
7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS

7.1 Information on the Project

7.1.1 Introduction

The intensive development in the south eastern region of Kuala Lumpur in recent years has resulted in traffic congestion. Without the improvement and upgrading of existing roads and interchanges and the expansion of the road networks in line with the fiscal development and population growth in the area, congestion will increase significantly in the near future.

The Ring Road will serve as the primary urban road linking major towns within the Kajang District and will complete the regional linkages to the south-eastern corridor of the Klang Valley.

Upon completion, the Ring Road will help to alleviate traffic congestion in Kajang town centre and would also serve as a connecting link to the overall strategic road network in this south-eastern part of the Klang Valley. In addition, through traffic not destined for the town centre can avoid using the congested roads in the town centre by using the Ring Road.

The Klang Valley Traffic Network is set out in Diagram II inside back cover.

7.1.2 Project Description

7.1.2.1 Background and Description

SunInc and Barisan Minda had collectively submitted a proposal to the Government through SILK for the construction and operation of a toll road as the primary urban road linking major towns within the Kajang District. SILK was subsequently awarded the Project. On 8 October 1997, the Government entered into the Concession Agreement with SILK.

Pursuant to the Concession Agreement, SILK is to finance, design, construct, operate and maintain the Ring Road for a 33-year period (this was subsequently extended by three (3) years to 36 years pursuant to the Supplemental Concession Agreement). At the end of the period, SILK will hand over all rights and responsibilities in respect of the Ring Road to the Government. Pursuant to the Concession Agreement, SILK in return is entitled to collect and retain tolls from motorist during the Concession Period.

The Concession is undertaken on a Build, Operate and Transfer ("BOT") basis.

The summary of responsibilities of the BOT arrangement of the Project is as follows:

- (i) to provide financing and to undertake the design, upgrading of existing roads and construction of new sections of the Ring Road;
- (ii) to operate (collect and retain toll), manage and maintain the completed Ring Road until expiry of the Concession; and
- (iii) to hand over the Ring Road to the Government upon expiry of the Concession Period.

7.1.2.2 Concession Area

The Concession Area together with all the related interchanges, toll plazas, traffic facilities and related ancillary facilities will fall under the responsibility of SILK. Examples of such ancillary facilities include petrol kiosks, food stalls and restaurants, parking bays and public telephones.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS *(Cont'd)*

7.1.2.3 *Project Corridor*

The description of the Ring Road to be constructed and its alignment vis-à-vis existing roads is illustrated in Figure 2.1 of the Principal Traffic Consultant's Report in Section 14 of this Prospectus. The Ring Road, as illustrated in the diagram, starts at approximately 660 metres east of the existing Jalan Sungai Besi/Jalan Balakong junction and traverses along Jalan Balakong in a clockwise direction meeting Jalan Tiga Cheras Jaya and thereafter proceeds in a north easterly direction where it crosses the existing Jalan Cheras.

It then traverses eastwards for approximately 0.5 km before meeting Jalan Sungai Long. From here, it traverses along Jalan Bandar Sungai Long for approximately 1.5 km before ending and then proceeds south east for approximately 6 km before turning south-west to meet the existing Jalan Semenyih. The alignment further traverses in a westerly direction until it meets Jalan Reko, crossing Sungai Langat to join the existing Jalan Sungai Ramal/B11 State Road junction and continues to traverse westward along the existing B11 State Road to meet Jalan Serdang-Puchong/B13 State Road junction. It then turns north to follow the existing B13 State Road terminating after the existing traffic light junction to Universiti Putra Malaysia Toll Plaza.

In addition, there is an arm commencing from Cheras-Kajang Highway and traverses south west to join Jalan Sungai Ramal until it meets the Jalan Sungai Ramal/B11 State Road junction. The Ring Road shall be a dual 2 lane carriageway and a dual 3-lane carriageway respectively with provision to upgrade to dual 3 lane carriageway and a dual 4-lane carriageway respectively. The total length of the Ring Road is approximately 37 km. There will be a total of four (4) toll plazas along the Ring Road located at Sungai Long, Reko East, Reko West and Saujana Impian. Diagram I in Page (i) of this Prospectus illustrates the new and existing roads as well as the location of the toll plazas.

7.1.2.4 *General Description of the Ring Road Construction*

Upgrading and Widening of Existing Roads

The Construction Works comprise the widening, upgrading and improvement of several existing roads of approximately 16 km (out of a total of 37 km) in length which consist of:

- Jalan Balakong (6.6 km)
- Jalan Bandar Sungai Long (1.3 km)
- Jalan Sungai Ramal (2.0 km)
- State Road B11 (3.5 km)
- State Road B13 (2.6 km)

Construction of New Roads

The Construction Works comprise approximately 21 km of new roads in length which consist of:

- Jalan Balakong to Jalan Bandar Sungai Long (0.5 km)
- Jalan Bandar Sungai Long to B11 State Road/Jalan Sungai Ramal junction (17 km)
- Jalan Sungai Ramal/Jalan Sungai Chua junction to Cheras-Kajang Highway junction (3.5 km)

Interchanges

A total of twelve (12) interchanges will be constructed at major intersections along the Ring Road (as set out in Diagram I in Page (i) of this Prospectus) to ensure free flow of traffic, three (3) of which have been completed and opened to traffic.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

Primary Construction Works

Design and sectional tolling of the Ring Road is divided into three (3) main sections as follows:

- (i) Section 1 - commencing from 660 metres east of the existing Jalan Sungai Besi/Jalan Balakong junction to approximately 100 metres east of the proposed crossing over of the existing Jalan Cheras junction, measuring approximately 6.7 km.
- (ii) Section 2 - from 100 metres east of the proposed crossing over of the existing Jalan Cheras junction to near Jalan Reko junction, measuring approximately 14.5 km.
- (iii) Section 3 - commencing from near Jalan Reko junction to the junction at the Universiti Putra Malaysia toll plaza and from the proposed Cheras-Kajang Highway junction to Jalan Sungai Ramal/B11 State Road junction, measuring approximately 15.8 km.

Topography

- (i) Section 1

The terrain is largely urban and quite restricted in places by developments on either side of the existing road. The alignment is flattish but slightly undulating with rises and falls along Jalan Balakong.

- (ii) Section 2

The terrain for the whole of Section 2 is very rural and crosses the foothills of the main mountain range. The alignment is very hilly with a number of long steep grades and large cut and fill slopes.

- (iii) Section 3

The terrain is generally semi-urban and flattish.

7.1.2.5 Design and Construction

SILK has entered into a Turnkey Contract with SunCon for the design, construction, completion and commissioning of the Construction Works. The Turnkey Contract is a fixed price lump sum contract with fixed completion dates.

The total price of the Turnkey Contract is RM830,000,000 which includes the design and construction costs of the whole of the Ring Road. In addition to such price, SILK will pay SunCon a sum of RM215,000,000 for costs, expenses or charges incurred in making available the land falling within the SILK Funded Stretch, including compensation to be paid for acquisition or removal or resettling of squatters and other occupiers on the entire Ring Road. SILK has employed Supervising Consultants for each of the three sections along the entire Ring Road.

SunCon will provide warranty to SILK that the design shall be free from any defect or inadequacy in the design for five (5) years after the completion of each section of the Construction Works. SunCon shall be liable to remedy any defects for two (2) years after completion of the relevant section. The Construction Works are estimated to be completed in 33 months from the date of the Supplemental Concession Agreement. The Diagram III in Page 52 of this Prospectus sets out the Construction Programme of the Project. The Turnkey Contract also provides for liquidated damages to be paid by SunCon in the event of delay in the completion of Construction Works.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS *(Cont'd)*

7.1.2.6 *Ring Road Engineering and Design*

The engineering and design works form part of the Turnkey Contract undertaken by SunCon, who has subsequently engaged the services of Jurutera Perunding Kemajuan Sdn Bhd, SMHB Sdn Bhd in association with Perunding Arcareka Sdn Bhd and Arup Jururunding Sdn Bhd in association with Isotech Consult Sdn Bhd and Perunding Zaini Khoo & Rakan-Rakan Sdn Bhd, all of whom are civil and structural engineering consulting engineers, for the detailed design of the Ring Road. In addition, VE Consult Sdn Bhd has been engaged as specialist consultant for the construction of four bridges in Sections 1 and 3 and Gue & Partners Sdn Bhd as specialist consultant for part of ground treatment works in Section 3 Works.

The work undertaken by each of the above parties will be covered by their respective professional indemnity policies. All design will comply with the criteria set out in the Concession Agreement and with the statutory design standards applicable in Malaysia. The responsibility lies with SunCon that the design complies with the requirements of the Concession Agreement.

7.1.2.7 *Supervising Consultants*

SILK has appointed Jurutera Perunding Kemajuan Sdn Bhd for Section 1, SMHB Sdn Bhd and Perunding Arcareka Sdn Bhd for Section 2 and Arup Jururunding Sdn Bhd, Isotech Consult Sdn Bhd and Perunding Zaini Khoo & Rakan-Rakan Sdn Bhd as the Supervising Consultants for Section 3. The specialist consultants, VE Consult Sdn Bhd and Gue & Partners Sdn Bhd have also been appointed by SunCon to supervise their respective scope of design works. It will be the responsibility of the Supervising Consultant to carry out necessary test and examination of materials used and its workmanship, measure the construction works and certify payment certificates, issue completion and defects liability certificates and perform any other functions as stipulated in the Turnkey Contract. The Supervising Consultant will also issue appropriate instructions to SunCon based on any problems highlighted by the Independent Consulting Engineer who was appointed by SILK.

7.1.2.8 *The Turnkey Contractor*

SunCon is a 60.99%-owned subsidiary company of SunInc. The principal activities of the SunCon Group are construction of civil and building works. Its subsidiary companies are involved in contracting in mechanical and electrical works and property development. The company is listed on the Main Board of the KLSE.

SunCon is a registered Class 'A' contractor with Pusat Khidmat Kontraktor (PKK) and 'G7' contractor with the Construction Industry Development Board (CIDB).

Todate, SunCon has established a proven track record evidenced by a large and reputable portfolio of projects undertaken nationwide. These include infrastructure works, marine structures, earthworks, highway construction, and the construction of luxury condominiums, hotels, golf courses and college campuses.

Examples of the projects that SunCon has successfully completed todate include:

- (i) Project Jalan Lingkaran Tengah II Kuala Lumpur Package 9C – Sungai Besi;
- (ii) Kuala Lumpur International Airport Project Western Access and Salak Tinggi Link;
- (iii) Improvement to the existing Kuantan–Gambang Road, Pahang Darul Makmur, (Package I and III);
- (iv) Construction and Completion of Proposed Access Road Lumut and South Port Connection, Port Klang;

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

- (v) Construction of Jalan Lingkar Dalam Johor Bharu, Johor Darul Takzim, (Package 2);
- (vi) Elevated Interchange to Tun Abdul Razak Elevated Interchange Johor; and
- (vii) Kuala Lumpur International Airport Sepang Group 1, (Package 2) – Design and Execution of Long Term Car Park and Car Rental Depot.

Amongst the major civil and building works presently undertaken by the SunCon Group includes:

- (i) Construction of 2,200 units of teachers quarters and government office buildings in Putrajaya;
- (ii) Construction of two (2) stretches of road in India measuring 18 km and 79 km respectively with a Indian joint-venture firm. The contract amounts to RM83 million and RM250 million respectively;
- (iii) Construction of 192 units semi-detached bungalows and 212 units Condominium II for Sunway Damansara Sdn Bhd for contract sums of RM67.7 million and RM29.3 million respectively;
- (iv) Supply, delivery and installation of fitting-out for general office area and common facilities of the Government administrative offices in Putrajaya for Putrajaya Holding Sdn Bhd for a contract value of RM60.4 million;
- (v) Construction of service apartments, hotel block and car park for SunCity Bhd for a contract value of RM110.0 million; and
- (vi) Design and build contract of RM549.3 million awarded by Kuala Lumpur Convention Centre Sdn Bhd for the proposed Convention and Exhibition Centre within the Kuala Lumpur City Centre Development Plan.

7.1.2.9 Construction Programme

The construction is divided into three (3) stretches namely, the Government Funded Stretch 1, the Government Funded Stretch 2 and the SILK Funded Stretch. Construction works in respect of the Government Funded Stretch 1 have been completed on 29 December 2000. Construction Works in respect of the Government Funded Stretch 2 and the SILK Funded Stretch are being carried out concurrently and are scheduled to complete within 33 months from the date of the Supplemental Concession Agreement.

Diagram III in Page 52 of this Prospectus sets out the Construction Programme of the Project.

Government Funded Stretch 1

The construction of Government Funded Stretch 1 comprises the construction of B11 State Road/Bandar Baru Bangi Interchange and Universiti Putra Malaysia Interchange under a Government Funded Design and Build Contract.

With the relocation of various Government departments to the new Federal Administrative Centre of Putrajaya in the middle of 1999, the Government had appointed SILK to construct the western section of the Ring Road namely the Government Funded Stretch 1, which forms part of the major traffic gateway to Putrajaya and Cyberjaya from Kuala Lumpur city centre.

The construction of the Government Funded Stretch 1 was awarded to SILK under the GFS 1 Design and Build Contract. Construction of this stretch started in August 1999 and was completed on 29 December 2000. The defects liability period of two (2) years expired on 28 December 2002.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS *(Cont'd)*

The Government Funded Stretch 1 comprises the part of the Ring Road commencing from approximately 600 metres west of the existing Jalan Sungai Ramal/B11 State Road junction at coordinate S21382.94 E5819.81 along the existing B11 State Road up to just after the existing bridge over the Kuala Lumpur – Seremban Highway at coordinates S21326.36 E4366.96 and the part of the Ring Road north of the Jalan Serdang Puchong/B13 State Road junction at coordinates S20832.37 E3126.94 along the existing B13 State Road terminating after the existing traffic light junction to Universiti Putra Malaysia Toll Plaza at coordinates S19116.00 E2623.00 as delineated in Diagram I in Page (i) of this Prospectus.

Government Funded Stretch 2

The Government Funded Stretch 2 comprises the part of the Ring Road commencing approximately 660 metres east of the existing Jalan Sungai Besi/Jalan Balakong junction at coordinates S16249.50 E1996.40 to approximately 900 metres east of the crossing over the existing Jalan Cheras at coordinates S15345.23 E8520.86 and the part of the Ring Road commencing approximately 600m west of the existing Jalan Sg Ramal/B11 State Road junction at coordinates S21382.94 E5819.81 along the existing B11 State Road to just after the proposed crossing over the KTM railway line at coordinates S19674.62 E7975.01 along the spur arm of the Ring Road as delineated as Diagram I in Page (i) of this Prospectus.

SILK Funded Stretch

The SILK Funded Stretch comprises the Ring Road other than the Government Funded Stretches as delineated in Diagram I in Page (i) of this Prospectus.

7.1.2.10 *Toll Plazas*

There shall be a total of four (4) toll plazas along the Ring Road. The location of these toll plazas are indicated in Diagram I in Page (i) of this Prospectus and are described in the table below:

No.	Toll Plaza	Location
A.	Sungai Long	Along new alignment east of Jalan Sungai Long
B.	Reko East	Near Kajang Hill Golf Resort between Semenyih Interchange and Jalan Reko Interchange
C.	Reko West	Along new alignment between Jalan Reko Interchange and B11 State Road/Jalan Sungai Ramal junction
D.	Saujana Impian	Between Jalan Sungai Ramal/Jalan Sungai Chua junction and Cheras-Kajang Highway/Saujana Impian Junction

7.1.2.11 *Toll System and Toll Charges*

An “open toll” system will be utilised for the Ring Road. Toll will be collected from vehicles passing through the toll plazas at each of the four (4) locations detailed above. The number of lanes at each toll plaza will be designed on the basis of “at peak hour transaction rate” of up to 500 vehicles per hour per lane while the electronic toll collection system has the capacity to cater up to 800 vehicles per hour per lane.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

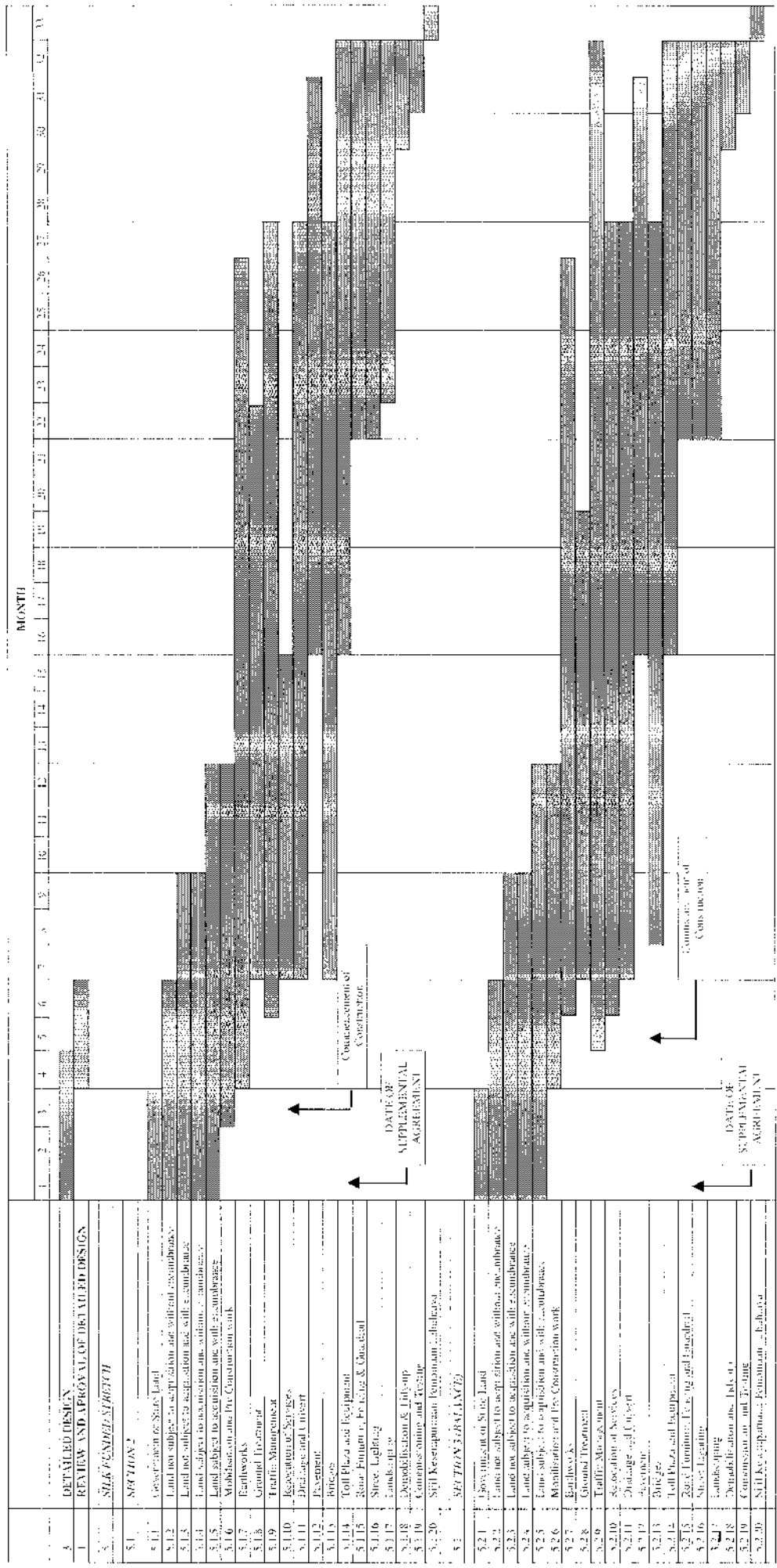
The Ring Road is targeted for opening in the third quarter of 2004 and the proposed toll charges for the duration of the 36-year operating period are as follows:

Year	Class 0 Motorcycle RM	Class 1 Car RM	Class 2 Light lorries with 2 axles RM	Class 3 Medium to heavy lorries with more than 2 axles RM	Class 4 Taxi, hired car RM	Class 5 Bus RM
2004 – 2008	0	1.00	2.00	3.00	0.50	1.00
2009 – 2013	0	1.30	2.60	3.90	0.60	1.30
2014 – 2018	0	1.80	3.60	5.40	0.90	1.80
2019 – 2037	0	2.40	4.80	7.20	1.20	2.40

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7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

Diagram III: Construction Programme (Cont'd)



7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

7.1.2.12 Traffic Likely to Use the Ring Road

The details of traffic movements which are likely to use the Ring Road are presented in schematic format in Figure 3.1 of the Principal Traffic Consultant's Report in Section 14 of this Prospectus, and are described as follows:

- More direct north-east route between Cheras/Ampang and Semenyih/Seremban. Traffic from Balakong, Cheras or Ampang using Lebuhraya Cheras Kajang and destined for Semenyih and Seremban can bypass Kajang town;
- More direct north-west route between Cheras / Ampang and Putrajaya/Puchong. Traffic from Cheras or Ampang can use Lebuhraya Cheras Kajang and the Saujana Impian section of the Ring Road to bypass Kajang town;
- North-south traffic can bypass the town centre. Traffic from Cheras/Balakong destined for Bangi can bypass the town centre via Saujana Impian or Sungai Long sections;
- Direct east-west route for Semenyih and Putrajaya; and
- The Ring Road would complete the missing section to connect the proposed South Klang Valley Expressway (SKVE) and the proposed Kuala Lumpur Outer Ring Road (KLORR)

7.1.2.13 Construction Method

Conventional methods will be employed for the Construction Works. The main features are as follows:

Geometric Design - The geometric layout of the Ring Road will generally comply with the design speed of 80 km/hour with the exception of approach roads, ramps, slip roads and similar works where a design speed of 60 km/hour will be adopted. In general, the standard of the Ring Road will compare favourably with the existing highways.

Structures - Bridge structures will be built using precast prestressed concrete beams with in-situ reinforced concrete slabs and crossheads. Those not suitable to this form of construction will be built with in-situ concrete throughout. For roads, flexible pavement construction with a design life of 20 years will be used throughout. For rigid pavements, the design life shall be 40 years.

Street lighting - The entire Ring Road will be lighted. The various type of highway lighting to be used are as follows:

- (i) highmast system for Toll Plazas;
- (ii) low level lighting system for main line, frontage road and slip road; and
- (iii) lighting for underpass and vehicular box culvert.

Toll Collection System - SunCon will be responsible for the provision and installation of the toll collection centre computer system.

State of the art micro-processor based open toll collection system will be installed at all the toll plazas. The design of the open toll collection system for SILK will be based on the specifications given by the Government of Malaysia, which is categorised into Lane Computer System, Plaza Computer System and Management Operation Computer System.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

Traffic Control and Surveillance System – A comprehensive Traffic Control and Surveillance System is proposed for monitoring and managing traffic along the Ring Road. The main systems proposed are as follows:

- (i) traffic control centre;
- (ii) close circuit TV;
- (iii) variable message signs;
- (iv) signalised traffic junction;
- (v) vehicle detector; and
- (vi) telecommunication networks.

SunCon will be responsible for the provision and installation of the above systems.

7.1.2.14 Traffic Study

In preparation for the Project, SILK commissioned a detailed traffic study from MAG. The Principal Traffic Consultant's Report prepared by MAG is set out in Section 14 of this Prospectus. In addition, SunInc, a shareholder of SILK had commissioned Halcrow to provide an independent review of the Principal Traffic Consultant's Report. The Independent Traffic Consultant's Report prepared by Halcrow is set out in Section 15 of this Prospectus.

7.1.2.15 Independent Consulting Engineer

SILK has appointed Symonds as the Independent Consulting Engineer to monitor the Construction Works and review and verify payment certificates for payment to SunCon. The Independent Consulting Engineer will also monitor due performance of SunCon under the Turnkey Contract and highlight possible technical problems onsite, cost and time overruns, for the entire Ring Road (with the exception of Government Funded Stretch 1 which has been completed) and bring these to the attention of SILK and the Trustee. The Independent Consulting Engineer has completed a review of the technical aspects of the Project and its related costs which is subject to periodical review to ensure consistencies with technical requirements of the Government under the Concession Agreement.

The professional services to be provided by the Independent Consulting Engineer together with any other services ancillary to or necessary for the proper performance of the Independent Consulting Engineer Agreement are to:

- (i) highlight possible technical problems on site as is reasonable in the circumstances and bring these to the attention of SILK;
- (ii) monitor and highlight any cost and time overruns and suggest possible remedial action and the projected actual date for completion;
- (iii) review the status of the compulsory land acquisition and identify and highlight any potential delay which could effect the timely completion of the Work as a result thereof;
- (iv) identify and highlight to SILK (with copies to the Trustee) any potential delay to critical activities which could affect the time completion of the Work;
- (v) attend monthly progress meetings and other meetings as required and monitor the release of timely and accurate minutes;
- (vi) review and verify any modifications to the payment schedule required under the Turnkey Contract;
- (vii) review and verify any interim payment certificates and the final payment certificate issued by the Supervising Consultant in accordance with the Turnkey Contract;
- (viii) review and verify the amount payable to the Turnkey Contractor as certified by the Supervising Consultant in the event of termination which does not result in termination of SILK under the Concession Agreement;

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

- (ix) verify the progress payments for the purpose of drawing down payments from the Trustee;
- (x) review and verify the Certificate of Making Good Defects issued by the Supervising Consultant at the end of the Defect Liability Period;
- (xi) check that the Works are satisfactorily completed and verify the Certificate of Practical Completion and the Sectional Certificate of Practical Completion of the Works issued by the Supervising Consultant;
- (xii) prepare monthly reports on the physical progress of the Works;
- (xiii) prepare quarterly financial reviews;
- (xiv) comply with all specific requirements of the Independent Consulting Engineer under the Turnkey Contract and keep SILK fully apprised of the status of any actions undertaken by the Independent Consulting Engineer when discharging such obligations pursuant to the Turnkey Contract;
- (xv) respond to all reasonable requests from the Trustee for information pertaining to the Project and within the proper scope of the Independent Consulting Engineer's services;
- (xvi) advise SILK on such matters relating to the design, supply, construction and operation of the Works as SILK may reasonably require;
- (xvii) carry out a road safety audit of the detailed design for the whole Ring Road excluding the completed Government Funded Stretch 1;
- (xviii) carry out a road safety audit at the end of construction prior to opening to traffic for the whole Ring Road excluding the completed Government Funded Stretch 1; and
- (xix) review and verify the status of the progress report submitted to the Government, in respect of Government Funded Stretch 2 with a view to highlight potential delay which could affect the timely completion of the Project as a whole.

7.1.2.16 Cost Overrun

Under the Turnkey Contract, SunCon may be entitled to payments in excess of its lump sum contract price of RM830,000,000 in certain specific circumstances including variation, delay due to failure to give possession of land and in the event of extension of time granted to SunCon. SILK will be entitled to reimbursement or compensation by the Government for the additional cost and/or any consequential loss, cost or expense incurred or suffered by SILK arising out of any additional works requested by the Government. In addition, SILK will be entitled to an extension of the Concession Period, an extension of the period for commencement or completion of any part of the Construction Works and/or receive from the Government compensation or relief for any loss, cost or expense incurred or suffered, to the extent that the Construction Works are delayed as a result of such additional works. However, SILK will not receive compensation if such additional works do not increase the scope of works, do not result in the increase over the original contract cost of construction (excluding the design costs and project management fees), or are required due to soil conditions (the risk of which is borne by SunCon under the Turnkey Contract).

The Independent Consulting Engineer will monitor cost overruns, for the entire Ring Road (with the exception of Government Funded Stretch 1 which has been completed) and bring these to the attention of SILK and the Trustee.

Pursuant to the BAIDS Issue, SunInc and Barisan Minda have provided an undertaking to make payment to SILK of an amount equivalent to any cost overrun occurring prior to the commencement date for collection of toll. The cost overrun includes but is not limited to cost overrun inherent in and/or arising from the turnkey construction and land acquisition in respect of the Project. The Trustee may at any time call upon SunInc and Barisan Minda to make payment for any cost overrun at any time that the Trustee determines that there is a cost overrun for the Project. Such payment shall be by way of equity injection, shareholders' loan or subscription of preference shares or any other manner.

Pursuant to the Acquisition of SILK, SIB will in turn provide an undertaking to SunInc, Barisan Minda and SILK to make payment to SILK in relation any cost overrun as stated above.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

7.1.2.17 Operation, Maintenance and Management

SILK will be responsible for the operations, maintenance and management (“OMM”) of the Ring Road. Maintenance and operation works shall commence upon the completion of each Section. Broadly, the OMM programme comprises the following tasks:

Operations

Operational activities encompass the following:

- (i) operation of the toll collection system;
- (ii) traffic management; and
- (iii) emergency and recovery.

Toll collection activities will be directed from each toll plaza which in turn shall be linked to a central location to facilitate the administration, accounting and reconciliation functions. In the event of a system failure, each set of equipment in each lane shall be able to function independently in a “stand alone” mode. It is envisaged that payment can be made by cash, prepaid cards or via electronic toll collection.

Maintenance

Maintenance activities are broadly divided into routine maintenance and heavy repairs. Routine maintenance include roadway clearing, grass cutting, desilting and drainage system clearing. Heavy repairs consist of road resurfacing, equipment replacement and heavy maintenance. Routine maintenance will be carried out by SILK, though heavy repairs may be sub-contracted out. Under the Concession Agreement, SILK has provided the Government with a maintenance bond for an initial amount of RM250,000 which is to be subsequently increased to RM1,500,000 upon completion of the Ring Road.

7.1.2.18 Insurance Arrangements

The insurance programme summarised below will be arranged with separate coverage for the construction and operation periods of the Project.

Construction Period

The insurance programme to be arranged for the Project during the construction will prescribe for coverage of the following:

- (i) a contractors all risk policy for the replacement value of the Construction Works for any one accident and/or series of accidents causing loss or damage to any permanent or temporary works and materials at the site;
- (ii) insurance to cover full market value and loss of or damage to construction equipment supplied and all other property belonging to or hired by SunCon or any sub-contractor;
- (iii) a policy against any liability including third party liability up to a limit of RM1,000,000 for each accident (the number of accident unlimited) which may arise in connection with the relevant Construction Works;
- (iv) a policy to cover the occurrence of force majeure events where practicable only as defined in the Concession Agreement ;
- (v) insurance as required by law or in connection with SunCon’s personnel including but not limited to workmen’s compensation or SOCSO;
- (vi) motor insurance in respect of any private cars or goods carrying vehicles and SunCon’s equipment in circumstances requiring insurance pursuant to the Malaysian road traffic legislation;

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

- (vii) force majeure insurance covering the events of force majeure which are capable of being insured; and
- (viii) all risk transit insurance covering all materials from the respective warehouse and/or point of supply and/or place of manufacture until arrival at the site for the purpose shall mean after unloading.

Operation Period

SILK intends to take out the following insurance policies during the operation of the Ring Road:

- (i) civil engineering completed risk insurance;
- (ii) design warranty by Turnkey Contractor (for five (5) years); and
- (iii) fire insurance for buildings.

Insurance Policies and Bonds Undertaken Todate

SILK has received the following insurance policies and bonds todate from SunCon through the Turnkey Contract:

Insurance Policies/Bonds	Sum Insured RM'000
Workmen Compensation Insurance Policy	72,085
Contractors' All Risk Policy	730,850
Performance Bond	120,775
Maintenance Bond	250

7.1.2.19 Environmental Impact Assessment

The final Environmental Impact Assessment Report ("EIA Report") dated December 1996 submitted by SILK to the Department of Environment of Selangor ("DOE") was approved vide its letter dated 16 April 1997 (the letter had been incorrectly dated 16 April 1996). On 11 July 2000, the DOE had confirmed that its approval of the EIA Report continues to be valid as the Project had then commenced.

The approval of the DOE continues to be valid despite the delay in the commencement of construction works of the Project and the approval covers the remaining construction works.

7.1.3 Regulatory Authority

SILK's operational affairs are regulated by the LLM. The LLM was established under the Highway Authority Malaysia (Incorporation Act 1980) (Act 231). The functions of the LLM are:

- (i) to supervise and execute the design, construction and maintenance of highways as determined by the Federal Government;
- (ii) to supervise and execute the design, construction and maintenance of rest and service areas and other facilities that may be deemed necessary along highways as determined by the Federal Government;
- (iii) to collect toll from the users of highways and other dues from facilities along highways;

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS *(Cont'd)*

- (iv) to plan and carry out research to ensure efficient utilisation of highways and other facilities along highways; and
- (v) generally to do everything for the betterment and proper use of highways and other facilities along highways.

7.1.4 Completion Stage of the Project

The completion of the Project, as at 7 November 2003, based on the completion stage of each of stretches are as follows:

- (i) Government Funded Stretch 1 – 100%;
- (ii) Government Funded Stretch 2 – 79%;
- (iii) SILK Funded Stretch – 73%;
- (iv) the average completion stage of SILK Funded Stretch and Government Funded Stretch 2 is 75%; and
- (v) the overall completion of the Project is 78%.

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7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

7.2 Funding of the Project

The total cost of the Project is RM1,250,000,000. The details of the total Project cost and the sources of funding are set out below:

Costs/Sections	SILK Funded Stretch RM'million	Government Funded Stretches RM'million	Total RM'million	Proportion of Total cost %
Land Costs	215.00	85.00	300.00	24.00
Construction Costs	495.00	365.00	860.00	68.80
Supervisory Costs	15.63	-	15.63	1.25
Working capital	74.37	-	74.37	5.95
	<u>800.00</u>	<u>450.00</u>	<u>1,250.00</u>	<u>100.00</u>
Financed by:				
Equity	220.00	-	220.00	17.60
Government Grant	-	450.00	450.00	36.00
BAIDS	580.00	-	580.00	46.40
	<u>800.00</u>	<u>450.00</u>	<u>1,250.00</u>	<u>100.00</u>

Notes:

- a Includes RM30,000,000 of works which has been awarded to Gadek-Perspec Consortium Sdn Bhd
- b Supervisory costs of RM15.63 million for both the SILK Funded Stretch (RM9.00 million) and the Government Funded Stretches (RM6.63 million) to be borne by SILK
- c Includes RM100 million to be partially raised through the CN-RPS Rights Issue, the Renounceable Rights Issue and the Public Issue and injected by SIB

7.2.1 Costs Elements

(i) Land Costs

Under the Supplemental Concession Agreement, the Ring Road has been segregated into the Government Funded Stretches and the SILK Funded Stretch. Further details on the cost of the stretches are set out in Section 7.2 above.

The costs and expenses incurred in making available the land falling within the entire Ring Road and removal or resettling of squatters and other occupiers on the entire Ring Road will amount to RM300,000,000. The amount is expected to be incurred in the year 2003. The costs and expenses incurred in making available the land falling within the Government Funded Stretches amounting to RM85,000,000 shall be borne solely by the Government as stipulated under the Supplemental Concession Agreement. The net amount of RM215,000,000 expected to be funded by SILK in 2003 is for the costs and expenses incurred in respect of land falling within the SILK Funded Stretch and removal or resettling of squatters and other occupiers on the entire Ring Road, representing payment for SILK's right to utilise the land and not for the ownership of the land. The preparation of the remaining 0.48% land for the purpose of construction is expected to be substantially completed by the last quarter of 2003.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

A total of 913.18 acres of land is required for the construction of the remaining Ring Road. Out of this, a total of 290.71 acres (31.8%) are existing road reserves.

A total of 524.44 acres of private land and 98.03 acres of government land will need to be acquired for the construction of the remaining Ring Road. Out of the 524.44 acres, 461.90 acres (88.1%) falls under the SILK Funded Stretch.

The details of the land acquired and the balance to be acquired as at 7 November 2003 is set out below:

Description	Total land to be acquired Acres	<--Land already acquired-->		Balance of land <----to be acquired---->	
		Acres	%	Acres	%
Existing Road Reserve	290.71	290.71	100.00	-	-
Private Land	524.44	521.94	99.52	2.50	0.48
Government Land	98.03	98.03	100.00	-	-
Total	913.18	910.68		2.50	

(ii) Construction Costs

The total construction cost for the entire Ring Road which has been contracted is a fixed contract sum and will not exceed RM830,000,000. The construction cost pertaining to the Government Funded Stretches totalling RM335,000,000 (excluding RM30,000,000 value of works awarded to Gadck-Perspec Consortium Sdn Bhd) shall be borne solely by the Government, whilst the balance of RM495,000,000 in relation to the SILK Funded Stretch will be borne solely by SILK and financed through equity and borrowings.

It is assumed that the sum due to the contractor in respect of progressive billings for various stages of completion shall be paid immediately by the Government as and when the amount falls due. As stipulated in the Concession Agreement, the value of completed works shall mean the value of works that has been completed at the termination date as certified by the consulting engineer firm less such amount of the construction cost to be paid by the Government.

(iii) Supervisory Costs

The supervisory cost totalling RM15.63 million will be borne by SILK and is assumed to be incurred during the construction period from August 2001 - April 2004. The supervisory cost relating to the SILK Funded Stretch and the Government Funded Stretches amounts to RM9.00 million and RM6.63 million respectively.

7.2.2 Financing

(i) Equity

The equity portion of the financing for the SILK Funded Stretch has been/will be contributed as follows:

	RM	%
Contribution from the Promoters in the form of share capital	120,000,000	9.60
Proceeds from the CN-RPS Rights Issue, the Renounceable Rights Issue and the Public Issue to be raised by SIB	100,000,000	8.00
Total	220,000,000	17.60

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS *(Cont'd)*

(ii) **Grant from the Government**

A grant of RM450 million from the Government has been/will be provided for the Government Funded Stretches. SILK will be reimbursed based on progress billings.

(iii) **BAIDS**

On 22 August 2001, SILK issued the Al-Bai Bithaman Ajil Islamic Debt Securities Issuance Facility through private placement under the Fully Automated System for Tendering (FAST) and Real Time Electronic Transfer of Funds and Securities (RENTAS) system managed by Bank Negara Malaysia ("BNM"). The BAIDS is traded in the secondary market on a willing-buyer willing-seller basis, under the Scripless Securities Trading System (SSTS) operated by BNM.

Under the concept of BAIDS, Deutsche Bank (Malaysia) Berhad, the Financier, first purchases all the rights, title and interests under the Concession Agreement at an agreed price, the Al-Bai Bithaman Ajil-purchase price/facility amount (being RM580,000,000). Such asset(s) was resold to SILK at a selling price which is made up of the original purchase price and a profit margin imposed by the Financier, i.e. the Al-Bai Bithaman Ajil-selling price/face amount of the BAIDS (being RM2,010,000,000). SILK is to settle the Al-Bai Bithaman Ajil-selling price by instalments over a period of up to 20 years. The redemption by SILK of the BAIDS will constitute full satisfaction of the selling price payable by SILK.

Pursuant to the terms of the BAIDS, the proceeds from the BAIDS shall be utilised for the design, construction and land costs of the Project (being the costs of making available the land).

7.3 **Future Prospects**

7.3.1 **Overview of the Malaysian Economy**

The Malaysian economy registered a Gross Domestic Product ("GDP") quarterly growth rate of 4.6% and 4.4% in the first quarter and second quarter of 2003.

The economy remained resilient despite an external environment marked by heightened uncertainty and the impact of the Severe Acute Respiratory Syndrome ("SARS") outbreak on the regional economies in the final part of the first quarter of 2003. Growth in the first quarter of 2003 was largely supported by domestic demand, underpinned by stronger public sector spending while export performance remained strong in several sectors, reinforcing domestic demand. Growth was also marked by continued expansion across all sectors of the economy with the main impetus emanating from the manufacturing and services sectors. Despite the SARS outbreak and uncertain external environment, proactive policy measures with both fiscal and monetary expansion to stimulate domestic demand, and the diversified and resilient economic base allowed the growth momentum to be sustained.

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7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

The outlook for the second half of 2003 is for further strengthening of the Malaysian economy. The Government has maintained its economic forecast for 2003 at 4.5%. Going forward, the economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of 5.5% to 6.0% in 2004. Growth is expected to arise from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures.

(Source: BNM Press Release on Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2003 and Press Release on Second Quarter 2003 GDP for the Malaysian Economy, and Economic Report 2003/2004)

7.3.2 Overview of the Industry**7.3.2.1 Privatisation Programmes**

Privatisation involves the transfer of activities and functions that traditionally rested with the Government to the private sector. In 1983, the Government introduced the privatisation policy to relieve the financial and administrative burden on the Government, facilitate national economic growth, promote achievement of the NEP targets, improve the efficiency and productivity level of the country and reduce the size and presence of the public sector in the economy.

(Source: Privatisation Masterplan, Economic Planning Unit, Prime Minister's Department, Kuala Lumpur, 1991)

The Government introduced the Privatisation Master Plan ("PMP") in 1991 to guide the implementation of privatisation programmes. The PMP contained, amongst others, a broad policy framework for privatisation, procedures for implementation and assignment of priorities between projects to be privatised. In the implementation of the privatisation programme, two approaches, namely, the Government-identified and the private sector-initiated approaches, were adopted. The private sector-initiated approach was particularly aimed at recognising and rewarding private sector initiatives and innovations in identifying projects for privatisation.

7.3.2.2 Infrastructure and Utilities Sector

A well-developed and integrated infrastructure and utilities network is an essential pre-condition for continued high economic growth. The provision of this network, covering the sub-sectors of transportation, telecommunications, postal, water supply and sewage, has supported the accelerated economic development of the country. This rapid growth resulted in higher demands on the capacity, distribution and efficiency of this sector.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (*Cont'd*)

The development of infrastructure and utilities stresses on the provision of reliable, safe services and competitively priced services in line with the growth in the economy and population. The thrust of infrastructure and utilities development was to increase capacity and improve efficiency of infrastructure services and through greater efficiencies, cheaper services in the long term. The higher economic growth also resulted in capacity constraints requiring solutions to additional capacity in infrastructure projects.

Efforts to upgrade and expand these facilities brought the increasing need for public investment and borrowings, which resulted in the emergence of the active participation of the private sector. The active participation of the private sector complemented the public sector in accelerating the development of infrastructure and brought about improvements in accessibility and delivery of the services provided.

7.3.2.3 Infrastructure Expenditure

The Government, recognising the need for public sector finance in the development of the country's infrastructure, has drawn five-year expenditure plans for the sector. The table below shows the Government's expenditure plans for the infrastructure sector under the 7MP and the 8MP.

Under the 8MP, development of roads will form a major component of the public sector finance for infrastructure development.

Table: Five-year Planned Infrastructure Expenditure

	7MP (1995-2000) Actual expenditure RM'million	8MP (2001-2005) Allocation RM'million	Change %
Roads	12,269	14,003	14
Urban transport	404	706	75
Rail	5,450	4,081	-25
Ports	1,089	1,500	38
Airports	1,271	933	-27
Water supply	2,383	3,966	66
Sewerage	665	1,584	138
Total	23,531	26,773	14

(Source: Eighth Malaysia Plan 2001-2005)

7.3.2.4 Development of the Road Sub-sector

The Federal Roads (Private Management) Act 1984 was passed by Parliament allowing the Government to grant private companies the right to collect tolls on public roads. Private operators are allowed to construct, operate and maintain new roads and thereafter to recover the costs through the collection of tolls. This privatisation scheme also allowed the Government to hand over sections of completed roads to private companies for upgrading and subsequent maintenance over a concession period.

Malaysia

During the 7MP period, road development was guided by the need to expand capacity and upgrade existing roads. Total road networks increased from 61,380 kilometres in 1995 to 65,880 kilometres in 2000. The road sub-sector accounted for nearly 59.8% of the total allocation for the infrastructure sector with total expenditure of RM12.3 billion during the 7MP period.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

The development of new roads resulted in the improvement of the various road development indicators, as shown in the table below. Road Density, which measures road lengths over total area, increased from 0.19 in 1995 to 0.20 in 2000, indicating a wider road coverage and greater accessibility. The Road Development Index which measures the level of road development taking into account both area and population size of the country also improved marginally from 0.74 in 1995 to 0.75 in 2000.

Table: Road Development Indicators 1995 - 2005

Indicator	Level of Development		
	1995	2000	^d 2005
Road Density ^a	0.19	0.20	0.21
Road Development Index ^b	0.74	0.75	0.76
Road Service Level ^c	2.96	2.98	3.02

Notes:

- a Road Density measures road length over total area
- b Road Development Index measures the level of road development taking into account both area and population size of the country
- c Road Service Level measures total road length per 1,000 population
- d Estimated

(Source: Eighth Malaysia Plan 2001-2005)

Klang Valley

Under the Sixth Malaysia Plan ("6MP") from 1991 to 1995, major privatised road projects with an estimated total value of RM15.2 billion were implemented. Of the said amount, RM11.86 billion were in relation to privatised road projects in the Klang Valley.

Under the 7MP from 1996-2000, the public sector made provision of RM9.84 billion (RM8.45 billion previously) for road development. In addition to providing a large budget under the 7MP for the construction of new road links, upgrading the capacity of the existing road network and the construction of "ring roads" in urban centres, especially in the Klang Valley, the Government also continued with the privatisation of new or existing roads with an estimated value of approximately RM17.5 billion.

The construction of privatised toll highways changed the travelling pattern of road users as they benefited from reduced travelling time and lower vehicle operating cost. These highways provided wider medians, strategically located and well-illuminated signages as well as rest areas that contributed substantially to the comfort and safety of road users. The completion of the Shah Alam Expressway in November 1996 and the Damansara-Puchong Highway (LDP) in January 1999, completed the loop of Middle Ring Road Two (MRR II) enabling road users to have alternative routes to commute within the Klang Valley and to reduce their travelling time.

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7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (*Cont'd*)

Table: Major Roads Projects to be Implemented from 1995-2005

Projects	Length km	Completion Year
A. Completed Projects		
(i) Government-Funded Projects		
Access Road to Kulim Hi-Tech Industrial Park	9	1996
Kota Tinggi Bypass	10	1997
Eastern Access to KLIA	17	1998
Berungis-Kota Belud Highway	38	1998
Middle Ring Road II (Phase I)	35	1998
Access Road to Belaga, Sarawak	126	1999
Kuala Perlis-Changlooa Highway	36	2000
Access Road to Port of Tanjung Pelepas, Johor	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
(ii) Privatised Projects		
Butterworth-Kulim Highway	17	1996
Seremban-Port Dickson Highway	22	1997
North-South Expressway Central Link	48	1997
Shah Alam Expressway	35	1998
Second Link to Singapore	45	1998
Kuala Lumpur-Karak Highway	60	1998
Cheras-Kajang Highway	12	1998
Damansara-Puchong Highway	40	1998
Upgrading Sungai Besi Road	16	1999
B. Under Construction		
(i) Government-Funded Projects		
Upgrading Beaufort-Sindumin Road	65	2001
Beaufort-Mempakul Road	64	2001
Lipat Kajang (Melaka) Interchange to North-South Expressway	2	2001
Sungai Rejang Bridge	7	2001
Brinchang-Lojing Road	22	2001
East-Coast Highway	169	2003
(ii) Privatised Projects		
New North Klang Straits Bypass	18	2001
Western Kuala Lumpur Traffic Dispersal Scheme	26	2001
New Pantai Highway	20	2003
Kajang-Seremban Highway	48	2004
Butterworth Outer Ring Road	19	2004
Ipoh-Lutut Highway	70	2004
Kajang-Traffic Dispersal Highway	37	2004

(Source: Eighth Malaysia Plan 2001-2005)

7.3.3 Future Prospects of the Ring Road

The future prospects of the Ring Road will be generally driven by the following factors:

- (i) regional economy;
- (ii) population;
- (iii) growth of employment;
- (iv) vehicle ownership; and
- (v) principal catchment area.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

(i) Regional Economy

During the 7MP, Selangor, Pulau Pinang, Johor and Kedah recorded GDP growth rates that were higher than the national average of 4.7% per annum. The major sources of growth in these states were from the manufacturing and services sectors.

The table below sets out the GDP at Purchasers' Value and Per Capita GDP for the period 1995-2005, i.e. the 7MP and 8MP period.

Table: GDP of Selangor and Kuala Lumpur, 1995-2005

	<-----GDP at Purchaser's Value----->					<-----Per Capita GDP----->				
	<-----RM'million----->			Average Annual Growth Rate		<-----RM'm----->			Average Annual Growth Rate	
	1995	2000	2005E	7MP %	8MPE	1995	2000	2005E	7MP %	8MPE
Selangor*	34,063	44,708	65,743	5.6	7.7	14,168	17,363	21,286	4.2	4.2
Kuala Lumpur	21,157	25,968	37,272	4.2	7.5	22,799	30,727	39,283	6.1	5.0
Malaysia	166,625	209,269	299,785	4.7	7.5	10,756	14,584	19,189	6.3	5.6

Notes:

E Estimate

* Includes Wilayah Persekutuan Putrajaya

(Source: Eighth Malaysia Plan 2001-2005)

(ii) Population

The total population of Malaysia, according to the 2000 Census was 23.27 million compared to 18.38 million in 1991 thus giving an average annual population growth rate of 2.6% over the 1991-2000 period. This rate is similar to that of the 1980-1991 period which also recorded an average annual growth rate of 2.6%.

Selangor had the highest growth rate of 6.1% for the period 1991-2000. The highest population growth rate is due to spreading of business centres and employment opportunities from Kuala Lumpur and the more established areas of Selangor such as Petaling Jaya and Subang Jaya to the southern districts where major developments areas such as Putrajaya and Kuala Lumpur International Airport are located. An additional contributing factor to the higher growth rate is interstate and external migration from overseas due to labour shortages within the state of Selangor.

The population and population growth of Selangor and Kuala Lumpur over the 1990-2000 period and the estimated population and population growth for the 2001-2005 period is set out below.

Table: Population Growth 1990-2005

	<-----'000----->				<-----%----->		
	1990	1995	2000	2005 E	1991-1995	1996-2000	2001-2005 E
Selangor*	2,331.4	3,210.0	4,175.0	5,069.0	6.6	5.4	4.0
Kuala Lumpur	1,214.0	1,239.0	1,370.3	1,581.0	0.4	2.0	2.9
Malaysia	18,102.0	20,684.0	23,266.0	26,036.2	2.7	2.4	2.3

Notes:

E Estimate

* Includes Wilayah Persekutuan Putrajaya

(Source: Eighth Malaysia Plan 2001-2005)

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

(iii) Growth in Employment

The country's labour force increased from 8.3 million in 1995 to 9.6 million in 2000 at an average rate of 3.0% per annum. There was an increase of 1.3 million persons in the labour market during the 1996-2000 period. An educational profile analysis of the labour force showed an improvement with more than half attaining secondary and tertiary education.

During the 7MP period, the labour force grew by 3.3% per annum and 1.8% per annum in Selangor and Kuala Lumpur respectively while employment grew at 3.3% per annum and 1.6% per annum respectively. The growth is due to the moderate expansion in the manufacturing and services sectors in the various states. Total employed increased from 8.0 million in 1995 to 9.3 million in 2000.

During the 8MP period, the average annual growth rate of the labour force and employment of Selangor are both estimated to be 3.8% per annum while the average annual growth rate of the labour force and employment of Kuala Lumpur is estimated to be 2.0% per annum and 2.3% per annum respectively.

The labour force and employment of Selangor and Kuala Lumpur over the 1995-2000 period and the estimated population growth for the 2001-2005 period is set out below.

Table: Labour Force and Employment of Selangor and Kuala Lumpur 1995-2005

	'000						Average Annual Growth Rate (%)			
	<-----1995----->		<-----2000----->		<-----2005 E----->		<-----7MP----->		<-----8MP E----->	
	Labour Force	Employment	Labour Force	Employment	Labour Force	Employment	Labour Force	Employment	Labour Force	Employment
Selangor*	1,428.5	1,400.9	1,676.8	1,644.2	2,019.6	1,984.9	3.3	3.3	3.8	3.8
Kuala Lumpur	625.8	615.6	684.6	666.8	757.4	746.6	1.8	1.6	2.0	2.3
Malaysia	8,254.0	7,999.2	9,572.5	9,271.2	11,161.9	10,858.9	3.0	3.0	3.1	3.2

Notes:

E Estimate

* Includes Wilayah Persekutuan Putrajaya

(Source: Eighth Malaysia Plan 2001-2005)

(iv) Vehicle Ownership

While vehicle ownership is an important determinant of the prospects of the Ring Road, the information available cannot be used directly as vehicles licensed in Kuala Lumpur and Selangor may not reflect those vehicles actually domiciled and being operated in the area. Vehicles licensed in one state are often operated in another, especially in Kuala Lumpur and Selangor. As such, traffic flows on roads, rather than registered vehicles, are best to reflect traffic growth.

Nonetheless, the number of vehicles registered in Kuala Lumpur and Selangor are indicative of traffic growth in an area.

In addition to vehicle registration, vehicle sales and production data may also indicate the future growth trend of traffic volume. Vehicle sales in the country declined significantly in 1998 consequent to the overall weakening of the economy due the Asian financial crisis which commenced in mid-1997. However, vehicle sales in 1999 and 2000 recovered in line with the recovery of the economy. The vehicles sales was not been significantly affected by the slowdown commencing first quarter of 2001. Vehicle sales for 2002 have yet to replace the 1997's historical high of 404,837 units. For the Malaysian vehicle industry, 2002 had seen strong growth, mainly due to the attractive and innovative offers by auto companies and low interest rates for hire purchase coupled with 5 to 6 years industry sales cycle drawing sales from the pre crash industry peak in 1997.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

The tables below show the traffic growth of licensed vehicles in Kuala Lumpur and Selangor between 1995 and 1998 and vehicles sales and production data for the period 1996 to 2003.

Table: Growth of Licensed Vehicles in Kuala Lumpur and Selangor

Year	Type of Vehicle (annual growth rates)					Total
	Motorcycle	Car	Taxi/hired Car/Bus	Lorry/Van	Other	
1991	689,036 (8.4)	671,172 (11.5)	23,247 (10.6)	123,718 (11.9)	70,483 (9.4)	1,577,656 (10.0)
1992	743,881 (8.0)	728,362 (8.5)	25,249 (8.6)	134,683 (8.9)	76,740 (8.9)	1,708,915 (8.3)
1993	795,312 (6.9)	783,855 (7.6)	27,009 (7.0)	142,630 (5.9)	78,561 (2.4)	1,827,367 (6.9)
1994	878,065 (10.4)	873,909 (11.5)	32,591 (20.7)	156,862 (10.0)	88,422 (12.6)	2,029,849 (11.1)
1995	918,815 (4.6)	1,041,600 (19.2)	35,136 (7.8)	159,994 (2.0)	93,469 (5.7)	2,249,014 (10.8)
1996	1,012,518 (10.2)	1,194,572 (14.7)	37,859 (7.7)	183,906 (14.9)	110,659 (18.4)	2,539,514 (12.9)
1997	1,113,612 (10.0)	1,364,836 (14.3)	43,374 (14.6)	205,638 (11.8)	125,434 (13.4)	2,852,945 (12.3)
1998	1,165,327 (4.6)	1,431,866 (4.9)	46,666 (7.6)	210,023 (2.1)	129,130 (2.9)	2,983,031 (4.6)
Annual Growth Rates						
1979 - 1988	3.3%	4.8%	4.5%	4.7%	2.5%	4.0%
1988 - 1998	7.7%	11.2%	10.1%	8.5%	8.9%	9.4%

Note:

() % annual increase

(Source: HPU Road Traffic Volume, Ministry of Works Malaysia)

Table: Vehicle Sales and Production Data 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003 F
Passengers cars	275,615	307,907	137,691	239,647	282,103	327,447	359,934	372,000
Commerce vehicles	69,444	70,334	17,641	26,171	33,752	37,623	42,727	45,500
4 x 4 Vehicles	19,729	26,596	8,519	22,729	27,319	31,311	32,293	32,500
Total	364,788	404,837	163,851	288,547	343,173	396,381	434,954	450,000
Production volume	N/A	N/A	N/A	303,983	360,105	428,701	428,701	N/A

Notes:

N/A Not available

F Forecast

(Source: Malaysian Automotive Association, Market Review for 1996-2003)

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

(v) Principal Catchment Areas

Traffic growth in the Kajang district was moderate, averaging 8% per annum during 1992-1996 compared to the over 17% per annum increase in the number of vehicles entering Kuala Lumpur city for the corresponding period. More recently, with the relocation of the international airport from Subang to Sepang, and the government administrative centre to Putrajaya, the southern corridor of Klang Valley including the Kajang district has experienced an accelerated pace of development. The upgrading of existing roads and construction of new highways has consequently lagged behind traffic growth, thus resulting in chronic traffic congestion in Kajang town. Beginning in late 1997, however, traffic growth contracted for the next two years as a result of the economic downturn. Traffic flows are believed to have recovered since to pre-financial crisis levels.

Kajang town is located at the intersection of two main road systems. The north-south traffic movement is facilitated by Jalan Cheras-Jalan Reko whilst Jalan Sg. Chua-Jalan Semenyih traverses in the east-west direction. At present, all traffic including external traffic converges into the town. As a result, the junctions in the town centre are mostly operating at undesirable levels of service. Due to capacity problems at road junctions, traffic passes through Kajang town centre at relatively low speeds. Observed peak hour journey times for travel in the town centre range from 25-35 km/hour, and 35-50 km/hour further away from the town.

The Ring Road, which will form a circumference around the Kajang town centre, will provide an alternative route for external traffic to bypass the urban centre. The Ring Road is expected to alleviate heavy traffic density in ingress-egress roads surrounding the Kajang town. Details of traffic movements likely to use the Kajang Traffic Dispersal Ring Road are as follows:

- Traffic from Balakong, Cheras or Ampang heading for Semenyih/Seremban. The Ring Road provides a more direct north-east route between Cheras/Ampang and Semenyih/Seremban via Lebuhraya Cheras-Kajang.
- Traffic from Cheras or Ampang destined for Putrajaya or Puchong seeking a more direct north-west route can use Lebuhraya Cheras Kajang and the Saujana Impian section of the Ring Road to bypass Kajang town.
- North-south traffic, i.e. from Cheras/Balakong destined for Bangi wishing to bypass the town centre.
- East-west traffic movements between Semenyih and Putrajaya.

The Ring Road will also serve as a connecting link to other road projects proposed for the southern corridor of Klang Valley, i.e. the South Klang Expressway (SKVE) and the Kuala Lumpur Outer Ring Road (KLORR).

7.3.4 Conclusion

In the medium to long term, the Malaysian economy is expected to recover in line with the rest of the world economies. The Government has been proactive in managing the economy in the past and is expected to formulate pro-growth policies to stimulate medium to long term growth in the future.

Kuala Lumpur's and Selangor's economies are expected to grow in line with the national economy. In addition, Selangor has significantly developed its infrastructure which will further provide impetus for economic growth in the state. It also contributes to Selangor's ability to attract further investments.

7.0 INFORMATION ON THE PROJECT, FUNDING AND FUTURE PROSPECTS (Cont'd)

The spreading of business centres and employment opportunities from Kuala Lumpur and the more established areas of Selangor such as Petaling Jaya and Subang Jaya to the southern districts where major developments areas such as Putrajaya and Kuala Lumpur will contribute to the growth in the population. In addition, Putrajaya and Cyberjaya in southern districts are developing rapidly and emerging as major administrative/business centres. The population growth rate of Kuala Lumpur and Selangor is expected to be above the national rate in the next five (5) years.

The population growth in the catchment area coupled with economic growth and employment opportunities will draw users to the Ring Road and ensure revenue growth. Further development of the region will also draw additional users to the Ring Road.

Based on the above factors, the Ring Road is a viable project and has a promising future.

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