

---

## 8.0 RISK FACTORS

---

Applicants of the Public Issue Shares should carefully consider the following risk factors (which may not be exhaustive), which may have a significant impact on the future performance of the SIB Group, in addition to the other information contained in this Prospectus, before applying for the Public Issue Shares:

### 8.1 Project Risks

The risks connected with the Project mainly relate to the construction of the Ring Road within the time frame specified in the Construction Programme. This includes the risks arising out of availability or unsuitability of land. The risks related to construction will be borne by SunCon under the terms of the Turnkey Contract. Any additional land acquisition costs and cost overruns will also be borne by SunCon. Non-construction risks are borne by the Government, SILK, insurers and the holders of the BAIDS.

The risks connected with the Project have been mitigated to a large extent by the following measures:

- (a) the employment of a reputable contractor namely SunCon, a public listed company, to undertake the construction of the Ring Road. SunCon has a proven track record of construction in Malaysia;
- (b) the lump sum price nature of the Turnkey Contract which, as far as possible, reflects and mitigates the risks arising out of certain terms of the Concession Agreement; and
- (c) the engagement of Symonds, as the Independent Consulting Engineer, whose role includes extensive monitoring and reporting responsibilities on the progress of the construction works under the Turnkey Contract.

The Project risks are divided into five (5) categories comprising completion related risks, concession related risks, risks during operating period, revenue risks and economic and other risks.

#### 8.1.1 Completion Related Risks

(i) *The Contractors' Construction Capacity*

SunCon, as the principal contractor, will be responsible for the complete and overall design, construction, completion and commissioning of the Construction Works. Under the Turnkey Contract, there is a provision for limitation of liability of RM200,000 per day up to a cap of 5% of the Turnkey Contract price. Under the terms of the Turnkey Contract, SunCon assumes all risks associated with the adequacy of the design, the cost of materials and all other costs of construction. If there are any defects to the Construction Works during the defects liability period i.e. two years from completion of the Construction Works, SunCon will perform the rectification works at its own cost. SunCon has also given a warranty that the approved detailed design of the Construction Works shall be free from design defects for a period of five (5) years from completion of the Construction Works. The completion risks are also mitigated by the performance bonds and the maintenance bond provided by SunCon to SILK.

The Independent Consulting Engineer who was appointed to monitor the construction works will enable issues which may arise to be known and detected in advance and remedied.

---

**8.0 RISK FACTORS (Cont'd)**

---

**(ii) Increase in Cost**

The Turnkey Contract is a lump sum price contract for RM830,000,000. Under the Turnkey Contract, SunCon may be entitled to payments in excess of its lump sum contract price in certain specific circumstances including variation, delay due to failure to give possession of land and in the event of an extension of time granted to SunCon. Provision is made in the Concession Agreement for the Government to request that additional works are carried out by SILK. 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).

Under the Turnkey Contract, SunCon is obliged to carry out such additional works, and is only entitled to receive additional payments to the extent of any compensation payment received by SILK under the Concession Agreement. The liability of SILK under the Turnkey Contract is largely limited to the extent of corresponding payments or compensation received by SILK under the Concession Agreement.

Pursuant to the BAIDS Issue, SunInc and Barisan Minda had 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 has in turn provided an undertaking to SunInc, Barisan Minda and SILK to make payment to SILK in relation to any cost overrun as stated above.

**(iii) Extension of Time**

SunCon has the obligation under the Turnkey Contract to complete the Construction Works within the contract period i.e. by April 2004 unless extensions of time are granted. The Turnkey Contract allows limited and specific circumstances for SunCon to claim for extensions of time. This risk may be mitigated by the buffer allowed in the Construction Programme and SILK's capability in monitoring the progress of the construction and design work through the Independent Consulting Engineer under the Independent Consulting Engineer Agreement and the use of proven management systems, co-ordination planning and construction programmes.

---

## 8.0 RISK FACTORS (*Cont'd*)

---

### 8.1.2 Concession Related Risks

(i) *Timing of the Land Acquisition*

Under the terms of the Concession Agreement, the Government is responsible for making the land within the concession area available to SILK within the specified periods (please refer to "Salient Terms of the Concession Agreement", paragraph 4 of Section 19.1 of this Prospectus). Any delay in the provision of the land by the Government may result in a consequent delay in the commencement of tolling.

In the event of a failure by the Government to comply with its obligations to provide land, SILK is entitled (depending on whether the delay is beyond 18 months after the submission of the land acquisition plans) to claim for an extension of the Concession Period or the Government may provide such remedy or relief to be agreed between SILK and the Government to enable SILK to meet any loss, cost or expense incurred or suffered by SILK as a consequence of such delay. The amount of compensation, if agreed by the parties, is to be determined by the operation auditors. The extension of the Concession Period is subject to agreement between the Government and SILK, failing which it shall be determined by the Minister responsible for roads. The Government is to further allow an extension of the period of the completion of construction of the Works.

SILK is, however, not entitled to any form of compensation if the delay by the Government does not result in delay of completion of the whole Ring Road. Nevertheless, this risk will be mitigated by a built-in buffer in the Construction Programme in addition to the built-in mechanism for monitoring the progress of the land acquisition process through the Independent Consulting Engineer under the Independent Consulting Engineer Agreement where any potential delay which could affect the timely completion of the Ring Road will be identified and highlighted by the Independent Consulting Engineer.

As at 7 November 2003, only 2.50 acres of private land will need to be acquired for the construction of the remaining Ring Road. The directors of SILK do not envisage there will be any material delay in the provision of such land by the Government. Further information on the land acquired and the balance to be acquired as at 7 November 2003 is set out in Section 7.2.1 of this Prospectus.

(ii) *Land Use Payments*

SILK is responsible for all costs and expenses incurred in making available the land falling within the SILK Funded Stretch and removal or resettling of squatters and other occupiers on the entire Ring Road (collectively, "Land Use Payments"). SILK has estimated the total Land Use Payments to be RM215.0 million. The Government is responsible for all costs and expenses incurred in making available the land falling within the Government Funded Stretches.

The cost of constructing low-cost flats together with the necessary infrastructure for resettling the squatters is to be borne by SILK provided that such cost shall not exceed RM42,000 per unit. A census conducted by SILK in August 2001 and endorsed by the Pentadbir Tanah Daerah Ulu Langat has identified a total number of 75 squatter families for resettlement. Total cost estimates for relocation of squatters is RM3,192,000. The risk to SILK of the Land Use Payments exceeding RM215.0 million is mitigated by SunCon undertaking to bear any cost exceeding RM215.0 million. The Directors of SILK believe that adequate provision for the Land Use Payments have been made.

---

**8.0 RISK FACTORS (Cont'd)**

---

**(iii) Delays in Completion**

Under the Concession Agreement, SILK must complete the Works in accordance with the Construction Programme, unless the Works are delayed or interrupted in any of the circumstances provided in the Concession Agreement, which includes:

- (a) the failure by the Government to make land available in accordance with the period specified in the Concession Agreement; or
- (b) a request by the Government to carry out additional works; or
- (c) the carrying out by the Government of other works within the Concession Area.

SILK's ability to comply with the programme is subject to a number of factors, some of which are not within SILK's control such as the occurrence of force majeure events (as discussed below). However, there is a general provision for extension of time for the completion of the Works should the Works be interrupted or delayed due to any circumstances provided in the Concession Agreement, including the circumstances provided in sub-paragraphs (a), (b) and (c) above.

In the event of a delay caused by SunCon in completing the Construction Works, the Turnkey Contract contains a provision for liquidated damages payable to SILK. The aggregate amount of such damages is RM200,000 per day subject to a maximum of 5% of the Turnkey Contract price of RM830.0 million.

**(iv) Default - Obligations to Lenders**

The risk of default by SILK under the Concession Agreement is borne by the Government. If the Concession Agreement is terminated for any reason (other than termination due to force majeure) or in the event of expropriation of the Concession or the concession company, i.e. SILK, by the Government, the Government will either assume the obligations of SILK under SILK's financing arrangements or will pay to the lenders the amounts owing to them, up to a specified maximum sum of RM580,000,000.

**(v) Default by SILK**

If SILK is in default of the Concession Agreement, the Government may, following the expiration of a specified cure period ranging from one (1) to six (6) months depending on the nature of the default (or such other period as may be agreed between the parties), terminate the Concession Agreement. If the Concession Agreement is terminated by the Government due to a SILK event of default at any time prior to completion of the Construction Works and the Government completes the Construction Works, SILK shall be obliged to pay to the Government (a) all amounts owing to the Government and (b) any costs and expenses incurred by the Government in completing the Construction Works in excess of the costs and expenses which would have been incurred by SILK in completing the Construction Works less (c) any amount by which the value of completed works exceeds the aggregate of amounts paid by the Government or liabilities and obligations of SILK assumed by the Government under SILK's financing arrangements. If the differential in (c) is greater than the aggregate sum in (a) and (b), then the Government will pay such difference to SILK. The value of equity (i.e. actual amount invested by the shareholders in SILK) shall be deducted from the value of completed works. If the Concession Agreement is terminated by the Government due to a SILK event of default after completion of the Construction Works but before expiry of the Concession, then the Government will pay SILK the amount (if any) by which the value of completed works exceeds all amounts owing to the Government by SILK as at the date of termination.

---

**8.0 RISK FACTORS (Cont'd)**

---

**(vi) Termination Due to Default of the Government**

If the Government, without reasonable cause, fails to meet any of its obligations under the Concession Agreement which adversely affect SILK's rights and ability to collect and retain tolls, SILK may, following a cure period of six (6) months (or such other period as may be agreed by the parties) terminate the Concession Agreement.

In the event of termination in such circumstances, the Government will pay SILK (a) an amount by which the value of completed works as certified by the operation auditors as at the termination date, exceeds the aggregate of amounts paid or the liabilities/obligations assumed by the Government and all amounts owing to the Government by SILK as at the termination date; and (b) an amount equal to interest which would have accrued on the subscription moneys paid to SILK from the relevant date of payment to the date of payment by the Government on an annual basis at an annual rate equal to the weighted average of deposit rates as quoted by certain reference banks less any net dividends received by the shareholders of SILK, all costs of retrenching employees (if any) and all costs of terminating third party contracts resulting from the termination.

**(vii) Government Expropriation**

Subject to giving three (3) months' notice, the Government may terminate the Concession Agreement by expropriating SILK or the Concession, if the Government considers such action to be in the national interest. In such circumstances, SILK will be entitled to compensation comprising an amount by which the value of completed works, as certified by the operation auditors as at the termination date, exceeds the aggregate amounts paid or the liabilities/obligations assumed by the Government and all amounts owing to the Government by SILK as at the date of expropriation; and an amount equal to interest which would have accrued on the subscription moneys paid to SILK from the relevant date of payment to the date of payment by the Government on an annual basis at a rate of 12% per annum less any net dividends received by the shareholders of SILK, all costs of retrenching employees (if any) and all costs of terminating third party contracts resulting from the termination.

**(viii) Termination due to Force Majeure**

Under the Concession Agreement, force majeure events include, amongst other things, war, hostilities, ionising, radiation, pressure waves, natural catastrophe, riots and disorders which causes or which can reasonably be expected to cause either party to fail to comply with its obligations. If an event of force majeure occurs at any time during the Concession Period, the Concession Period may be extended for such period as the parties may agree, failing which, as shall be determined by the Minister responsible for roads. In the event the Construction Works or any part thereof is delayed for more than six (6) months due to force majeure, either party may terminate the Concession Agreement, in which event the Turnkey Contract is also terminated. In any case of force majeure where any part of the Ring Road has been destroyed or substantially damaged, SILK shall restore that part of the Ring Road at its own cost and expense to the condition in which it was immediately prior to the occurrence of that event of force majeure. However, SILK is to ensure whenever reasonably practicable that insurance is effected (whether by itself or by its construction contractors) to cover the occurrence of events of force majeure.

The Turnkey Contract, on the other hand, provides that in the event of such termination, the parties agree to negotiate with a view to reaching a settlement which is fair and equitable taking into account moneys received by SILK under the Concession Agreement and the proceeds of any insurance policies.

---

**8.0 RISK FACTORS (Cont'd)**

---

**8.1.3 Risks during Operating Period****(i) Commencement of Tolling**

Tolling on the Ring Road may not commence until publication in the Government Gazette of (a) a notice designating the Ring Road (or a completed section) as a Federal Road and (b) the toll rates. Under the Concession Agreement, the Government is obliged to gazette the designation as Federal Road within 45 days following the date of the Sectional Sijil Kesempurnaan Pembinaan Lebuhraya or Sijil Kesempurnaan Pembinaan Lebuhraya for the Ring Road as a whole, and to gazette the toll rates as soon as possible thereafter. SILK is exposed to potential delays in tolling (for which no compensation is payable by the Government nor extension of the Concession Period) as a result of a reasonable delay by the Government in publication of the toll rates in the Gazette. However, if there is any unreasonable delay by the Government, the Concession Period shall be extended for such period as shall be necessary to compensate SILK for the consequences of such delay.

**(ii) Toll Rates**

The Concession Agreement provides for agreed toll rates throughout the Concession Period and further provides that the Government may vary those rates throughout the Concession Period. In the event the Government sets tolls below the agreed rates, it is obliged to pay SILK compensation calculated according to a formula, as set out in Paragraph 13.2 of Section 19.1 of this Prospectus.

**(iii) Operating costs**

SILK will bear the costs of all operating and maintenance expenditure throughout the Concession Period. The directors of SILK believe that adequate allowance for such costs has been made in the financial projections. Furthermore, as operating and maintenance costs represent a relatively small portion of projected toll revenues, the projected profits are not overly sensitive to variations in these costs.

**(iv) Insurable Risk**

SILK, through SunCon, will take out the following insurance from the date of commencement of the Construction Works up to 28 days after the end of the defects liability period: (a) all insurance as required by law or in connection with SunCon's personnel and/or their dependants including, but not limited to, workmen's compensation or SOCSO; (b) a contractor's equipment policy for the full market value and covering loss of or damage to construction equipment supplied and all other property belonging to or hired by SunCon or any subcontractor; (c) motor insurance in respect of any private cars or goods carrying vehicles (and SunCon's equipment in circumstances requiring insurance under Malaysian road traffic legislation); (d) force majeure insurance covering the events of force majeure (unless otherwise waived by the Lenders or its Trustee); (e) Construction All Risks insurance for the replacement value of the 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 (excluding construction equipment and other property of SunCon and/or sub-contractor and/or of any of their employees, agents, workmen, and/or representatives); (f) a policy against any liability including third party liability up to a limit of Ringgit Malaysia One Million (RM1,000,000) for each incident (the number of incidents to be unlimited) which may arise in connection with the relevant Works; and (g) 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 which, for this purpose, shall mean after unloading.

---

## 8.0 RISK FACTORS *(Cont'd)*

---

During the operation of the Ring Road, SILK will be taking the following insurances to ensure that the Ring Road is in continuous operation: (a) civil engineering completed risk insurance to cover any unforeseen and sudden physical loss or damage caused by collapse, subsidence, landslide or any other earth movement, impact of landborne or waterborne vehicles or aircraft or articles dropped therefrom, earthquake, storm and tempest, flood, fire, lightning, explosion; (b) fire insurance to cover all buildings vis administrative office, toll plazas, etc; (c) public liability insurance; (d) money insurance to cover transit of money to and from the bank; (e) fidelity insurance to cover dishonesty or fraud or embezzlement committed by employees; (f) burglary insurance to cover office equipment etc; and (g) staff benefits insurance, i.e., group personal accident insurance, health and surgical insurance and group terms life assurance for executives only.

### 8.1.4 Revenue Risks

SILK is a single-purpose company with the right to collect toll from vehicles. The sufficiency of the toll revenues is dependent on, amongst other things, growth in the number of vehicles and the number of vehicles passing through the toll plazas. Projections made by the Principal Traffic Consultant and the Independent Consulting Engineer of growth in the number of vehicles passing through the toll plazas and toll generated thereby are premised on certain assumptions including economic growth, and development surrounding the vicinity of the Ring Road. The amount of toll revenue collected and therefore the ability of SILK to make scheduled payments on the BAIDS may be directly or indirectly affected by economic growth, and the development of Cyberjaya, Putrajaya and Kajang. There can be no assurance that the assumptions used in developing the projections will prove to be accurate. The risks of changing traffic volume will be borne by SILK.

SILK's revenues may differ from those assumed in the financial projections if the traffic volume differs from that which has been projected in the report prepared by the Principal Traffic Consultant.

The Principal Traffic Consultant has concluded in its report, that the forecasts have been produced based on reasonable growth in the future and further states that the growth rates that it has assumed for its study, are reasonable and are in line with Government targets. This forecast has been further audited and reviewed by Halcrow. Subject to certain assumptions in its report, Halcrow re-affirmed MAC's forecasts by concluding that the technical approach adopted by MAG and the logic behind their conclusions have been produced in a competent and professional manner.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

---

## 8.0 RISK FACTORS *(Cont'd)*

---

### 8.1.5 Economic Risks

(i) *Interest Rate Risk*

Presently, the SIB Group's borrowings comprise the BAIDS and the CN-RPS. The SIB Group is not exposed to any foreign borrowings. The BAIDS is a non-interest bearing instrument issued under the Al-Bai Bithaman Ajil concept, details of which are set out in Section 7.2.2 (iii) of this Prospectus. CN-RPS has a cumulative dividend rate of 20% per annum. Accordingly, the BAIDS and CN-RPS does not expose the SIB Group to any interest rate risk.

(ii) *Foreign Exchange Risk*

The SIB Group has and will only have to procure certain components for the toll collection equipment for the Ring Road from abroad. All such transactions with overseas suppliers will be transacted in US Dollars which is currently being pegged to the Ringgit at USD1 = RM3.80. As such, the SIB Group will not be affected by fluctuations in USD:RM exchange rates as long as the exchange rate mechanism is maintained.

In respect of its borrowings, the SIB Group is also not exposed to volatility in foreign currency exchange rates as the payments in relation to the CN-RPS and the BAIDS are in Malaysian Ringgit.

(iii) *Economic Conditions and Cycles*

Economic conditions and cycles will have significant bearing on the number of vehicles using the Ring Road and hence the toll revenue and the financial position of SIB. A healthy economy will spur further development activity in the region where the Ring Road is located and along the Ring Road. Economic growth will also lead to an increase in the number of registration of vehicles in the region. Similarly, a downturn in the economy may lead to a decrease in the number of vehicles using the Ring Road. However, the Directors of SIB do not envisage any significant decline in tolling in an economic downturn due to the location of the Ring Road in a region which has witnessed economic growth exceeding national growth rates and its close proximity to the Kuala Lumpur International Airport and the government administrative centre in Putrajaya.

### 8.1.6 Other Risks

(i) *Limited Operating History*

The SIB Group has limited operating history. The construction of the Ring Road commenced in August 1999 and will be completed in April 2004 while tolling will commence in August 2004. Hence, it is difficult to assess the financial viability and future prospects of the Project at this juncture. However, it is pertinent to note that the:

- (a) the Project was mooted by the Government to address the traffic congestion in the target area;
- (b) the traffic projections produced by MAG are based on reasonable growth in the future and the growth rates that it has assumed for its study are therefore reasonable. Halcrow has re-affirmed MAG's forecasts by concluding that the technical approach adopted by MAG and the logic behind their conclusions have been produced in a competent and professional manner; and

---

**8.0 RISK FACTORS (Cont'd)**

---

- (c) save for the RM107.6 million to be raised partially through the CN-RPS Rights Issue, the Renounceable Rights Issue and the Public Issue of which be RM100 million will be utilised to subscribe new SILK Shares, funding for the Project has been fully secured. The Company is not expected to raise additional funds for the Project from its shareholders.

**(ii) Access Roads**

Subject to prior consultation with SILK, the Government may require SILK to permit the construction by third parties of roads having access to the Ring Road. In such event, SILK shall co-operate as necessary with any such third party and allow it access to the Concession Area, provided that if SILK demonstrates to the Government that such access will adversely affect traffic flow on the Ring Road, the Government shall ensure that SILK is adequately compensated or indemnified by the third party for any loss, damage, cost or expense which SILK suffers as a consequence of such access. Moreover, the Government may impose, or allow SILK to impose, reasonable conditions on the third party relating to, inter alia, the safety of users of the Ring Road, loss or damage to the Ring Road, access points to worksite, interference with the Construction Works, indemnity against third party claims and such other conditions as are reasonable to safeguard the interests of the Government and SILK. Any access road connection and any crossing structures or related facilities shall be constructed and maintained at the sole cost and expense of the other party seeking access.

**(iii) Availability of Alternative Routes and Modes of Transport**

In addition to toll rates, the future financial viability of the Ring Road is dependent on the number of vehicles using the Ring Road. However, the number of vehicles using the Ring Road is to a large extent dependent on factors outside SILK's control. Availability of alternative or competing routes for users to their destinations, bypassing the Ring Road, may significantly affect the number of users of the Ring Road. Further, alternative modes of transport, e.g. railroad, may also affect the number of vehicles using the Ring Road.

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 also serve as a connecting link to the overall strategic road network in this south-eastern part of the Klang Valley. No competing roads are expected to be proposed by the Government in the near future and development of alternative modes of transport such as railway and light rail transit, if available, will not provide the coverage that a road network would provide.

**(iv) Sectional Tolling**

Tolling on the Ring Road can commence upon sectional completion of the whole of the Ring Road. Sectional completion of certain sections of the Ring Road will entitle SILK to commence tolling. As such, any delays in the completion of the Ring Road will only lead to delay in the Tolling of the affected section. The Construction Works are estimated to be completed in 33 months from the date of the Supplemental Concession Agreement. SILK has appointed the Independent Consulting Engineer to identify and highlight to SILK any potential delay to critical activities which could affect the timely completion of the Works. The Turnkey Contract also provides for liquidated damages to be paid by SunCon in the event of delay in the completion of Construction Works.

---

**8.0 RISK FACTORS (Cont'd)**

---

**(v) *Technological Change and Obsolescence***

Information technology systems will be used widely for the efficient operation of the Ring Road. The design of the toll collection system for SILK, which includes Lane Computer System, Plaza Computer System and Management Operation Computer System, will be based on the specifications given by the Government. However, the systems installed may become obsolete over a period of time. Procurement and installing of new systems could result in disruption of traffic flow on the Ring Road and may involve substantial expenditure. Nonetheless, SILK will install an information technology system which is most suitable for a toll-collection operator which may be upgraded from time to time with minimum expenditure.

The equipment and machinery installed for the operation of the Ring Road will be subject to obsolescence due to wear and tear and may require replacements from time to time. SILK will set-up a maintenance programme to ensure its equipment and machinery are in optimum working conditions. Further, the Directors of SILK believe that adequate allowance for costs for all operating and maintenance expenditure throughout the Concession Period has been made in the financial projections. Furthermore, as operating and maintenance costs represent a relatively small portion of projected toll revenues, the projected profits are not overly sensitive to variations in these costs.

**(vi) *Security Threat and System Disruption***

Like all other infrastructure projects, the Ring Road is subject to security threat and vandalism. Any physical damage inflicted may interrupt the use of the Ring Road in whole or in part for any period of time. This could reduce SILK's toll revenue and increase the costs of maintenance or restoration. SILK's insurance may not adequately cover liabilities arising from claims relating to the loss of toll revenue or increased expenditure resulting from the damage to the Ring Road. Subsequent to the 11 September 2001 terrorist attack in the United States of America, many insurance companies have substantially increased their premiums and have sought to exclude insurance risks and claims relating to damage arising from acts of terrorism and related activity. Consequent thereto, with effect from 1 January 2003, insurance policies contain exceptions for damages and losses arising from acts of terrorism and related events.

To ensure security is not compromised at any time, SILK will install close circuit TV at strategic locations along the Ring Road and a state of the art telecommunications network to monitor the Ring Road. In addition, highway patrols will be conducted regularly to ensure safety is never compromised.

In addition to physical damage, systems disruptions may occur as a result of breakdowns. To this end, SILK will install back-up systems to ensure any damage inflicted may be rectified with minimum disruption to the Ring Road.

---

**8.0 RISK FACTORS (Cont'd)**

---

**(vii) Changes in policies, legislation and regulation**

The construction and operation of the Ring Road is subject to the policies, legislation and regulations of several Government agencies and departments related to matters such as land, environment and public safety. Further, as a listed entity, SIB will be subject to the Listing Requirements of KLSE and the SC Guidelines. One of the conditions imposed by the SC in its approval of the listing of SIB on the KLSE is full compliance with of all national policies relating to the implementation of infrastructure projects as stated in Section 10.1 of this Prospectus. Changes to these policies, legislation and regulations may affect the construction and operations of the Ring Road and the activities of SIB. Changes in policies, legislation and regulations may result in higher compliance costs in relation to the Ring Road and limit the activities of SIB while non-compliance may attract material penalties. Future changes in policies, legislation and regulations or introduction of new policies, legislation or regulations may have a material adverse impact on the SIB Group's business and financial position.

**(viii) Debt-financing risks**

Presently, the SIB Group's borrowings are in the form of the BAIDS and the CN-RPS. As such, the SIB Group is subject to such risks which are normally associated with debt financing including the risk that the Group's cash flow may be insufficient for the redemption of the face amount of any BAIDS on the due date or on demand (as set out in Paragraph 2.1 of Section 19.3 of this Prospectus) or the redemption and the payment of dividends in respect of the CN-RPS.

In the event SILK fails to pay the face amount of any BAIDS on the due date or on demand, if so payable, the Trustee may and upon the instructions of the majority BAIDSholders declare by notice in writing to SILK that notwithstanding the maturity dates stated on the BAIDS, the face amount of all outstanding BAIDS together with all sums payable to the BAIDSholders under the Trust Deed shall become immediately due and payable, and without further notice to the Company to institute such proceedings and to take such steps as it thinks fit.

The Directors of SIB are of the opinion that the cash flow of the Project is sufficient for the redemption of the BAIDS on the due date and for the redemption of the CN-RPS and the dividend payment of the CN-RPS.

**(ix) Future capital/funding needs**

Save for the RM100 million to be raised from the CN-RPS Rights Issue, the Renounceable Rights Issue and the Public Issue, the funding for the Project has been fully secured. The Directors of SIB are of opinion that the operations of the Ring Road would generate sufficient funds to meet the SIB Group's projected working capital and other cash requirements for future financial years, including meeting such maintenance and replacement costs of its operating assets. However, there is no assurance that there will not be any future development or events arising which will cause the SIB Group to require additional funds.

The negative covenants of the BAIDS comprise, inter-alia, that SILK shall not, without the prior written consent of the Trustee, incur, assume any indebtedness except indebtedness in relation to the borrowings permitted under the BAIDS (as set out in Clause 4 of Section 19.3 of this Prospectus). However, SIB is not restricted by the said covenants of SILK, and, thus, has access to the debt and capital market after the Listing Exercise. Notwithstanding the above, if additional capital/funds are required, there can be no assurance that it will be available or, if available, will be on the terms and conditions, satisfactory to the Company. Further, issuance of additional equity in the future may result in dilution of the equity holding of SIB's shareholders.

---

**8.0 RISK FACTORS (Cont'd)**

---

**(x) Environmental risks**

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.

Although SILK has conscientiously addressed environmental concerns, the nature of construction of a highway is such that there can be no assurance that such environmental concerns and/or any change in the current laws and/or regulation on environmental matters will not have an adverse impact on the future operations of SILK.

**8.2 Dependence on Key Personnel**

The Board of SIB and the senior management of the SIB Group comprise individuals who have wide experience in the management of large scale infrastructure projects. Their expertise includes civil and structural engineering, construction, finance and project management. The SIB Group has also been able to draw technical expertise in construction and project management from within the SunInc group of companies. The future success of the SIB Group is dependent, to a large extent, upon its ability to retain its existing key personnel and build its own pool of technical expertise and to attract new skilled personnel. The SIB Group will formulate attractive remuneration and benefits packages and progressive promotion plans to attract and retain experienced and qualified personnel. The SIB Group will also allocate sufficient resources for recruiting and training its personnel. The SIB Group will ensure sufficient skilled employees are recruited for each phase of the Project, i.e. the construction phase and the toll-collection phase. In addition, the allocation of SIB Shares through the Renounceable Rights Issue to certain members of the Key Management and through the ESAS to eligible employees of the SIB Group is designed as an incentive to reward employees who have contributed and will continue to contribute to the success of the SIB Group.

**8.3 Trading Considerations**

Prior to this Public Issue, there has been no public market for SIB Shares. There can be no assurance that an active market for SIB Shares will develop upon its listing on the Main Board of the KLSE or, if developed, that such market will be sustained. There can be no assurance that the Issue Price will correspond to the price at which SIB shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for SIB Shares will develop and continue upon or subsequent to its listing.

There is no restriction on the existing shareholders of SIB to sell SIB Shares except as described in Section 10.2 in this Prospectus. No prediction can be made as to the effect, if any, that any future sale of SIB Shares, or the availability of SIB Shares, will have on the market price of SIB Shares prevailing from time to time.

The market price will depend *inter alia* on the economy of the country, market condition, performance of SIB and supply and demand for SIB Shares.

---

**8.0 RISK FACTORS (Cont'd)**

---

**8.4 Financial Forecast and Projections**

Certain bases and assumptions used in preparing the financial forecast and projections of the SIB Group are subject to uncertainties and contingencies while some are judgmental in nature. Because of the subjective judgements and inherent uncertainties of financial forecasts and projections, especially over a prolonged period, and because events and circumstances may not occur as expected, actual future results may differ from those forecasts and projections and these differences may be material. Investors should read and understand the description of the assumptions and uncertainties underlying the financial forecasts and projections contained in this Prospectus. If in doubt, prospective investors should consult their professional advisers before taking any action.

**8.5 Control by the Existing Shareholders**

Following the Public Issue, the Promoters, SunInc, Petroforce, LFE and Viable Bond, will collectively hold approximately 66.67% of the Enlarged Share Capital of the Company. The Promoters acting together will be able to elect the Company's Board and otherwise control the Company and will have sufficient voting control to effect certain corporate transactions requiring the vote of the shareholders unless they are required to abstain from voting by law and/or by the relevant authorities. Nonetheless, the appointment of Independent Directors on to the Board of SIB in accordance with the requirement of the KLSE and in accordance with good corporate governance will ensure corporate transactions are conducted at arms-length basis.

**8.6 Failure/Delay in the Listing Exercise**

The listing exercise is also exposed to the risk that it may fail or be delayed should the following events occur:

- (a) the Approved Bumiputera Investors fail to subscribe for the Public Issue Shares placed to them;
- (b) the Underwriters/SIB fail to honour their obligations under the Underwriting Agreement; and
- (c) the Company is unable to meet the public spread requirements, whereby at least 25% of the Enlarged Share Capital of SIB must be held by a minimum number of 1,000 shareholders, each holding at least 100 SIB Shares upon completion of the Public Issue at the point of listing.

**8.7 Forward Looking Statements**

Certain statements in the Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Board of SIB, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may impact the actual future results, performance or achievements expressed or implied in such forward-looking statements.