

MEDIA STATEMENT

Kuala Lumpur, 1 September 2016

Khazanah raises USD398.8 million from issuance of Sukuk exchangeable into Beijing Enterprises Water Group Limited (“BEWG”) shares

- **The first Sukuk to offer exposure into China’s growing water utility sector**
- **Highest exchange premium achieved for an exchangeable Sukuk by Khazanah**
- **Monetisation of initial investment in BEWG with Holding Period Return (“HPR”) of between 146% to 249%**

Khazanah Nasional Berhad (“Khazanah”) is pleased to announce that it has successfully priced an exchangeable Sukuk offering of USD398.8 million (RM1,622 million), via a Labuan incorporated independent special purpose vehicle, Bagan Capital Ltd. The Sukuk is exchangeable into Khazanah’s holding of ordinary shares in BEWG, one of the leading integrated water and sewage treatment solutions service providers in the People’s Republic of China (“PRC”).

The exchangeable Sukuk was priced through an accelerated book-building process and achieved a final pricing of 43.0% exchange premium with zero periodic payment and 0.00% yield to maturity. The transaction achieved the highest exchange premium for a zero coupon and zero yield exchangeable Sukuk since 2007 in Asia Pacific ex-Japan reflecting the market’s confidence in BEWG’s growth story supported by Khazanah’s strong credit. The Sukuk, which has a tenor of 5 years with an investor put option at the end of year 3, drew demand from a diverse group of investors comprising long only funds, hedge funds, arbitrage funds as well as asset managers across Asia and Europe.

Khazanah’s investment in BEWG of HKD1,180 million (RM486 million) in October 2013 was part of a wider collaboration with the Beijing Enterprises Group Company Limited to further strengthen its exposure to the fast growing environmental related sectors in China including water and waste-to-energy. At yesterday’s closing price of HKD5.41, Khazanah’s stake in BEWG is valued at HKD2,164 million (RM1,151 million) translating into an investment gain of HKD984 million (RM665 million), implying a HPR of 146%. Assuming full exchange of the exchangeable Sukuk at the exchange price, the stake would be valued at HKD3,095 million (RM1,622 million) or an implied HPR of 249%.

The exchangeable Sukuk, structured based on the principle of Wakalah, is a novel Islamic finance solution whereby it references a stock in the water utility sector that does not meet the financial ratio requirements for Shariah-compliance set by the Dow Jones Islamic Market™ Index and FTSE Shariah Global Equity Index Series.

Chief Financial Officer of Khazanah, Dato’ Mohd Izani Ghani said: “This unique structure allows Islamic investors to participate as Khazanah would satisfy any exchanges via a cash settlement if BEWG shares do not meet the financial ratios for Shariah-compliance on the date of the exchange.



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The structure also provides the Sukuk holder the option to request for Khazanah to settle the exchange right by delivering BEWG shares in lieu of cash, subject to the terms and conditions of the Sukuk. This is another milestone in Khazanah's track record of innovative and landmark transactions."

The exchangeable Sukuk will be listed on the Singapore Exchange Securities Trading Limited, Labuan International Financial Exchange Inc and Bursa Malaysia (under the Exempt Regime).

Khazanah has undertaken repeat issuances of Islamic securities since its inaugural issuance of sukuk exchangeable into Telekom Malaysia Berhad shares in 2006 and BEWG represents the seventh underlying security offered by Khazanah in an exchangeable Sukuk format.

Bank of America Merrill Lynch, CIMB and Deutsche Bank are the Joint Bookrunners and Joint Lead Managers for this exchangeable Sukuk transaction.

End

Note: All amounts quoted are based on the exchange rate applicable on the relevant dates, except for values based on exchange price which is quoted using current exchange rate. HPR is calculated in RM terms and inclusive of dividends received.

For further information on Khazanah, please visit www.khazanah.com.my or contact Mohd Raslan Md Sharif at +603 2034 0000, or e-mail at raslan.sharif@khazanah.com.my

About Khazanah Nasional Berhad

Khazanah Nasional Berhad ("Khazanah") is the strategic investment fund of the Government of Malaysia entrusted to hold and manage the commercial assets of the Government and to undertake strategic investments. Khazanah is involved in various sectors such as power, telecommunications, financial institutions, healthcare, aviation, infrastructure, leisure & tourism, property, creative & media, education, and innovation & technology. Some of the key listed companies in Khazanah's investment portfolio include Telekom Malaysia Bhd, Tenaga Nasional Bhd, CIMB Group, Axiata Group Bhd, IHH Healthcare Bhd, Malaysia Airports Holdings Bhd and UEM Sunrise Bhd. For further information on Khazanah, please visit www.khazanah.com.my.

About Beijing Enterprises Water Group Limited

Beijing Enterprises Water Group Limited ("BEWG"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, is a water services and environmental protection services company in the PRC. BEWG is principally engaged in the provision of sewage treatment, water supply, reclaimed water, construction, and technical and consulting services. The coverage of BEWG's water plants has extended to 19 provinces, two autonomous regions and four municipalities across the PRC. Currently, BEWG owns and operates water supply plants and sewage



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treatment plants in China, Malaysia, and Portugal, with daily design water treatment capacity with over 24 million tonnes per day.