness without the approval of the Government; and
- restrictions on granting new security over PLUS's assets.

Further, the Government Support Loan restricts PLUS from paying dividends or other distributions whether of an income or capital nature or making any advances unless:

- the Finance Service Coverage Ratio (as defined above) is at least 2.75 times before such dividend is paid; and
- the Finance Service Coverage Ratio is at least 3.0 times after giving effect to the payment of the dividend.

The security created by PLUS with respect to the Government Support Loan is described in "Security" below.

Additional Support Loan. The principal amount of the Additional Support Loan is RM212.0 million, repayable in a single payment in 2024.

The Additional Support Loan contains substantially the same restrictions with respect to dividend payments and similar covenants as in the Government Support Loan. The security created by PLUS with respect to the Additional Support Loan is described in "Security" below.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

Link Bonds. The Link Bonds are issued pursuant to a subscription agreement between PLUS and Hartanah dated 1 June 2000, with maturities in 18 instalments from 2011 to 2019. The terms of the Link Bonds contain the following restrictive covenants:

- they are not transferable;
- PLUS may not pay any dividend while any of the Link Bonds are due and payable and have not been paid;
- PLUS must comply with all applicable laws and guidelines relating to its assets and the performance of its obligations under the agreements to which it is a party;
- PLUS may not without the consent of a bondholder, create any security interest in respect of any debt, guarantee or indemnity;
- restrictions on incurring of new indebtedness without the prior approval of the bondholder in excess of certain pre-agreed indebtedness, including pre-agreed loan facilities, the Government Support Loan, the Renong Bond and the UEM Bond; and
- PLUS may not create any subsidiary without the consent of the bondholder.

The holder of the Link Bonds may also declare an event of default requiring repayment of its Link Bonds in certain circumstances, including, among other things, if:

- PLUS defaults in payment of monies owing to a bondholder when due;
- subject to certain conditions, if the whole or a substantial part of PLUS' assets are encumbered or if it disposes of its assets without a bondholder's consent;
- PLUS is insolvent;
- subject to certain conditions, if the Concession becomes invalid, illegal, unenforceable or void; or

Project Control Account Agreement. Pursuant to the Project Control Account Agreement and the Additional Project Control Account Agreement, PLUS is obliged to deposit all amounts received in respect of toll receipts into either one of two accounts. The agreements restrict PLUS' ability to make payments out of these and other accounts. In particular, dividend payments may only be made if any such payment is in accordance with the Concession or any of PLUS' financing agreements, and would not breach any covenants applicable to any such payment contained in the BAIDS documentation, the Government Support Loan, the Additional Support Loan and the Concession Agreement. In addition, a statement from PLUS' auditors as to the net amount of dividend payable and a confirmation of PLUS' ability to meet the stipulated facility continuation tests and the financial covenants directly related to such payments must be provided to the programme agent at least 3 business days before any such payment is made.

9. DEBT RESTRUCTURING AND FLOTATION SCHEME

Security

Under the Security Trust Deed dated 23 May 2002 in respect of the BAIDS, and related security documents, the BAIDS, the Government Support Loan, the Additional Support Loan, PLUS' overdraft and the Maintenance Bond are secured by the following:

- a charge over toll receipts and the amounts standing to the credit of various toll receipt collection accounts of PLUS;
- an assignment of PLUS' rights over the Concession and certain other contracts; and
- a debenture over the fixed and floating assets of PLUS, with certain limited exceptions.

All such obligations rank *pari passu*, save for the Additional Support Loan, which ranks after the other obligations.

In addition to security created in favour of its own creditors, PLUS has also created security over its assets in respect of the debt obligations of Hartanah, UEM Group company. The security was created by PLUS on 1 June 2000 in relation to back-to-back bond issues by PLUS and Hartanah, pursuant to which PLUS issued bonds to Hartanah (the Link Bonds) as credit support for bonds issued, in turn, by Hartanah (the Hartanah Bonds). As part of these arrangements, PLUS pledged its net cash flows in an amount of RM436.6 million for each calendar year from 2011 to 2018 and in an amount of RM329.6 million for calendar year 2019 as security in favour of the trustee of the Hartanah Bonds.

Hartanah is a special purpose vehicle whose only assets are the Link Bonds. The Link Bonds and the Hartanah Bonds have substantially identical terms as to payment and maturity dates and Hartanah funds payments under the Hartanah Bonds from payments received by it from PLUS under the Link Bonds. Accordingly, PLUS expects that the funds paid by it to Hartanah on the maturity dates of the Link Bonds in each of the years between 2011 and 2019 will be used by Hartanah to immediately redeem the corresponding amount of Hartanah Bonds on each of its maturity dates. However, there can be no assurance that the redemption proceeds of the Link Bonds will be used by Hartanah to repay the Hartanah Bonds. If such proceeds are not used to fund the redemption of the Hartanah Bonds or an event of default occurs under the Hartanah Bonds, holders of the Hartanah Bonds may enforce their security over PLUS' cash flows in order to obtain full payment under the Hartanah Bonds.

As a result of these covenants, security arrangements and other restrictions, there can be no assurance that PLUS will have sufficient cash available in any period or at all to declare or pay dividends. See "Section 3 – Risk Factors"

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

10.1 Promoter and Major Shareholders of PLUS Expressways

Prior to the Offerings, PLUS Expressways was controlled by UEM and Khazanah (which wholly owns UEM through its subsidiary Danasaham).

The table below sets out details of the Promoter and Major Shareholders of the Company and their shareholdings, both before and after the Offerings:

	← Before the Offerings ⁽¹⁾ →				← After the Offerings ⁽⁷⁾ →			
	Direct		Indirect		Direct		Indirect	
	No. of PLUS Expressways Shares	%	No. of PLUS Expressways Shares	%	No. of PLUS Expressways Shares	%	No. of PLUS Expressways Shares	%
UEM	3,092,844,494 ⁽²⁾	66.3	-	-	2,494,159,913 ⁽⁸⁾	49.9	-	-
Danasaham	-	-	3,092,844,494 ⁽³⁾	66.3	-	-	2,494,159,913 ⁽³⁾	49.9
Khazanah	937,146,222 ⁽⁴⁾	20.1	3,092,844,494 ⁽⁵⁾	66.3	939,801,820	18.8	2,494,159,913 ⁽⁵⁾	49.9
MoF Inc	-	-	3,092,844,494 ⁽⁶⁾	66.3	-	-	2,494,159,913 ⁽⁶⁾	49.9
EPF	344,345,413 ⁽⁴⁾	7.4	-	-	345,321,187	6.9	-	-

Notes:

- ⁽¹⁾ Based on the total number of 4,664,231,730 PLUS Expressways Shares in issue as at the date of this Prospectus.
- ⁽²⁾ The direct holding of UEM consist of the first tranche of PLUS Expressways Shares issued pursuant to the Scheme of Arrangement as referred to in "Section 9.3.5 – Debt Restructuring and Flotation Scheme – Step 5 – The Merger of PLUS and PLUS Expressways" and the 2 subscriber shares
- ⁽³⁾ Deemed interest by virtue of its 100% interest in UEM.
- ⁽⁴⁾ The direct holdings of Khazanah and EPF consist of the first tranche of PLUS Expressways Shares issued pursuant to the Scheme of Arrangement, as referred to in "Section 9.3.5 – Debt Restructuring and Flotation Scheme – Step 5 – The Merger of PLUS and PLUS Expressways".
- ⁽⁵⁾ Deemed interest by virtue of its 100% interest in Danasaham, which in turn holds 100% of UEM
- ⁽⁶⁾ Deemed interest by virtue of its 99.9% interest in Khazanah, which in turn holds 100% of Danasaham, which in turn holds 100% of UEM.
- ⁽⁷⁾ Based on the total number of 5,000,000,000 PLUS Expressways Shares after the issue of new PLUS Expressways Shares pursuant to the second tranche of the PLUS Expressways Shares issued pursuant to the Scheme of Arrangement as referred to in "Section 9.3.5 – Debt Restructuring and Flotation Scheme – Step 5 – The Merger of PLUS and PLUS Expressways". The number of PLUS Expressways Shares and percentage equity interest set out in this note are calculated based on an illustrative Institutional Offering Price of RM2.83 per share, which is subject to a bookbuilding process.
- ⁽⁸⁾ Assuming UEM offers for sale a total of 930,000,000 PLUS Expressways Shares under the Offerings.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

10.2 Significant change of direct and indirect shareholdings of the Major Shareholders of PLUS Expressways during the past 3 years

As at the date of this Prospectus, the Major Shareholders of PLUS Expressways, both direct and indirect, are as follows:

- UEM, which is the majority shareholder of PLUS Expressways;
- Danasaham, which owns the entire share capital of UEM;
- Khazanah, which owns 20.1% of PLUS Expressways' share capital directly and, through its ownership of Danasaham, 66.3% of PLUS Expressways' share capital indirectly;
- MoF Inc, which indirectly owns 66.3% of PLUS Expressways' share capital; and
- EPF, which directly owns 7.4% of PLUS Expressways' share capital.

Save as disclosed in Sections 9.3.5 and 15.15 of this Prospectus, there have been no significant changes in the Major Shareholders of the Company since the date of its incorporation on 29 January 2002.

(1) UEM

UEM is the Promoter of the Company and the Offerings.

(a) Principal activities

UEM was incorporated in Malaysia under the Companies Ordinances 1940-1946 on 10 March 1966 as United Engineers (Malaysia) Limited and on 15 April 1966 changed its name to United Engineers (Malaysia) Sdn Bhd. Following its incorporation, UEM took over the engineering activities of United Engineers (Singapore) Ltd. in Malaysia. On 3 June 1975, it was converted into a public company and assumed its present name. On 10 July 1975, it was listed on the KLSE.

In 1989 and 1990, UEM undertook a number of acquisitions and rationalised its business activities to create a more balanced portfolio of corporate investments. As a result, UEM became one of the largest civil engineering and construction companies in Malaysia.

On 23 July 2001, Aseambankers Malaysia Berhad, on behalf of Danasaham, served a notice of conditional voluntary general offer to the shareholders of UEM to acquire the remaining UEM shares and warrants which were not held by Khazanah, as well as all new ordinary shares in UEM that may be issued pursuant to the exercise of the warrants. On 14 September 2001, Danasaham received acceptances for more than 90% of its voluntary general offer from the shareholders of UEM at the time. UEM was subsequently delisted from the KLSE on 15 October 2001.

Danasaham successfully completed its compulsory acquisition of the remaining ordinary shares not already held by it pursuant to Section 34 of the SC Act, 1993, on 28 December 2001, thereby making UEM a wholly-owned subsidiary of Danasaham.

On 12 December 2001, UEM announced a major corporate and debt restructuring plan which aims to reduce its substantial debt, and to rationalise the UEM and Renong Group's business into five core business groups and a corporate development unit as described below.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

UEM has direct equity interests in seven KLSE listed companies, namely Renong, Kinta Kellas, CIMA, PROPEL, Ho Hup Construction Company Berhad, Pharmaniaga and Intria and direct and indirect interests in over 100 unlisted subsidiaries and associated companies. UEM is also involved in project design, management and contracting in the fields of civil, electrical and mechanical engineering; the undertaking of turnkey projects; and investment holding.

Following the proposed UEM corporate restructuring, the UEM Group will focus on the following activities:

- Expressways;
- Engineering and construction;
- Environmental service;
- Healthcare; and
- Property

In addition, UEM also created a Corporate Development Unit to cultivate businesses with long term potential such as information technology and project management, and to oversee investments identified for potential divestments.

The proposed initial public offering of PLUS Expressways and the Debt Restructuring are part of a rationalisation exercise undertaken by UEM. As a result of the Renounceable Rights Issue, the Conversion of RCBs and the transactions forming part of the Scheme of Arrangement (all as described in “Section 9 - Debt Restructuring and Flotation Scheme”), UEM’s 100% shareholding in PLUS became a 66.3% stake in PLUS Expressways as at the date of this Prospectus.

As part of the Debt Restructuring, UEM purchased the Renong SPV Bond and redeemed the UEM Bond and repaid the UEM Loan for a total cash considerations of RM3,600.0 million. This was funded by UEM by means of a term loan, which will be partly repaid using the proceeds of the Offerings.

The main contributors to the financial performance of the UEM Group for the financial year 2001 are from expressways and construction activities.

(i) Expressways

In March 1988, the Government awarded the concession with respect to the Expressways to UEM. UEM subsequently novated the Concession to PLUS. See “Section 8 - Information on PLUS Expressways Berhad”.

In addition to the concession to operate the Expressways, other UEM Group companies operate expressway concessions in Malaysia. See “Section 11 - Related Party Transactions”. While these other expressways compete in some respects with the Expressways, they also provide interconnections to and from certain sections of the Expressways.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

The other expressways are:

- the North-South Expressway Central Link, held by UEM through ELITE;
- the Malaysia-Singapore Second Crossing held by UEM through Linkedua; and
- the Penang Bridge, held by UEM through Penang Bridge Sdn Bhd.

(ii) Engineering & Construction

UEM's engineering and construction operations and other related businesses make it a leading infrastructure construction group in Malaysia.

The UEM Group's largest project to date has been the design, construction, operation and maintenance of the North-South Expressway. In July 1993, the Government granted to UEM a concession to construct, operate and maintain the Malaysian side of the Malaysia-Singapore Second Crossing (which forms a second road link between Malaysia and Singapore), which was completed ahead of schedule in October 1997.

As at 31 December 2001, the UEM Group had outstanding contracts for projects with a total contract sum of approximately RM3,100 million. These include:

- appointment as turnkey contractor for the East Malaysia Hospital Projects which entails the design, construction, equipping, commissioning and maintenance of ten hospitals in Sabah and Sarawak;
- appointment as an engineering, procurement and construction contractor in a joint venture for highway construction projects in India;
- a joint venture with the GMR Consortium to build, operate and transfer two packages of highways in India; and
- appointment as contractor for bridge and crossing as part of the electrified double tracking of the railway line from Rawang to Ipoh.

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10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

(b) Directors of UEM

The Directors of UEM as at 31 May 2002 are as follows.

Name	Nationality
Datuk Abu Hassan bin Kendut (Chairman)	Malaysian
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	Malaysian
Dato' Anwar bin Aji	Malaysian
Abdul Kadir bin Md Kassim	Malaysian
Che Khalib bin Mohamad Noh	Malaysian
Abu Talib bin Abdul Rahman	Malaysian
Abdul Wahid bin Omar (Managing Director/Chief Executive Officer)	Malaysian

None of the Directors of UEM has any direct or indirect interest in UEM as at 31 May 2002.

(c) Major Shareholder of UEM

The Major Shareholders of UEM as at 31 May 2002 are as follows.

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Danasaham	817,076,483	100.0	-	-
Khazanah	-	-	817,076,483 ⁽¹⁾	100.0
MoF Inc.	-	-	817,076,483 ⁽²⁾	100.0

Note:

⁽¹⁾ Held through its 100% shareholding in Danasaham, which holds 100% of UEM.

⁽²⁾ Held through its 99.9% shareholding in Khazanah, which in turn holds 100% of Danasaham, which in turn holds 100% of UEM.

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10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

(d) Major shareholdings of UEM in other public corporations during the past two years

UEM is, or has been within the two years preceding the date of this Prospectus, a Major Shareholder in the public corporations set out in the table below. UEM's shareholdings as at 31 May 2002 were as follows.

Name	Country of incorporation	Direct No. of shares held	%	Indirect No. of shares held	%
Renong	Malaysia	114,117,000	4.9	606,842,000 ⁽¹⁾	26.1
CIMA	Malaysia	71,194,325	54.0	-	-
Ho Hup Construction Company Berhad	Malaysia	19,500,120	32.5	-	-
Kinta Kellas	Malaysia	98,795,600	62.4	-	-
PROPEL	Malaysia	19,670,000	56.2	-	-
Pharmaniaga	Malaysia	15,490,233	31.0	-	-
Intria	Malaysia	155,575,954	20.0	192,011,651 ⁽²⁾	24.7
PLUS	Malaysia	-	-	1,548,834,344	100.0
Linkedua	Malaysia	25,000,000	100.0	-	-
UE Management Services Berhad	Malaysia	2	100.0	-	-

Notes:

⁽¹⁾ Held through UEM's wholly-owned subsidiaries, Belantara Riang Sdn Bhd (which holds 71,014,000 shares), Falcon Network Sdn Bhd (which holds 75,750,000 shares), Kiasan Kukuh Sdn Bhd (which holds 212,778,000 shares), Lintasan Savana Sdn Bhd (which holds 16,500,000 shares), Semai Pinang Sdn Bhd (which holds 115,400,000 shares) and Ikthisas Cemerlang Sdn Bhd (which holds 115,400,000 shares).

⁽²⁾ This interest represents 191,911,651 shares held by Serayin Sdn Bhd, UEM's wholly-owned subsidiary, and 100,000 shares held by Mekar Idaman Sdn Bhd, its associated company.

In addition, UEM is deemed to have an indirect interest in the following public corporations by virtue of its 31.0% interest in Renong as at 31 May 2002.

Name	Country of incorporation	Direct No. of shares held	%	Indirect No. of shares held	%
TIME Engineering Berhad	Malaysia	-	-	349,112,731	13.3
TIME dotCom Berhad	Malaysia	-	-	1,138,840,070	6.0
EPE Power Corporation Berhad	Malaysia	-	-	6,595,000	7.3
Crest Petroleum Bhd	Malaysia	-	-	29,222,203	12.0
Park May Berhad	Malaysia	-	-	32,437,800	13.8
Commerce Asset Holding Berhad	Malaysia	-	-	143,076,163	3.5
Faber Group Berhad	Malaysia	-	-	97,242,268	16.0
Minho Berhad	Malaysia	-	-	20,000	-

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

(2) DANASAHAM

(a) Principal activity

Danasaham was incorporated in Malaysia on 7 January 1999 and is a wholly-owned company set up as a special purpose investment vehicle of Khazanah. The principal activity of Danasaham is that of investment holding.

(b) Directors

The Directors of Danasaham as at 31 May 2002 are as follows:

Name	Nationality
Dato' Anwar bin Aji	Malaysian
Salmah binti Sharif	Malaysian
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	Malaysian
Datuk Abu Hassan bin Kendut	Malaysian

None of the Directors of Danasaham has any direct or indirect interest in Danasaham as at 31 May 2002.

(c) Major Shareholder

The Major Shareholders of Danasaham as at 31 May 2002 are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Khazanah	1,000,002	100	-	-
MoF Inc. ⁽¹⁾	-	-	1,000,002	100

Note:

⁽¹⁾ Held through its 99.9% shareholding in Khazanah.

(3) KHAZANAH

(a) Principal activity

Khazanah was incorporated in Malaysia on 3 September 1993 and is the investment holding arm of the Government. Its function is to manage the assets held by the Government and to undertake strategic investments, particularly in high technology projects.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

(b) Directors

The Directors of Khazanah as at 31 May 2002 are as follows:

<u>Name</u>	<u>Nationality</u>
Dato' Seri Dr. Mahathir bin Mohamad	Malaysian
Tan Sri Dato' Samsudin bin Hitam	Malaysian
Tan Sri Dato' Dr. Zeti Akhtar Aziz	Malaysian
Dato' Iskandar Dzakurnain bin Badarudin	Malaysian
Datuk Abu Hassan bin Kendut	Malaysian
Che Khalib bin Mohamad Noh	Malaysian
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	Malaysian
Mohammad Nizar bin Idris	Malaysian
Husniarti binti Tamin	Malaysian

None of the Directors of Khazanah has any direct or indirect interest in Khazanah as at 31 May 2002.

(c) Major Shareholder

The Major Shareholder of Khazanah as at 31 May 2002 is as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
MoF Inc	3,063,458,943	99.9	-	-

10.3 Directors

10.3.1 Board of Directors

The Board of Directors is responsible for the overall management and direction of PLUS Expressways. It meets as often as required to review and monitor the financial condition and operations of PLUS Expressways. There are currently 9 directors on the Board of Directors.

Directors are elected at each annual general meeting of shareholders. The number of Directors retiring and eligible to stand for re-election each year varies, but generally, it is equal to one-third of the Board of Directors, with directors who have been in office the longest since their last re-election or appointment standing for re-election.

The Articles of Association permit a director to appoint an alternate director to act in place of such director should the director be unable to perform his or her duties as a director for a period of time. Under Malaysian law, an alternate director is not merely an agent but is accountable to the company for his or her actions as director during the period for which he or she acts as alternate director.

The day-to-day operations are entrusted to the team of executive officers led by PLUS Expressways' management team as referred to below.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

As at 31 May 2002, the Board of Directors of PLUS Expressways comprises the following:

Name	Nationality	Age	Direct		Indirect	
			No. of PLUS Expressways Shares	%	No. of PLUS Expressways Shares	%
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	Malaysian	62	50,000	*	-	-
Abdul Wahid bin Omar	Malaysian	38	40,000	*	-	-
Dato' Idrose bin Mohamed	Malaysian	45	40,000	*	-	-
YM Professor DiRaja Ungku Abdul Aziz bin Ungku Abdul Hamid	Malaysian	80	40,000	*	-	-
Dato' Mohamed Azman bin Yahya	Malaysian	38	40,000	*	-	-
Tan Sri Razali bin Ismail	Malaysian	63	40,000	*	-	-
Hassan bin Ja'afar	Malaysian	55	40,000	*	-	-
Datuk K.Ravindran s/o C.Kutty Krishnan	Malaysian	44	40,000	*	-	-
Geh Cheng Hooi	Malaysian	67	40,000	*	-	-

The above shareholdings include the pink form allocation pursuant to the Retail Offering.

* Negligible

As at the date of this Prospectus, none of the Directors of PLUS Expressways held any options over any PLUS Expressways Shares or over any PLUS Shares.

10.3.2 Directorship and major shareholdings in all other public corporations during the past two years

As at 31 May 2002, the Directorship and major shareholdings of the Directors of PLUS Expressways in all other public corporations during the past two years were as follows:

Name of Director	Name of Company	Date appointed	Direct		Indirect	
			Shares	%	Shares	%
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	RHB Bank Berhad ⁽¹⁾	23.06.1999	-	-	-	-
	Khazanah	02.08.1994	-	-	-	-
	Renong	05.10.2001	-	-	-	-
	PROPEL	16.11.2001	-	-	-	-
	UEM	27.09.2001	-	-	-	-
	PLUS	21.11.2001	-	-	-	-
Abdul Wahid bin Omar	Renong	05.10.2001	-	-	-	-
	PLUS	21.11.2001	-	-	-	-
	Intria	20.11.2001	-	-	-	-
	Pharmaniaga	15.11.2001	-	-	-	-

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

Name of Director	Name of Company	Date appointed	Direct		Indirect	
			Shares	%	Shares	%
	PROPEL	16.11.2001	-	-	-	-
	UEM	01.10.2001	-	-	-	-
	Linkedua	15.11.2001	-	-	-	-
	Costain Group PLC (Incorporated in UK)	21.01.2002	-	-	-	-
	Opus International Consultants Limited (Incorporated in New Zealand)	07.02.2002	-	-	-	-
	First Islamic Investment Bank E.C (Incorporated in Bahrain)	24.12.2001	-	-	-	-
	TIME dotCom Bhd (resigned 24.05.2002)	22.10.2001	-	-	-	-
	Malaysian Rating Corporation Bhd (resigned 19.10.2001)	27.07.2000	-	-	-	-
	Amanah Short Deposits Berhad (resigned 03.08.2001)	16.02.1995	-	-	-	-
	Fulton Prebon (L) Ltd (Incorporated in Labuan IOFC) (resigned 23.02.2001)	04.06.1997	-	-	-	-
	Amanah SSCM Asset Management Berhad (resigned 23.02.2001)	20.01.1998	-	-	-	-
	Amanah SmallCap Fund Berhad (resigned 23.02.2001)	26.08.1999	-	-	-	-
	Alliance Merchant Bank Berhad (resigned 20.04.2001)	11.01.1999	-	-	-	-
	Amanah General Insurance Berhad (resigned 23.02.2001)	08.03.1995	-	-	-	-
	Asia Unit Trusts Berhad (resigned 23.02.2001)	24.02.1998	-	-	-	-
	Singapore Unit Trusts Limited (Incorporated in Singapore) (resigned 14.12.2000)	01.01.1998	-	-	-	-
	VADS Berhad (resigned 01.10.2001)	23.03.2001	-	-	-	-
Dato' Idrose bin Mohamed	PLUS	01.07.1999	-	-	-	-
YM Professor DiRaja Ungku Abdul Aziz bin Ungku Abdul Hamid	Highlands and Lowlands Berhad	25.05.1989	-	-	-	-
	Citibank Berhad	01.07.1994	-	-	-	-
	PLUS	09.09.1988	-	-	-	-

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

Name of Director	Name of Company	Date appointed	Direct		Indirect	
			Shares	%	Shares	%
Dato' Mohamed Azman bin Yahya	Pengurusan Danaharta Nasional Berhad	20.6.1998	-	-	-	-
	Sime Darby Berhad	16.11.1998	-	-	-	-
	Pharmaniaga Berhad	15.11.2001	-	-	5,000	*
	Malaysian Airline System Berhad	1.12.2001	-	-	-	-
	Island & Peninsular Berhad	13.12.2001	5,000	*	-	-
	AE Multi Holdings Berhad	9.5.2002	-	-	-	-
	United Engineers (Malaysia) Berhad	27.9.2001 (resigned 1.4.2002)	-	-	-	-
	Renong Berhad	5.10.2001 (resigned 5.4.2002)	-	-	-	-
Tan Sri Razali bin Ismail	IRIS Corporation Bhd	2.5.2002	166,666,667	26.8	-	-
	DKLS Industries Bhd	15.9.1999	500,000	*	-	-
	Leader Universal Holdings Berhad	16.9.1999	-	-	-	-
	Salcon Engineering Berhad	17.1.2001	-	-	-	-
	Allianz General Insurance Malaysia Bhd (formerly known as Malaysia British Assurance Berhad)	25.9.2001	-	-	-	-
	Transwater Corporation Berhad	29.4.1998 (resigned 16.12.2001)	-	-	-	-
Hassan bin Ja'afar ⁽²⁾	Chemical Company of Malaysia Bhd.	01.05.1987	-	-	-	-
	PROPEL	16.11.2001	-	-	-	-
	PLUS	21.11.2001	-	-	-	-
Geh Cheng Hooi	Hap Seng Consolidated Berhad	16.2.1996	-	-	-	-
	LPI Capital Berhad	25.7.1995	-	-	-	-
	Lingui Development Berhad	28.3.1990	5,000	*	3,333	*
	Northport Corporation Berhad	13.9.2000	-	-	-	-
	Paramount Corporation Berhad	3.3.1998	-	-	-	-
	Star Publications (Malaysia) Berhad	2.12.1987	40,000	*	-	-
	Tan Chong Motor Holdings Berhad	1.7.1994	-	-	-	-
	Tien Wah Press	27.5.1996	-	-	-	-

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

Name of Director	Name of Company	Date appointed	Direct		Indirect	
			Shares	%	Shares	%
	Holdings Berhad					
	Warisan TC Holdings Berhad	01.11.1999 (resigned 25.5.2001)	-	-	-	-
	BHLB Pacific Trust Management Bhd	2.11.1992	-	-	-	-
	Northport (Malaysia) Berhad	01.03.1993 (resigned 22.4.2002)	-	-	-	-
	Lonpac Insurance Berhad	3.5.1999	-	-	-	-
	PB Trustee Services Berhad	22.6.1992	-	-	-	-
	The Bank of Nova Scotia Berhad	22.11.1994	-	-	-	-

Notes:

- (1) *RHB Bank Berhad is one of the holders of the BAIDS Serial Bonds.*
 (2) *Encik Hassan Bin Ja'afar is also the Managing Director of BBMB Securitites Sdn Bhd, one of the Underwriters for the Retail and Restricted Offerings.*

* *Negligible*

As at 31 May 2002, none of the directors of PLUS Expressways had a direct or indirect interest in the ordinary shares of PLUS Expressways or held any options over any PLUS Expressways Shares or over any PLUS Shares.

10.3.3 Profile of Directors

YBhg Tan Sri Dato' Mohd Sheriff bin Mohd Kassim, aged 62, holds a Bachelor of Arts (Honours) Degree majoring in Economics from the University of Malaya and a Master of Economics from Vanderbilt University, United States of America. He was Director General of the Economic Planning Unit of the Prime Minister's Department from 1989 until 1991 and Secretary General of the Treasury, Ministry of Finance, from 1991 to 1994.

He is presently the Managing Director of Khazanah. Currently, he is also the Chairman of the Entrepreneur Rehabilitation Fund of BNM, the Chairman of the Board of Trustees of the Malaysian Institute of Economic Research, Chairman of PLUS and Deputy President of the Malaysian Economics Association. He also holds directorships in RHB Bank Berhad and UEM, and serves as the Non-Executive Chairman of Renong, PROPEL and Silterra Malaysia Sdn Bhd.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

Encik Abdul Wahid bin Omar, aged 38, is a member of the Association of Chartered Certified Accountants (United Kingdom) and the Malaysian Institute of Accountants. He is currently the Managing Director/Chief Executive Officer of UEM and the Executive Vice Chairman of Renong. He was previously the Chief Financial Officer of Telekom Malaysia Bhd. Prior to joining Telekom Malaysia Bhd., he served as the Director of Group Corporate Services and Divisional Director, Capital Markets & Securities of Amanah Capital Partners Berhad. During his previous employment, he served as Chairman of Amanah Short Deposits Berhad, as well as director of Alliance Merchant Bank Bhd. and several other companies in the financial services sector. He was a past Chairman of the Association of Discount Houses in Malaysia. He is presently a member of Lembaga Tabung Haji's Investment Panel. He also holds Directorships in Pharmaniaga, PROPEL, Intria, and several other companies within the UEM and Renong Group.

YBhg Dato' Idrose bin Mohamed, aged 45, started his career with the Public Works Department in 1978. In January 1983, he joined the MHA as a Civil Engineer and then served in various positions and was involved in the development of the Expressways. He was appointed as the MHA's Northern Region Director in November 1991, a position he held prior to leaving Government service to join UEM as Head of Engineering and Operations for the North-South Expressway Central Link project in August 1994. He was appointed as Managing Director of ELITE on 1 October 1996. He became the Managing Director of PLUS on 1 July 1999.

YM Professor DiRaja Ungku Abdul Aziz bin Ungku Abdul Hamid, aged 80, is an academician specialising in rural economics and mind training. He was the Vice-Chancellor of the University of Malaya from October 1968 to February 1988. He has received both national and international awards for his contributions to various fields. He is a trustee of the Malaysia Toray Science Foundation and Yayasan Tenaga Nasional and was a member of MAPEN II. He is a member of the International Advisory Group of the Public Policy Programme of the National University of Singapore. He holds directorships in PLUS, Highlands & Lowlands Berhad, Citibank Berhad and GOAZ Development Sdn Bhd. He is also the President of ANGKASA (National Co-operative Organization of Malaysia), Chairman of Cosmopoint Sdn Bhd and a Distinguished Fellow of ISIS (Institute of Strategic and International Studies Malaysia) and the Malaysian Institute of Economic Research.

YBhg Dato' Mohamed Azman bin Yahya, aged 38, holds a Degree in Economics with first class honours from the London School of Economics and Political Science of the University of London and is a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. He is the Chairman of the Corporate Debt Restructuring Committee and Pengurusan Danaharta Nasional Berhad. He also serves as a member of the Malaysian Steering Committee on Bank Restructuring and sits on the advisory panels for the Malaysian Financial Sector Masterplan, the Securities Commission Capital Markets Advisory Council and Malaysian Venture Capital Management Berhad. He sits on the board of several public listed and private limited companies including Sime Darby Berhad, Malaysian Airline System Berhad, Pharmaniaga and Island & Peninsular Berhad.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

YBhg Tan Sri Razali bin Ismail, aged 63, is presently the Special Adviser to the Prime Minister, YAB Datuk Seri Dr. Mahathir Mohamad, appointed Panel Member of the Board of Advisors for National Unity and Chairman of Yayasan Salam (the Malaysian Peace Corps), and is also the Chairman of companies operating in various sectors including DKLS Industries Berhad, Leader Universal Holdings Berhad, Allianz General Insurance Malaysia Berhad (formerly known as Malaysia British Assurance Bhd), Salcon Engineering Berhad and IRIS Corporation Bhd. He is also chairman of the Malaysian Wetlands Foundation, Paya Indah Wetlands Sanctuary. He is an Honorary Fellow of the Institute for Environment and Development, University Kebangsaan Malaysia, Adjunct Professor of two local universities – Universiti Kebangsaan Malaysia, Department of Environment Science and Universiti Putra Malaysia, and a member of the Board of Advisors of Wetlands International Asia-Pacific, Malaysia. He is a Founding Member of the Governing Council of WSP-International based in Geneva. In April 2000, he has been appointed the United Nations (“UN”) Secretary-General’s Special Envoy for Myanmar. He was also appointed a Pro-Chancellor of Universiti Sains Malaysia for the term July 2001 to July 2006. He joined the Ministry of Foreign Affairs in 1962 and held various offices in India (1963-1966), France (1966-1968), the United Kingdom (1970-1972) and Laos (1974-1976). He was appointed Ambassador to Poland in 1978 with concurrent accreditation to the then German Democratic Republic, Czechoslovakia and Hungary before serving as the High Commissioner to India in 1982. He was Deputy Secretary-General of Political Affairs in the Ministry of Foreign Affairs in 1985. As the Permanent Representative of Malaysia to the UN from 1988 to 1998 and concurrent Ambassador to Cuba, Jamaica, Saint Lucia, Barbados, Trinidad and Tobago, he served in various capacities in the UN and was actively involved in several bodies – both within and outside the UN system– especially those dealing with development, the environment, human rights and reform of the UN. From 1989 to 1990, he headed the Malaysian delegation to the UN Security Council and served twice as its President – in June 1989 and again in July 1990. In 1989, he was Chairman of the Group of 77. He was elected Chairman of the Commission on Sustainable Development in 1993. He was President of the Fifty-First Session of the UN General Assembly – 1996/1997. He received the first Elizebeth Haub Prize for Environment Diplomacy from Pace University, New York on 11 May 1999 and was conferred a Fellow of INTAN on 15 May 1999. He was conferred the “Ordre National du Merite” (National Order of Merit) by the French Government in November 2000.

Encik Hassan bin Ja’afar, aged 55, is the Managing Director of BBMB Securities Sdn Bhd. He holds a Bachelor of Science Degree in Chemical Engineering from the University of New Brunswick, Canada. He was a project officer for the Economic Development Board of Singapore and the Development Bank of Singapore Limited from 1969 to 1974. He was an Investment Manager for Bank Pembangunan Malaysia Berhad from 1974 to 1978. From 1978 to 1990, he was a General Manager for Bapema Corporation Sdn Bhd. He was appointed as an Executive Director of UMBC Securities Sdn Bhd in 1990, and he served until 1994. He then became an Executive Director of CapitalCorp Securities Sdn Bhd until 1995. In 1995, he was appointed as the Executive Director of BBMB Securities Sdn Bhd. He also holds Directorships in Chemical Company of Malaysia Berhad, PROPEL and PLUS.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

YBhg Datuk K.Ravindran s/o C.Kutty Krishnan, aged 44, is the Group Executive Director of ARA Group of Companies. He is the co-founder of the ARA Group and was instrumental in developing the Group into a multi-million Ringgit company in the field of infrastructure, engineering and construction, both locally and abroad, over a span of ten years. He holds a Bachelor of Science Honours degree from the University of Madras, India. He is a Life Member of the Malaysia Malayalees Association and the Patron of the Persatuan Malayalee Klang. He is actively involved in various fund raising and charitable activities for the welfare of the needy with special emphasis on education driven matters. He sits on the Board of several private limited companies.

Mr Geh Cheng Hooi, aged 67, after qualifying as a Chartered Accountant in the United Kingdom in 1959, worked for Price Waterhouse, London as a qualified assistant in 1960/1961 before returning to Malaysia to join KPMG Peat Marwick (“KPMG”) in 1961. He was admitted as a partner in KPMG in 1964 and retired as a senior partner in 1989. He was appointed as an advisor/consultant in 1989 at KPMG and is currently still holding that position. Mr Geh is a Fellow of the Institute of Chartered Accountants of England and Wales and a member of the Malaysian Institute of Certified Public Accountants (MICPA) and has served as Chairman and member of several of MICPA’s committees. Mr Geh was the Chairman of the technical committee and was involved in the introduction of the International Accounting Standards (IAS) in Malaysia.

Directorship held by Mr Geh include Star Publications (Malaysia) Bhd, Hap Seng Consolidated Berhad, Lingui Developments Berhad, LPI Capital Berhad, Paramount Corporation Berhad, Tan Chong Motor Holdings Berhad, Tien Wah Press Holdings Berhad and Northport Corporation Berhad.

10.3.4 Remuneration and benefits of Directors

For the financial year ended 31 December 2001, the directors of PLUS received aggregate fees of RM232,864.

PLUS Expressways was incorporated on 29 January 2002. For the financial year ending 31 December 2002, the forecast amount payable to the Directors under current arrangements in force at the date of this Prospectus with PLUS Expressways is approximately RM250,000.

For the financial year ending 31 December 2002, PLUS expects that the amount payable to directors will be RM300,000.

None of the directors has any agreement or arrangement or understanding with any of the Major Shareholders, customers or suppliers pursuant to which such person was appointed as a director.

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10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

10.4 Audit Committee

The members of the audit committee of PLUS Expressways are as follows:

Name	Designation	Directorship in the Company
Geh Cheng Hooi	Chairman of the Committee	Independent Non-Executive Director
Dato' Mohamed Azman bin Yahya	Member of the Committee	Non-independent Non-Executive Director
Datuk K.Ravindran s/o C.Kutty Krishnan	Member of the Committee	Independent Non-Executive Director

PLUS Expressways established its audit committee on 22 May 2002. The audit committee must consist of at least three members comprising a majority of independent non-executive directors. The audit committee is chaired by Geh Cheng Hooi. The Audit Committee is responsible for:-

- Recommending to the Boards of Directors the appointment and annual reappointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit;
- Discussing with the external auditor, before the audit commences, the nature and scope of the audit and the audit plan and ensuring co-ordination where more than one audit firm is involved;
- Reviewing the quarterly interim results and half-year and annual financial statements of PLUS Expressways and the PLUS Expressways Group prior to approval by the Board of Directors, ensuring that they are prepared in a timely and accurate manner, comply with all accounting and regulatory requirements and are promptly published;
- Discussing issues arising from the interim and final audits and any matter the auditor may wish to discuss, in the absence of the management where necessary;
- Reviewing the external auditor's management letter and management's response;
- Reviewing the assistance and co-operation given by PLUS Expressways and the PLUS Expressways Group's officers to the external and internal auditors;
- Ensuring the Internal Audit Department is adequately resourced and has appropriate standing within PLUS Expressways when evaluating the standards of internal controls and financial reporting of PLUS Expressways Group;
- Appraising the performance of the head of internal audit and reviewing the appraisals of senior staff members of the internal audit functions;

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

- Approving any appointment or termination of the appointment of the head of internal audit and senior staff members of the internal audit function, reviewing any resignations of internal audit staff members and providing resigning staff members with an opportunity to submit reasons for resigning where necessary;
- Considering the major findings of internal investigations and management's responses;
- Reviewing any related party transactions and conflict of interest situations that may arise within PLUS Expressways or the PLUS Expressways Group, including any transaction, procedure or course of conduct that raises questions of management integrity; and
- Considering other issues as required by the Board of Directors.

10.5 Key Management and Technical Personnel

10.5.1 Key Members Of The Management and Technical Team of PLUS Expressways

The senior management of PLUS Expressways is headed by Executive Vice Chairman Encik Abdul Wahid bin Omar. The other members of its senior management team and their details are as follows:

Name	Designation	Age	Direct		Indirect	
			No. of PLUS Expressways Shares	%	No. of PLUS Expressways Shares	%
Abdul Wahid bin Omar	Executive Vice Chairman	38	40,000	*	-	-
Dato' Idrose bin Mohamed	Managing Director	45	40,000	*	-	-
Mohd Hussein bin Ab Hamid	Chief Operating Officer	48	30,000	*	-	-
Jonathan Duckett Abdullah	Group General Manager Investor Relations	33	30,000	*	-	-
Mohd Lutfi bin Mat Lazim	General Manager Finance	36	26,000	*	-	-

The above shareholdings include the pink form allocation pursuant to the Retail Offering.

* *Negligible*

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10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

10.5.2 Key Members Of The Management and Technical Team of PLUS

PLUS is headed by its Managing Director, Dato' Idrose bin Mohamed. The other members of its senior management team and their details are as follows:

Name	Designation	Age	Direct No. of PLUS Expressways Shares	%	Indirect No. of PLUS Expressways Shares	%
Mohd Hussein bin Ab Hamid	Chief Operating Officer	48	30,000	*	-	-
Makhdzir bin Haji Ghazali	Senior General Manager	48	20,000	*	-	-
Mohamed Hazlan bin Mohamed Hussain	General Manager	36	26,000	*	-	-
Nik Airina binti Nik Jaffar	General Manager	38	26,000	*	-	-
Mohd Lutfi bin Mat Lazim	General Manager	36	26,000	*	-	-

The above shareholdings include the pink form allocation pursuant to the Retail Offering.

* Negligible

10.5.3 Profile Of The Key Management and Technical Team of PLUS Expressways

Encik Abdul Wahid Bin Omar - See "Profile of Directors" above.

YBhg Dato' Idrose bin Mohamed - See "Profile of Directors" above.

Encik Mohd Hussein bin Ab Hamid, aged 48, is the Chief Operating Officer for PLUS. En Mohd Hussein is a passed finalist of the Chartered Institute of Management Accountants in 1977. He started his career as an Inventory Accountant for ESSO Production (M) Inc. in 1977. He joined Intel (M) Sdn Bhd in 1978 as a Cost and Management Accountant. From 1981 to 1984, he assumed the position of Factory Accounting Manager for Goodyear (M) Bhd. From 1985 to 1994, he was the Finance Manager for Motorola (M) Sdn Bhd and he later joined the Ayer Molek Rubber Company Bhd in 1994 as the Finance Director. In 1995, he joined Intria and assumed the position of General Manager, Business Development and in 1996, he joined a United Kingdom based company, Costain Group Plc as the Corporate Development Director. From 1998 to February 2000, he served as the Finance Executive Director for the National Steel Corporation, Manila. He assumed his present designation as Chief Operating Officer of PLUS in March 2000.

Mr Jonathan Duckett Abdullah, aged 33, is the Group General Manager Investor Relations. Mr Duckett graduated with a Bachelor of Arts degree in Business Management and Administration from the American University, London, England. He started his career in 1993 with Asia Equity as an Equity Research Analyst and later joined Banque Paribas as a Malaysian Equity Sales/Research Representative in 1997. Since 2000, Mr Duckett has been the Group General Manager, Investor Relations for Renong. He assumed his present designation with PLUS Expressways in April 2002.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

Encik Mohd Lutfi bin Mat Lazim, aged 36, is the General Manager of the Finance Division. En Mohd Lutfi graduated from the Emile Woolf College, United Kingdom in 1989 and is a member of the Association of Chartered Certified Accountants (ACCA). In the same year, he joined the London Hospital in United Kingdom as an Accounts Officer for five months before he returned to Malaysia to join Data Power Sdn Bhd as Systems Accountant in September 1990. En Mohd Lutfi later continued his career as a Corporate Banking Officer with Bank Bumiputra (M) Berhad in May 1992. He then joined PLUS as a Senior Management Executive, Corporate Affairs Department in May 1993. He was promoted to the position of Assistant Manager in 1995 and to the position of Manager in July 1997. He then became the Manager for the Treasury Department in June 1998 and was later promoted to the position of Senior Manager in July 1999. En Mohd Lutfi was promoted to the position of General Manager, Finance Division in January 2001.

10.5.4 Profile Of The Key Management and Technical Team of PLUS

Encik Mohd Hussein bin Ab Hamid – See “Profile Of The Key Management and Technical Team of PLUS Expressways” above.

Encik Makhdzir bin Haji Ghazali, aged 48, is the Senior General Manager of the Human Resources, Administration and Total Quality Assurance Division. En Makhdzir holds a Diploma in Personnel Management from Universiti Kebangsaan Malaysia. In 1972, he joined the Human Resources Department of Malayan Banking Berhad (“Maybank”). He was the Senior Manager, Human Resources Department when he left Maybank in December 1996. During his tenure of service with Maybank, he was Chairman of the Malayan Commercial Banks Association. He joined PLUS as a General Manager, Human Resources Department in January 1997. Subsequently he was appointed as Head of Division in January 2000. He was later promoted to the position of Senior General Manager in January 2001. In February 2001 he was appointed by the Minister of Human Resources as a panel member of the Industrial Court for a duration of three years.

Encik Mohamed Hazlan bin Mohamed Hussain, aged 36, is the General Manager of the Operations Division. En Mohamed Hazlan graduated with a Bachelor of Engineering (Civil Engineering) from the Imperial College of Science and Technology, University of London. Upon graduation he was attached to Arnold Hill & Co, United Kingdom from 1988 to 1993 where he held various positions before assuming the position of the personal assistant to the Trust Partner and the trust manager overseeing a portfolio of trust clients. He joined PLUS in April 1994 as the Assistant Manager responsible for setting up the Internal and Management Audit Department, before being promoted to the position of Manager and Senior Manager in 1996 and 1997 respectively. In 1998 he was promoted to head of the Toll Department, where he managed PLUS’ toll operations. In the same year he was promoted to the position of Region Manager II, Central before assuming his current position of General Manager of the Operations Division in September 1999.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

Puan Nik Airina binti Nik Jaffar, aged 38, is the General Manager of the Planning and Development Division. Puan Nik Airina graduated with a Bachelor of Science and Masters of Science in Civil Engineering from the University of Miami. She served the University of Miami's Civil Engineering Department in 1986, when she obtained the Graduate Teaching Assistantship and later joined Beiswenger Hoch & Associates in Florida, USA as an Engineer in 1988. She joined Pengurusan Lebuhraya Berhad ("PLB") in 1989, where she was mainly involved in the project management of the construction of the North-South Expressway. In PLB, she advanced through various technical positions in the Highways Division before being promoted to Senior Project Engineer in 1995. In 1996, she was assigned to Pengurusan Lintas Berhad and was subsequently promoted to Senior Project Manager in 1997. She later headed of the Special Projects Division, and further promoted to the position of the General Manager in July 2000. Puan Nik Airina then joined PLUS as the General Manager for the Planning and Development Division in January 2001.

Encik Mohd Lutfi bin Mat Lazim – See "Profile Of The Key Management/Technical Team of PLUS Expressways" above.

10.6 Employees

As at 31 March 2002, PLUS had a total of 2,923 employees.

The table below sets out a breakdown of the total number of PLUS' employees according to employees' categories and the average number of years of service as at 31 March 2002.

Category	Total number of employees	Average number of years of service
Managerial and professional ⁽¹⁾	259	8.1
Technical and supervisory ⁽²⁾	434	11.3
Clerical ⁽³⁾	283	9.1
Service workers ⁽⁴⁾	1928	5.6
General workers ⁽⁵⁾	19	6.1
TOTAL	2,923	-

Notes:

(1) *Managerial and Professional includes PLUS' executives.*

(2) *Technical & supervisory includes PLUS' senior technical assistant, technical assistant, senior technician, chief operator and plaza supervisors.*

(3) *Clerical includes PLUS' management assistants, operation assistants, all secretaries, senior/chief operators.*

(4) *Service workers includes PLUS' patrolmen, toll tellers, ticket verifier, customer service assistant.*

(5) *General workers includes PLUS' junior clerk, office assistant, and drivers.*

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

Neither PLUS Expressways nor PLUS currently maintain share option schemes for their employees but such scheme may be established in the future. It is PLUS' strategic objective to produce a quality, competent and knowledgeable workforce in order to increase its overall efficiency and productivity. To this end, PLUS undertakes, training activities which are focused on areas such as toll operations and traffic safety procedures, customer care, leadership and management, technical and maintenance management and information technology.

Part of PLUS' workforce is represented by unions. Currently, a total of 382 plaza supervisors are represented by the Kesatuan Penyelia-Penyelia PLUS Bhd. The union was legally registered on 26 March 1997 and was recognised by PLUS Berhad on 14 August 1997. PLUS believes that its management has maintained a good relationship with the union. Another union, namely Kesatuan Pekerja-Pekerja PLUS Berhad, which was legally registered on 14 August 1999 submitted an application to PLUS for recognition on 29 February 2000. The management of PLUS has, to date, yet to accord recognition. PLUS believes that its relationship with its employees is good. PLUS has not experienced any disruption to its business or operations as a result of strikes or other forms of labour unrest.

10.7 Declarations From The Directors And Key Management and Technical Team

None of the Directors, key management personnel or key technical personnel is or has been involved, whether in or outside Malaysia, in any of the following:

- (a) a petition under any bankruptcy or insolvency laws filed (which has not struck out) against such person or any partnership in which he was or is a partner or any corporation of which he was or is a director or one of the key personnel;
- (b) a conviction in a criminal proceeding or being named as a subject of a pending criminal proceeding; or
- (c) any order, judgement or ruling of any court, tribunal or governmental body of competent jurisdiction permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

10.8 Family Relationship

As at the date of this Prospectus, there are no family relationships among the Major Shareholders, Promoter, Directors and key management or key technical personnel of PLUS Expressway Group.

10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTER, DIRECTORS AND KEY MANAGEMENT

10.9 Details Of Any Existing Or Proposed Service Agreements Between The Corporation/Group And Its Directors And Key Management Or Key Technical Personnel

None of the Directors, key management or key technical personnel have any existing or proposed service contracts with PLUS Expressways or PLUS, excluding contracts expiring or terminable by the employing company without payment or compensation (other than statutory compensation) within two years from the date of this Prospectus.

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11. RELATED PARTY TRANSACTION

11.1 Directors, Major Shareholders and Connected Persons

“Related party transactions” are defined in the Prospectus Guidelines issued by the SC as transactions entered into by a corporation or its subsidiaries which involve the interests, direct or indirect, of a related party. A “related party” means a director or a Major Shareholder of the corporation or its subsidiaries and any person connected with a director or Major Shareholder of the corporation or its subsidiaries. A “person connected with a director or Major Shareholder” is defined under Section 122A of the Companies Act and, when read together with the Prospectus Guidelines, includes a body corporate whose voting shares are not less than 15.0% controlled by such director or Major Shareholder of the corporation or its subsidiaries. “Major Shareholder” means a shareholder with a shareholding of 5.0% or more.

PLUS currently engages in, and expects to continue to engage in, related party transactions, including transactions with UEM Group companies. These transactions comprise principally Expressway maintenance agreements, as well as other agreements relating to services ancillary to PLUS’ operation and maintenance of the Expressways, such as sub-contracts for routine maintenance, heavy repairs, upgrading works and consultancy and project management services. PLUS has historically sub-contracted these services to UEM Group companies, because of the experience of UEM Group companies in the areas of construction, maintenance and other relevant services. In addition, PLUS has also entered into certain financial arrangements with UEM and UEM Group companies some of which will be repaid as part of the Debt Restructuring.

PLUS may enter into business transactions with related parties, including UEM Group companies, in the future. Transactions with related parties may give rise to conflicts of interest, which could lead to transactions being entered into and decisions made which are based on factors other than commercial factors and such transactions may not always be the result of arm’s-length negotiations.

Except as disclosed below, PLUS Expressways believes that none of PLUS Expressways’ or PLUS Directors, Major Shareholders or persons connected with them are engaged in any existing or potential related party transactions with PLUS Expressways or PLUS. However, the SC has granted a waiver from the requirements relating to disclosure of related party transactions contained in the Prospectus Guidelines issued by the SC in respect of transactions between PLUS, PLUS Expressways, and its Majority Shareholders, namely EPF, Danasaham, Khazanah and MoF Inc. (as well as any companies which are not less than 15.0% controlled by any of the Major Shareholders, other than those in the UEM Group). PLUS believes that disclosure of such related party transactions would not be meaningful given the extensive shareholdings of the MoF Inc., Danasaham, Khazanah and other entities related to the Government as well as EPF in various companies in Malaysia, including utility providers, airlines and other statutory bodies. Accordingly, no disclosure is made in the Prospectus of related party transactions between PLUS Expressways and PLUS with the EPF, MoF Inc., Danasaham, Khazanah and such companies which are not less than 15.0% controlled by any of the Major Shareholders (other than the companies in the UEM Group).

See “Appendix – List of Subsidiaries and Associated Companies in the UEM Group” for companies within the UEM Group, and which are related parties of PLUS Expressways and PLUS. See “Section 12 – Accountant’s Report – Note 5.33” for a summary of significant related party transactions required by MASB Standards to be disclosed.

11. RELATED PARTY TRANSACTION

11.1.1 Maintenance

(a) Master Maintenance Agreement

As part of the consideration for UEM entering into the Novation Agreement, PLUS entered into a Master Maintenance Agreement with UEM, at that time PLUS' majority shareholder, pursuant to which UEM was appointed to carry out PLUS' maintenance obligations during the Concession Period. The Master Maintenance Agreement provides that UEM will carry out :

- routine maintenance, heavy repair and bituminous structural overlay for the Expressways;
- maintenance in respect of the Ancillary Facilities;
- maintenance in respect of the tolling and other equipment on the Expressways; and
- maintenance in respect of the regional and section offices of PLUS on the Expressways.

The Master Maintenance Agreement also permits UEM from time to time to:

- enter into sub-contracts for maintenance with third parties approved by PLUS. UEM remains fully liable to PLUS in respect of any such sub-contracted maintenance; and
- nominate contractors to perform specified maintenance obligations, such contractors being required to enter into maintenance contracts directly with PLUS. On the termination or expiry of such maintenance contracts, UEM is obliged to complete such maintenance following agreement with PLUS as to the details of implementation.

With PLUS' consent, UEM sub-contracts all civil, mechanical, electrical and electronic routine maintenance, heavy repair works and toll equipment maintenance to PROPEL, a public listed company of which approximately 56% is owned by UEM and UEC, a UEM Group company.

Under the Government Support Loan Agreement, PLUS covenants that it shall not enter into contracts or transactions with any person except in the ordinary course of business, on ordinary commercial terms and on the basis of arm's-length arrangements, except in connection with the enjoyment of its rights and performance of its obligations under the Concession Agreement. However, the Government still requires the Master Maintenance Agreement to be reviewed in this respect every three years by a committee including a representative of the MoF.

(i) Routine Maintenance

The scope and fees relating to routine maintenance of civil works and electrical and electronic equipment on the Expressways are governed by the Supplemental Master Maintenance Agreement relating to Routine Maintenance between PLUS and UEM dated 18 August 1993.

11. RELATED PARTY TRANSACTION

In 1993, PLUS and UEM agreed on two separate conditions of contract relating to civil works and electrical and electronic equipment, which form part of the Supplemental Master Maintenance Agreement. Under these conditions of contract, PLUS confirmed the duration of UEM's appointment to 31 May 2018, and authorised PLUS to directly instruct UEM's sub-contractors in relation to the maintenance works. These conditions of contract also provide that UEM may, with PLUS' written consent, assign its obligations to PROPEL or any other UEM subsidiary. In addition, the conditions of contract set out how the fees payable to UEM by PLUS for routine maintenance of civil works and electrical and electronic equipment are to be determined and paid.

The annual fee for routine maintenance of civil works is fixed every year subject to the review, re-negotiation and mutual agreement of UEM and PLUS. In fixing the annual fee, PLUS and UEM take into account the prior year's fees, the amount of work performed and the actual cost of materials supplied by UEM in the previous year. The fee for a particular year is paid in equal monthly instalments, though PLUS adjusts the instalments to reflect the value of any maintenance work not satisfactorily carried out or completed before paying UEM. For 2001, the agreed fee between UEM and PLUS for routine maintenance of civil works totalled RM79.4 million.

Fees for routine maintenance of electrical and electronic equipment and the amount of work carried out are reviewed annually, or in some cases, once every two years and set out in schedule of rates. PLUS issues instructions to UEM specifying the maintenance work which PLUS requires. UEM then invoices PLUS for the work carried out based on the fees set out in the schedules of rates. PLUS reviews and adjusts the invoices for the value of works not satisfactorily carried out or completed before paying UEM's invoices monthly in arrear. PLUS reflects revisions to the schedules of rates by adjusting its financial statements and the relevant invoices raised by UEM accordingly before it pays UEM's invoices. For 2001, the aggregate fees between UEM and PLUS for routine maintenance of electronic and electrical equipment totalled RM18.9 million.

On 1 September 1999, PLUS and UEM entered into the Second Supplemental Master Maintenance Agreement which amended the procedures and activities relating to UEM's maintenance obligations and their detailed implementation and scope. Under this agreement, PLUS and UEM agreed to fixed fees retrospectively for 1997, 1998, 1999 and for 2000 for routine maintenance of civil works. From 2001, the fees have been determined based on the procedures described above.

In order to ensure that the annual fees paid by PLUS are competitive, PLUS proposes to select an internationally qualified independent consultant to assist in negotiating such annual fees with UEM.

11. RELATED PARTY TRANSACTION

(ii) Heavy Repair

Under the Supplemental Master Maintenance Agreement relating to Heavy Repair (Works Order) between PLUS and UEM dated 28 July 1994, UEM carries out heavy repairs relating to civil works and electrical and electronic equipment on the Expressways in each Concession Year. "Heavy repair works" means all works necessary to preserve the function of the Expressway or its original geometric and structural condition so that the service level to Expressway users is maintained or enhanced. Following routine and periodical inspections, PLUS issues work orders specifying the heavy repairs required.

In 1993, PLUS and UEM agreed on conditions of contract, technical documents and schedules of rates relating to heavy repairs for civil works, all of which form part of the Supplemental Master Maintenance Agreement relating to Heavy Repair. Pursuant to these documents, PLUS and UEM have agreed a schedule of rates for heavy repairs to, among other items, electrical and electronic equipment, mainline structures and tunnels, pavements, concrete, earthworks, pavement markings and painting for 2000 and 2001. PLUS and UEM are currently finalising negotiations on the schedule of rates for 2002.

Fees for heavy repairs implemented by work orders are based on schedules of rates which are reviewed annually (or in some cases, once every two years) and the amount of work carried out. PLUS issues work orders to UEM specifying the heavy repair work PLUS requires. UEM then invoices PLUS on completion of the work specified in the work orders and based on the schedule of rates for heavy repairs. Final payments are subject to completion accounts being prepared for completed heavy repairs. For 2001, the aggregate fees paid to UEM by PLUS for heavy repairs totalled RM40.0 million.

Pursuant to the Supplemental Master Maintenance Agreement relating to Heavy Repair, PLUS entered into 16 civil works contracts with UEM for pavement rehabilitation works and bridge deck repair works totalling approximately RM7.6 million in 2000 and RM61.9 million in 2001. In 2001, PLUS issued four letters of acceptance appointing UEM to carry out pavement rehabilitation works totalling approximately RM15.1 million and has issued seven letters of acceptance so far in 2002, as at 31 May 2002, in respect of works totalling RM7.2 million. These agreements are all ongoing. In addition, PLUS issued nine letters of intent in 2001 appointing UEM to carry out pavement rehabilitation works, embankment rehabilitation works and slope repair works for an estimated cost of RM28.8 million. Some of these works have not commenced and some of the amounts are preliminary estimates and which have not been finalised.

11. RELATED PARTY TRANSACTION

(b) Sub-Licences

Pursuant to a Sub-Licence Agreement (Northern Region), a Sub-Licence Agreement (Southern Region) and a Sub-Licence Agreement (Central Region), each dated 7 February 1995, PLUS granted PROPEL the right to occupy specified areas along the Expressways to carry out its maintenance obligations. By a letter dated 21 September 1999, the sub-licence fees totalling approximately RM22,600 per month payable by PROPEL were waived by PLUS until further notice. The waiver of the sub-licence fees payable by PROPEL is reflected in PROPEL's quotations to UEM for maintenance work, which in turn results in lower maintenance fees for PLUS.

(c) Network Maintenance Management and Technical Services

Pursuant to the Master Maintenance Agreement, UEM agreed in a Letter of Acceptance dated 6 December 1999 to appoint Opus International Consultants Ltd, New Zealand, a UEM Group company, to provide network maintenance management and technical services to PLUS, ELITE and Linkedua. Opus International Consultants Ltd, through its Malaysian subsidiary, OPUS, commenced the provision of these services in 2000 which relate to maintenance management including network planning, condition assessment, periodic inspection, and related technical advice, and maintenance inspection relating to pavement work, slopes, bridges and other highway structures and civil works. In 2001, PLUS paid fees totalling RM10.98 million to OPUS. PLUS and OPUS are currently negotiating a formal agreement to supersede the letter of acceptance. The network maintenance management and technical services obligations of OPUS will be assumed by Pengurusan Lebuhraya Berhad from July 2002.

(d) Technical Data Collection

Pursuant to a Technical Data Collection Agreement dated 5 August 1993, UEM provides PLUS with data collection services for geo-technical works, surveys, structural works and pavement condition assessments. The Technical Data Collection Agreement provides that UEM may with PLUS' written consent assign its obligations under the agreement only to PROPEL. For 2001, the aggregate fees paid to UEM by PLUS for technical data collection totalled RM328,280.

11.1.2 Upgrading Works**(a) Civil Works**

In 2000 and 2001, PLUS issued ten letters of acceptance to PROPEL for it to carry out works relating to electronic displays, toilets and chainlink fencing totalling approximately RM2.0 million. In the same period, PLUS also issued two letters of acceptance to UEC for flood mitigation and toll lane extension works totalling RM4.9 million. In 2002, PLUS issued two letters of acceptance to UEC and its joint venture partners for pavement raising works at Alor Pongsu and Tikam Batu with costs totalling RM39.7 million and five letters of acceptance to PROPEL for civil works totalling RM1.3 million.

11. RELATED PARTY TRANSACTION

(b) Toll Equipment and Electrical Works

In 2000 and 2001, PLUS formalised six contracts with Teras Control Systems Sdn Bhd, a UEM Group company, for the supply and upgrade of toll equipment between 1997 and 2000. The equipment supplied between 1997 and 2000 and totalling RM105.6 million consisted of replacement toll equipment, electronic payment systems and the *Touch 'n Go* payment system. For 2001, the amount awarded to Teras Control Systems Sdn Bhd by PLUS for upgrading works totalled RM0.8 million. Since 2001, PLUS has purchased tolling equipment spare parts from Teras Control Systems Sdn Bhd totalling approximately RM8.3 million.

In 2000 and 2001, PLUS also issued 17 letters of acceptance appointing TERAS, a UEM Group company, to upgrade toll equipment relating to the Traffic Revenue and Control System totalling RM19.84 million and has issued four such letters of acceptance in 2002 totalling RM3.6 million.

In 2000 and 2001, PLUS entered into three contracts with PROPEL for installation works relating to electrical equipment, telecommunications equipment and fibre optic cables with costs totalling RM11.1 million. In the same period, PLUS also issued 10 letters of acceptance appointing PROPEL to carry out works for refurbishment of sewerage treatment plants and calibration and traffic lights upgrades with costs totalling RM8.94 million. In 2002, PLUS issued one letter of acceptance to PROPEL for works totalling RM0.1 million.

11.1.3 Operations**(a) Toll Collection**

PLUS and ELITE, a UEM Group company, entered into an Agreement for the Collection of Toll Revenue dated 13 September 1999 pursuant to which PLUS collects tolls on behalf of ELITE from vehicles using the North-South Expressway Central Link and exiting at any of PLUS' toll plazas. ELITE in turn collects tolls on behalf of PLUS from vehicles using the Expressways and exiting at any of ELITE's toll plazas. PLUS and ELITE set-off the toll collected by PLUS on behalf of ELITE against the toll collected by ELITE on behalf of PLUS after comparing toll volume data. No commission is payable by either party.

Pursuant to a Service Provider Agreement dated 13 September 1999, PLUS appointed RSSB, a UEM Group company, to operate electronic payment systems using *Touch 'n Go* cards. Commissions ranging from 2.8% to 4.0% are payable by PLUS to RSSB based on a sliding scale to the amount of revenue collected monthly using the electronic payment system.

IRAT supplies *SmartTag* onboard units to PLUS through PLUS' *SmartTag* promotion programmes. In 2001, PLUS allocated RM5.0 million of its marketing programme to purchase *SmartTags*. *SmartTag* onboard units are also supplied by IRAT, through RSSB, at the point of sale. In addition, IRAT also supplied antennae and other electronic equipment installed at toll plazas required for detecting *SmartTags* totalling RM4.9 million.

11. RELATED PARTY TRANSACTION

(b) Senai North Interchange

Pursuant to a letter from the MoW dated 5 October 1998, construction of the Senai North interchange was determined to be the responsibility of PLUS under the Concession Agreement. Linkedua, a UEM Group company, completed construction of the interchange in January 1998. PLUS is obliged to reimburse Linkedua for all construction and financing costs, including the installation of toll plazas and toll equipment. PLUS has not reimbursed Linkedua in full for the construction of the interchange. The total cost for the construction of the interchange including financing costs and other expenses was agreed between PLUS and Linkedua at RM58.0 million. As at 31 May 2002, PLUS had reimbursed Linkedua for only RM21.4 million of such costs and expenses with the balance to be paid in due course.

11.1.4 Telecommunications Facilities

Pursuant to an earlier agreement entered into in 1989, PLUS and TEB, a UEM Group company, entered into a Telecommunications System Agreement dated 13 February 1991 where TEB was granted the exclusive right by PLUS to install fibre optic cables and equipment along the Expressways to operate a telecommunications system.

Pursuant to a Sub-Licence Agreement dated 3 June 1996, PLUS granted TTdotCom, a UEM Group company, the right to use a number of locations along the Expressway for storing and maintaining telecommunications equipment for rental of approximately RM30,800 per month.

Pursuant to a Sub-Licence Agreement dated 22 September 1999, PLUS granted TIMECel, a UEM Group company, the exclusive right to use certain areas along the Expressways to store and maintain telecommunications equipment for a period of 10 years commencing from 1 January 1998.

Pursuant to an Agreement on Wayleave & Right of Use dated 12 May 2000, PLUS granted to TTdotCom the exclusive right to use a fibre optic telecommunications network along the Expressway. Under this agreement, the rental payable by TTdotCom increases by 5.0% per annum for the first 15 years and thereafter is capped at RM4.2 million per year. TTdotCom has the option, exercisable within 30 months from the date of the agreement, to purchase the cable and associated ducts for RM180.0 million from PLUS. By a Supplemental Agreement dated 19 May 2000, TIME dotCom, a UEM Group company, was added as a party to the agreement and all parties agreed to use their best endeavours to obtain Government approval for the purchase if the option is exercised.

In 2000, PLUS issued a letter of undertaking to TTdotCom granting access to the Expressways to install fibre optic cable ducts along the Expressways. In 2001, PLUS issued four letters of undertaking, granting TTdotCom access to the Expressways to install and carry out work along the Expressways relating to ducts, manholes, cables, crone cabinets and cable pulling. In 2001, PLUS issued five letters of undertaking to TTdotCom granting access to the Expressways for the purpose of installing ducts and manholes and carrying out cable pulling and ducting works along the Expressways. In each case, no charges are payable for the grant of access.

PLUS subscribes for TTdotCom's fixed telecommunication services at an average monthly cost of RM10,500. PLUS also subscribes for mobile telecommunication services from TIMECel, a UEM Group company, at an average monthly cost of RM20,000.

11. RELATED PARTY TRANSACTION

11.1.5 Consultancy/Management Services Agreements

Between 1996 and 2000, PLUS appointed PLB, a UEM Group company which was the original project manager for the construction of the North-South Expressway, to provide project management and consultancy services for, among other things, the reinstatement of the Expressway near Gunung Tempurung, slope management systems and risk ranking, traffic studies for the Bukit Lanjan interchange, remedial works to flood-prone areas along the New Klang Valley Expressway and Federal Highway Route 2, and the proposed North-South Expressway third lane extension. Most of these services have been performed and the aggregate fees payable by PLUS are RM3.8 million, of which RM2.9 million has been paid.

Pursuant to a Letter of Appointment dated 28 November 1997, PLUS appointed PLB to act as project manager to the proposed third lane extension of the North-South Expressway from Seremban to Senawang for fees totalling RM0.57 million, which was revised on 15 June 1998 to RM0.43 million. PLUS also appointed PLB on 16 December 1998 as technical adviser to the ongoing proposed pavement rehabilitation works at Sedenak-Kulai and Seremban-Bangi for fees totalling RM0.72 million. Pursuant to a Project Management Agreement dated 10 December 1998, PLUS appointed PLB to act as project manager for the design of the Kota Sarang Semut interchange for fees totalling RM0.758 million. Pursuant to a Project Management Agreement dated 1 August 2000, PLUS also appointed PLB to act as PLUS' representative until 31 December 2004 to manage construction works on the Expressways for a monthly fee of RM60,000. Under this agreement, PLB will also receive 2.3% of the final value of the construction works contracts.

Pursuant to a Facilities Management Agreement dated 30 December 1995, TERAS agreed to provide certain information technology services to PLUS for RM0.15 million per month.

Pursuant to a Management Services Agreement dated 21 August 1990, PLUS appointed HBN, a wholly-owned subsidiary of Renong, to provide retainer and optional services to PLUS. Renong is an associated company of UEM. Pursuant to an Administrative Services Agreement dated 2 January 1992 PLUS also appointed HBN to provide corporate and administrative support services. PLUS currently pays fees totalling RM0.21 million per quarter in respect of these agreements.

Pursuant to a Letter of Appointment dated 16 March 2001, PLUS appointed Kinta Kellas, a UEM Group company, to conduct a feasibility study for the proposed North-South Expressway modification allowing non-stop traffic between Kuala Lumpur and Penang, for fees of approximately RM0.4 million.

Pursuant to a Software Support Agreement dated 24 October 2001, PLUS appointed Insoft (M) Sdn Bhd ("Insoft"), a UEM Group company, to provide software support for the TEMAN Software System for fees totalling RM0.14 million. PLUS and Insoft are currently in the process of renewing this agreement for 2002 to 2003 at an agreed rate of RM0.15 million. Insoft also performs additional services for the enhancement of TEMAN software as requested by PLUS from time to time. The total value of enhancements completed in 2001 totalled RM0.12 million. The cost to PLUS for enhancement to be carried out in year 2002 is estimated at RM0.11 million.

11. RELATED PARTY TRANSACTION

11.1.6 Financing Documents**(a) Agreement with UEM**

Pursuant to a letter from UEM to the Government dated 17 November 1989, UEM is obliged to procure bank guarantees in favour of the Government guaranteeing the performance of PLUS' obligations under the Concession. Pursuant to a memorandum of understanding between UEM and PLUS dated 23 November 1990, PLUS undertook to pay UEM on demand a sum equal to three times the amount paid by UEM for management, guarantee and agency fees in relation to procuring such bank guarantees.

(b) Link Bonds and Hartanah Bonds

Pursuant to a Subscription Agreement dated 1 June 2000, PLUS issued RM900.0 million of unsecured bonds (the Link Bonds) due for maturity in tranches from 2011 to 2019 at a yield to maturity of 10.0% per year to Hartanah, a UEM Group company, as part of the debt restructuring of Linkedua, another UEM Group company. Hartanah in turn issued RM698.0 million of Hartanah Bonds to commercial lenders of Linkedua. In consideration for this arrangement, Linkedua assumed PLUS' repayment obligation amounting to RM900.0 million in principal amount under the Government Support Loan.

11.1.7 Miscellaneous**(a) Motels, restaurants and convenience stores**

Under the Development and Management of Rest and Service Areas Agreement dated 28 June 1993, FGB, a UEM Group company, was appointed to construct a number of motels, restaurants and convenience stores along the Expressways. By a Settlement Agreement dated 30 June 1997, the original agreement was terminated and PLUS agreed to pay FGB approximately RM44.5 million for completed construction. PLUS subsequently paid an additional RM15.5 million for variation orders, interest costs and other project development expenses. The final balance of RM57,165 is to be paid once Certificates of Fitness for the motels, restaurants and convenience stores are issued and delivered to PLUS.

(b) Office Space Tenancy

Pursuant to a Tenancy Agreement dated 22 September 1998, PLUS rents office space from Faber Union, a UEM Group company, for rental totalling RM0.18 million per month (or RM2.50 per square foot per month) and for monthly service charge of RM37,151.10. By a letter dated 26 September 2000, the tenancy was renewed until 30 September 2002 at the same rent and service charge.

(c) Purchase of Helicopter

Pursuant to a Sale and Purchase of Aircraft Agreement dated 28 December 2001, PLUS purchased a used helicopter for RM8.5 million from UEM to use for aerial inspection of the Expressways and for traffic monitoring.

11. RELATED PARTY TRANSACTION

(d) Vehicles Maintenance

United Services and Automotive Industries Sdn Bhd ("USAI"), a UEM Group company, carries out maintenance and repairs on vehicles owned by PLUS. Since 2001, PLUS has paid approximately RM107,200 to USAI.

(e) Corporate Information Portal ("CIP")

UEM is in the process of implementing the CIP to improve monthly and quarterly financial reporting. This will involve the installation of application software at its subsidiary companies and training of subsidiary companies' staff. It is likely that UEM will require PLUS to pay for PLUS' share of costs to implement the CIP for PLUS.

11.1.8 Transfer of Renong SPV Bond

As part of PLUS' Debt Restructuring Scheme with respect to the removal of inter-company loans, UEM has informed PLUS vide its letter dated 26 April 2002 of its intention to purchase the Renong SPV Bond from PLUS subject to the terms and conditions contained therein. The terms and conditions of the Renong SPV Bond provide inter alia that the Renong SPV Bond is not transferable. PLUS has obtained the approval of the SC on 2 May 2002 for the variation of the terms of the Renong SPV Bond and the approvals of the Renong SPV and Renong on 7 May 2002 and the sanction of the High Court of Malaya on 20 May 2002 pursuant to the Scheme of Arrangement, for the sale, purchase and transfer of the Bond. Pursuant to a letter dated 20 May 2002, PLUS has agreed to sell and transfer the Bond to UEM subject to the terms and conditions contained therein.

The sale, purchase and transfer of the Renong SPV Bond also required amendments to be made to the Renong SPV Bond documents. On 30 May 2002, PLUS had entered into the following transactions:

- (a) Assignment of Agency Agreement between Renong SPV, Commerce International Merchants Bankers Berhad, PLUS and UEM to substitute PLUS with UEM as a party to the Agency Agreement dated 10 September 1999 to UEM.
- (b) Agreement for the Amendments to the Global Bond Certificate and the Conditions relating to the RM8,197,620,000 nominal amount zero coupon Redeemable Secured Guaranteed Bond 1999/2006 between Renong SPV, PLUS and UEM to amend the Global Bond Certificate and the Conditions to the Renong SPV Bond to facilitate the transfer of the Renong SPV Bond.
- (c) Supplemental Memorandum of Deposit in Relation to the Shares of Projek Usahasama Transit Ringan Automatik Sdn Bhd (Third Party) between PLUS, Renong and UEM to substitute PLUS with UEM as a party to the Memorandum of Deposit in Relation to the Shares of Projek Usahasama Transit Ringan Automatik Sdn Bhd (Third Party) dated 10 September 1999 between PLUS, Renong and UEM ("the PUTRA Memorandum of Deposit"). The Notice of Assignment of the PUTRA Memorandum of Deposit was sent by PLUS to Renong on 31 May 2002.

11. RELATED PARTY TRANSACTION

- (d) Supplemental Memorandum of Deposit in Relation to the Shares of Prolink Development Sdn Bhd (Third Party) between PLUS, Amra Resources Sdn Bhd and UEM to substitute PLUS with UEM as a party to the Memorandum of Deposit in Relation to the Shares of Prolink Development Sdn Bhd (Third Party) dated 10 September 1999 between PLUS, Amra Resources Sdn Bhd and UEM ("the Prolink Memorandum of Deposit"). The Notice of Assignment of the Prolink Memorandum of Deposit was sent by PLUS to Amra Resources Sdn Bhd on 31 May 2002.
- (e) Second Supplemental Securities Charge (Third Party) between PLUS, Fleet Group Sdn Bhd and UEM to substitute PLUS with UEM as a party to the Securities Charge (Third Party) between PLUS and Fleet Group Sdn Bhd dated 10 September 2002 and the Supplemental Securities Charge (Third Party) between PLUS and Fleet Group Sdn Bhd dated 20 May 2002 ("collectively the Fleet Charge"). The Notice of Assignment of the Fleet Charge was sent by PLUS to Fleet Group Sdn Bhd on 31 May 2002.
- (f) Second Supplemental Securities Charge (Third Party) between PLUS, Fibroceil Sdn Bhd and UEM to substitute PLUS with UEM as a party to the Securities Charge (Third Party) between PLUS and Fibroceil Sdn Bhd dated 10 September 2002 and the Supplemental Securities Charge (Third Party) between PLUS and Fibroceil Sdn Bhd dated 20 May 2002 ("collectively the Fibroceil Charge"). The Notice of Assignment of the Fibroceil Charge was sent by PLUS to Fibroceil Sdn Bhd on 31 May 2002.
- (g) Second Supplemental Securities Charge (Third Party) between PLUS, Cantuman Bahagia Sdn Bhd and UEM to substitute PLUS with UEM as a party to the Securities Charge (Third Party) between PLUS and Cantuman Bahagia Sdn Bhd dated 10th September 1999 and the Supplemental Securities Charge (Third Party) between PLUS and Cantuman Bahagia Sdn Bhd dated 20 May 2002 ("collectively the Cantuman Charge"). The Notice of Assignment of the Cantuman Charge was sent by PLUS to Cantuman Bahagia Sdn Bhd on 31 May 2002.
- (h) Second Supplemental Securities Charge (Third Party) between PLUS, Hatibudi Nominees (Tempatan) Sdn Bhd and UEM to substitute PLUS with UEM as a party to the Securities Charge (Third Party) between PLUS and Hatibudi Nominees (Tempatan) Sdn Bhd dated 10 September 1999 and the Supplemental Securities Charge (Third Party) between PLUS and Hatibudi Nominees (Tempatan) Sdn Bhd ("collectively the Hatibudi Charge"). The Notice of Assignment of the Hatibudi Charge was sent by PLUS to Hatibudi Nominees (Tempatan) Sdn Bhd on 31 May 2002.
- (i) Second Supplemental Securities Charge in relation to the shares of Park May (Third Party) between PLUS, Renong and UEM to substitute PLUS with UEM as a party to the Securities Charge (Third Party) between PLUS and Renong dated 10th September 1999 and the Supplemental Securities Charge (Third Party) between PLUS and Renong dated 20 May 2002 ("collectively the Renong Charge 1"). The Notice of Assignment of the Renong Charge 1 was sent by PLUS to Renong on 31 May 2002.

11. RELATED PARTY TRANSACTION

- (j) Second Supplemental Securities Charge (Third Party) between PLUS, Renong and UEM to substitute PLUS with UEM as a party to the Securities Charge (Third Party) between PLUS and Renong dated 10 September 1999 and the Supplemental Securities Charge (Third Party) between PLUS and Renong dated 20 May 2002 ("collectively the Renong Charge 2"). The Notice of Assignment of the Renong Charge 2 was sent by PLUS to Renong on 31 May 2002.
- (k) Supplemental Depository and Paying Agency Agreement between PLUS, UEM, Renong SPV, Commerce International Merchant Bankers Berhad and Bank Negara Malaysia to record the assignment of the Depository and Paying Agency Agreement dated 10 September 1999 to UEM.

11.1.9 Expenses and Reimbursements

PLUS pays directors' fees for some directors of UEM and Prolink Development Sdn Bhd directors. PLUS also pays UEM and Khazanah meeting allowances for some of its directors attending PLUS board meetings.

PLUS also charged training costs, seconded staff salaries, professional fees and agency fees totalling RM0.94 million, to various related parties, including Africon, ELITE, FGB, Intria, Kuad Sdn Bhd, Kualiti Alam Sdn Bhd, Linkedua, OPUS, Pemasaran Simen Negara Sdn Bhd, Penang Bridge Sdn Bhd, Pharmaniaga, PROPEL, Renong, RSSB, TERAS, Time dotNet Berhad, TIME Reach, TIMECel and UEM.

11.2 Transactions with Corporations in which a Director is a Major Shareholder

Dato' Mohamed Azman bin Yahya, a non-executive director of PLUS Expressways has, through a private limited company controlled by him, entered into an agreement to purchase the entire issued and paid-up shares in the Registrar for the Offerings and Listing, Signet Share Registration Services Sendirian Berhad. The agreement which is yet to be completed is not connected to or dependent on, the Listing.

11.3 Key Management or Key Technical Personnel

As at the date of this Prospectus, PLUS Expressways has not entered into any transactions with its key management or key technical personnel.

11.4 Declaration by Advisers

- Messrs. RHB Sakura, have confirmed that there is no conflict of interest in their capacity as Financial Adviser to the Company, Managing Underwriter and Lead Manager in relation to the Restricted Offering and Retail Offering, and Joint Lead Manager and Joint Bookrunner in relation the Institutional Global Offering.
- Messrs. Zaid Ibrahim & Co have confirmed that there is no conflict of interest in its capacity as Solicitor in relation to the Offerings.
- Messrs. Ernst & Young, have confirmed that there is no conflict of interest in their capacity as Reporting Accountants in relation to the Offerings.

11. RELATED PARTY TRANSACTION

- Messrs. Halcrow Consultants Sdn Bhd, have confirmed that there is no conflict of interest in their capacity as Traffic Consultant in relation to the Offerings.

11.5 Related Party Transactions under the KLSE LR

As a KLSE-listed company, PLUS Expressways will be obliged to disclose to the KLSE certain related party transactions undertaken by PLUS Expressways or its subsidiaries. Where a related party transaction involves a substantial amount of assets in relation to net tangible assets, an issuance of share capital to fund an acquisition or substantial aggregate consideration in relation to market capitalisation, for example, the KLSE LR will in most instances require PLUS Expressways to issue an explanatory circular to shareholders, appoint an independent adviser to shareholders and seek shareholder approval for the transaction at a general meeting.

PLUS Expressways will also have to issue a circular to its shareholders and obtain their approval at a general meeting on an annual basis in order to enter into recurring related party transactions of a revenue or trading nature necessary for its day-to-day operations. PLUS Expressways' shareholders who are interested in a related party transaction may not vote on any resolution approving such a transaction. In each case, the nature and extent of PLUS Expressways' interest in a proposed related party transaction must be disclosed to shareholders.

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