

MEDIA STATEMENT

Kuala Lumpur, 6 March 2008

KHAZANAH'S USD647 MILLION EXCHANGEABLE SUKUK AND STOCK PLACEMENT RE-CREATE MIDDLE EAST-CHINA CONNECTION

- **USD647 million raised through a combined offering of USD550 million exchangeable Sukuk and USD97 million stock placement**
- **Transactions priced at the tightest ends despite unprecedented turbulent markets. The Sukuk was over-subscribed by 10 times, reflecting strong demand for quality Malaysian credit**
- **The first Sukuk that offers Islamic investors exposure to China's growth story, continuing the innovations in structured Islamic financial products**
- **Khazanah's initial investment in Parkson is monetised at over 900% its cost.**

Khazanah Nasional Berhad ("Khazanah"), via an independent Labuan incorporated special purpose company, Paka Capital Ltd., has successfully raised USD647 million through the combined issuance USD550 million Islamic exchangeable trust certificates ("the Sukuk") and USD97 million concurrent placement of shares of Parkson Retail Group Limited ("Parkson"), the largest department store operator in the People's Republic of China.

The Sukuk, which is also exchangeable into ordinary shares of Parkson, is Khazanah's third Sukuk issuance, having previously issued the world's first USD750 million exchangeable Sukuk in October 2006 and a second USD850 million exchangeable Sukuk in July 2007. The Sukuk will be listed on the Labuan International Financial Exchange Inc. and the Stock Exchange of Hong Kong Limited.

Simultaneously with the Sukuk issuance, Khazanah, via its wholly owned subsidiary, Pangkor Investments (Cayman Islands) Limited, sold USD97 million worth of shares at HKD71 per share, equivalent to 10.6 million shares or approximately 1.9% of the issued and paid up share capital of Parkson ("the Placement"). The Placement was priced at a 6.7% discount to the closing market price on 5 March 2008.

The Sukuk has a maturity span of five years with a put option on year 3 with zero periodic payment. It was priced with a yield to scheduled dissolution of 0.69% and an exchange premium of 37% over the Placement price of HKD71 per share. Upon the exercise of the exchange rights under the Sukuk, Sukuk holders will be entitled to receive an aggregate of 44 million ordinary shares of Parkson, subject to adjustments pursuant to the terms and conditions of the Sukuk. This represents approximately 7.9% of Parkson's current issued and paid up share capital.

These transactions - the raising of USD647 million and the conversion premium of the exchangeable Sukuk - effectively monetizes more than 900% Khazanah's original investment of USD70 million into Parkson, made in 2005.

In this latest issuance, Khazanah continues to offer innovative structured exchangeable Sukuk benchmark for Islamic investors that has been widely accepted by international investors. This issuance is Khazanah's first Sukuk exchangeable into a stock listed outside Malaysia. It is unique in allowing Sukuk holders to have Khazanah's credit as downside protection while enjoying the

benefits of the favourable Chinese retail consumption growth potential. This groundbreaking landmark issuance was done at a time of unprecedented turbulent markets and economic uncertainty – a testament of the quality of the Sukuk, the underlying equity story of Parkson and Khazanah’s credit.

The Managing Director of Khazanah, Dato’ Azman Mokhtar said: “The transaction is a wonderful testament of Malaysia’s and Khazanah’s credit and economic fundamentals at a turbulent time in the markets when many countries and companies are afraid of tapping the international market. Deals are being pulled out there and we have entered instead and the strong terms and 10 times oversubscription could not be a stronger endorsement.

“The deal also further promotes Malaysia’s position as a leading developer and innovator in Islamic finance and interestingly, among others, this transaction can be said to recreate a ‘New Silk Road’ by linking China and the Middle East, via Malaysia, of course,” said Dato’ Azman.

This issuance is in line with Khazanah’s fund-raising strategy and long term commitment towards progressive divestment of its holdings. This transaction made further significant inroads in tapping Middle Eastern and other investors seeking Shariah-compliant instruments. The success of this issue cements further Malaysia’s prime position as a global Islamic Financial Centre.

The Sukuk was marketed through an accelerated book building on 5 March 2008. Investors’ overwhelming response was evidenced in the over-subscription level of approximately 10 times at the tightest price range and initial size at launch, underscoring strong demand once again from investors. Middle East and other regions’ investors, including financial institutions, asset managers, insurance companies, pension funds, corporations and high net worth individuals created most of the demands. 50% of the Sukuk was allocated to Middle Eastern and Islamic investors. Issue proceeds will be utilized for working capital and general purposes in line with Khazanah’s principal business activities.

Parkson, listed on the Stock Exchange of Hong Kong, is the largest department store operator in China, with 41 stores in prime locations in 26 major cities. Parkson’s peerless network of department stores nationwide makes it the premier choice as distributor of high quality branded items. Its growth is driven by its three-pronged growth strategy of increasing same-store-sales, establishing new stores as well as acquiring new stores.

Deutsche Bank is the Global Coordinator on this transaction. The Joint Bookrunners and Joint Lead Managers were Deutsche Bank, CIMB Investment Bank Berhad and UBS Investment Bank. AmInternational (Labuan) Ltd was also a Joint Lead Manager.

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For further information, please contact Mohd Asuki Abas at +603 2034 0294 or via e-mail to asuki.abas@khazanah.com.my