

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : RELATED PARTY TRANSACTIONS 1. CONCESSION AGREEMENT BETWEEN COOLING ENERGY SUPPLY SDN. BHD. ("CONCESSIONAIRE") AND MALAYSIA AIRPORTS (SEPANG) SDN. BHD. ("MA SEPANG"), A WHOLLY-OWNED SUBSIDIARY OF MALAYSIA AIRPORTS HOLDINGS BERHAD ("MAHB"); AND 2. SHAREHOLDERS AGREEMENT BETWEEN TNB ENGINEERING CORPORATION SDN. BHD. ("TNEC"), A WHOLLY-OWNED SUBSIDIARY OF TENAGA NASIONAL BERHAD ("TNB"), AIRPORT VENTURES SDN. BHD. ("AVSB"), A WHOLLY-OWNED SUBSIDIARY OF MAHB AND THE CONCESSIONAIRE

TENAGA NASIONAL BHD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) RELATED PARTY TRANSACTIONS
Description	1. CONCESSION AGREEMENT BETWEEN COOLING ENERGY SUPPLY SDN. BHD. ("CONCESSIONAIRE") AND MALAYSIA AIRPORTS (SEPANG) SDN. BHD. ("MA SEPANG"), A WHOLLY-OWNED SUBSIDIARY OF MALAYSIA AIRPORTS HOLDINGS BERHAD ("MAHB"); AND 2. SHAREHOLDERS AGREEMENT BETWEEN TNB ENGINEERING CORPORATION SDN. BHD. ("TNEC"), A WHOLLY-OWNED SUBSIDIARY OF TENAGA NASIONAL BERHAD ("TNB"), AIRPORT VENTURES SDN. BHD. ("AVSB"), A WHOLLY-OWNED SUBSIDIARY OF MAHB AND THE CONCESSIONAIRE

Tenaga Nasional Berhad ("TNB") is pleased to announce that Cooling Energy Supply Sdn. Bhd. ("CES"/"Concessionaire"), a joint venture between a wholly-owned subsidiary of TNB, TNB Engineering Corporation Sdn. Bhd. ("TNEC") and Airport Ventures Sdn. Bhd. ("AVSB") has on 23 December 2020 entered into a concession agreement ("Concession Agreement") with Malaysia Airports (Sepang) Sdn. Bhd. ("MA Sepang") for the operation, maintenance and upgrade of a district cooling co-generation plant ("Plant") for the business of, amongst others, producing, selling, marketing, distributing and supplying cooling energy and electricity at Kuala Lumpur International Airport ("KLIA"), Sepang, Selangor for a period of 20 years ("Concession Period") ("Joint Venture Project"). The Concession Period will commence on 1 July 2021 or such later date when all of the conditions precedent under the Concession Agreement have been satisfied or waived ("Conditions Satisfaction Date") and the Concession Agreement has not been terminated ("Commencement Date").

In furtherance to the execution of the Concession Agreement, TNEC, AVSB, and CES had on the same date, executed a shareholders' agreement ("Shareholders' Agreement") to regulate TNEC's and AVSB's relationship as shareholders of the Concessionaire in relation to the Joint Venture Project. Under the Shareholders' Agreement ("Joint Venture"), TNEC will hold 70% equity while AVSB will hold the remaining 30% equity in the Concessionaire.

Please refer to the attachment for details of the agreements.

This announcement is dated 23 December 2020.

Please refer attachment below.

Attachments

 [Concession Agreement and Shareholders Agreement.pdf](#)
151.0 kB

Announcement Info

Company Name	TENAGA NASIONAL BHD
Stock Name	TENAGA
Date Announced	23 Dec 2020
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TENAGA NASIONAL BERHAD (“TNB”)

1. CONCESSION AGREEMENT BETWEEN COOLING ENERGY SUPPLY SDN. BHD. (“CONCESSIONAIRE”) AND MALAYSIA AIRPORTS (SEPANG) SDN. BHD. (“MA SEPANG”), A WHOLLY-OWNED SUBSIDIARY OF MALAYSIA AIRPORTS HOLDINGS BERHAD (“MAHB”); AND
 2. SHAREHOLDERS’ AGREEMENT BETWEEN TNB ENGINEERING CORPORATION SDN. BHD. (“TNEC”), A WHOLLY-OWNED SUBSIDIARY OF TENAGA NASIONAL BERHAD (“TNB”), AIRPORT VENTURES SDN. BHD. (“AVSB”), A WHOLLY-OWNED SUBSIDIARY OF MAHB AND THE CONCESSIONAIRE
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1. INTRODUCTION

Tenaga Nasional Berhad (“TNB”) is pleased to announce that Cooling Energy Supply Sdn. Bhd. (“CES”/“**Concessionaire**”), a joint venture between a wholly-owned subsidiary of TNB, TNB Engineering Corporation Sdn. Bhd. (“TNEC”) and Airport Ventures Sdn. Bhd. (“AVSB”) has on 23 December 2020 entered into a concession agreement (“**Concession Agreement**”) with Malaysia Airports (Sepang) Sdn. Bhd. (“MA Sepang”) for the operation, maintenance and upgrade of a district cooling co-generation plant (“**Plant**”) for the business of, amongst others, producing, selling, marketing, distributing and supplying cooling energy and electricity at Kuala Lumpur International Airport (“KLIA”), Sepang, Selangor for a period of 20 years (“**Concession Period**”) (“**Joint Venture Project**”). The Concession Period will commence on 1 July 2021 or such later date when all of the conditions precedent under the Concession Agreement have been satisfied or waived (“**Conditions Satisfactions Date**”) and the Concession Agreement has not been terminated (“**Commencement Date**”).

In furtherance to the execution of the Concession Agreement, TNEC, AVSB, and CES had on the same date, executed a shareholders’ agreement (“**Shareholders’ Agreement**”) to regulate TNEC’s and AVSB’s relationship as shareholders of the Concessionaire in relation to the Joint Venture Project. Under the Shareholders’ Agreement (“**Joint Venture**”), TNEC will hold 70% equity while AVSB will hold the remaining 30% equity in the Concessionaire.

The Concessionaire will carry out engineering, procurement, construction, testing and commissioning works (“**EPCC**”) for improvement, upgrading and overhaul of certain aspects of the Plant and area of the customers (“**Improvement Works**”), and EPCC works for conversion of the co-generation Plant to all-electric Plant (“**Conversion Works**”).

The Conversion Works include the following:

- (a) decommissioning of the existing co-generation district cooling plant at the site;
- (b) dismantling, removal and relocation of such number of steam absorption chillers; and

- (c) installation of new electric chillers and one (1) thermal energy storage tank such that the Concessionaire will be able to supply Cooling Energy to the customers by way of production through electric chillers only and in accordance with the Concession Agreement and the cooling energy supply agreement(s) between the Concessionaire and the customer(s).

The Concessionaire will operate and maintain the co-generation plant starting from the Commencement Date until the Conversion Works are completed as certified accordingly ("**ETC Completion Date**").

The ETC Completion Date is targeted to be achieved within 24 months of the Commencement Date ("**Pre-Conversion Period**") during which the Plant will supply electricity to MA Sepang. Following completion of the Conversion Works, the Plant will generate and supply Cooling Energy to the customers and offtake electricity from MA Sepang for the remainder of the Concession Period ("**Post-Conversion Period**"). The total project cost for the Joint Venture Project is approximately RM183 million and will be funded through a combination of external borrowings by the Concessionaire and shareholders' equity.

On the last day of the Concession Period, the Concessionaire shall, at no cost to MA Sepang, transfer the Plant, the Joint Venture Project site and such other assets to MA Sepang or its nominee in a state and condition that meets the transfer requirements set out in the Concession Agreement.

2. BACKGROUND INFORMATION

The existing concession right to operate and maintain the Plant, which generates and supplies cooling energy and electricity to KLIA as well as other buildings within the vicinity, commenced on 1 July 1998 and will expire on 30 June 2021. Malaysia Airports Holdings Berhad ("**MAHB**") had, by way of an invitation to bid dated 5 January 2018 ("**ITB**"), invited proposals for the undertaking of the project to operate, maintain and upgrade the Plant and supply electricity and cooling energy to KLIA and other designated facilities.

TNEC submitted an offer dated 2 May 2018 in response to the ITB. Based on strict and fair evaluation criteria, TNEC was selected by MAHB as the preferred bidder and was subsequently awarded the Joint Venture Project. The salient terms of the Concession Agreement are as set out in Section 4.1 of this announcement.

3. INFORMATION ON TNEC, AVSB AND THE CONCESSIONAIRE

3.1 INFORMATION ON TNEC AND THE CONCESSIONAIRE

TNEC is a wholly-owned subsidiary of TNB. Incorporated in October 1993, TNEC has grown from being power plant related contractor to sustainable energy solution provider with expertise that includes designing, constructing, financing, operating and maintaining District Cooling System (“DCS”) domestically and internationally. TNEC currently operates and maintains six (6) DCS in Malaysia including at Kuala Lumpur International Airport 2 (“KLIA2”). Internationally, TNEC has developed two (2) DCS plants in Abu Dhabi, United Arab Emirates (“UAE”).

The Concessionaire is a private limited company incorporated on 15 December 2020 under the laws of Malaysia and is currently a wholly-owned subsidiary of TNEC. Upon satisfaction or waiver of the conditions precedent stipulated under the Concession Agreement (“**Conditions Satisfactions Date**”), TNEC and AVSB will procure that the Concessionaire will have an issued share capital of RM52,350,374.00 divided into 52,350,374 ordinary shares (“**Shares**”) held by TNEC and AVSB in the following proportions:

Shareholders	No. of Shares	%
TNEC	36,645,262	70
AVSB	15,705,112	30
Total	52,350,374	100

3.2 INFORMATION ON AVSB

AVSB is a private limited company incorporated in Malaysia on 25 April 2000 and has an issued share capital of RM2.00 comprising of two (2) ordinary shares held by MAHB. AVSB is principally an investment holding company.

4. SALIENT TERMS OF THE CONCESSION AGREEMENT AND THE SHAREHOLDERS’ AGREEMENT

4.1 Concession Agreement

The salient terms of the Concession Agreement are as follows:

- 4.1.1 The right, licence and authority granted to the Concessionaire to supply cooling energy to the customers is exclusive.
- 4.1.2 The right, licence and authority granted to the Concessionaire to supply electricity to MA Sepang during the Pre-Conversion Period is not exclusive. The Concessionaire acknowledges and agrees that MA Sepang may purchase electricity from other electricity supplier(s) during the Pre-Conversion Period only after MA Sepang has purchased or offtaken:

- (a) the entire electricity generated by the Plant which is not consumed by the Plant; or,
- (b) 25 megawatt of electricity,

whichever is lower.

The right, licence and authority referred to above and in Section 4.1.1 of this announcement are collectively referred to as the “**Concession Rights**”.

4.1.3 As part of the Joint Venture Project, the Concessionaire shall:

- (a) supply cooling energy to the customers;
- (b) supply electricity to MA Sepang during the Pre-Conversion Period in accordance with the pre-conversion electricity supply agreement (“**Pre-ESA**”);
- (c) offtake electricity from MA Sepang during the Post-Conversion Period in accordance with the post-conversion ESA (“**Post-ESA**”);
- (d) carry out and complete the relevant Improvement Works no later than the relevant scheduled Improvement Works completion date, which means with respect to the Improvement Works to be completed by the Concessionaire at the Plant and/or the premises of the customers under the relevant cooling energy supply agreement(s) 12 months from the Commencement Date or 12 months from the date of execution of the relevant post-commencement cooling energy supply agreement, whichever is applicable, or such other date as may be extended in accordance with the Concession Agreement;
- (e) carry out and complete the Conversion Works no later than the scheduled ETC Completion Date, which means a date falling within a total of 24 months from the Commencement Date or such other date as may be extended in accordance with the Concession Agreement;
- (f) if applicable, carry out and complete any connection works to connect a customer’s designated facility to the Plant; and
- (g) perform the Plant operations in accordance with the Concession Agreement.

4.1.4 As part of the consideration of MA Sepang granting the Concession Rights to the Concessionaire, the Concessionaire agrees that AVSB shall be entitled to subscribe 30% equity in the Concessionaire on the Conditions Satisfaction Date for a total amount equal to RM15,705,112.00 (“**AVSB Initial Equity Funding**”) which shall be satisfied in the manner prescribed in Section 4.1.5(b) and 4.2.1(b)(ii).

4.1.5 The Concessionaire further agrees and acknowledges that:

- (a) the AVSB Initial Equity Funding was arrived at on the basis that it shall equal to 30% of the total initial equity contribution required of the shareholders under the Shareholders’ Agreement; and

- (b) AVSB shall be deemed to have satisfied its payment obligation to pay the AVSB Initial Equity Funding under the Shareholders' Agreement on the Conditions Satisfaction Date by reason of MA Sepang granting the right, authority and concession to the Concessionaire to undertake the Joint Venture Project under the Concession Agreement.

4.1.6 The conditions precedent under the Concession Agreement are further described under Section 8 of this announcement.

4.1.7 The Concessionaire shall, at no cost to MA Sepang transfer the Joint Venture Project site, the Plant and the entire new high tension underground cable network and associate 33kV switchgears to be completed by the Concessionaire as part of the Conversion Works to MA Sepang or its nominee at the end of the Concession Period in a state and condition that meets the requirements set out in the Concession Agreement.

4.1.8 The Concession Agreement is governed by the laws of Malaysia.

4.2 Shareholders' Agreement

The salient terms of the Shareholders' Agreement are as follows:

4.2.1 On the Conditions Satisfaction Date for the Joint Venture Project, the shareholders shall provide funding to the Concessionaire in the following manner:

- (a) TNEC shall provide equity contribution in the amount of RM36,645,262.00 ("**TNEC Initial Equity Funding**") and AVSB shall provide equity contribution in the amount based on the AVSB Initial Equity Funding, (collectively, "**Initial Equity Funding**"). The Initial Equity Funding may be paid to the Concessionaire in more than one tranche during the Initial Equity Period.

(b) The payment for each shareholder's respective share of the Initial Equity Funding shall be made in the following manner:

- (i) with respect to TNEC, in cash to the bank account designated by the Concessionaire; and
- (ii) with respect to AVSB, TNEC and the Concessionaire acknowledge and agree that AVSB shall be deemed to have satisfied its payment obligation with respect to the AVSB Initial Equity Funding by reason of MA Sepang granting the Concession Rights to the Concessionaire to undertake the Joint Venture Project under the Concession Agreement.

4.2.2 The Board of Directors of the Concessionaire ("**Board of Concessionaire**") shall comprise a total of six (6) Directors, out of which four (4) Directors will be appointed by TNEC and two (2) Directors appointed by AVSB.

4.2.3 The Chairman shall be appointed by TNEC from one (1) of its Directors.

- 4.2.4 The management of the Concessionaire shall be vested in the Board of Concessionaire, which shall be responsible for the administration, compliance and operation of the Concessionaire in accordance with the Shareholders' Agreement, the Concessionaire's constitution and the provisions of law.
- 4.2.5 The plant manager, operations manager, general manager or such other person who is responsible to oversee and manage the operations of the Plant shall be appointed, replaced or substituted by the Concessionaire from a nominee nominated by TNEC.
- 4.2.6 The Shareholders' Agreement terminates:
- (a) in respect of the rights and obligations of all parties:
 - (i) in the event that the conditions precedent under the Concession Agreement are not satisfied or waived by the Scheduled Conditions Satisfaction Date (as defined in the Concession Agreement) and as a result, the Concession Agreement is terminated on the date falling seven (7) days from the occurrence of such event;
 - (ii) on the date on which the Concessionaire is wound up;
 - (iii) on the date on which one person becomes the beneficial owner of all the Shares;
 - (iv) on the date on which a shareholder serves a default notice; or
 - (v) on the date on which all parties agree in writing to terminate the Shareholders' Agreement;

and,

 - (b) in respect of the rights and obligations of a shareholder, on the date on which that shareholder ceases to hold any Shares pursuant to the terms of the Shareholders' Agreement.

5. RATIONALE AND PROSPECTS OF THE JOINT VENTURE

The Joint Venture will facilitate the co-operation between TNB, TNEC and MAHB for the Plant to supply cooling energy to KLIA's surrounding facilities using reliable, modern and efficient technology. TNEC will be investing in technology and system upgrades for the existing plant.

This venture is part of TNB's rigorous efforts in promoting and providing sustainable energy solutions to its customers in line with its aspiration to brighten lives through innovative and sustainable solutions towards a better world.

6. RISKS OF THE JOINT VENTURE

The Joint Venture Project is not expected to materially change the business risk profile of the TNB Group except for general business risks and risks associated with the management, operation and maintenance of the cooling plant, for which the TNB Group is already exposed to. However, as with any ordinary course of business, the Joint Venture Project is subject to inherent risk in business and industry including but not limited to those associated with the changes in the operational, market, economic, political and regulatory conditions.

7. FINANCIAL EFFECTS

The Joint Venture Project is not expected to have any material effect on the share capital, substantial shareholdings, net assets per share, earnings per share and gearing of TNB.

8. APPROVALS REQUIRED

The following are the conditions precedent which must be satisfied on or prior to the Conditions Satisfaction Date as specified under the Concession Agreement:

- (i) the Concessionaire having obtained a licence under the Electricity Supply Act 1990 to supply electricity to MA Sepang;
- (ii) the subscription of 30% of the issued share capital of the Concessionaire by AVSB, and the allotment by the Concessionaire to AVSB of such number of shares, upon MA Sepang granting the right, authority and concession to the Concessionaire to undertake the Joint Venture Project under the Concession Agreement;
- (iii) the subscription of 70% of the issued share capital in the Concessionaire by TNEC and the allotment by the Concessionaire to TNEC of such number of shares, upon TNEC paying to MA Sepang a total consideration based on the TNEC Initial Equity Funding;
- (iv) the execution of a Cooling Energy Supply Agreement (“CESA”) between MA Sepang and the Concessionaire and the other CESA between the Concessionaire and KL Airport Hotel Sdn. Bhd.;
- (v) the execution of a sub-lease agreement between MA Sepang and the Concessionaire;
- (vi) the execution of the Pre-ESA between MA Sepang and the Concessionaire;
- (vii) the execution of the Post-ESA between MA Sepang and the Concessionaire on the terms and conditions consistent with the following:

- (a) the obligations and risks accepted by the Concessionaire under the Post-Conversion ESA will be “back-to-back” with those accepted by MA Sepang under a new electricity supply agreement pursuant to which TNB shall supply electricity to KLIA and KLIA2 (by or via the existing main intake substations) during the entire Post-Conversion Period (“TNB ESA”);
- (b) only such charges charged by TNB that are applicable for the supply of electricity to the Concessionaire under the TNB ESA (which may be adjusted from time to time) will be entirely passed through to the Concessionaire under the Post-Conversion ESA;
- (c) MA Sepang shall only be liable to the Concessionaire for any losses as may be incurred or suffered by the Concessionaire as a result of any breach by MA Sepang of any of its obligations under the Post-Conversion ESA which is caused or contributed by an act, omission, negligence and/or default by TNB to the extent that MA Sepang has recovered and received from TNB the equivalent amount of losses that the Concessionaire seeks to claim and recover from MA Sepang;
- (d) the Concessionaire shall, as a condition precedent to the supply of electricity and other obligations of MA Sepang under the Post-Conversion ESA, provide to MA Sepang an irrevocable and unconditional on demand bank guarantee with an initial value of RM4,200,000.00. MA Sepang shall be entitled from time to time in its absolute right and discretion to revise the required value of the bank guarantee in the event of any variation in the Concessionaire’s monthly electricity consumption and/or changes in tariff under the Post-Conversion ESA;
- (e) the costs of testing any of the meters if requested by the Concessionaire under the Post-Conversion ESA shall be borne by the Concessionaire unless the results of the tests indicate that the accuracy of the meters is not within the range of +/- 0.4%, in which case such tests shall be at the costs of MA Sepang;
- (f) in the event the Post-Conversion ESA is terminated as a result of or for a reason attributable to:
 - (aa) any negligence, breach or default by the Concessionaire under the Post-Conversion ESA, and the Concessionaire’s sole remedy for or in respect of such termination is set out in the Concession Agreement;
 - (bb) any negligence, breach or default by MA Sepang under the Post-Conversion ESA, and the Concessionaire’s sole remedy for or in respect of such termination is set out in the Concession Agreement;

- (cc) a force majeure or any other reason (other than the reason set out in sub-paragraphs (aa) and (bb) above), and the Concessionaire's sole remedy for or in respect of such termination is set out in the Concession Agreement.

Save as otherwise expressly set out above, the Concessionaire shall not be entitled to claim for any losses as may be incurred or suffered by the Concessionaire as a result of the termination of the Post-Conversion ESA for any reason;

- (viii) the Concessionaire to execute a gas supply agreement with a gas supplier for the supply of gas to the Concessionaire for the operation of the Plant during the Pre-Conversion Period;
- (ix) MA Sepang to obtain the necessary approvals from the Federal Lands Commissioner and the Ministry of Transport for the grant of a sub-lease for the site in favour of the Concessionaire;
- (x) the execution of a water supply agreement between MA Sepang and the Concessionaire; and
- (xi) the execution of the TNB ESA between TNB and MA Sepang on the terms and conditions consistent with the TNB's letters to MA Sepang dated 15 May 2020 and 17 December 2020.

The above are collectively referred to as the "**Conditions Precedent**".

9. **INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

Khazanah Nasional Berhad ("**KNB**"), being major shareholder of both TNB and MAHB, is deemed interested in the Joint Venture Project. Amran Hafiz bin Affifudin is the nominee of KNB in TNB. Therefore, he is deemed interested in the Joint Venture Project ("**Interested Director**").

The Interested Director has abstained and shall continue to abstain from all deliberations and voting at Board meetings of TNB in respect of the Concession Agreement and the Joint Venture Project.

Save as disclosed above, none of the Directors and/or major shareholders of TNB or person connected with the directors and/or major shareholders of TNB have any interest, either direct or indirect, in the Joint Venture Project.

10. **DIRECTORS' STATEMENTS**

Save for the Interested Director, the Board, after having considered all aspects of the Joint Venture Project, is of the opinion that the Joint Venture Project is in the best interests of TNB.

11. HIGHEST PERCENTAGE RATIO PURSUANT TO PARAGRAPH 10.02(G) OF THE MAIN MARKET LISTING REQUIREMENTS

The highest percentage ratio applicable for the transaction pursuant to paragraph 10.02(g) of the Main Market Listing Requirements is 0.22%, which is based on the latest audited consolidated financial statements of TNB for the Financial Year ended 31 December 2019.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Conditions Precedent and other consents and/or approvals are expected to be satisfied or obtained on or prior to 30 June 2021 or such other dates as the Concessionaire and MA Sepang may mutually agree upon. The Concession Period will commence on 1 July 2021 for a period of 20 years.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The Concession Agreement and the Shareholders' Agreement are available for inspection at the registered office of TNB at Pejabat Setiausaha Syarikat, Tingkat 2, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 23 December 2020.