

**KHAZANAH NASIONAL BERHAD (“KHAZANAH”)**

**PRINCIPAL TERMS AND CONDITIONS OF THE BONDS**

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<b>Issuer</b>	:	Khazanah Nasional Berhad (“Khazanah”).
<b>Facility Type</b>	:	A Bonds Issuance (“Sukuk”) to be issued in accordance with the Syariah principle of Musyarakah.
<b>Structuring Adviser</b>	:	CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad (“CIMB”)).
<b>Trustee</b>	:	PB Trustee Services Berhad.
<b>Syariah Adviser</b>	:	CIMB Shariah Committee, CIMB.
<b>Obligor</b>	:	Khazanah.
<b>Registered &amp; beneficial Owner of the Assets</b>	:	Khazanah.
<b>Musyarakah Partner</b>	:	Khazanah.
<b>Portfolio Trustee</b>	:	Khazanah.
<b>Initial Owner of the Portfolio Units</b>	:	Khazanah.
<b>Guarantor</b>	:	Government of Malaysia.
<b>Paying Agent &amp; Authorised Depository</b>	:	Bank Negara Malaysia.
<b>Facility Agent</b>	:	Khazanah.
<b>Legal Counsel for Documentation</b>	:	Messrs Zaid Ibrahim & Co.
<b>Islamic principle used</b>	:	Musyarakah.
<b>Facility description</b>	:	<b><u>Musyarakah</u></b>

The Sukuk applies the underlying Syariah contract of Musyarakah which is a partnership between Khazanah as Musyarakah Partner and Khazanah (“Issuer”) as wakeel for the Sukukholders (as described below) (“Musyarakah Partners”) to invest in the respective Portfolio Units (as described below). The Musyarakah Partners shall contribute their portion of the Musyarakah Capital for the purpose of the Musyarakah Venture (as defined below). Any profit derived from the venture will be distributed based on a pre-agreed profit sharing ratio in proportion to each Musyarakah Partner’s proportionate holdings of the Portfolio Units in the Musyarakah Venture (as defined below) while losses derived from the venture will be distributed in proportion to each Musyarakah Partner’s proportionate holdings of the Portfolio Units in the respective Musyarakah Venture.

On that basis, investors (“Sukukholders”), from time to time, shall enter into a Musyarakah by subscribing to the relevant Sukuk issued by the Issuer. The subscription of the Sukuk essentially represents their proportionate investments (through the Issuer) in the Musyarakah Venture at the Portfolio level (as described below).

The Obligor shall undertake to purchase the respective Portfolio Units from the Issuer via a Purchase Undertaking (as described below).

The Obligor’s payment obligation pursuant to the Purchase Undertaking shall be guaranteed by the Government of Malaysia (“Guarantor”).

### **Musyarakah Venture**

There shall be only one Musyarakah at the Portfolio level between the Issuer as wakeel for the Sukukholders and Khazanah (as the holder of a Special Portfolio Unit). The Musyarakah Venture shall be at the Portfolio level, involving investment in the specific Portfolio Units under the Portfolio (as defined below) held in a trust created by Khazanah as the Musyarakah Partner. Upon execution of the Portfolio Unit Purchase Agreement, the Issuer shall hold the Portfolio Units which it purchases from time to time from the Initial Owner of Portfolio Units and/ or the Obligor in trust for the benefit of the Sukukholders. Khazanah as one of the Musyarakah Partners shall at all time hold a Special Portfolio Unit.

### **Musyarakah Capital**

Proceeds received from the Sukukholders pursuant to their subscription to the Sukuk issued by the Issuer shall be applied by the Issuer to acquire the Portfolio Units. The Portfolio Units shall represent the Sukukholders’ undivided interest in the Portfolio and proportionate interest (shareholding) in the Musyarakah Venture.

Khazanah’s (as the Musyarakah Partner) contribution in the Musyarakah shall be in the form of in-kind contribution of the Assets (as described below) in the Portfolio. Khazanah as the Musyarakah Partner shall hold a Special Portfolio Unit which represents their undivided interest in the Portfolio and proportionate interest (shareholding) in the Musyarakah Venture.

### **Musyarakah Distribution**

The Musyarakah Partners shall have the rights to receive income from the portfolio that is attributable to the respective Portfolio Units held.

The Sukukholders shall waive (tanazul) their rights over any income above the expected return from the portfolio units for the benefit of Khazanah, the Musyarakah Partner.

The Trustee shall distribute any cashflows arising from holding or disposing of the respective Portfolio Units, to the Sukukholders.

### **Sukuk Musyarakah (“Sukuk”)**

The Sukuk shall represent the respective Sukukholder’s undivided proportionate interest in the Musyarakah Venture at the portfolio unit level. Each Sukuk shall represent a different Musyarakah venture at the Sukukholder level.

**Portfolio Units**

A Portfolio Unit and/or the Special Portfolio Unit, as the case may be, is a fraction of undivided interest of the Portfolio Units holders in the Portfolio (as defined below) created by the Khazanah the Musyarakah Partner.

**The Portfolio**

The Portfolio is a pool of Syariah compliant shares or any other Syariah compliant assets (“the Assets”) identified and provided in kind by Khazanah the Musyarakah Partner for the purpose of the transaction. The Assets shall be endorsed by the Syariah Adviser.

Khazanah, the Musyarakah Partner shall make a declaration of trust on the Portfolio to be held by the Portfolio Trustee for the benefit of holders of the Portfolio Units (“Portfolio Unit holders”). On the date of such declaration of trust, the Initial Owner of the Portfolio Units shall be the first holder of all (other than the Special Portfolio Unit) the Portfolio Units and Khazanah as the Musyarakah Partner shall be holder of the Special Portfolio Unit.

The Initial Owner of the Portfolio Units (other than the Special Portfolio Unit), as the first Portfolio Unit Holder, may from time to time, sell the Portfolio Units (other than the Special Portfolio Unit) to the Issuer (on behalf of the Sukukholders).

For each issue of Sukuk, Portfolio Units shall be issued by the Portfolio Trustee to the Initial Owner of Portfolio Units who will then sell such Portfolio Units to the Issuer (on behalf of the Musyarakah Partners). The Issuer will fund the purchase of Portfolio Units by the issuance of Sukuk.

Khazanah, the Musyarakah Partner shall have the right to exchange the assets in the Portfolio with such qualified assets or purchase any of the assets forming the Portfolio pursuant to the Exchange Agreement and/ or Deferred Payment Sale Agreement. Endorsement from the Syariah Adviser is required for every Exchange Agreement.

For each issue, the value of the Assets in the Portfolio, which is determined based on the value at cost to the Portfolio, shall be at least equivalent to the nominal value of the Sukuk to be issued plus the value of the Sukuk outstanding at that point in time.

For the avoidance of doubt, the total value (to be determined at cost to the Portfolio) of the Portfolio shall at all times be at least equivalent to the total nominal value of the Sukuk outstanding and to be issued. In case of any exchange of assets or deferred payment sale, the value of the new Syariah compliant shares/assets to be injected into the Portfolio and/or the deferred payment obligation respectively must be at least equivalent to the value of the Syariah compliant shares/assets to be replaced (which shall be valued at cost to the Portfolio). As such, the value of the Portfolio shall remain at the same level before any exchange of asset and deferred payment sale.

**Purchase Undertaking** : The Obligor shall give an undertaking to the Trustee pursuant to which the Obligor shall purchase the Portfolio Units from the Issuer at the Exercise Price (as defined below) upon any Dissolution Event (as defined below) or maturity date of the respective outstanding Sukuk.

The final amount of the Exercise Price payable by the Obligor upon the Dissolution Event shall be adjusted (by way of a rebate) after taking into account the date of declaration of such event.

The obligations of the Obligor under this Purchase Undertaking shall be irrevocably and unconditionally guaranteed by the Guarantor.

**Sale Undertaking** : In consideration of the Obligor giving the Purchase Undertaking, the Trustee shall give an undertaking to the Obligor that:

(a) upon any Dissolution Event (as defined below) or maturity date of the respective outstanding Sukuk the Trustee shall ensure that the Portfolio Units are sold to the Obligor and not to any other party; and

(b) the Portfolio Units will be sold together with any income accrued thereon from the date the Portfolio Units were purchased by the Issuer (as agent and trustee for the Sukukholders) from the Initial Owner of the Portfolio Units and/or the Obligor. In connection with this, the Sukukholders agree that they shall waive their rights to receive any such accrued income and accordingly there would not be any distribution of income attributed to the respective Portfolio Units until the dissolution of the Musyarakah at the Sukukholder level.

**Exercise Price** : The Exercise Price for the Portfolio Units is equivalent to the cost price of the Portfolio Units acquired for the relevant Musyarakah Venture which shall be equivalent to the issue proceeds of the related Sukuk plus the amount to be calculated based on the Yield to Maturity (as defined below) of the relevant Sukuk.

**Details on utilisation of proceeds**

**Issuer**

To purchase the Portfolio Units.

**Initial Owner of Portfolio Units**

- (1) Payment of fees and expenses incurred in connection with the Sukuk; and
- (2) General investment, refinancing of borrowings and working capital requirement.

**Issue price (RM)** : The Sukuk are to be issued at a discount.

**Maturity** : Up to 20 years.

**Periodic Distribution** : Not applicable as the Sukuk will be issued on a zero coupon basis

**Yield to Maturity (YTM) (%)** : The expected return to the Sukukholders under each Musyarakah Venture which shall be determined at the point of issuance of the Sukuk.

**Security** : Nil.

- Credit Enhancement** : The credit obligation by Khazanah as Obligor under the Purchase Undertaking shall be irrevocably and unconditionally guaranteed by the Guarantor.
- Form and denomination** : The Sukuk shall be issued in accordance with (1) the “Code of Conduct and Market Practices for the Malaysian Corporate Bond Market” issued by the Institut Peniaga Bon Malaysia and approved by BNM (“IPBM Code”) and (2) the “Rules on the Scripless Securities” under the Real Time Electronic Transfer of Funds and Securities (“Rentas”) system issued by BNM (“Rentas Rules”) and (3) the Rules on Fully Automated System for Issuing/Tendering (“FAST”) issued by BNM (“FAST Rules”), or their replacement thereof (collectively the “Codes of Conduct”) applicable from time to time. The Rentas Rules shall prevail to the extent of any inconsistency between the Rentas Rules and the IPBM Code. Each tranche of the Sukuk shall be represented by a global certificate to be deposited with BNM, and is exchanged for definitive bearer form only in certain limited circumstances. The denomination of the Sukuk shall be RM1,000,000 or in multiples of RM1,000,000 at the time of issuance.
- Mode of issue** : Via competitive tender/ private placement/ book-running basis/ bought-deal basis.
- Issuance of the Sukuk shall be in accordance with the FAST Rules, subject to such exemptions (if any) granted from time to time.
- Transferability** : Transferable.
- Selling restrictions** : None.
- Listing** : The Sukuk will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.
- Dissolution of Musyarakah** : Upon exercise and full payment of the Obligor’s obligation under the Purchase Undertaking, the Sukuk will expire and will be cancelled on the dissolution of the Musyarakah Venture.
- Repurchase and Cancellation** : The Issuer/the Obligor or any of its or the Obligor’s related corporations may at any time repurchase the Sukuk at any price in the open market or by private treaty, and thereafter sell or cancel or otherwise deal with the Sukuk in such manner that is legally permissible subject to the same not contravening any applicable laws and/or regulations. Any Sukuk held by the Issuer/the Obligor and/or its or the Obligor’s related corporations shall **not** entitle them to participate in the voting of any Sukukholders’ resolution nor form part of the quorum of any Sukukholders’ meeting.
- Tender and Issue** : The Sukuk may be issued in multiples of RM1,000,000, but subject to the FAST Rules.
- Status** : The Sukuk constitute undivided beneficial interest in the Musyarakah and shall at all time rank *pari passu* and rateably, without discrimination, preference or priority amongst themselves subject to priorities or rights preferred by law.
- Dissolution Events** : To include but not limited to the following:
- i. the Issuer or Obligor defaults in the payment of any money owing in respect of the Sukuk or Purchase Undertaking, as the case maybe, when the same shall become due and payable in accordance with the terms and conditions of the Trust Deed and

the Purchase Undertaking;

- ii any step is taken for the winding up, dissolution or liquidation of the Issuer or Obligor or a resolution is passed for the winding up of the Issuer or Obligor or a petition for winding up is presented against the Issuer or Obligor and the Issuer or Obligor has not taken any action in good faith to set aside such petition within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the Issuer or Obligor;

then, the Trustee may, if so directed by a special resolution of the Sukukholders shall (subject to its rights under these presents to be indemnified to its satisfaction) declare (by giving notice thereof to the Obligor) that all sums payable under the Purchase Undertaking are immediately due and payable in full in accordance with the terms of the relevant transaction documents.

- Compensation (“Ta’widh”)** : In the event of any overdue payments of any amounts due under the Purchase Undertaking, the Obligor shall pay to the Trustee for the benefit of the Sukukholders compensation on such overdue amounts at an amount and manner prescribed by the SC’s Syariah Advisory Council or such other relevant regulatory authority from time to time in accordance with the shariah principles.
  
- Governing Laws** : Laws of Malaysia
  
- Jurisdiction** : The Issuer/Khazanah shall unconditionally and irrevocably submit to the exclusive jurisdictions of the courts of Malaysia.
  
- Other Condition** : The Sukuk shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or any other authority in Malaysia having jurisdiction over matters pertaining to the Sukuk, and the FAST Rules.

***Note: Please refer to Appendix 1 on the Regulatory treatment accorded to the Sukuk pursuant to Bank Negara Malaysia’s letter dated 3 March 2006 as enclosed herein.***

**Appendix 1**

Regulatory treatment accorded to the Sukuk pursuant to Bank Negara Malaysia's letter dated 3 March 2006

- 1) Holdings of the Sukuk by licensed institutions will qualify for a 0% risk weight under the Risk Weighted Capital Ratio framework.
- 2) The Sukuk will qualify for Class 1 liquefiable asset status under the liquidity framework with a yield slippage of 3%.
- 3) Holdings of the Sukuk in the trading book is deducted, based on acquisition cost, from eligible liabilities for the purpose of computing the Statutory Reserve Requirement (SRR).
- 4) Holdings of the Sukuk by licensed institutions are exempted from the computation of Single Customer Credit Limit.
- 5) Holdings of the Sukuk by insurance companies will qualify as 'low risk assets' under the admitted assets framework for the purpose of meeting the insurers margin of solvency requirement.