

**SARAWAK ENERGY BERHAD
SUKUK MUSYARAKAH PROGRAMME OF UP TO RM15.0 BILLION**

Background Information

(a) Issuer

- (i) Name : Sarawak Energy Berhad (“SEB” or “Issuer”)
- (ii) Address : 4th Floor, Wisma SESCO
Petra Jaya
93673 Kuching
Sarawak
- (iii) Business registration no. : 007199-D
- (iv) Date and place of incorporation : 26 May 1967/Malaysia
- (v) Date of listing (in case of a public listed company) : Not applicable
- (vi) Status :
 - Resident controlled company
 - Bumiputera controlled company
- (vii) Principal activities : Investment holding
- (viii) Board of directors : The board of directors of SEB as at 28 February 2011 are as follows:-

Name	Designation
Datuk Haji Abdul Hamed Bin Sepawi	Chairman, Independent Non-Executive Director
Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani	Non-Independent Non-Executive Director
Dato’ Haji Idris bin Haji Buang	Senior Independent Non-Executive Director

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Datuk Fong Joo Chung	Non-Independent Non-Executive Director
Tan Sri Dato Sri Mohd Hassan bin Marican	Independent Non- Executive Director

- (ix) Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders : The structure of shareholdings and names of shareholders as at 28 February 2011 are as follows:-

Name of shareholders	No. of shares held	%
State Financial Secretary Sarawak	987,537,427	61.32
Delegateam Sdn Bhd (Company No. 823936-X)	623,031,552	38.68
Total	1,610,568,979	100.00

- (x) Authorised and paid-up capital : Authorised, issued and paid up capital as at 28 February 2011:

Share capital	RM
<u>Authorised</u> <ul style="list-style-type: none"> 2,900,000,000 ordinary shares of RM1.00 each; and 1,000,000,000 redeemable convertible preference shares of RM0.10 each 	3,000,000,000.00
<u>Issued and fully paid-up</u> <ul style="list-style-type: none"> 1,610,568,979 ordinary shares of RM1.00 each 	1,610,568,979.00

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Principal Terms and Conditions

(a) Name of parties involved in the proposed transaction (where applicable)

- | | | |
|--------|--|---|
| (i) | Principal Adviser(s)/Lead Arranger(s) | : RHB Investment Bank Berhad (“RHB Investment Bank”) |
| (ii) | Arranger(s) | : Not applicable |
| (iii) | Valuers | : Not applicable |
| (iv) | Solicitors | : Messrs. Shook Lin & Bok |
| (v) | Financial Adviser | : Not applicable |
| (vi) | Technical Adviser | : Not applicable |
| (vii) | Guarantor | : Not applicable |
| (viii) | Trustee | : Equity Trust (Malaysia) Berhad (“Equity Trust”) |
| (ix) | Facility Agent | : RHB Investment Bank |
| (x) | Primary Subscriber(s) and amount subscribed (where applicable) | : A minimum of two (2) Primary Subscribers for issuance of Sukuk issued via bought deal basis only, which will be determined prior to issuance. |
| (xi) | Underwriter(s) and amount underwritten | : Not applicable |
| (xii) | Shariah Adviser | : Dr. Mohd Daud Bakar |
| (xiii) | Central Depository | : Bank Negara Malaysia (“BNM”) |
| (xiv) | Paying Agent | : BNM |
| (xv) | Reporting Accountant | : Messrs. Ernst & Young |
| (xvi) | Others (please specify) | |

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- Joint Lead Managers/Joint Bookrunners : RHB Investment Bank and AmInvestment Bank Berhad and/or any other financial institutions to be mutually agreed between the Issuer and the Lead Arranger.
 - Security Trustee : Equity Trust
- (b) Islamic principle used : Musyarakah
- (c) Facility description : An Islamic medium term note (“Sukuk”) issuance programme of up to RM15.0 billion based on the Shariah principle of Musyarakah (“**Sukuk Musyarakah Programme**”).

The investors of the Sukuk (“**Sukukholders**”) shall from time to time, form a Musyarakah, which is a partnership amongst the Sukukholders, to invest directly into the Shariah-compliant business of the Issuer (“**Business**”) (“**Musyarakah Venture**”) via subscription of the Sukuk to be issued by the Issuer. A Musyarakah shall be formed for each series of the Sukuk having the same issue date (“**Issue Date**”) and maturity date (“**Maturity Date**”).

The Issuer will from time to time within the tenor of the Sukuk Musyarakah Programme (“**Tenor**”) issue Sukuk up to the Issue Size (as described in Item (d) below) to the Sukukholders. Proceeds raised from the Sukuk will be used as capital contribution of the Sukukholders in the Musyarakah Venture. Each Sukuk will represent the respective Sukukholder’s undivided proportionate interest in the Musyarakah Venture. Simultaneously, the Issuer will make a declaration that it holds on trust a percentage of an interest in the Business for the benefit of the Sukukholders pursuant to the Musyarakah Venture. The participation by the Sukukholders in the Musyarakah Venture is via the subscription of Sukuk issued by the

Issuer.

The expected return to the Sukukholders under the Musyarakah Venture shall be the yield for the Sukuk up to the Maturity Date of the relevant Sukuk (“**Expected Return**”). Any profit derived from the Musyarakah Venture will be distributed based on a pre-agreed profit sharing ratio which will be determined prior to issuance of the Sukuk from time to time. Any losses derived from the Musyarakah Venture shall be borne by each partner in proportion to each partner’s respective capital contribution in the Musyarakah Venture.

The Issuer shall be appointed as the manager (“**Manager**”) to manage the Musyarakah Venture. The Sukukholders shall agree that any profit in excess of the Expected Periodic Distribution (as defined below) shall be retained by or paid to the Manager as an incentive fee.

Income from the Musyarakah Venture of up to an amount equal to a certain percentage of the face value of the Sukuk per annum, calculated on the basis of the actual number of days in the relevant period (“**Expected Periodic Distribution**”) shall be distributed semi annually, or such other period to be agreed between the Issuer and the Lead Arranger in the form of periodic distribution (“**Periodic Distribution**”). Any shortfall between the Expected Periodic Distribution and the actual income generated for such relevant period shall be paid by the Issuer as advance part payment (“**Advance Part Payment**”) (as determined in accordance with the formula set out below). For the avoidance of doubt, the Advance Part Payment will be set off against the Exercise Price payable by the Issuer pursuant to the Purchase Undertaking or Sale Undertaking, as the case may be.

The Issuer shall declare and issue a purchase undertaking (“**Purchase Undertaking**”) to the Trustee for and on behalf of the Sukukholders, wherein the Issuer undertakes to purchase the Sukukholders’ interest in the Musyarakah Venture at the relevant Exercise Price upon declaration of any Dissolution Event (as set out in Item (x) below).

Pursuant to a sale undertaking (“**Sale Undertaking**”) declared and issued by the Trustee for and on behalf of the Sukukholders, to the Issuer, the Trustee for and on behalf of the Sukukholders undertakes to sell the Sukukholders’ interest in the Musyarakah Venture to the Issuer at the relevant Exercise Price on the Maturity Date of the Sukuk or upon any early redemption of the Sukuk pursuant to the terms and conditions of the Sukuk or the purchase of any Sukuk by the Issuer and the cancellation thereof thereafter.

A diagram depicting the facility description is detailed in Appendix A.

Purchase Undertaking

Under the Purchase Undertaking, SEB as obligor shall grant an undertaking to the Trustee (on behalf of the Sukukholders) pursuant to which SEB shall purchase the Sukukholders’ interest in the Musyarakah Venture at the relevant Exercise Price upon the declaration of any Dissolution Event.

The Exercise Price shall be determined based on the following formula:

The nominal value of the Sukuk plus all Expected Periodic Distributions less the aggregate Periodic Distributions made and received and less the Unearned Periodic Distribution (as defined below).

On any payment of the Exercise Price, the Issuer will be entitled to set off the Exercise Price with any Advance Part Payment made by the Issuer.

Unearned Periodic Distribution

The aggregate of all Expected Periodic Distributions in respect of the period from (and including) the Periodic Distribution date falling immediately after the date of declaration of any Dissolution Event up to (but excluding) the Maturity Date.

Sale Undertaking

Pursuant to the Sale Undertaking declared and issued by the Trustee for and on behalf of the Sukukholders, to the Issuer, the Trustee for and on behalf of the Sukukholders undertakes to sell the Sukukholders' interest in the Musyarakah Venture to the Issuer at the relevant Exercise Price on the Maturity Date of the Sukuk or upon any early redemption of the Sukuk pursuant to the terms and conditions of the Sukuk or the purchase of any Sukuk by the Issuer and the cancellation thereof thereafter.

The Exercise Price shall be determined based on the following formula:

The nominal value of the Sukuk plus all Expected Periodic Distributions less the aggregate Periodic Distributions made and received.

On any payment of the Exercise Price, the Issuer will be entitled to set off the Exercise Price with any Advance Part Payment made by the Issuer.

Ta'widh

In the event of any overdue payments of any amounts due to the Exercise Price pursuant to the Purchase Undertaking or the Sale Undertaking, as the case may be, the Issuer shall pay to the Sukukholders compensation (Ta'widh) on such overdue amounts at the rate and in the manner prescribed by the Shariah Advisory Council of the Securities Commission (“SC”) from time to time in accordance with the Shariah principles.

Musarakah Capital

The proceeds received from the Sukukholders pursuant to their subscription of the Sukuk for the purpose of participating in the relevant Musarakah Venture.

Musarakah Partners

At least two investors forming a Musarakah.

Manager

SEB will be appointed by the Sukukholders to manage the Musarakah Venture on their behalf for incentive fees and on other terms and conditions to be documented under a management agreement to be entered into between SEB and the Trustee (“**Management Agreement**”).

Maturity Date

The date specified as the maturity date on the relevant global certificate or definitive certificate (as the case may be) of the Sukuk for payment of the nominal value of the Sukuk, provided that it is construed in accordance with the Operational Procedures and/or Rules (as defined under

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item (o) herein).

Dissolution Date

In relation to any Sukuk, the date of declaration of a Dissolution Event.

Issue Date

In relation to any Sukuk, the date on which such Sukuk are issued.

(d) Issue size (RM) : Up to RM15.0 billion in nominal value.

The aggregate nominal value of Sukuk outstanding at any point in time shall not exceed the Sukuk Musyarakah Programme limit of RM15.0 billion.

(e) Issue price : At par or at a discount or at a premium to face value.

The price payable for the Sukuk issued shall be calculated in accordance with the formula specified in the Operational Procedures and/or Rules issued by BNM or in the rules governing such issues and approved by BNM.

The issue price of the Sukuk will be determined closer to each issuance date of the Sukuk.

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- (f) Tenor of the facility/issue : Sukuk Musyarakah Programme
- Up to twenty five (25) years from the date of first issue which shall be made within two (2) years from the date of approval by the SC.
- Sukuk
- More than one (1) year and up to twenty (20) years as the Issuer may decide, provided that the Sukuk mature no later than the expiry of the Sukuk Musyarakah Programme.
- (g) Coupon/profit or equivalent rate (%) (please specify) : The expected rate will be determined and agreed prior to each issuance of the Sukuk.
- (h) Coupon/profit payment frequency and basis : The profits are payable in arrears semi-annually, or such other period to be agreed between the Issuer and the Lead Arranger, commencing from the relevant Issue Date and the last payment to be made on the relevant Maturity Date.
- The profit payment basis is Actual/365.
- (i) Yield to maturity (%) : To be determined prior to each issuance of the respective Sukuk.
- (j) Security/collateral (if any) : A first legal assignment over the Designated Accounts (as described in item (l) hereunder) and the credit balances therein.
- (k) Details on utilisation of proceeds : The proceeds from the issuance of the Sukuk shall be utilised by the Issuer and its present and future (if any) subsidiaries which are involved in the core utility business i.e. the business of generation, transmission, distribution and sale of electricity (the “**SEB Group**”) to meet the

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following purposes which shall be Shariah-compliant:-

No.	Details on utilisation	Amount (up to RM million)
(i)	To part finance the acquisition of Sarawak Hidro Sdn Bhd ("Sarawak Hidro")	6,500.0
(ii)	To finance SEB Group's capital expenditure requirements	6,400.0
(iii)	To refinance/redeem the relevant SEB Group's existing borrowings	1,520.0
(iv)	To fund the fees and expenses related to the Sukuk Musyarakah Programme	3.0
(v)	To fund SEB's general corporate purposes	Balance

Note:

In the event the amounts specified in items (i), (iii) and (iv) are not utilised in full for purposes mentioned therein, the remaining amounts may be utilised by the Issuer for the purposes mentioned in item (ii) and/or (v).

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- (l) Sinking fund (if any) : SEB is required to open and maintain two (2) Shariah-compliant designated accounts with a financial institution acceptable to the Facility Agent:
- (i) Finance Service Reserve Account (“FSRA”); and
 - (ii) Principal Service Reserve Account (“PSRA”)
- (collectively the “Designated Accounts”).

FSRA

Funds from this account shall be utilised for profit payments for the relevant Sukuk. SEB shall remit into the FSRA an amount equivalent to at least one (1) profit payment due and payable one (1) month prior to the profit payment date (“FSRA Minimum Required Balance”). The FSRA shall be solely operated by the Security Trustee.

PSRA

Funds from this account shall be utilised for principal redemption for the relevant Sukuk. SEB shall remit into the PSRA an amount equivalent to the principal amount due and payable fourteen (14) days prior to the Maturity Date (“PSRA Minimum Required Balance”).

The PSRA shall be solely operated by the Security Trustee.

For the avoidance of doubt, any non-compliance in relation to meeting the respective FSRA and PSRA Minimum Required Balance shall constitute a Dissolution Event if failure to meet such obligation is not remedied within seven (7) days from the date the relevant Minimum

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Required Balance is required to be deposited into the relevant Designated Accounts.

Permitted Investments (as defined under item 9 herein), including any income received from such Permitted Investments shall be remitted into the relevant Designated Accounts. Immediately after the expiry of the Tenor and all payment obligations under the Sukuk Musyarakah Programme have been fully settled, the Designated Accounts shall be closed and any credit balance shall be transferred to SEB.

(m) Rating

- Credit rating assigned (Please specify if this is an indicative rating) : AA1
- Name of rating agency : RAM Rating Services Berhad (“RAM Ratings”)

(n) Form and denomination

: The Sukuk will be issued in a minimum denomination of RM1,000,000.00 or integral multiples thereof. The Sukuk will be represented by a global certificate (which is exchangeable for definitive certificates only in limited circumstances) to be deposited with BNM and will be traded under the Real Time Electronic Transfer of Fund and Securities (“RENTAS”) system.

(o) Mode of issue

: The Sukuk may be issued through any of the following modes to be determined on a best effort basis by the Issuer and the Lead Arranger:

- i. by private placement;
- ii. on bought deal basis; and/or

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- iii. through book running or a book building process on a best effort basis.

Issuance of the Sukuk under the Sukuk Musyarakah Programme shall be in accordance with:-

- i. 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**”) (if applicable);
- ii. Operational Procedures for (a) Securities Services and (b) Real Time Electronic Transfer of Funds and Securities (collectively, “Operational Procedures”); and
- iii. Participation and Operation Rules for Payments and Securities Services (“Rules”),

or their replacement thereof applicable from time to time, subject to such exemptions (if any) granted from time to time.

The Operational Procedures and Rules shall prevail should there be any inconsistency between the Operational Procedures and Rules and the IPBM Code.

(p) Selling restriction

: **At issuance of the Sukuk:**

The Sukuk shall not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)) and Schedule 9 (or Section 257(3)) of the Capital Markets And

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Services Act, 2007 of Malaysia as amended from time to time (“**CMSA**”).

Thereafter

The Sukuk may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the Sukuk would fall within Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA.

- (q) Listing status : The Sukuk will not be listed on any exchange.
- (r) Minimum level of subscription (RM or %) :
 - 100% of the nominal value of each issuance if via bought deal or private placement.
 - 5% of the nominal value of each issuance if via book building.
- (s) Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify) : Nil
- (t) Identified assets : Not applicable
- (u) Purchase and selling price/rental (where applicable) : Not applicable
- (v) Conditions precedent : Issuance of the Sukuk is subject to compliance of conditions precedent including but not limited to the following:-
 - (a) the Transaction Documents (as defined in Item 13 below) (all in form and substance acceptable to the Lead Arranger) have been executed, stamped or endorsed as exempt from stamp duty, as applicable and presented for registration (if

required);

- (b) the Lead Arranger shall have received a certificate signed by a duly authorised officer of the Issuer confirming that there is (i) no adverse change in the condition (financial, economic or otherwise) of the Issuer which is material to the issue of the Sukuk; (ii) no event rendering untrue or incorrect any of the representations and warranties made by the Issuer; (iii) no breach of any of the undertakings by the Issuer; (iv) no event of default or an event, which with the giving of notice or passage of time or both, would be an event of default and which is continuing; (v) no event of default under any Indebtedness (as defined in Item (x) below) which has been undertaken or guaranteed by the Issuer or which is continuing or will occur as a result of the issuance of the Sukuk;
- (c) a list of the Issuer's authorised signatories and their respective specimen signatures for the execution of the Transaction Documents and other documents relating to the Sukuk Musyarakah Programme shall be received by the Lead Arranger/Facility Agent;
- (d) certified true copies of:
 - i. all resolutions, authorisations and consents required in connection with the establishment of the Sukuk Musyarakah Programme, the execution of the Transaction Documents and the issuance and sale of the Sukuk having been obtained or otherwise

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- delivered to the Lead Arranger/Facility Agent;
- ii. the latest Certificate of Incorporation, Memorandum and Articles of Association, Forms 24, 44 and 49, and Annual Return of SEB shall have been delivered to the Lead Arranger/Facility Agent;
- (e) confirmation in writing from RAM Ratings that the Sukuk Musyarakah Programme has been accorded a long term local rating of AA1;
- (f) the Sukuk Musyarakah Programme shall have received the endorsement of the Shariah Adviser on the Islamic principle used for the issuance of the Sukuk.
- (g) the approval from the SC and, where applicable, all other regulatory authorities and evidence of the compliance with all conditions of such approval shall have been delivered to the Lead Arranger/Facility Agent;
- (h) completion of the due diligence exercise in respect of among other things, the business activities, financial conditions and management of the SEB Group and the result thereof being satisfactory to the Lead Arranger/Facility Agent;
- (i) a written opinion from the Solicitors in form and substance acceptable to the Lead Arranger on, inter alia, the validity, legality and enforceability of the Sukuk and the Transaction Documents and that all security documents (if any) are duly perfected and a confirmation that all conditions

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precedent have been fulfilled or waived, as the case may be, shall have been delivered to the Lead Arranger/Facility Agent;

- (j) in relation to any issuance for purposes of refinancing any of the SEB Group's existing indebtedness, the Issuer shall obtain the respective redemption statements from the lenders/financiers of the indebtedness which is to be refinanced, and the same shall have been delivered to the Lead Arranger/Facility Agent;
- (k) a comfort letter from the Reporting Accountant in respect of financial information as set out in the information memorandum in relation to the Sukuk Musyarakah Programme shall have been delivered to the Lead Arranger/Facility Agent;
- (l) the Lead Arranger shall have received the results of a search made by the Solicitors at the Companies Commission of Malaysia confirming that no charges or encumbrances or security interests have been registered in the Companies Commission of Malaysia over any of the properties, assets or undertaking of SEB other than those which have been disclosed to the Lead Arranger prior to the first issuance of the Sukuk;
- (m) the Lead Arranger shall have received the results of a search made by the Solicitors on SEB in the Department of Insolvency confirming that SEB has not been wound up and a statutory declaration from and

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signed by an authorised signatory of SEB confirming that SEB has not been wound up and no winding-up petition has been presented against or served upon SEB;

- (n) evidence that the Designated Accounts shall have been duly opened with a banking and/or financial institution acceptable to the Facility Agent and the Security Trustee shall have received all notices pertaining to the mandate and operations of the Designated Accounts required to be given and the acknowledgment thereof by the relevant account bank, all in form and substance acceptable to the Lead Arranger/Facility Agent;
- (o) no event has occurred which in the opinion of the Lead Arranger/Facility Agent will have a Material Adverse Effect (as defined in Item (12) below); and
- (p) such other conditions precedent as maybe advised by the Solicitors and deemed standard for a transaction of this nature.

Additional conditions precedent in relation to any issuance for purposes of part financing the acquisition of Sarawak Hidro (including the Bakun Dam):

- (a) a certified true copy of the sale and purchase agreement entered into between SEB and the Government of Malaysia and/or any other relevant party or parties for the acquisition of Sarawak Hidro (“Sale and Purchase Agreement”) shall have been delivered to the Lead

Arranger/Facility Agent; and

(b) a written opinion from the solicitors attending to the Sale and Purchase Agreement, in form and substance acceptable to the Lead Arranger/Facility Agent confirming, inter alia:

i. the legal validity, binding effect and enforceability of the Sale and Purchase Agreement;

ii. that all conditions precedent under the Sale and Purchase Agreement have been fulfilled or waived, as the case may be; and

iii. that Sarawak Hidro is a company duly established and existing under the laws of Malaysia and has the power, authority, approvals and licences to enter into the business in which it is, or proposes to be, engaged and all the shares of Sarawak Hidro are free from all claims, encumbrances and any other form of security interest whatsoever,

shall have been delivered to the Lead Arranger/Facility Agent;

(c) certified true copies of all approvals, consents, permits and licences necessary or required for the Bakun Dam including for its acquisition by SEB (via the acquisition of Sarawak Hidro) and its operations, shall have been delivered to the Lead

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Arranger/Facility Agent and that all such approvals, consents, permits and licenses are in full force and effect.

- (w) Representations and warranties : To include but not limited to the following:
- (i) the Issuer is a company duly established and existing under the laws of Malaysia and it has the power and authority to enter into the business in which it is, or proposes to be, engaged;
 - (ii) the Memorandum and Articles of Association of the Issuer incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia or any other relevant party have been duly obtained and are in full force and effect which are required to authorise, the Issuer to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;
 - (iii) to the best of the Issuer's knowledge, neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents will (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer or any of its property and assets is bound or

which is applicable to the Issuer or any of its property and assets, (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its Memorandum and Articles of Association or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's property and assets;

- (iv) the Issuer's audited financial statements for each financial period has been and shall be prepared on a basis consistently applied in accordance with applicable approved accounting standards in Malaysia and give a true and fair view of the results of its operations for that financial period and the state of its financial affairs at that date;
- (v) there has been no change nor any development in the business or condition (financial or otherwise), prospects, results of operations or general affairs of the Issuer since the date of its last audited financial statements which has a Material Adverse Effect;
- (vi) each of the Transaction Documents is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute legal, valid and binding obligations of the Issuer enforceable in accordance with its terms;

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- (vii) no Dissolution Event has occurred and is continuing or would result from the making of an issuance of the Sukuk;
- (viii) the Issuer is a subsidiary of the Sarawak State Government or an agency of the Sarawak State Government (“Ultimate Holding Company”) and the Ultimate Holding Company owns (directly and indirectly) at least fifty-one per cent (51%) of the issued and paid up share capital of the Issuer;
- (ix) none of the assets, revenues, properties and rights of SEB is affected by any security interest (other than those which have been disclosed to the Lead Arranger/Facility Agent prior to the first issuance of the Sukuk) and SEB is not a party to, nor is SEB nor any of its assets bound by any order, agreement or instrument under which SEB is, or in certain events may be required to create, assume or permit to arise any security interest;
- (x) the execution, delivery and performance by SEB of the Transaction Documents constitute and will constitute private and commercial acts and not public or governmental acts, and that neither SEB nor any of its assets are entitled to immunity from process, execution, attachment or legal process and any such immunity is waived by SEB;
- (xi) no extraordinary circumstances shall have occurred which shall make SEB unable to observe and perform its covenants and obligations which are material and on its part to be

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observed and performed under the Transaction Documents;

- (xii) SEB has fully disclosed and shall fully disclose in writing to the Lead Arranger/Facility Agent all facts relating to SEB and its assets which SEB knows or should reasonably know and which are material for disclosure to the Lead Arranger/Facility Agent in the context of the Sukuk Musyarakah Programme and the Sukuk;
- (xiii) the proceeds from the issuance of the Sukuk shall be exclusively applied towards the purposes set out in item (k) above and shall at all times be used for Shariah-compliant purposes;
- (xiv) no litigation, arbitration or administrative proceeding or claim which might by itself or together with any other such proceedings or claims which may have a Material Adverse Effect, is presently in progress or pending or, to the best of the knowledge, information and belief of SEB threatened against SEB or any of its assets;
- (xv) the information memorandum and written information furnished by SEB in connection with the Sukuk Musyarakah Programme and the Transaction Documents do not contain any untrue statement or omit to state any fact, the omission of which makes the statements therein, in the light of the circumstances under which they are made, misleading and all expressions of expectations, intention, belief and opinion contained therein were honestly made on reasonable

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grounds after due and careful enquiry by SEB;

(xvi) SEB has not taken any corporate action nor have any other steps been taken or legal proceedings been started or (to the best of SEB's knowledge and belief) threatened against SEB for its winding-up, dissolution, bankruptcy or for the appointment of a liquidator, administrator, receiver, administrative receiver, trustee or similar officer of it or any or all of its revenues, nor has SEB sought any other relief under any applicable insolvency or bankruptcy law;

(xvii) the Sukuk when issued shall constitute direct, secured, unconditional and unsubordinated obligations of SEB and shall at all times, rank pari passu without discrimination, preference or priority amongst themselves, and in priority to all other present and future unsecured and unsubordinated obligations of SEB except for those obligations preferred by mandatory provisions under applicable Malaysian laws; and

(xviii) such other representations and warranties as may be advised by the Solicitors and mutually agreed by the Issuer and the Lead Arranger/Facility Agent.

(x) Dissolution Events : To include but not limited to the following:

(a) *Non-payment*: default/failure by the Issuer in the payment of any amount of principal or profit in respect of any of the Sukuk pursuant to the Transaction

Documents on the due date for payment thereof;

- (b) *Breach of other obligations*: default by the Issuer in the performance or observance of any other obligations of the Issuer (other than payment obligations) under or in respect of the Sukuk and the Transaction Documents, and such default is incapable of remedy or, if capable of remedy, remains unremedied for fourteen (14) days after written notice thereof has been delivered to the Issuer by the Sukukholders;
- (c) *Cross-default*: (1) any Indebtedness (as defined in this item (x), number (i)) of the Issuer is not paid when due or, as the case may be, within any originally applicable grace period, (2) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity as a result of a default in respect of the terms thereof or (3) the Issuer fails to pay on the expiry of any originally applicable grace period any amount payable by it under any Surety (as defined below in this item (x), number (iii));
- (d) *Enforcement proceedings*: a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or issued upon or against the whole or a material part of the assets or revenues of the Issuer and is not discharged or stayed within fifteen (15) days;
- (e) *Security enforced*: a secured party takes possession, or a receiver,

manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer;

- (f) *Insolvency*: (1) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (2) an administrator or liquidator of the Issuer or the whole or any part of the undertaking, assets and revenues of the Issuer is appointed, or application for any such appointment is made (or documents filed with a court) and is not withdrawn within thirty (30) days thereafter, (3) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Surety given by it or (4) the Issuer ceases or threaten to cease to carry on all or any substantial part of its business;
- (g) *Winding-up*: an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer;
- (h) *Failure to take action, etc.*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (1) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its

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obligations under the Sukuk and the Transaction Documents and (2) to ensure that those obligations are legal, valid, binding and enforceable is not taken, fulfilled or done;

- (i) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under or in respect of any of the Sukuk or the Transaction Documents;
- (j) any of the material obligations of the Issuer under or in respect of any of the Sukuk or the Transaction Documents are not or cease to be legal, valid, binding or enforceable;
- (k) SEB fails to maintain at all times a minimum 51% (directly and indirectly) control over Syarikat SESCO Berhad;
- (l) SEB utilises the proceeds from the Sukuk to finance any activity which is prohibited under Shariah principles;
- (m) any representation, warranty or conditions made pursuant to any provision of the Transaction Documents or pursuant to any notice, opinion or certificate or other document delivered pursuant to the terms of the Transaction Documents proves to have been incorrect or misleading as of the date at which made or deemed made or repeated and such misrepresentation or breach of warranty or breach of condition is not rectified or remedied within fourteen (14) days from the date of

the occurrence thereof;

- (n) any licence, authorisation, approval, consent, order or exemption which may be held by SEB is revoked or withheld or materially modified or is otherwise not granted or fails to remain in full force or effect and in the opinion of the Trustee such event would have a Material Adverse Effect;
- (o) SEB repudiates any of the Transaction Documents or evidences an intention to repudiate any of the Transaction Documents;
- (p) any material adverse change in the assets or financial condition of SEB has or have occurred which in the reasonable opinion of the Trustee will materially and adversely affect the ability of SEB to perform its obligations under any of the Transaction Documents and SEB and the Trustee are unable to reach any mutually acceptable agreement or solution, within fourteen (14) days from the date of the Facility Agent's written notice to SEB of the occurrence of such event or events, to nullify or counteract or avoid the effect of such event or events; or
- (q) such other events of default as deemed standard for a transaction of this nature or as advised by the Solicitors and mutually agreed between the Issuer and the Lead Arranger/Facility Agent.

In these Principal Terms and Conditions:

- (i) **Indebtedness** means all obligations created, incurred or assumed by

any Person for the payment or repayment of moneys relating to or in connection with (a) any indebtedness of any Person in respect of moneys borrowed by it; (b) any indebtedness of any Person under acceptance or documentary credit facilities; (c) any indebtedness of any Person under bills, bonds, debentures, notes or similar instruments; (d) any indebtedness of any Person (whether actual or contingent) for moneys owing under any instrument entered into by any Person in respect of the acquisition cost of assets payment of which is deferred for a period in excess of six (6) months after acquisition thereof, and (e) indebtedness of any Person (as defined in this item (x), number (ii) below) (actual or contingent) under guarantees, security, indemnities or other commitments designed to assure any creditors in respect of the payment of any indebtedness of any other person.

- (ii) **Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state, agency of a state or other entity, whether or not having a separate legal personality.
- (iii) **Surety** means any obligation of any Person to pay any Indebtedness of another Person including, without limitation, (1) any obligation to purchase such Indebtedness, (2) any obligation to lend or give money, to purchase or subscribe shares or other securities or to purchase assets or services in

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order to provide funds for the payment of such Indebtedness, (3) any indemnity against the consequences of a default in the payment of such Indebtedness and (4) any other agreement to be responsible for such Indebtedness.

Upon the declaration of a Dissolution Event, the Trustee (i) shall exercise the Purchase Undertaking and declare that the Exercise Price payable under the Purchase Undertaking is immediately due and payable in full in accordance with the terms of the relevant Transaction Documents; (ii) may exercise all rights under the Trust Deed available to it; and (iii) may take such proceedings against the Issuer as it may deem fit to enforce the Transaction Documents.

(y) Principal terms and conditions for warrants (where applicable) : Not applicable

(z) Other principal terms and conditions for the issue

1. Covenants : Positive Undertakings

- (a) the Issuer shall redeem in full all outstanding Sukuk in accordance with the terms and conditions of the Sukuk;
- (b) the Issuer shall preserve and keep in force and effect all licences, permits, approvals and rights necessary for the conduct of SEB's business;
- (c) the Issuer shall use the proceeds of the Sukuk Musyarakah Programme in accordance with the purposes as set out herein;

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- (d) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner;
- (e) the Issuer will pay and discharge all its indebtedness and other obligations in a timely manner;
- (f) the Issuer will immediately notify the Trustee as soon as the Issuer becomes aware of any of the following:-
 - (i) any substantial change in the nature of the business of the Issuer;
 - (ii) any material adverse change in the condition (financial or otherwise) of the Issuer;
 - (iii) any (aa) default or event of default under any contractual obligation of SEB; or (bb) directive, ruling or condition imposed by the relevant agency of state, which in either case, could have a Material Adverse Effect;
 - (iv) any litigation, arbitration, dispute or administrative proceeding affecting SEB, which if adversely determined, would have a Material Adverse Effect;
 - (v) any acquisition of assets of a substantial amount;
 - (vi) any change in the

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- withholding tax position or taxing jurisdiction of SEB;
- (vii) any right or remedy under the terms, provisions or covenants under any of the Transaction Documents becoming immediately enforceable or any amount payable under the Sukuk becoming immediately payable; or
- (viii) any matter that may in the reasonable opinion of the Issuer, materially prejudice the interests of the Sukukholders;
- (g) the Issuer shall promptly perform and carry out all its obligations under all the Transaction Documents (including but not limited to redeeming the Sukuk on the relevant Maturity Date(s) or any other date on which the Sukuk are due and payable) and ensure that it shall immediately notify the Facility Agent and/or Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the Transaction Documents;
- (h) the Issuer undertakes to insure or cause to be insured up to its full insurable value, and in any event up to an amount acceptable to the Trustee, SEB's buildings and all employees against such risks as the Trustee may from time to time require with a takaful/insurance company acceptable to the Sukukholders (as indicated through the Trustee) in the name of SEB;

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- (i) the Issuer shall prepare its financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia and those financial statements shall give a true and fair view of the results of the operations of the Issuer for the period to which the financial statements are made up;
- (j) the Issuer shall deliver to the Trustee:
 - (i) as soon as available and in any event within ninety (90) days, from the end of each half financial year of SEB, complete but unaudited semi-annual management accounts of SEB duly certified by the authorised signatory of SEB, in such form and substance as the Trustee may from time to time determine;
 - (ii) as soon as available and in any event within one hundred and twenty (120) days after the end of each financial year of SEB its annual report, balance sheet, profit and loss account (including consolidated audited accounts) and directors' report duly audited and certified by an independent certified public accountant, which financial statement shall, in the opinion of the said auditor, reflect a true and fair view of the financial condition of SEB;

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- (iii) promptly, all notices or other documents despatched by SEB to its shareholders (or any class thereof) or its creditors generally, which is relevant to the Sukuk and/or the Transaction Documents; and
 - (iv) such additional financial or other information as the Trustee may from time to time reasonably request;
- (k) the Issuer shall comply with all provisions of the Transaction Documents;
- (l) the Issuer shall promptly make payment of all taxes, fees and other dues to the relevant authorities;
- (m) the Issuer shall ensure that all transactions with its directors, shareholders, associates and affiliates are conducted on arm's length basis;
- (n) the Issuer shall cause the Sukuk to constitute direct, secured, unconditional and unsubordinated obligations of SEB and to at all times rank pari passu, without discrimination, preference or priority among themselves, and in priority to all other present and future unsecured and unsubordinated obligations of SEB except for those obligations preferred by mandatory provisions under applicable Malaysian laws;
- (o) the Issuer shall cause and ensure that all and any advances by its shareholders and directors are

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subordinated to its liabilities under the Sukuk Musyarakah Programme;

- (p) the Issuer shall at all times comply with all applicable laws including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by the SC from time to time; and
- (q) other positive undertakings as advised by the Solicitors and mutually agreed by the Issuer and the Lead Arranger/Facility Agent.

Negative Undertakings

The Issuer shall not without the prior written consent of the Trustee (which consent shall not be unreasonably withheld):-

- a) create or permit to subsist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment or other security interest over the whole or any part of the SEB Group's undertakings, assets, property or revenues, present or future, except for security interests arising out of liabilities which are preferred solely by law; security interests arising under the Sukuk Musyarakah Programme; and any subsisting encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment or other security interest disclosed by the Issuer to the Lead Arranger/Facility Agent prior to the Sukuk Musyarakah Programme;

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- b) add to, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents;
- c) enter into any transaction with any person, firm or company except in the ordinary course of business on ordinary commercial terms and on the basis of arm's length arrangements;
- d) enter into any transaction whereby the Issuer might pay more than the ordinary commercial price for any purchase or might receive less than the full commercial price for its products or services;
- e) grant guarantees, indemnities or similar assurances against financial loss in respect of any indebtedness of any affiliate or third party other than guarantees, indemnities or similar assurances granted in the ordinary course of the Issuer's business and/or such guarantees, indemnities or similar assurances granted in respect of any indebtedness of any of the Issuer's related companies/subsidiaries;
- f) enter into any amalgamation, demerger, reconstruction or winding up of itself or any of its subsidiaries, which has a Material Adverse Effect;
- g) sell, transfer, lease (other than by way of operating lease) or otherwise dispose of or in any case, cease to exercise control over, whether by a single transaction or a number of transactions, related or

not, the whole or a material part of the Issuer's undertaking, business or assets save and except for:

- (i) sale, transfer, lease or disposal of the Issuer's undertaking, business or assets which is in its ordinary course of business and/or on the basis of an arm's length transaction and which will not have a Material Adverse Effect; or
 - (ii) sale, transfer, lease or disposal of the Issuer's undertaking, business or assets due to obsolescence and/or deterioration and which will not have a Material Adverse Effect;
- h) reduce or in any way whatsoever alter (except by way of an increase), its authorised or paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or subdividing all or any of its shares unless all of the following criteria are met:
 - (i) all obligations in relation to the Sukuk Musyarakah Programme under the Transaction Documents will be complied with by the Issuer at the time of the proposed reduction or alteration;
 - (ii) no Dissolution Event has

occurred (or if this is not the case, such event is no longer continuing or has been waived) and no Dissolution Event would occur if such proposed reduction or alteration is made;

- i) declare or pay any dividends or make any distribution whether income or capital in nature to its shareholders or make any payments (whether in relation to principal, profit, interest or otherwise) to its shareholders and/or directors in connection with any loans or advances from its shareholders and/or directors unless all of the following criteria are met:

- (i) all obligations in relation to the Sukuk Musyarakah Programme under the Transaction Documents (including the Minimum Required Balance in the respective Designated Accounts) have been complied with by the Issuer at such time of declaration and will be complied with at the time of payment or distribution, as the case may be; and

- (ii) no Dissolution Event has occurred (or if this is not the case, such event is no longer continuing or has been waived) and no Dissolution Event would occur if such declaration, payment or distribution is

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made;

- j) borrow or incur any future Indebtedness, save and except in its normal course of business;
- k) save for the Sukuk Musyarakah Programme, and other than in SEB's ordinary course of business and on ordinary commercial terms, enter into any partnership, profit-sharing or royalty agreement or other similar arrangement whereby SEB's income or profits are, or might be, shared with any other person, firm or company or enter into any management contract or similar arrangement whereby SEB's business or operations are managed by any other person, firm or company;
- l) make or permit to exist loans or lend or make advances to any of its shareholders or directors or related or associate company or any person, firm, company or others or make investments in other companies or associates or enterprises (other than normal trade credit or trade guarantee or indemnities or temporary loans to customers, contractors or suppliers in the ordinary course of business or as contemplated by the Sukuk Musyarakah Programme);
- m) lease or let out or grant any licence or permit to lease or let out or grant any licence or otherwise howsoever part with the possession or make or accept or permit to accept the surrender of any lease whatsoever of or in respect of any building or fixture on any of SEB's lands or any

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- part thereof to any person, firm or company;
- n) other negative undertakings as advised by the Solicitors and mutually agreed by the Issuer and the Lead Arranger/Facility Agent.
2. Redemption : Unless previously redeemed or purchased and cancelled, the Issuer shall redeem the Sukuk at 100% of their nominal value on the relevant Maturity Date in accordance with the terms and conditions of the Transaction Documents.
3. Tender and Issue : The Sukuk may be issued in multiples of RM1,000,000.00 but subject to the Operational Procedures and/or Rules and the following conditions: -
- (a) a minimum issue size of RM5,000,000.00 for each issue;
- (b) the issue notice shall be given to the Facility Agent at least eight (8) business days (for the first issue) or six (6) business days (for subsequent issues) prior to and excluding the date of proposed issue;
- (c) the rating for the Sukuk is AA1 .
4. Trading/Transferability : Subject to the Selling Restriction (as described in item (p) above), the Sukuk shall be tradable in the secondary market on a willing-buyer willing-seller basis under RENTAS.

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5. Status of the Sukuk : The Sukuk will, upon issue, constitute direct, secured, unconditional and unsubordinated obligations of the Issuer and shall at all times, rank pari passu, without discrimination, preference or priority amongst themselves, and in priority to all other present and future unsecured and unsubordinated obligations of the Issuer except for those obligations preferred by mandatory provisions under applicable Malaysian laws.
6. Availability period of the Sukuk Musyarakah Programme : Upon completion of all documentation and fulfilment of all conditions precedent to the satisfaction of the Lead Arranger/Facility Agent subject always to the tenor of the Sukuk Musyarakah Programme and the relevant Sukuk as per item (f) above.
7. Repurchase and Cancellation : The Issuer may at any time purchase the Sukuk in the open market at any price and the repurchased Sukuk will be cancelled.
8. Rights to make Permitted Investment : Funds held in Designated Accounts shall be permitted to be invested in Permitted Investments (as defined below), provided that:
- (a) such investments shall be remitted into the Designated Accounts two (2) business days prior to the next Periodic Distribution Date or Maturity Date, as the case may be, to meet payment obligations under the Sukuk Musyarakah Programme;
 - (b) such investments are to be held and not traded;
 - (c) the investments do not carry a penalty should there be any early withdrawal of the funds; and
 - (d) such investments are Shariah

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compliant and denominated in Ringgit Malaysia.

9. Permitted Investments : The following are Permitted Investments: -
- (a) Bankers acceptances, bills and other money market instruments issued under the Shariah principles by licensed financial institutions;
 - (b) Treasury bills, money market instruments, and other debt instruments issued by the Government of Malaysia, which are Shariah compliant;
 - (c) Mudharabah, wadiah and other deposits under Shariah principles with licensed financial institutions (as defined in the Banking and Financial Institution Act, 1989 and/or the Islamic Banking Act, 1983) with a minimum long term rating of at least AA-/AA3 or equivalent and short term rating of at least MARC-1/P1 or equivalent; and
 - (d) Islamic fixed income securities issued in Malaysia with a minimum short term rating of P1/MARC1_{ID} and a long term rating of AA3/AA_{-ID}.
10. Special condition : For as long as any of the Sukuk remain outstanding, the Issuer undertakes the following:-
- (a) control over the Issuer's shareholding (minimum 51%) shall at all times be maintained by the Sarawak State Government or an agency of the Sarawak State Government; and

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- (b) to maintain at all times, a minimum 51% control over Syarikat SESCO Berhad.

11. Taxation : All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature, unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Sukukholders after such withholding or deduction shall equal the respective amounts of principal and profit which would otherwise have been receivable in respect of the Sukuk in the absence of such withholding or deduction.

12. Material Adverse Effect : For the purposes of these Principal Terms and Conditions, "Material Adverse Effect" means a material adverse effect on any of the following:-

- (i) the business or condition (financial or otherwise) or operations or properties of SEB;
- (ii) the prospects of SEB in relation to its payment ability;
- (iii) the ability of SEB to perform its obligations under any of the Transaction Documents; and/or
- (iv) the validity or enforceability of any of the Transaction Documents or the rights or remedies of the Trustee or the Sukukholders under any of the Transaction Documents.

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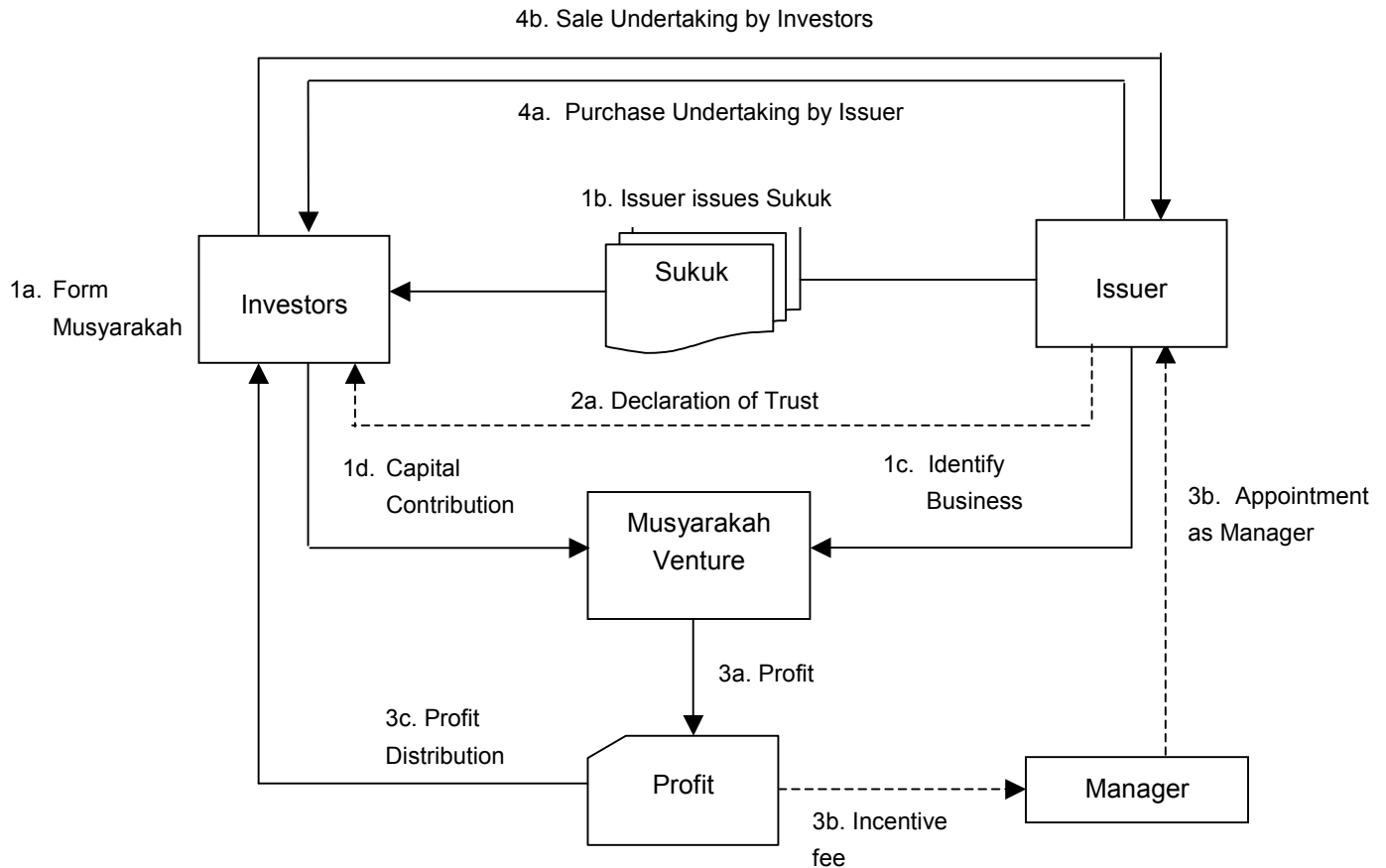
13. Transaction Documents : The documents to be entered into for the purposes of the Sukuk under the Sukuk Musyarakah Programme will include:
- (i) Programme Agreement;
 - (ii) Trust Deed;
 - (iii) Depository and Paying Agency Agreement;
 - (iv) Musyarakah cum Subscription Agreement;
 - (v) Management Agreement;
 - (vi) Purchase Undertaking;
 - (vii) Sale Undertaking;
 - (viii) Assignment of the Designated Accounts; and
 - (ix) Any other documents or any such other agreements that may be advised by the Solicitors.
14. Clear market : From the date of the appointment of the Lead Arranger to ninety (90) days after the first issuance of the Sukuk, the Issuer shall ensure that no other borrowings, debt instruments or securities are issued and/or guaranteed by the Issuer and/or any of its subsidiaries and associated companies or are mandated, syndicated or privately placed on its/their behalf in any capital market save and except those that have been made known to the Lead Arranger and the rating agency prior to the date of the appointment of the Lead Arranger, provided that in the opinion of the Lead Arranger, it does not prejudice the successful completion of the issue and placement and selling down of the Sukuk.

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15. Adverse market : From the date of appointment of the Lead Arranger until the expiry of the Tenor, the Lead Arranger shall retain the right to amend, withdraw and/or terminate the offer if there occurs any event or circumstance which, in the opinion of the Lead Arranger, may materially and adversely affect any of the international and/or domestic money, capital and/or syndicated loan markets, the business activities of the Issuer and/or any of its subsidiaries and/or associated companies, and/or the social, political, financial and/or economic situation in Malaysia.
16. Jurisdiction : The Issuer shall unconditionally and irrevocably submit to the non-exclusive jurisdiction of the courts of Malaysia.
17. Governing law : Laws of Malaysia.
18. 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(ies) in Malaysia having jurisdiction over matters pertaining to the Sukuk, and the Operational Procedures and Rules.

APPENDIX A

Transaction Structure



Unless otherwise herein defined, words and expressions used or referred to in this Annexure shall have the same meaning defined in the Principal Terms and Conditions of the Sukuk Musyarakah Programme

1. a) The investors of the Sukuk ("**Sukukholders**") shall from time to time form a Musyarakah, which is a partnership amongst the Sukukholders.
- b) Correspondingly, the Issuer will from time to time within the tenor of the Sukuk Musyarakah Programme issue Sukuk up to the Issue Size to the Sukukholders in consideration of their capital contribution.

Each Sukuk will represent the respective Sukukholder's undivided proportionate interest in the Musyarakah Venture. A Musyarakah shall be formed for each series of the Sukuk having the same issue date and maturity date.

- c) The Musyarakah will invest directly into the Shariah-compliant business of the Issuer ("**Business**") ("**Musyarakah Venture**") via subscription of the Sukuk to be issued by the Issuer.
 - d) Proceeds raised from the Sukuk will be used as capital contribution of the Sukukholders in the Musyarakah Venture.
- 2.
- a) Simultaneously with the issuance of the Sukuk, the Issuer will make a declaration that it holds on trust a percentage of an interest in the Business for the benefit of the Sukukholders pursuant to the Musyarakah Venture. The participation by the Sukukholders in the Musyarakah Venture is via the subscription of Sukuk issued by the Issuer.
- 3.
- a) The expected return to the Sukukholders under the Musyarakah Venture shall be the yield for the Sukuk up to the Maturity Date of the relevant Sukuk ("**Expected Return**"). Any profit derived from the Musyarakah Venture will be distributed based on a pre-agreed profit sharing ratio which will be determined prior to issuance of the Sukuk from time to time. Any losses derived from the Musyarakah Venture shall be borne by each partner in proportion to each partner's respective capital contribution in the Musyarakah Venture.
 - b) The Issuer shall be appointed as the manager ("**Manager**") to manage the Musyarakah Venture. The Sukukholders shall agree that any profit in excess of the Expected Periodic Distribution (as defined below) shall be retained by or paid to the Manager as an incentive fee.
 - c) Income from the Musyarakah Venture of up to an amount equal to a certain percentage of the face value of the Sukuk per annum, calculated on the basis of the actual number of days in the relevant period ("**Expected Periodic Distribution**") shall be distributed semi annually, or such other period to be agreed between the Issuer and the Lead Arranger (as defined in the Principal Terms and Conditions) in the form of periodic distribution ("**Periodic Distribution**"). Any shortfall between the Expected Periodic Distribution and the actual income generated for such relevant period shall be paid by the Issuer as advance part payment ("**Advance Part Payment**"). For the avoidance of doubt, the Advance Part Payment will be set off against the Exercise Price payable by

the Issuer pursuant to the Purchase Undertaking or Sale Undertaking (each as defined below), as the case may be.

4. a) The Issuer shall declare and issue a purchase undertaking ("**Purchase Undertaking**") to the Trustee for and on behalf of the Sukukholders, wherein the Issuer undertakes to purchase the Sukukholders' interest in the Musyarakah Venture at the relevant Exercise Price upon declaration of any Dissolution Event (as defined in the Principal Terms and Conditions).
- b) Pursuant to a sale undertaking ("**Sale Undertaking**") declared and issued by the Trustee for and on behalf of the Sukukholders, to the Issuer, the Trustee for and on behalf of the Sukukholders undertakes to sell the Sukukholders' interest in the Musyarakah Venture to the Issuer at the relevant Exercise Price on the Maturity Date of the Sukuk or upon any early redemption of the Sukuk pursuant to the terms and conditions of the Sukuk or the purchase of any Sukuk by the Issuer and the cancellation thereof thereafter.