

11th December 2023

Telekosang Hydro 2 power plant in Sabah achieves Initial Operating Date, poised to be injected into Jentayu Sustainables Berhad

Jentayu Sustainables Berhad (JSB) is pleased to announce that we have been notified that run of river hydropower plant Telekosang Hydro 2 (TH2) has now achieved its Initial Operating Date (IOD) as of 9th December, 2023 with a target Feed in Tariff Commencement Date (FiTCD - which indicates that the plant is now successfully supplying power as contracted) within the next 30 days.

Together with the FiTCD of Telekosang Hydro 1 (TH1) in February, the successful commissioning of both hydropower plants is a major step towards satisfying the condition precedent necessary for JSB to acquire TH1 and TH2, subject to final approval by shareholders and regulators.

We are glad to note the progress made on TH1 and TH2 with the support of Sabah Electricity Sdn Bhd (SESB), especially given Prime Minister Dato' Seri Anwar Ibrahim's call on the 7th of December 2023 for power generating projects in Sabah to be expedited in light of Sabah's power needs.

TH1 and TH2 together generate 40MW of power and were developed by Telekosang Hydro One Sdn Bhd and Telekosang Hydro Two Sdn Bhd - companies which are operated by the major shareholders of JSB.

The acquisition of Telekosang Hydro One Sdn Bhd and Telekosang Hydro Two Sdn Bhd by JSB represents a major milestone in JSB's plans to transform its business and strengthen its financial position. As the exercise involves related parties, it will be subject to strict regulatory and shareholder approvals.

The first stage of this plan involves the injection of TH1 and TH2 as well as a solar photovoltaic plant generating 5.99MW located in Pokok Sena, Kedah into JSB. Approximately 9% of the consideration of this transaction was settled via a cash deposit that has already been paid, while the outstanding balance of 91% will be settled fully via the issuance of new shares, upon receiving approval from regulators and shareholders.

Once this injection is complete, JSB will be poised to progress to the next important stage of our plan - the completion of our next hydropower plant in development, Project Oriole.

Project Oriole

Project Oriole is two run of the river hydropower cascading schemes to be constructed along Sungai Malingan and Hulu Sungai Padas in Sipitang, Sabah that will produce 170MW of power. The project is estimated to cost RM 2.8 billion to develop and is expected to be completed by December 2027.

Project Oriole is being developed following the same 6 chronological development phases that was used in the proven and successful development and commissioning of TH1 and TH2.

These phases are as follows:

Phase 1: Consultation with the Sabah state government, and securing land and water use rights.

Phase 2: Consultation with the federal government about the feasibility and desirability of the project.

Phase 3: The building of infrastructure such as roads and bridges to access the site, and the conducting of necessary surveying, feasibility, and verification studies.

Phase 4: Negotiating and finalising the Power Purchase Agreement (PPA), and securing financing for full construction of the hydropower plant.

Phase 5: Constructing the hydropower plant.

Phase 6: Full commissioning of the hydropower plant.

Phase 3 for run of river hydropower plants differs from other power generation projects because it entails multiple technical studies; the mapping and optimisation of design over a large project land area; preparation to obtain local Government approvals which include but are not limited to EIA, Erosion and Sedimentation plans, Development Plans; and so on. There are at least 12 local government approvals to be procured during this phase.

Having successfully completed Phases 1-3, Project Oriole is now in Phase 4.

Project Oriole was presented by JSB to a meeting of Jawatankuasa Perancangan dan Pelaksanaan Pembekalan Elektrik dan Tarif (JPPPET) Sabah, which was chaired by the Minister of Natural Resources, Environment and Climate Change and the Chief Minister of Sabah on the 25th of August, 2022.

In October 2022, the Group then secured a letter of intent from the Ministry of Energy and Water Resources (KeTSA) which allowed JSB to continue development of Project Oriole.

Project Oriole was subsequently included as a confirmed project in the Plant Up Plan for Sabah that was released on 19th September 2023, which represents the development plan for future power generating plants in Sabah.

Given the scale of the project and the RM 2.8 billion required for development, JSB embarked on an investor selection process in February, targeting strategic partners and infrastructure investors both locally and abroad.

JSB believes the presence of an additional partner in Project Oriole will not only ensure conformity to international standards but also tap the skill sets of its more established potential partners in project management and cost control. The process is currently in the due diligence phase and should be completed by the first quarter of 2024.

In meeting the expressed timeline of Project Oriole, JSB has spent RM 73.67 million thus far in completing Phases 1-3 for Project Oriole. This consists of 2.6% of the total project budget which is similar to the benchmarks achieved at similar stages for TH1 and TH2.

Proposed Private Placement

JSB is now looking to utilise an additional RM 26 million to ensure the completion of Phase 4 for Project Oriole and progression to Phase 5. This amount is for technical, financial, and legal fees to ensure the tender process and all related compliance requirements are followed, and to ensure that the interests of JSB are protected. These fees are only paid in the event the PPA is approved.

JSB expects to fund Phase 4 of Project Oriole via a private placement.

The total private placement is expected to raise an estimated RM 46 million in multiple tranches over the next 6 months according to predetermined project milestones. With RM 26 million earmarked for Project Oriole, the balance of funds raised are earmarked for JSB's investment in other renewable energy projects, expansion of our healthcare division and Ohana Hospital, working capital, and other related expenses.

JSB is working very closely with the state government of Sabah and other authorities to ensure that clean and reliable energy is produced in a timely manner to meet Sabah's urgent power needs, as highlighted recently by the Prime Minister.

In meeting these shared goals, we are encouraged by the fact that run of river hydropower is one of the best proven sources of renewable energy available; and the fact that TH1 has successfully been producing more power than projected over the past ten months.