

MEDIA STATEMENT FOR IMMEDIATE RELEASE

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Khazanah Nasional Berhad (“Khazanah”) and the proposed South Johor Economic Region (“SJER”)

In July 2005, the Government of Malaysia had tasked Khazanah to conduct a feasibility study for the development of a special economic zone in South Johor in what was then referred to as the Southern Belt Economic Zone (“SBEZ”). A Special Projects Team (“SPT”) was formed in Khazanah to undertake the task led by Dr. Iskandar Ismail, Director of Special Projects in Khazanah. The SPT consists of various Khazanah officers and leading consultants and subject matter experts from various relevant fields including in town planning, real estate, economic and financial planning, environmental planning, legal and regulatory, marketing, business process reengineering, social policy, strategy, and in local government. Officers from the Federal Government and the State Government of Johor are also seconded to the SPT.

In October 2005, Khazanah presented a Conceptual Outline Plan for the proposed South Johor Economic Region (“SJER”) to the National SJER Planning Committee (“NSPC”) that concluded there was a strong economic, social and developmental rationale for the proposed development of SJER. The NSPC was chaired together by the YAB Prime Minister and YAB Chief Minister of Johor. Khazanah acts as the secretariat for the committee. The NSPC further tasked Khazanah to develop a detailed and comprehensive Master Plan for the development of SJER that aimed to address socio-economic development in a holistic and sustainable fashion. Particular emphasis was placed on ensuring an investment climate that was both attractive to local and foreign investors while ensuring that local communities were not to be marginalized.

To drive the planning process, the strategic framework of the proposed SJER was also adopted in October 2005 and consists of the following;

1. Vision: Development of a Strong, Sustainable Conurbation of International Standing
2. Foundations to be based on
 - a. Nation Building
 - b. Growth and Value Creation
 - c. Equitable and Fair Distribution among Stakeholders
3. Five main strategic pillars
 - a. International Rim Positioning
 - b. Establishing hard and soft infrastructure enablers
 - c. Investments in catalyst projects
 - d. Establishing a strong institutional framework and the creation of a strong regulatory authority
 - e. Ensuring socio-economic equity and buy-in from the local population

Since November 2005 to date, the detailed planning phase is currently under way, led by the SPT, with thorough discussions being held on the various work tracks along the five

strategic pillars with various federal and state government departments and agencies, and with existing and prospective investors, both local and foreign.

The SJER Master Plan is targeted to be completed before the end of 2006, and will consist of several sub-plans, currently structured to cover the Physical Plan, the Economic Plan, the Commercialization Plan, the Regulatory Plan and the Social Plan. While this will be unveiled upon completion of the Master Plan, several salient features of public interest can be highlighted as follows:

1. The proposed SJER is envisaged to cover the logistic triangle of Senai Airport to the north, Port of Tanjung Pelepas (South West) and Johor Port in Pasir Gudang (South East), encompassing an area of 2,217 sq km (refer map attached). The area has excellent links through the North-South Expressway, road and rail links to Singapore, air links and sea links to Indonesia, and the region. Its strategic location and proximity to some of the world's most rapidly growing and important economies is expected to be a key differentiating factor for the development.
2. The SJER Master Plan is, inter alia, intended to minimize several key risks that has hampered regional development in the past, including uncoordinated and duplicative development, excessive private value capture and potential marginalisation of the local population. A cornerstone of the proposed Master Plan is the need to ensure that the rights of the Federal and State Governments under the Federal Constitution are preserved.
3. A key component of the SJER is the creation of a one-stop fast-track mechanism agency to provide a facilitative environment for investors and consumers. The Federal and State Governments will play a major role in facilitating the creation of an investor-friendly environment through among others, immigration, education, tax, land and close liaison with local authorities.
4. Another key feature of the Master Plan will be the emphasis on sustainable development, conservation of the environment, and equitable distribution of the benefits of growth among the local population.
5. In addition to its planning role, Khazanah will also coordinate participation of private investors, both local and foreign, who will be the key demand drivers and act as the catalyst for the success of the SJER.
6. Separately, it is envisaged that Khazanah will also be making investments directly, or through its investee companies, alone or in partnership with other companies in the proposed SJER.
7. Among others, several catalyst projects have been identified and are being studied or in some cases have already started, involving both private and public sector participation in the proposed SJER development including the Johor State New Administrative Center ("JSNAC"), Southern Johor Industrial Logistic Cluster, Waterfront City, Medical Hub, Educuity, and an international destination resort. A proposed High-Speed Train linking Kuala Lumpur and the SJER region and an iconic building as a landmark for the new metropolis are among the projects being studied.

The SJER project was mooted and conceptualized by Prime Minister Datuk Seri Abdullah Ahmad Badawi in 2005, and will be driven by both the public and private sectors through

various mechanisms including through the Federal Government under the 9th Malaysia Plan and through Privately Funded Initiatives (“PFI”). Several infrastructure projects including those under the 9th Malaysia Plan have been identified and will be announced in due course.

The proposed SJER project with this specialized development approach by the Federal in partnership with the Johor State Government, and investment agencies including Khazanah, is expected to generate significant additional economic, social and capability building benefits to Johor specifically, and to Malaysia and the region at large.

Early indications of interest from various foreign and local investors are very encouraging. Khazanah in its planning and enabling role to date has seen strong early indications of significant scope for GDP enhancement, job creation, investments and upgrading of capabilities and benchmarking to global standards, whilst ensuring development is done in a holistic and sustainable fashion as envisioned.

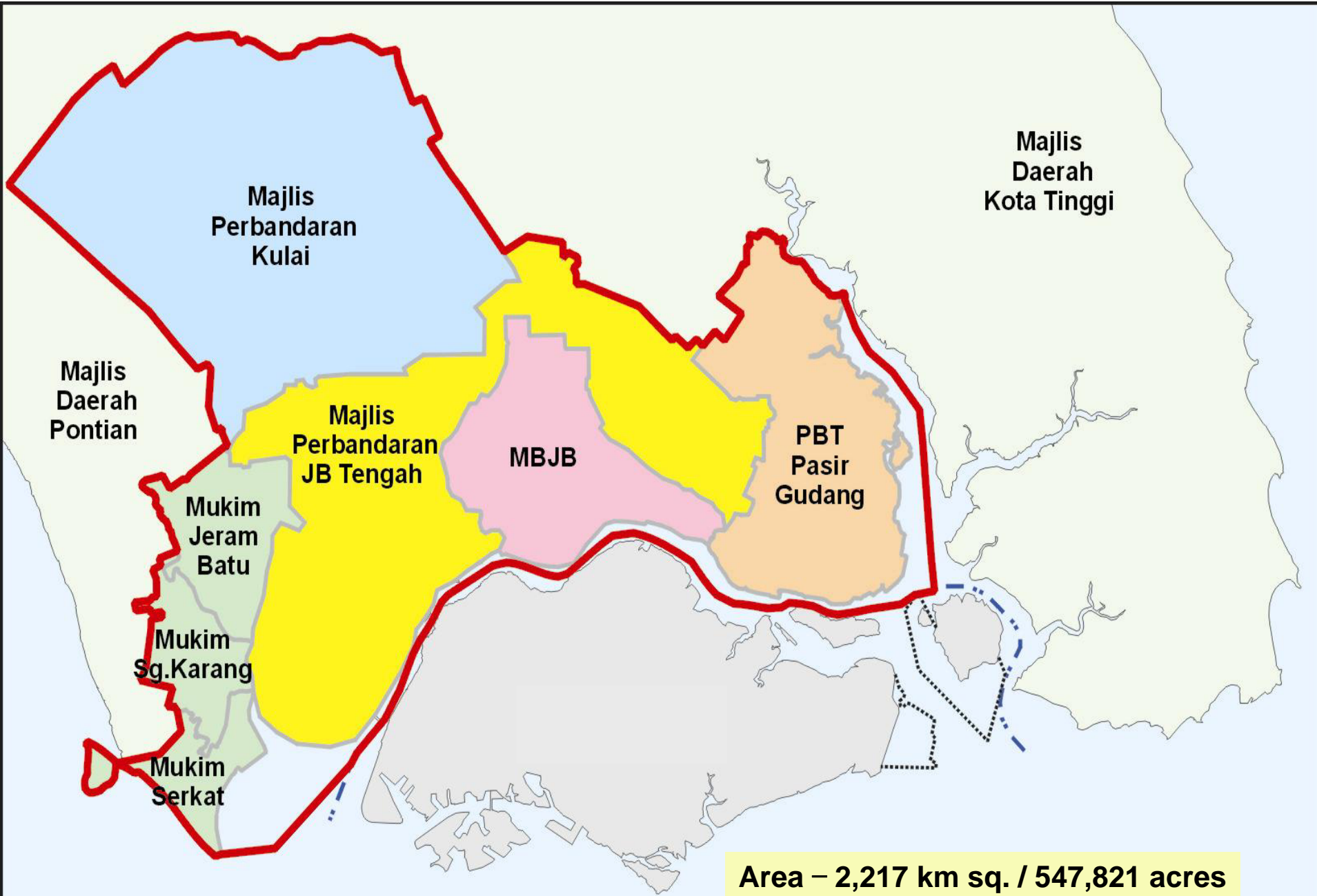
Further details on investments, infrastructure and other catalyst projects, regulatory authority, job creation, social development mechanisms among others, will be announced in due course, especially upon the completion and launch of the Master Plan before the end of 2006.

Khazanah Managing Director, Dato’ Azman Mokhtar said, “Khazanah’s role for the past year has been to spearhead the master planning and the coordination of potential investments in the SJER. We have completed the initial master planning work for the project and are now working closely with the Federal and Johor State Government to finalise the details. The Federal and State governments will then decide on the appropriate governance structures and mechanism for the SJER. We look forward to fulfilling our role in this exciting and important project..”

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Proposed South Johor Economic Region



Area – 2,217 km sq. / 547,821 acres