Suruhanjaya Sekuriti
Securities Commission
Malaysia

SC CORPORATE CASE STUDY SERIES

INFRASTRUCTURE BONDS: A HIGHWAY AS SMOOTH AS SILK

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DISCLAIMER

Infrastructure Bonds : A Highway as Smooth as Silk

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Exhibit 1
INFORMATION MEMORANDUM ON SILK's BaIDS

SUMMARY OF OFFERING

Issuer	Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd.
Lead Manager & Financier	Deutsche Bank (Malaysia) Berhad.
Syariah Advisor	Bank Islam (Malaysia) Berhad.
Trustee	PB Trustee Services Bhd.
Depository and Paying Agent	Bank Negara Malaysia.
Instrument	Secured bearer promissory notes issued by SILK pursuant to the Al-Bai Bithaman Ajil Islamic Debt Securities Issuance Facility. Under this concept, the Financier shall first purchase from SILK all its rights, title and interests under the Concession Agreement at an agreed purchase price, the Al-Bai Bithaman Ajil-Purchase Price/Facility Amount. Such asset(s) shall then be resold to SILK at a selling price which is made up of the original purchase price and a profit margin imposed by the Financier, the Al-Bai Bithaman Ajil-Selling Price/Face Amount of BaIDS. SILK is to settle the Al-Bai Bithaman Ajil-Selling Price by instalments over a period of 20 years, see "Payment of Al-Bai Bithaman Ajil Selling Price" and "Tenor of BaIDS" below.
Purpose	The issue proceeds from the BaIDS shall be utilised for the design, construction and land acquisition costs (being the costs of making available the lands) of the Project.
Status	Secured, as further described in "Security" below.
Al-Bai Bithaman Ajil - Purchase Price/Facility Amount (Issue Proceeds)	Ringgit Malaysia Five Hundred Eighty Million

(RM580,000,000).

Al-Bai Bithaman Ajil - Selling

Price/Face Amount of BaIDS ..... Ringgit Malaysia Two Thousand and Ten Million (RM2,010,000,000).

Payment of Al-Bai Bithaman Ajil

Selling Price ..... The obligation of SILK to pay the Al-Bai Bithaman Ajil Selling Price shall be evidenced by the issuance of the BaIDS with the aggregate face amount of Ringgit Malaysia Two Thousand Ten Million Only (RM2,010,000,000). The BaIDS represent SILK's unconditional obligation to pay the Al-Bai Bithaman Ajil Selling Price in the following manner:

(i) BaIDS shall mature and be redeemed by SILK on their respective maturity dates (the first maturity date which shall fall on the sixth (6th) anniversary of the Issue Date); and

(ii) the total Notional Amount of all BaIDS with the same maturity date shall be equal to the instalment of the Al-Bai Bithaman Ajil Selling Price payable on such date.

Issue Date of BaIDS ..... 22 August 2001.

Mode of Issue ..... Private placement without prospectus under the Fully Automated System for Tendering ("FAST") and Real Time Electronic Transfer of Funds and Securities ("RENTAS") managed by BNM.

Trading ..... The BaIDS will be traded in the secondary market on a willing buyer willing seller basis, under the Scripless Securities Trading System ("SSTS") operated by BNM.

Form and Denomination

of BaIDS ..... The BaIDS will be initially represented by global certificates to be deposited with BNM as the central depositary. If the global certificates are exchanged for

	definitive BaIDS, such definitive BaIDS will be in denominations of RM100,000 each.
Tenor of the BaIDS	The tenor and corresponding Notional Amounts of the BaIDS are as follows:

Tenor of BaIDS (Years)	Redemption Date	Notional Amount of BaIDS (RM)
0	.....	—
1	.....	—
2	.....	—
3	.....	—
4	.....	—
5	.....	—
6	.....	22 August 2007 150,000,000
7	.....	22 August 2008 150,000,000
8	.....	22 August 2009 155,000,000
9	.....	22 August 2010 160,000,000
10	.....	22 August 2011 95,000,000
11	.....	22 August 2012 65,000,000
12	.....	22 August 2013 75,000,000
13	.....	22 August 2014 75,000,000
14	.....	22 August 2015 65,000,000
15	.....	22 August 2016 170,000,000
16	.....	22 August 2017 170,000,000
17	.....	22 August 2018 170,000,000

	18 ..... 22 August 2019 170,000,000 19 ..... 22 August 2020 170,000,000 20 ..... 22 August 2021 170,000,000 Total 2,010,000,000
Payment	Notwithstanding the redemption dates specified in the table above, payment by SILK of the notional amount of the BaIDS shall be in accordance with regulations prescribed by BNM from time to time. While the BaIDS are in the form of global certificates, if a payment is due on a day which is a Saturday, Sunday or an expected holiday, the payment shall be made on the preceding business day and if a payment date falls on a day which is an unexpected holiday, the payment shall be made on the next business day (irrespective of whether it falls in the next month). For further details, please refer to "Terms and Conditions of the BaIDS".
Daycount Basis	Actual number of days elapsed and a year of 365 days.
Security	The security for the BaIDS comprise the following: a) fixed and floating charges over all the assets and undertakings of SILK; b) assignment of all project proceeds to be deposited into the Designated Accounts (as described below); c) assignment of all benefits and rights of SILK under the Project Documents (being all agreements entered or to be entered into by SILK in connection with the Project, including the Concession Agreement, Turnkey Contract, Shareholders' Undertaking and ICE Agreement and includes any modification, variations, additions made thereto from time to time); d) assignment of all performance and other bonds and guarantees issued for the benefit of SILK in respect of the Project (other than all performance bonds and maintenance bonds which are to be provided by SILK

	to the Government under the Concession Agreement) including but not limited to the following:
	i) a performance bond for an amount equal to RM41,500,000 up to issuance of the certificate of practical completion only;
	ii) a performance bond for an amount equal to RM41,500,000 which shall be valid till 28 days
	after expiry of defects liability period;
	iii) second ranking behind the Government, a performance bond for an amount equal to RM37,775,000 which shall be valid till 28 days after expiry of the defects liability period;
	iv) a design guarantee for an amount equal to
	RM20,750,000 or if SunCon appoints any design consultants, SunCon shall ensure that such design consultants effect and maintain professional indemnity insurance having the same value, the defects liability period of which shall be 2 years after the date of practical completion of the Works.
	e) assignment of all insurances provided for the Project.
Designated Accounts	SILK shall open the following designated accounts with an appointed bank:
	a) Debt Service Reserve Account; and
	b) Operating Account.
Debt Service Reserve Account	Prior to the first Maturity Date of the BaIDS, the required balance (being 50% of projected debt service as described below) in the Debt Service Reserve Account must be achieved by the date falling 12 months before the first Maturity Date.
	After the first Maturity Date, this account shall be built up progressively until the balance is equivalent to 50% of projected debt service for the relevant period at least 6 months prior to the relevant Maturity Date (such

	projected debt service being at any time, the total Notional Amount of the BaIDS which the Maturity Date falls on a date closest to such time). The Debt Service Reserve Account shall be operated by the Trustee. In the event that the balance held in the Debt Service Reserve Account is less than/ exceeds the equivalent of 50% of projected debt service, the shortfall/excess shall be increased from/ released to the Operating Account, as the case may be.
Operating Account	All the issue proceeds from the BaIDS issue, shareholders' equity contributions and all other receipts generated from the Project shall be remitted to the Operating Account. The Operating Account shall be solely operated by the Trustee prior to the Project Completion Date (as defined below) and solely operated by the SILK after the Project Completion Date. The amounts in the Operating Account shall be utilised for the following purposes: Prior to the Project Completion Date a) design and construction cost of the Project, being payment to Suncon which shall be made against certification, review and verification by the relevant consultant; b) advance payment of RM80,000,000 to Suncon, for repayment of these amounts see "Salient Terms of Turnkey Contract"; c) land and other construction related costs, preoperational expenditures, operation and over head costs, development costs and taxes; and d) expenses relating to the financing of the Project. After the Project Completion Date a) operating expenses, tax and other expenses/expenditure including payments to be made

by SILK under the Concession Agreement and/or other Project Documents;

b) redemption and fees (including rating surveillance fees, Trustee fees, regulatory fees, etc.) due under the BaIDS issuance;

c) transfers to Debt Service Reserve Account; and

d) payment of dividends and repayment of advances to shareholders provided that certain requirements are complied with (as described below).

Permitted Investments ..... SILK shall be permitted from time to time to utilise funds held in the Designated Accounts to make Permitted Investments (as described below) or to make other investments subject to the consent of the Trustee, provided that such funds utilised for Permitted Investments and such other approved investments, shall be remitted to the Designated Accounts in a timely manner to meet any payment obligations of SILK when due and payable. The Permitted Investments shall have a maturity date to match the utilisation of the monies towards the Project, and shall be denominated in Ringgit Malaysia.

"Permitted Investments" means:

Prior to the Project Completion Date:

a) deposits in interest bearing accounts and negotiable certificates of deposits issued by licensed institutions (as defined in the Banking and Financial Institutions Act 1989);

b) promissory notes and similar instruments issued by licensed institutions (as defined in the Banking and Financial Institutions Act 1989);

c) bonds, treasury bills or debt instruments issued by governmental or quasi-governmental entities or state enterprise;

d) other debt or capital market instruments of private entities subject to a minimum rating of AA-/MARC 1 by

	Malaysian Rating Corporation Bhd or AA3/P1 rating by Rating Agency Malaysia Bhd; and e) any other instrument to be mutually agreed upon between the Trustee and SILK. The tenor of the investments shall not exceed the proposed construction period. After the Project Completion Date: a) deposits in interest bearing accounts and negotiable certificates of deposits issued by licensed institutions (as defined in the Banking and Financial Institutions Act 1989); b) promissory notes and similar instruments issued by licensed institutions (as defined in the Banking and Financial Institutions Act 1989); c) bonds, treasury bills or debt instruments issued by governmental or quasi-governmental entities or state enterprise; d) other debt or capital market instruments of private entities subject to a minimum rating of A-/MARC2 by Malaysian Rating Corporation Bhd or A3/P2 by Rating Agency Malaysia; and e) any other instrument to be mutually agreed upon between the Trustee and SILK.
Positive Covenants	The positive covenants shall include the following: a) SILK shall maintain an Annual Debt Service Cover Ratio (as described below) of not less than 1.25 times; and b) SILK shall maintain the required minimum balances (as described above) in the Debt Service Reserve Account.
Negative Covenants	The negative covenants shall include the following:

a) SILK shall not carry out any business or activities other than business or activities related to the Project as specified under the Concession Agreement;

b) SILK shall not incur any indebtedness for borrowed money, save for any loans from the shareholders. For the avoidance of doubt any loans provided by the shareholders shall be subordinated (subject to (e) below);

c) SILK shall not give any guarantee of indebtedness to any person or entity;

d) SILK shall not open any account other than the Designated Accounts;

e) SILK shall not declare and pay dividends or any other distribution, repay any shareholder's loan/advances (including advances made in respect of preference shares including interest (if any)) unless:

i) the first Maturity Date of the BaIDS has occurred;

ii) in the case of dividend or other distributions, the Annual Debt Service Cover Ratio is not less than 1.5 after the payment of such dividends or distribution and in the case of repayment of shareholders' loans/advances the Annual Debt Service Cover Ratio is not less than 1.25 after such repayment;

iii) an event of default has not occurred or is continuing; and

iv) the balance in the Debt Service Reserve Account is at least 50% of the aggregate of the following after such payment:

(1) total Notional Amount of the BaIDS which the Maturity Date falls on a date closest to such time; and

(2) dividend declared but not paid.

Annual Debt Service Cover Ratio	To be calculated 6 months before the first maturity Date of the BaIDS and thereafter to be calculated every anniversary thereafter, the ratio of the Available Cashflow (as described below) to the sum of the following: a) total Notional Amount of the BaIDS which the Maturity Date falls on a date closest to such time of calculation; and b) dividend is declared but not paid.
Available Cashflow	The sum of balances in the following Designated Accounts: a) the Operating Account; and b) the Debt Service Reserve Account.
Undertakings by the shareholders	The shareholders of SILK, being SunInc and Barisan Minda Sdn Bhd, shall provide and be liable jointly and severally for the following undertakings (such undertakings which shall be assigned to the Trustee): a) to subscribe RM120,000,000 of equity in SILK prior to the issuance of the BaIDS with the balance of RM100,000,000 to be injected into SILK by 30 December 2003; b) prior to the Project Completion Date, to cover all cost overruns on the Project, which will include but not limited to that inherent in and arising from the turnkey construction and land acquisition; and c) to ensure that SILK maintains the required Annual Debt Service Cover Ratio, and the required minimum balances in the Debt Service Reserve Account, by way of additional liquidity support in the form of equity injection, shareholders loan or subscription of preference shares.

Project Completion Date	The date of gazette for tolling to begin in respect of the last Section of the Ring Road to be completed.
Statutory Approval	The issue of the BaIDS has been approved by the Securities Commission.
Selling Restrictions	Persons falling in any categories of persons specified in Section 4(6) of the Companies Act, 1965 of Malaysia.
Taxation	All payments in respect of the BaIDS will be made by SILK after deducting or withholding any amount (if any) for or on account of present or future taxes or duties of whatsoever nature imposed or levied by the Government or any authority thereof or therein having power to tax and which are required by law to be deducted or withheld. SILK will not pay any additional amount in respect of any such deduction or withholding.
Documentation	The issue of the BaIDS is governed by documentation standard for a transaction of this nature and will include, but will not be limited to, the following: a) Al-Bai Bithaman Ajil Property Purchase Agreement; b) Al-Bai Bithaman Ajil Property Sale Agreement; c) Al-Bai Bithaman Ajil Islamic Debt Securities Issuance Facility Agreement; d) Depository and Paying Agency Agreement; e) Trust Deed; f) Security Deed; and g) Project Account Agreement.
Governing Laws	Laws of Malaysia.

Exhibit 2

MARC reaffirms the rating of Sistem Lingkaran Lebuhraya Kajang Sdn. Bhd (SILK)'s RM2.01 billion Al-Bai' Bithaman Ajil Islamic debt issuance facility (2001/2021) at AID

2 November 2004

MARC has reaffirmed the long-term rating of Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd's (SILK) Al-Bai' Bithaman Ajil debt securities. The rating reflects the perceived strong demand for the Kajang Traffic Dispersal Ring Road to relieve severe traffic congestion in the Kajang District as a primary urban road linking the populous districts of Balakong, Sungai Long, Semenyih, Bangi, Kajang and Serdang in the south-eastern corridor of the Klang Valley. Existing traffic levels in the Ring Road corridor lend support to opening year forecast traffic levels while moderate traffic growth potential is afforded by the service area's economic and growth prospects.

The project has received strong support from the federal government in the form of grant and from project sponsors via total equity funding of RM220 million. The latter also provides liquidity support post completion of the project on a joint and several basis. As at to date, all land have been acquired thus, eliminating the site risk. Moderating the above strengths are delays in the construction of certain road sections (section 2B and part of section 2C) due to the additional reinforcement work advised by Lembaga Lebuhraya Malaysia, leading to the late commencement of Sg. Long toll; the uncertainties surrounding long-term traffic growth and the toll sensitivity of road users to economic cycles.

SILK is currently waiting for the Government's approval on the waiver of liquidated damages payable by SILK. A back-to-back liquidated damages arrangement with the turnkey contractor helps to mitigate the strain on SILK's cashflow resulting from liquidated damages payment, if any.

Sunway Infrastructure Berhad (SIB), listed on the Bursa Malaysia since December 2003, owns SILK's entire share capital. Sunway Holdings Incorporated Bhd (SunInc), which now holds 34.49% equity stake in SIB, also has 100% stake in the project's turnkey contractor, Sunway Construction Berhad (SunCon).

Proceeds from the ABBA notes amounting to RM580 million, together with the RM220 million committed by SILK's shareholders, were used to part finance land cost and the construction of the 37-km long ring road, whilst the RM450 million federal government grant was used to finance the balance of the project's land and construction costs.

The Kajang Ring Road was opened to the public on 15 June 2004 whilst tolling for Sungai Ramal, Bukit Kajang and Sungai Balak tolls commenced on 15 July 2004, earlier than the targeted tolling date of August 1, 2004. MARC will closely monitor the progress of the delayed sections which affected the opening of the fourth toll at Sg. Long. This delay is expected to be remedied by end of year 2004 to enable the opening of Sg. Long toll. SILK does not expect the delay to have any material impact on its revenue as the Sg. Long toll plaza is not expected to contribute significantly to the toll revenue during the first few months of operations. Additional timing buffer exists with actual redemption of notes commencing only in year 2007, three years after the scheduled opening of the Ring Road.

Based upon the traffic consultant's base case traffic assumptions and the toll rate increments scheduled in the Supplemental Concession Agreement, SILK's cashflow appears to be sufficient to meet payment obligations under the ABBA. Updates on the cashflows will be incorporated next year to reflect the actual traffic numbers since the opening of the toll road. Sensitivity results show that a 6-month delay in the opening of the Sg. Long toll or a 15% reduction in revenue across the years for all the tolls will not impair the repayment capability of SILK. Monies in the Debt Service Reserve Account and shareholders' undertaking to provide liquidity support ensure SILK's ability to adequately cover its debt service when due.

Exhibit 3

MARC's announcement on Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd's (SILK) RM2.01 billion Al-Bai' Bithaman Ajil Islamic debt securities

20 September 2006

MARC has downgraded the long-term rating of Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd's (SILK) Al-Bai' Bithaman Ajil Islamic Debt Securities (BaIDS) to B-ID from BB-ID previously, with a developing outlook. The steep downgrade follows from the continuous weak traffic volume at all the four tolls which remained below the revised traffic projections since 2006 (the latest traffic study dated August 2005 was undertaken by Perunding Trafik Klasik Sdn Bhd (PTK)) and the uncertainty of enforcing the undertaking provided by Sunway Holdings Incorporated Berhad (SunInc).

The developing outlook is premised on the proposals recently announced by Sunway Infrastructure Berhad (SIB), the shareholders of SILK. SIB announced that it has proposed a cash settlement of RM740 million to the BaIDS holders as full and final settlement to all SIB's liabilities and obligations under the outstanding BaIDS. The proposed settlement is conditional upon the approvals of amongst others, the BAIDSholders, all relevant regulatory authorities, the Government of Malaysia (GOM) pursuant to the Concession Agreement between GOM and SILK, shareholders of SIB, shareholders of SunInc, and the preference shareholders of SIB.

Given the poor projected toll revenue, SILK's cashflow coverage is projected to be insufficient to redeem the BaIDS. The first redemption of RM150.0 million is due in August 2007. As at end August 2006, SILK has deposited the first 50% of the debt service amounting to RM75.0 million into the Debt Service Reserve Account (DSRA). Whilst MARC had highlighted in its last review that SILK has the capacity to meet this 50% payment, additional equity/loan financing or refinancing/restructuring of the current BaIDS is necessary for SILK to fulfill its remaining debt obligations.

The undertaking provided by SunInc is to ensure that SILK maintains a Debt Service Cover Ratio of 1.25 times and that the required balances are in the DSRA. The enforceability of this undertaking is in doubt since SILK is a Related Party of SunInc; and hence, SunInc might be

obliged to first seek shareholders' approval before providing any financial assistance pursuant to the undertaking.

The 37-km long Ring Road is located in Kajang and circumscribes the township of Kajang, facilitating the bypass route to Cheras and Bangi. It was fully completed in December 2004 and three tolls, Bukit Kajang, Sungai Ramal and Sungai Balak have been opened for tolling since July 2004 whilst the Sungai Long toll commenced operations in January 2005. Since opening, the actual traffic volume has consistently been below the initial projections.

Due to the significant deviation between the traffic volume projected by the previous consultants and the actual traffic registered on the Ring Road since tolling, SILK engaged another traffic consultant, PTK to review the existing pattern and forecast future travel demand along the highway. PTK has identified a few problems faced by SILK, including the high number of alternative non-tolled routes; the higher volume of traffic moving towards the town area; the slower than expected proposed developments surrounding the Ring Road and the location of the toll booths which are not located on stretches with the highest volumes.

Actual traffic volume recorded for the year 2005 was 22,834,808 vehicles or an average of 62,561 vehicles per day. The actual traffic volume recorded from mid-January 2005 up to mid-August 2005 was 12,431,321 vehicles; 74.9% lower than the earlier projections of 49,533,164 vehicles. The actual traffic volume recorded from mid-August 2005 up to mid-January 2006 was 10,403,587 vehicles; slightly higher than the revised projections of 10,018,841 vehicles during this period. In year 2006, cumulative traffic up till April 2006 showed a slight dip of 9.0% from the revised traffic forecast given the effects of the fuel hikes early in the year. The actual traffic volume recorded for this period was 6,454,834 vehicles as against the revised traffic forecast of 7,092,270 vehicles.

Based on PTK's base case traffic assumptions and the toll rate increments scheduled in the Supplemental Concession Agreement, the company's funds would be insufficient to cover the BaIDS redemption. Also, as SILK is expected to carry the accumulated losses throughout the tenure of the BaIDS, its debt leverage position will gradually increase in the absence of additional equity injection. A BaIDS holders steering committee has been formally set up in June 2006 to oversee a restructuring proposal and the committee has appointed a financial advisor to assist with a restructuring/refinancing scheme.

Exhibit 4
Timeline of Key Events

Date	Event
20 December 1995	Incorporation of Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd ("SILK")
8 October 1997	SILK awarded highway concession by Government of Malaysia for Kajang Traffic Dispersal Ring Road ("SILK Highway"/ " Kajang Ring Road")
22 August 2001	SILK issues a RM2.10 billion Al-Bai Bithaman Ajil Islamic Debt Securities ("BaIDS")
June 2004	SILK Highway opens to traffic
29 August 2005	RAM downgrades ratings on SILK's BaIDS from AA3 to B
9 September 2005	MARC downgrades ratings on SILK's BaIDS to BB- *ID*
2006	Debt restructuring plans for SILK's BaIDS first floated
23 August 2006	RAM withdraws ratings on SILK's BaIDS
May 2007	MARC places SILK's BaIDS on negative watch, subsequently downgraded to D, and finally withdraws ratings
August 2007	SILK fails to meet scheduled redemption of BaIDS
Mid-2014	Concrete restructuring plan materialised
November 2014	Collapse of restructuring plan