

**SABAH CREDIT CORPORATION (“SCC”)
 PRINCIPAL TERMS AND CONDITIONS
 ISLAMIC COMMERCIAL PAPERS PROGRAMME OF UP TO RM750.0 MILLION IN
 NOMINAL VALUE AND ISLAMIC MEDIUM TERM NOTES PROGRAMME OF UP TO
 RM1.5 BILLION IN NOMINAL VALUE, SUBJECT TO A JOINT-LIMIT OF RM1.5 BILLION
 IN NOMINAL VALUE UNDER THE SHARIAH PRINCIPLE OF *MUSHARAKAH* (“SUKUK
MUSHARAKAH PROGRAMMES”)**

1. BACKGROUND INFORMATION OF THE ISSUER

(a) Issuer

- | | |
|--|---|
| (i) Name | Sabah Credit Corporation (“ SCC ” or the “ Issuer ”). |
| (ii) Address | Wisma Perbadanan Pinjaman Sabah, Pekan Baru
Donggongon Penampang, P.O. Box 10451, 88805
Kota Kinabalu, Sabah. |
| (iii) Business
Registration Number | Not applicable. |
| (iv) Date and place of
incorporation | SCC was incorporated in Sabah State on 15 June
1955 under the Credit Corporation Ordinance No.1 of
1955 which was later repealed and replaced by the
Credit Corporation Enactment, No.22 of 1981
(“ Enactment ”). |
| (v) Date of listing, where
applicable | Not applicable. |
| (vi) Status on residence,
i.e. whether it is a
resident controlled
or non-resident
controlled company | Not applicable.

SCC is a statutory body constituted pursuant to the
Enactment. |
| (vii) Principal activities | Pursuant to Section 25 of the Enactment, the duty of
SCC is to, inter alia, promote the economic
development of Sabah and with that object to provide
or facilitate the grant of financial credits where
necessary and desirable and to stimulate and facilitate
private investment in Sabah by local and external
capital. |

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(viii) Board of Directors

SCC consists of the following members (“**Members of SCC**”) as at 31 January 2014:

No.	Name	Designation
1.	Yang Berhormat Datuk Linda Tsen Thau Lin	Chairman
2.	Yang Berbahagia Datuk Mohamad Bin Jafry	Deputy Chairman
3.	Yang Berbahagia Datuk Pg. Hassanel Datuk Pg. Hj Mohd Tahir (by virtue of his holding the post of the Permanent Secretary to the Sabah State Ministry of Finance)	Ex-Officio Member (See note below)
4.	Yang Berbahagia Datuk Osman Bin Jamal @ Jamar (by virtue of his holding the post of the Director of Land and Survey Department Sabah)	Ex-Officio Member
5.	Idrus Shafie (by virtue of his holding the post of the Director of Agriculture Department, Sabah)	Member
6.	Yang Berbahagia Datuk Peter Athanasius	Member
7.	Ir. Shahelmey Bin Yahya	Member
8.	Marzuki Hj Spawi	Member
9.	Zamani Hj Basri	Member
10.	Raskan Bin Asing	Member
11.	Yang Berbahagia Datuk Vincent Pung	Secretary

Note:

Encik Muluk Samad, who holds the post of the Deputy Permanent Secretary (Management Department) to the Sabah State Ministry of Finance, has been appointed as the alternate member to Datuk Pg. Hassanel Pg. Haji Mohd Tahir with effect from 7 March 2011.

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- (ix) **Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders** The Sabah State Government is the sole shareholder of SCC as at 31 January 2014 with 182,000,000 shares of RM1.00 each.
- (x) **Authorised, issued and paid-up capital** Details as at 31 January 2014:
Authorised share capital
 200,000,000 ordinary shares of RM1.00 each.
Issued and paid-up capital
 182,000,000 ordinary shares of RM1.00 each.
- (xi) **Disclosure of the following:**
- If the issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of application; and None.
 - If the issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of application Not applicable as the Issuer is not a listed company.

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2. PRINCIPAL TERMS AND CONDITIONS

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

- | | |
|---|---|
| (i) Principal adviser | AmlInvestment Bank Berhad (“ AmlInvestment Bank ”). |
| (ii) Lead arranger | AmlInvestment Bank. |
| (iii) Co-arranger | Not applicable. |
| (iv) Solicitor | Messrs. Lee Hishammuddin Allen & Gledhill. |
| (v) Financial adviser | Not applicable. |
| (vi) Technical adviser | Not applicable. |
| (vii) Sukuk trustee | AmTrustee Berhad (“ Trustee ”). |
| (viii) Shariah adviser | AmlInvestment Bank Berhad (backed by AmlIslamic Bank Shariah Committee) and Amanie Advisors Sdn Bhd (collectively, the “ Joint Shariah Advisers ”). |
| (ix) Guarantor | Not applicable. |
| (x) Valuer | Not applicable. |
| (xi) Facility agent | AmlInvestment Bank. |
| (xii) Primary subscriber(s) (under a bought-deal arrangement) and amount subscribed | To be determined prior to issue. In respect of issuance of Sukuk (as defined in paragraph 2(c) herein) based on the Shariah principle of Musharakah, there must be at least two (2) Primary Subscribers to be determined at the point of issuance. |
| (xiii) Underwriter(s) and amount underwritten | Not applicable. |
| (xiv) Central depository | Bank Negara Malaysia (“ BNM ”). |
| (xv) Paying agent | BNM. |
| (xvi) Reporting accountant | Not applicable. |
| (xvii) Calculation agent | Not applicable. |
| (xviii) Others (please specify) | <p>1. Tender Panel Members (“TPM”)</p> <p><u>In respect of the ICP Programme (as defined in paragraph 2(c) herein)</u></p> <p>Such 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 Services Act 2007 (“CMSA”), including a selection of financial institutions licensed under the Financial Services Act, 2013 and/or Islamic Financial Services Act, 2013, insurance/takaful</p> |

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companies registered under the Financial Services Act, 2013 and/or Islamic Financial Services Act, 2013, and approved corporations.

2. Lead Manager/Bookrunner

AmlInvestment Bank and/or any other financial institution(s) to be identified by the Issuer, if any.

3. Roles undertaken by SCC in respect of the Musharakah transaction:**(i) Issuer**

As the Issuer of the Sukuk (as defined in paragraph 2(c) herein).

(ii) Manager

As the manager who will manage the Musharakah Venture (as defined in paragraph 2(c) herein) for the benefit of the Sukukholders (as defined in paragraph 2(c) herein), upon the issuance of the Sukuk.

(iii) Obligor

As the Obligor, who undertakes to purchase the Trust Assets (as defined in paragraph 2(c) herein) from the Trustee at the Exercise Price (as defined in paragraph 2(y)(v) herein).

(b) Islamic principles used

Musharakah and/or such other Islamic principles approved by the Shariah Advisory Council (“**SAC**”) of the Securities Commission (“**SC**”) as set out in the SC’s Guidelines on Sukuk (revised on 8 January 2014 and effective 8 January 2014).

The Issue Documents (as defined in paragraph 2(t) herein) will provide that no approval from the Sukukholders will be required throughout the tenure of the Sukuk *Musharakah* Programmes (as defined in paragraph 2(c) herein), for the Issuer:

- (a) to issue new or future Sukuk based on Islamic principles other than the Musharakah principle; or
- (b) to amend the structure described in this Principal Terms and Conditions so as to comply with any future requirements of the Musharakah principle; or

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- (c) to amend the structure of any Islamic principles (other than Musharakah principle) which may be adopted by the Issuer, so as to comply with any future requirements of those Islamic principles; or
- (d) to execute any documentation to give effect to the transactions contemplated in (a), (b) and (c) above.

However, the prior approval of the Joint Shariah Advisers will have to be obtained. The Issuer, through the Principal Adviser will refer such matters to the SAC of SC for their approval prior to notification to the SC.

(c) Facility description

Sukuk issuance programmes under the Islamic principle of Musharakah and/or such other Islamic principles approved by the SAC of the SC and the Joint Shariah Advisers (“**Sukuk Musharakah Programmes**”) which comprise the following:

- i) Islamic Commercial Papers Programme of up to RM750.0 Million in nominal value (“**ICP Programme**”); and
- ii) Islamic Medium Term Notes Programme of up to RM1.5 Billion in nominal value (“**IMTN Programme**”);

subject to a joint limit of RM1.5 billion in nominal value. The Islamic commercial papers (“**ICPs**”) and the Islamic medium term notes (“**IMTNs**”) are collectively referred to as “**Sukuk**”.

Sukuk Musharakah

Under the Musharakah transaction, the investors (known as the “**Sukukholders**”) shall, from time to time, form a partnership amongst themselves for the purpose of investing in the Shariah-compliant financial services business of SCC (“**Musharakah Venture**”) whereby the Sukukholders contribute capital in the form of cash. The Sukuk may be issued in series. Each series of the Sukuk which comprises at least two (2) Sukukholders shall constitute a Musharakah Venture.

Any profit derived from the Musharakah Venture will be distributed based on the ratio of capital contribution among the Sukukholders and losses will also be shared based on the Sukukholders’ ratio of capital contribution.

SCC, shall issue Sukuk to the Sukukholders, in consideration of their capital contribution (“**Musharakah Capital**”). The Sukuk represents the Sukukholders’ proportionate participation in the said Musharakah Venture.

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The Issuer shall declare a trust over the Trust Assets (as defined below) which shall be the Shariah-compliant financial services business of the Issuer including the “**Profit Reserve Account**” (as defined in paragraph 2(y)(vi) herein) (collectively the “**Trust Assets**”), for the benefit of the Trustee (acting on behalf of the Sukukholders). The Trustee (acting on behalf of the Sukukholders) shall appoint the Issuer as its agent (the “**Manager**”) to manage the Musharakah Venture on behalf of the relevant Sukukholders upon the terms and subject to the conditions of the Musharakah agreement.

The Sukuk shall entitle the Sukukholders the rights to share any income generated from the relevant Musharakah Venture in proportion to each Sukukholders’ respective capital contribution of the Musharakah Capital payable either in periodic payments (“**Periodic Payment**”) or on a one-off basis (“**One-Off Payment**”). For the avoidance of doubt, income may be distributed semi-annually (“**Periodic Payment Date**”) or on one-off basis on “**Dissolution Date**” (as defined herein).

Whenever a Periodic Payment or One-Off Payment is paid out on a particular scheduled Periodic Payment Date or Maturity Date (as defined herein) as the case may be, such payment shall comprise of distributable income generated from the relevant Musharakah Venture (“**Periodic Distribution**”) and/or “**Advance Profit Payment**” (as defined below), if any.

The return expected (“**Expected Return**”) by the Sukukholders from the corresponding Musharakah Venture shall be the yield of the respective series of the Sukuk up to the respective maturity dates of the Sukuk (“**Maturity Date**”) or the date of declaration of an event which dissolves the corresponding Musharakah Venture (“**Dissolution Event**”), whichever is applicable, (the Maturity Date and the date of the declaration of a Dissolution Event shall hereinafter be collectively referred to as “**Dissolution Date**”).

The Sukukholders shall also agree upfront that they shall receive profits, if any, up to the Expected Return. Any amounts in excess of the Expected Return shall be credited by the Manager to a Profit Reserve Account which may be used to fund future payments of Periodic Payment and/or One-off Payment. Any amounts standing to the credit of the Profit Reserve Account (as defined herein) on the Dissolution Date will be due and payable to the Manager as an incentive fee for managing the Musharakah Venture.

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The Manager may at any time prior to the Dissolution Date utilise the amounts standing to the credit of the Profit Reserve Account (“**Advance Incentive Fee**”) so long as any amounts deducted from the Profit Reserve Account prior to the Dissolution Date are re-credited to fund any shortfall in the amount of the Periodic Payment and/or One-off Payment.

If, on any Periodic Payment Date or Dissolution Date, in the case of One-Off Payment, the income generated from the Musharakah Venture and the amounts standing to the credit of the Profit Reserve Account are insufficient to meet the expected Periodic Payment or One-Off Payment, where applicable, in full, the Issuer shall make advance profit payments during the tenure of the Sukuk (“**Advance Profit Payment**”) equal to such deficiency. For the avoidance of doubt, any Advance Profit Payment made by the Issuer shall be off-set against the Exercise Price (as defined herein).

The Obligor shall also grant to the Trustee (acting on behalf of the Sukukholders) a Purchase Undertaking (as defined) in respect of each series of the Sukuk whereby the Obligor shall undertake to purchase such portion of the Sukukholders’ interest in the Trust Assets from the Trustee at the relevant Exercise Price, upon the occurrence of the maturity dates of such series of the Sukuk or the declaration of a Dissolution Event, whichever is earlier in respect of such series of the Sukuk as set out in paragraph 2(y)(v) (Purchase Undertaking) hereunder.

In respect of each series, upon exercise of the Purchase Undertaking and the payment of the Exercise Price, the relevant Musharakah Venture and the trust in respect of the Trust Assets will be dissolved and the relevant Sukuk held by the Sukukholders will be cancelled.

Please refer to Annexure 1 for the illustrative diagram of the Sukuk *Musharakah* Programmes.

(d) Identified assetsIdentified Assets

Not applicable.

Trust Assets

The Trust Asset shall comprise Shariah-compliant financial services business of the Issuer including the Profit Reserve Account.

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(e) Purchase and selling price/rental (where applicable)	Not applicable.
(f) Issue/sukuk programme size (RM)	<p><u>ICP Programme</u> Up to RM750.0 million nominal value.</p> <p><u>IMTN Programme</u> Up to RM1.5 billion nominal value. Subject always to the aggregate outstanding nominal value of the Sukuk at any point in time not exceeding RM1.5 billion.</p>
(g) Tenure/sukuk programme size	<p><u>Tenure of the ICP Programme:</u> Up to seven (7) years from the date of the first issuance of the ICPs under the ICP Programme (“ICPs Availability Period”).</p> <p><u>Tenure of the ICPs:</u> The ICPs shall have a tenure of one (1), two (2), three (3), six (6), nine (9), twelve (12) months or any tenure as may be agreed between the Issuer and the Lead Manager, provided always that no ICPs shall mature beyond the expiry of the ICPs Availability Period. The first issuance of ICPs under the ICP Programme shall be made within two (2) years from the date of the SC’s authorisation subject to the conditions precedent for the ICP Programme being complied with.</p> <p><u>Tenure of the IMTN Programme:</u> Up to twenty (20) years from the date of the first issuance of IMTNs under the IMTN Programme (“IMTNs Availability Period”).</p> <p><u>Tenure of the IMTNs:</u> The IMTNs shall have a tenure of more than one (1) year and up to twenty (20) years, provided always that no IMTNs shall mature beyond the expiry of the IMTNs Availability Period. The first issuance of IMTNs under the IMTN Programme shall be made within two (2) years from the date of the SC’s authorisation subject to the conditions precedent for the IMTN Programme being complied with.</p>

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- (h) **Availability period of sukuk programme**
- ICP Programme
- The period commencing from the date the conditions precedent of the Sukuk *Musharakah* Programmes are fulfilled and ending on the close of business in Kuala Lumpur on the date falling seven (7) years after the date of the first (1st) issuance of the ICPs under the ICP Programme.
- IMTN Programme
- The period commencing from the date the conditions precedent of the Sukuk *Musharakah* Programmes are fulfilled and ending on the close of business in Kuala Lumpur on the date falling 20 years after the date of the first (1st) issuance of IMTNs under the IMTN Programme.
- (i) **Profit/coupon/rental rate**
- ICPs
- Not applicable.
- IMTNs
- The IMTNs may be issued with or without profit rate. The expected profit rate for the IMTNs will only be determined prior to issuance of the respective IMTNs.
- (j) **Profit/coupon/rental payment frequency**
- ICPs
- Not applicable.
- IMTNs
- a) IMTNs issued with profit rate:
- The Periodic Payment(s) shall be made on a semi-annual basis provided that no Periodic Payment Date shall extend beyond the final maturity of the respective series.
- b) IMTNs issued without profit rate:
- Not applicable.
- (k) **Profit/coupon/rental payment basis**
- ICPs
- Not applicable.
- IMTNs
- a) IMTNs issued with profit rate:
- The Periodic Payment(s) shall be calculated on the basis of the actual number of days elapsed and 365 days basis (actual/365 days).

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	b)	IMTNs issued without profit rate: Not applicable.
(l)	Security/ Collateral	Clean.
(m)	Details on utilisation of proceeds by issuer/ obligor. If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable	The proceeds from the Sukuk <i>Musharakah</i> Programmes will be utilised for Shariah-compliant purposes only, which is for the Issuer’s Islamic financial services business including, but not limited to, granting Shariah compliant personal financing to its customers.
(n)	Sinking fund and designated accounts, where applicable	Not applicable.
(o)	Rating	
	(a)	Credit ratings assigned and whether the rating is final or indicative. In the case of a sukuk programme where the credit rating is not assigned for the full amount, disclosures set out in paragraph 9.04 of these guidelines must be made
		<u>ICPs</u> Indicative rating of P1.
		<u>IMTNs</u> Indicative rating of AA ₁ .
	(b)	Name of credit rating agencies
		RAM Rating Services Berhad (“ RAM Ratings ”).
(p)	Mode of Issue	
		<u>ICPs</u> Via tender, private placement on a best efforts basis or bookrunning on a best efforts basis or bought deal basis.
		<u>IMTNs</u> Via private placement on a best efforts basis or bookrunning on a best efforts basis or bought deal basis.
		<u>Tender</u> The issuance of the ICPs shall be effected by way of tender panel bidding under the Fully Automated System for Issuing/Tendering (“ FAST ”) whereby the TPM will be invited to bid competitively for the price

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and volume of the ICPs in accordance with Operational Procedures for Securities Services dated 10 October 2013 issued by Malaysian Electronic Clearing Corporation Sdn Bhd (“**MyClear**”), as amended and substituted from time to time (“**MyClear OPSS**”)

Private Placement / Bookrunning / Bought Deal

At the option of the Issuer, the issuance may also be effected by way of private placement on a best efforts basis or a “book-building” process on a best efforts basis or on bought deal basis without prospectus. The Issuer may request the Lead Manager to make a direct or private placement of the Sukuk. Issuance of the Sukuk will be reported in FAST.

- (q) **Selling restrictions, including tradability, i.e. whether tradable or non-tradable**

Selling Restrictions at Issuance

The Sukuk may 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 CMSA.

Selling Restrictions Thereafter

The Sukuk may 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) and Schedule 9 or Section 257(3) of the CMSA.

- (r) **Listing Status and types of listing, where applicable**

The Sukuk may be listed under the Exempt Regime of the Main Market of the Bursa Malaysia Securities Berhad or on any other stock exchanges subject to compliance with all relevant regulatory requirements.

- (s) **Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase sukuk, and whether or not obtained**

Pursuant to Section 33(1) of the Enactment, SCC may from time to time, with the approval of the Sabah State Minister of Finance (“**Minister**”), borrow money by the issue of debenture stock or otherwise as the Minister may direct for the purposes of the Enactment. The Minister has given its approval vide its letter dated 6 February 2014 for the issuance of the Sukuk under the Sukuk *Musharakah* Programmes.

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- (t) **Conditions Precedent** The availability of the Sukuk *Musharakah* Programmes shall be subject to conditions precedent, including but not limited to those referred to below:
- (i) SCC shall have procured the relevant approval for the establishment of the Sukuk *Musharakah* Programmes from the Minister as required under the Enactment;
 - (ii) SCC shall have procured the requisite consent from all existing lenders whose consent is required for the establishment of the Sukuk *Musharakah* Programmes;
 - (iii) the Sukuk *Musharakah* Programmes shall be subject to the prior authorisation of the SC over matters pertaining to the Sukuk *Musharakah* Programmes;
 - (iv) SCC shall have obtained a minimum rating of AA1/P1 from RAM Ratings at the point of first issuance of Sukuk under the Sukuk *Musharakah* Programmes;
 - (v) SCC shall have received evidence of the confirmation from the Joint Shariah Advisers that the structure, mechanism, principal terms and conditions together with the Issue Documents (as herein defined) of the Sukuk *Musharakah* Programmes are in compliance with Shariah principles;
 - (vi) receipt of the Support Letter and Subordination Letter from the Minister in form and substance acceptable to the Lead Arranger / Lead Manager;
 - (vii) receipt of the solicitors’ confirmation that the programme agreement, trust deed, the Purchase Undertaking and other relevant documents pertaining to the Sukuk *Musharakah* Programmes (“**Issue Documents**”) shall have been executed and stamped (or duly endorsed as being exempted from stamp duty, as the case may be);
 - (viii) The Lead Arranger has received from the solicitors acceptable legal opinion addressed to it advising with respect to, amongst others, the legality, validity and enforceability of the Issue Documents and a confirmation addressed to it that all the conditions precedent for the Sukuk *Musharakah* Programmes have been complied or waived as the case may be;

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- (ix) satisfactory due diligence as required under the CMSA;
- (x) receipt of a certified true copy of the resolution passed by the Members of SCC authorising, amongst others, the establishment of the Sukuk *Musharakah* Programmes and the execution of the Issue Documents;
- (xi) evidence that arrangements have been made for payment of all transaction fees, costs and expenses; and
- (xii) such other conditions precedent as maybe advised by the Lead Arranger’s / Lead Manager’ solicitor.

(u) Representations and Warranties

The Sukuk *Musharakah* Programmes shall be subject to such representations and warranties as may be deemed standard for a facility of this nature or as may be advised by the Lead Arranger / Lead Manager’s solicitor. This shall include but not be limited to:

- (i) Issuer is a corporation duly incorporated under the Enactment and is validly existing;
- (ii) Issuer has the power to enter into, exercise its rights and perform its obligations under the Issue Documents;
- (iii) Issuer’s entry into, exercise of its rights under and performance of the Issue Documents do not and will not violate any existing law or agreements to which it is a party;
- (iv) the Issue Documents create valid and binding obligations which are enforceable on and against the Issuer;
- (v) Issuer’s audited accounts are prepared in accordance with generally accepted accounting principles and standards and they fairly represent the Issuer’s financial position;
- (vi) the written information furnished by the Issuer in connection with the Issue 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 were made, misleading, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful enquiry by the Issuer;
- (vii) there is no litigation or arbitration which is current or, to the Issuer’s knowledge, is

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threatened, which if adversely determined would have a material adverse effect on the ability of the Issuer to comply with the Issue Documents; and

- (viii) such other representations and warranties which may be advised by the Lead Arranger’s / Lead Manager’s solicitor.

(v) Events of Default/Dissolution Event

Standard dissolution events shall apply and shall include but not limited to the following:

- (i) the Issuer/Obligor fails to pay the Exercise Price or any other sum due under the Sukuk or under any of the Issue Documents on the due date thereof or upon written demand by the Trustee;
- (ii) the Issuer/Obligor commits any breach of or omits to observe any of the obligations, undertakings or covenants expressed to be assumed by it under the Sukuk *Musharakah* Programmes or the Issue Documents (save and except item (i) above) which is not capable of remedy or which, capable of being remedied, is not remedied within 30 days after the Issuer becomes aware of such default or has been notified by the Trustee of such default;
- (iii) any indebtedness of the Issuer (other than indebtedness under the Sukuk *Musharakah* Programmes) becomes due or capable of being declared due before its stated maturity; any guarantee, indemnity or similar obligation of the Issuer is not honoured when due and called upon or not discharged at maturity; or if any security, guarantee, indemnity or similar obligation becomes enforceable; or the Issuer goes into default under, or commits a breach of, any instrument or agreement relating to any such indebtedness, security, guarantee, indemnity or other similar obligation;
- (iv) any consent, authorisation, licence, approval or registration with or declaration to governmental or public bodies or authorities or courts (if any) required by the Issuer to authorise or required by the Issuer in connection with the execution, issue, sale, delivery, validity, enforceability or admissibility in evidence of any of the Issue Documents or the performance by the Issuer of its obligations under any of the Issue Documents or the Sukuk as the case may be, is modified or is not granted or is revoked or withheld, invalidated, expired or is not renewed

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- or otherwise ceases to be in full force and effect;
- (v) the occurrence of any of these events (not exhaustive):
- (a) an application (other than a frivolous or vexatious application or an application which is stayed within 30 days) is made to a court or an order is made that the Issuer be wound up or a resolution to wind-up the Issuer has been passed (other than for the purposes of a reconstruction or amalgamation previously approved in writing by the Trustee, unless during or following such reconstruction or amalgamation, the Issuer becomes or is declared insolvent);
 - (b) a receiver, receiver and manager, liquidator, trustee or similar officer is appointed in respect of any part of the Issuer’s properties or the Issuer and such appointment is not discharged within 30 days; or
 - (c) the Issuer commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors (other than for the purposes of a reconstruction or amalgamation previously approved in writing by the Trustee, unless during or following such reconstruction or amalgamation, the Issuer becomes or is declared insolvent);
 - (d) a scheme of arrangement under section 176 of the Companies Act 1965 has been instituted against the Issuer (if applicable);
- (vi) breach by Issuer of any obligation under any of the Issuer’s existing contractual obligation(s) which may materially and adversely affect the Issuer’s ability to perform its obligations under the Sukuk or the Issue Documents;
- (vii) compulsory acquisition by the State Government of Sabah and/or other governmental authorities of all or substantial

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- parts of the Issuer’s assets;
- (viii) any event has occurred or a situation exists which could or might in the reasonable opinion of the Trustee have a material adverse effect on the business, assets or condition of the Issuer (financial or otherwise) or the Issuer’s ability to perform its obligations under the Sukuk or the Issue Documents;
 - (ix) any change or amendment to the Enactment that might have a material adverse effect on the business, assets or condition of the Issuer (financial or otherwise) or the Issuer’s ability to perform its obligations under the Sukuk or the Issue Documents;
 - (x) any representation or warranty made or given by the Issuer under the Issue Documents or which is contained in any certificate, document or statement furnished at any time pursuant to the Sukuk *Musharakah* Programmes and/or any of the Issue Documents proves to have been incorrect or misleading in any material respect on or as of the date made or given or deemed made or given, and in the case of a failure which in the opinion of the Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of 30 days after the Issuer becomes aware of such failure or has been notified by the Trustee of the failure;
 - (xi) at any time any of the provisions of the Issue Documents is or becomes illegal, void, voidable or unenforceable;
 - (xii) breach of any of the terms contained in the Subordination Letter; and
 - (xiii) such other conditions as may be advised by the Lead Arranger’s / Lead Manager’s solicitor which shall include those required in order to comply with the SC’s Trust Deeds Guidelines (revised on 12 July 2011 and effective 12 August 2011).

If any of the above occurs, the Trustee may, or if so directed by a special resolution of the Sukukholders, shall declare that all sums payable under the Purchase Undertaking shall become immediately due and payable in full in accordance with the terms of the relevant Issue Documents.

Upon the exercise of the Purchase Undertaking and the payment of the Exercise Price, the Trust Assets

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will be immediately purchased by the Obligor, the Musharakah Venture will be dissolved and the relevant Sukuk held by the Sukukholders will be cancelled accordingly.

(w) Covenants

- (i) Positive Covenants** So long as any of the Sukuk under the Sukuk *Musharakah* Programmes remains outstanding, the Issuer covenants, inter alia, the following:
- (i) the Issuer will provide the Facility Agent/Trustee with its audited financial statements within 180 days of the end of each financial year; and such other information (financial or otherwise) as the Facility Agent or the Trustee may reasonably require from time to time to discharge their duties and obligations under the trust deed relating to the issuer’s affairs to the extent permitted by law;
 - (ii) the Issuer exercise reasonable diligence in carrying out its business in a proper and efficient manner which shall ensure, amongst others, that all necessary approvals or relevant licences are obtained and maintained;
 - (iii) the Issuer will meet all its obligations under and will comply with the Issue Documents in all respects;
 - (iv) the Issuer will maintain a paying agent in Malaysia;
 - (v) the Issuer will procure that the paying agent shall notify the Trustee, through the Facility Agent, if the paying agent does not receive payment from the Issuer on the relevant due dates;
 - (vi) the Issuer will keep proper books and accounts at all times and to provide the Trustee and any person appointed by it (for example the auditors) access to such books and accounts;
 - (vii) the Issuer will ensure that the terms of the Issue Documents do not contain any matter which is inconsistent with the provisions of the information memorandum issued or to be issued in connection with the Sukuk *Musharakah* Programmes;
 - (viii) the Issuer will notify the Facility Agent/Trustee of any material litigation/claim/other proceeding of any nature whatsoever threatened against it;

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- (ix) the Issuer will use its best efforts to pursue any claims it may have against third parties;
- (x) the Issuer will maintain its existence as a statutory body pursuant to the Enactment;
- (xi) the Issuer will immediately notify the Facility Agent/ Trustee in writing if it becomes aware of any Dissolution Events or potential Dissolution Events;
- (xii) the Issuer will promptly notify the Facility Agent/ Trustee if it becomes aware of the happening of any event that has caused or could cause any amount secured or payable under the Sukuk to become immediately payable, the Sukuk to become immediately enforceable, any right or remedy under the Issue Documents to become immediately enforceable, any circumstance that has occurred that would materially prejudice the Issuer, any substantial change in the nature of the business of the Issuer, any change in the Issuer’s withholding tax position, any change in the utilisation of proceeds of the Sukuk or any other matters that may materially prejudice the interest of the Sukukholders;
- (xiii) the Issuer will maintain and keep in force and effect all material contracts, operating licences, necessary approvals and rights necessary for the conduct of its business and undertakes to inform the Facility Agent/Trustee immediately if it becomes aware of events that may adversely affect the same;
- (xiv) the Issuer will maintain adequate insurance/takaful in accordance with common industry practice;
- (xv) the Issuer shall maintain its audited accounts such that the accounts represent fairly the Issuer’s financial position and give a true and fair view of its financial condition;
- (xvi) the Issuer shall provide the Trustee a compliance certificate annually, in form and content acceptable by the Trustee, confirming that it has complied with its obligations under the Issue Documents and the terms and conditions of the Sukuk and that there does not exist or had not existed, from the date the Sukuk were issued or date of the previous certificate, as the case may be, any Dissolution Event, and if such is not the case, to specify

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the same;

- (xvii) the Issuer shall cause all principal amounts outstanding under the advances and government grants or loans made or to be made to it by the Sabah State Government to be subordinated to the Sukuk issued under the Sukuk *Musharakah* Programmes and no repayment and/or prepayment of such principal amounts outstanding under the advances and government grants or loans shall be made if there is any Sukuk outstanding; and
- (xviii) other conditions typical and customary for similar fund raising as advised by the Lead Arranger’s / Lead Manager’s solicitor which shall include those required in order to comply with the SC’s Trust Deeds Guidelines (revised on 12 July 2011 and effective 12 August 2011).

(ii) Negative Covenants So long as any of the Sukuk issued under the Sukuk *Musharakah* Programmes remains outstanding, the Issuer covenants that it will not, without the prior written consent from the Trustee (under the instructions of the Sukukholders pursuant to a special resolution) do, inter alia, the following:

- (i) change the nature or scope of its existing business;
- (ii) cancel, surrender, abandon or otherwise amend relevant licences, grants or agreements in any way which has a material adverse effect on the rights of the Issuer unless imposed by any applicable legislation or authorities;
- (iii) enter into any amalgamation, consolidation or merger with any other person or convey or transfer its properties or assets substantially to any person;
- (iv) enter into any scheme of arrangement or reconstruction or apply for any restraining order pursuant to section 176 of the Companies Act, 1965 (if applicable);
- (v) propose any resolution for its winding-up or liquidation or take any action towards its winding-up or resolution;
- (vi) permit to exist any mortgage, charge, pledge, lien, encumbrance or other security interest of any kind on its assets save and except for:

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- (a) any security interests existing prior to signing of the Issue Documents;
 - (b) liabilities which are subject to liens or rights of set-off arising in the normal course of trading and the aggregate amount of which is not material; and
 - (c) liabilities which are preferred solely by law and not by reason of any security interest;
- (vii) permit any amendment, supplement or variation to its Memorandum and Articles of Association in a manner which may be materially prejudicial to the interests of the Sukukholders;
- (viii) utilise the proceeds from Sukuk issued under the Sukuk *Musharakah* Programmes except for the purposes set out herein or in the relevant Issue Documents;
- (ix) so long as any of the Sukuk under the Sukuk *Musharakah* Programmes remains outstanding:
- (a) declare or pay any dividend or make any other distribution on or in respect of its share capital (“**Dividend Payment**”); and/or
 - (b) pay or repay interests in respect of the advances, loans or grants made or to be made by the Sabah State Government (“**Sabah State Interest Payment**”) to the Issuer;
- if:
- (1) a Dissolution Event has occurred and is subsisting or following such declaration, payment or distribution, a Dissolution Event would occur; and
 - (2) following such declaration, payment or distribution or the aggregate of the Dividend Payment and the Sabah State Interest Payment paid by the Issuer for the year in which such payment is made would exceed the sum being the profit after tax of the Issuer recorded in its audited financial statements in respect of the year immediately preceding the year in which such payment(s) is/are made by the Issuer to the Sabah State

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Government;

(x) enter into a transaction, whether directly or indirectly with interested persons unless:

(a) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and

(b) in respect of transactions:

(i) related to any advances, loans and/or grants to be made by the Sabah State Government to the Issuer involving an aggregate payment or value equal to or greater than RM180,000,000.00; or

(ii) related to any assumptions by the Issuer of loans and/or liabilities from the Lembaga Pembangunan Perumahan dan Bandar and/or any other State governmental agencies in accordance with the instructions from the Sabah State Government involving an aggregate payment or value equal to or greater than RM180,000,000.00; or

(iii) not related to any transaction of the types referred to in (x)(b)(i) and (x)(b)(ii) above, involving an aggregate payment or value equal to or greater than RM18,000,000.00; and

the Issuer has obtained certification from any independent adviser that the transaction was carried out on fair and reasonable terms;

PROVIDED that the Issuer certifies to the Trustee that the transaction complies with paragraph (x)(a) above and that the Issuer has received the certification referred to in paragraph (x)(b) above (where applicable) and that the transaction has been approved by the majority of the board of directors or shareholders in a general meeting as the case may require; and

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- (xi) other conditions typical and customary for similar financing at the recommendation of the Lead Arranger’s / Lead Manager’s solicitor which shall include those required in order to comply with the SC’s Trust Deeds Guidelines (revised on 12 July 2011 and effective 12 August 2011).
- (x) **Provisions on buy-back and early redemption of sukuk** Not applicable
- (y) **Other principal terms and conditions for the proposal**
- (i) **Issue Price**
- ICP Programme
- Issued at a discount to face value and the issue price is calculated in accordance with the MyClear OPSS and determined prior to issuance.
- IMTN Programme
- Issued at par, at premium or at a discount to face value and the issue price is calculated in accordance with MyClear OPSS and determined prior to issuance.
- (ii) **Yield to maturity**
- The yield to maturity is the Expected Return to the Sukukholders up to the respective Maturity Dates under each Musharakah Venture which shall be determined prior to issuance of each series of the Sukuk.
- (iii) **Form and denomination**
- Form
- Each series of the Sukuk shall at all times be represented by a global certificate in bearer form (exchangeable for definitive certificates only in limited circumstances) in accordance with MyClear OPSS and/or any other procedures or guidelines issued by the relevant authorities. No physical delivery of the Sukuk is permitted.
- The global certificates shall be deposited with BNM.
- Denomination
- The Sukuk shall be issued in denominations of RM1.0 million or in integral multiples thereof or if required, in such other denominations in accordance with MyClear OPSS and/or any other procedures or guidelines issued by the relevant authorities.

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(iv) **Minimum level of subscription (RM or %)** Minimum level of subscription for each issue that is not issued on a private placement, bookrunning and bought deal basis (which shall be fully subscribed) shall be 5% of the size of a particular issue. In the event any issue, offer or invitation is undersubscribed and cannot meet the minimum level of subscription, the same shall be aborted and where applicable, any consideration received for the purpose of subscription must be immediately returned to the respective investors.

(v) **Purchase Undertaking** In respect of each series of the Sukuk, the Obligor shall grant an undertaking to the Trustee (acting on behalf of the Sukukholders) to purchase such portion of the Sukukholders’ interest in the Trust Assets from the Trustee at the **Exercise Price** upon the occurrence of the following events:

1. the Maturity Date of such series of the Sukuk; or
2. the declaration of a Dissolution Event,

whichever is earlier.

In the case of Sukuk with Periodic Payment, the Exercise Price shall be determined based on the following formula:

On the maturity date of such series of the Sukuk:

Exercise Price = Musharakah Capital plus Expected Return less total Periodic Distributions paid.

On the declaration of a Dissolution Event:

Exercise Price = Musharakah Capital plus Expected Return on Dissolution Date less aggregate of Periodic Distribution(s) made and to be adjusted to be equivalent to the accreted value (for discounted Sukuk) or amortised value (for Sukuk issued at premium to par) up to the date of declaration of a Dissolution Event and such calculation of the Exercise Price shall be in accordance with MyClear OPSS.

In the case of Sukuk with One-Off Payment, the Exercise Price shall be determined based on the following formula:

On the maturity date of such series of the Sukuk:

Exercise Price = Musharakah Capital plus Expected Return

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Exercise Price = Musharakah Capital plus Expected Return and to be adjusted to be equivalent to the accreted value up to the date of declaration of a Dissolution Event and such calculation of the Exercise Price shall be in accordance with MyClear OPSS.

On any payment of the Exercise Price, SCC (as “Obligor”) will be entitled to deduct the aggregate of the Advance Profit Payment made in relation to the portion of the Sukuk outstanding from the Exercise Price.

(vi) Profit Reserve Account

The Manager shall open a Shariah-compliant profit reserve account for the purpose of crediting any excess income from the Musharakah Venture and, if applicable, re-crediting any Advance Incentive Fee, which will be used to fund payments of the Periodic Payment and/or One-off Payment, where applicable, from time to time to the extent that there is insufficient income generated from the Musharakah Venture to pay such Periodic Payment and/or One-off Payment.

(vii) Withholding Tax

All payments by the Issuer shall be made without any withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or Malaysian law unless such withholding or deduction is required by law, in which event, the Issuer shall be required to make such additional payments (or gross up) so that the payee would receive the full amount which the payee would have received if no such withholding or deduction are made.

(viii) Repurchase and Cancellation

The Issuer may at any time purchase the Sukuk in the open market or otherwise and these repurchased Sukuk shall be cancelled and cannot be resold or reissued.

(ix) Compensation for Late and Default Payments (“Ta’widh”) (applicable to the Purchase Undertaking only)

In the event of any delay in payments of any amounts due under the Purchase Undertaking, the Obligor shall pay to the Trustee for the benefit of the Sukukholders compensation (Ta’widh) on such delay in payments at the rate and manner prescribed by the SAC of the SC from time to time in accordance with the Shariah principles.

Any compensation referred to above which is paid to the Sukukholders, can be treated and/or utilised by the Sukukholders at their absolute discretion in accordance with or determined by their respective

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- Shariah requirements, where applicable, which may include donation to any registered charitable organization or any charitable purposes.
- (x) **Status** The Sukuk shall constitute direct, unsecured and unconditional obligations of the Issuer and will rank equally and rateably (*pari passu*) in point of priority and security amongst themselves and *pari passu* with all its other unsecured liabilities (both actual and contingent) except (a) liabilities which benefits from liens or are subject to rights of set-off arising in the normal course of business or by operation of law and not by way of contract; and (b) liabilities which are preferred solely by the laws of Malaysia.
- (xi) **Redemption** Unless previously purchased and cancelled, the Sukuk shall be redeemed by the Issuer at their face value on the respective maturity dates.
- (xii) **Clear Market** From the date that SCC obtains its Members’ approval for the issuance of Sukuk under the Sukuk *Musharakah* Programmes until the ninetieth (90th) day after the first issue of the Sukuk, SCC undertakes to not accept, mandate, syndicate or privately place any other external borrowings or guarantee facility without the prior written approval of the Lead Arranger/Lead Manager.
- (xiii) **Adverse Market Condition** At any time prior to the issuance of the Sukuk, the Lead Arranger / Lead Manager / Facility Agent / placee(s) / investor(s) reserve(s) the right to withdraw / terminate the arrangement of the Sukuk *Musharakah* Programmes if there occurs any change in the national or international financial, political or economic conditions, including but not limited to adversities in international / domestic money, capital or syndicated loan markets, the business activities or financial position of the Issuer which in the opinion of the Lead Arranger / Lead Manager / Facility Agent / placee(s) / investor(s) will materially affect the offering and distribution of the Sukuk or dealings in the Sukuk in the secondary market upon successful completion of the arrangement of the same.
- (xiv) **Changes in Circumstances** If, as a result of any change in applicable law, regulation or regulatory requirement or in the interpretation or application thereof or if compliance by the Lead Arranger / Lead Manager / Facility Agent / Primary Subscriber(s) / investor(s) (collectively the “**Transaction Parties**”) with the applicable direction, request or requirement (whether or not having the force of law) will impose on the Transaction Parties any condition, burden or obligation, and upon notice to

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the Issuer after becoming aware of such occurrence or within such reasonable period as may be permitted by law or the authorities:

- (a) where the change, interpretation or application makes it unlawful for the Transaction Parties to make available the Sukuk, without breaching such law or regulation, the Transaction Parties shall terminate their obligations in respect of the Sukuk; and
- (b) where the change, interpretation or application causes the Transaction Parties to incur additional costs or be required to make further payments then the Issuer shall compensate the Transaction Parties for the additional cost incurred or payments made.

- (xv) **Incidental Expenses and Legal Fees** All legal and professional fees, the cost of due diligence exercises, stamp duties (where applicable), Shariah, taxes and any other out-of-pocket expenses, incurred pursuant to the Issuer’s acceptance of the Sukuk *Musharakah* Programmes and for purposes of preparation and submission of this application / prospectus / information memorandum (as the case may be) and the preparation of security documentation (if applicable, notwithstanding the non-issuance of the Sukuk under the Sukuk *Musharakah* Programmes by the Issuer) shall be borne by the Issuer.
- (xvi) **Currency** Ringgit Malaysia.
- (xvii) **Documentation** Standard documentation satisfactory to all parties concerned incorporating clauses normal and customary for a financing of this nature and / or as advised by the Lead Arranger’s / Lead Manager’s solicitor.
- (xviii) **Upsizing of the Sukuk Programmes** The Sukuk *Musharakah* Programmes may be upsized subject to the following conditions:
- (a) the prior approval of the SC over matters pertaining to the Sukuk *Musharakah* Programmes and / or the relevant parties (including the Sukukholders) for the proposed upsizing has been obtained;
 - (b) the voting for the Sukuk *Musharakah* Programmes shall be carried out on a “per series” basis and not on a collective basis; and
 - (c) the Issuer shall ensure that any exercise to upsize the Sukuk *Musharakah* Programmes shall not unfairly discriminate against or

SABAH CREDIT CORPORATION (“SCC”)

PRINCIPAL TERMS AND CONDITIONS

ISLAMIC COMMERCIAL PAPERS PROGRAMME OF UP TO RM750.0 MILLION IN NOMINAL VALUE AND ISLAMIC MEDIUM TERM NOTES PROGRAMME OF UP TO RM1.5 BILLION IN NOMINAL VALUE, SUBJECT TO A JOINT-LIMIT OF RM1.5 BILLION IN NOMINAL VALUE UNDER THE SHARIAH PRINCIPLE OF *MUSHARAKAH* (“SUKUK *MUSHARAKAH* PROGRAMMES”)

otherwise be prejudicial to the Sukukholders of the Sukuk *Musharakah* Programme.

(xix) Trustee’s Reimbursement Account

The Issuer shall open and maintain a Shariah-compliant Trustee’s Reimbursement Account for Sukukholders’ Actions (“**Account**”) with a bank to be appointed by the Issuer which is acceptable to the Trustee with a sum of thirty thousand ringgit (RM30,000) to be set up from the moneys received by the Issuer when the Sukuk are issued.

The Account shall be operated by the Trustee and the money shall only be used strictly by the Trustee in carrying out its duties in relation to the declaration of a Dissolution Event in the manner as provided in the Issue Documents. This sum of money in the Account shall be maintained at all times throughout the tenure of the Sukuk *Musharakah* Programmes.

The moneys in the Account may be invested in Shariah-compliant bank deposit or Shariah compliant instruments or securities in the manner as provided in the Issue Documents, with profit from the investment to be accrued to the Issuer. The moneys in the Account shall be returned to the Issuer upon full redemption of the Sukuk in the event there is no declaration of Dissolution Event.

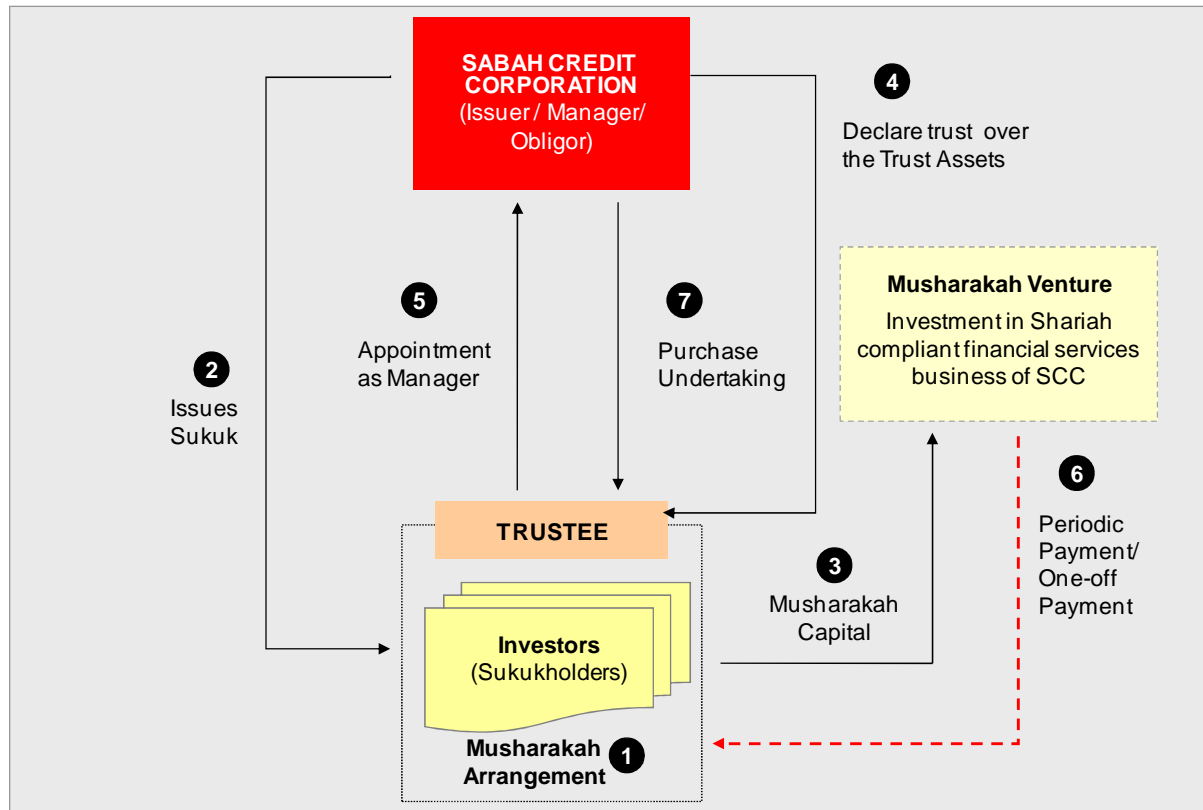
(xx) Governing Laws

The Sukuk and the Issue Documents are governed by, and shall be construed in accordance with, the laws of Malaysia.

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MUSHARAKAH PROGRAMMES”)**

ANNEXURE 1

Musharakah Transaction Structure



- (1) The investors shall from time to time, form a partnership amongst themselves for the purpose of investing in Shariah-compliant financial services business of SCC (“**Musharakah Venture**”).
- (2) & (3) SCC (the “**Issuer**”) shall issue Sukuk to the Sukukholders, in consideration of their capital contribution. The Sukuk represents their proportionate participation in the said Musharakah Venture.
- (4) The Issuer shall declare trust over the Shariah-compliant business of the Issuer and the Profit Reserve Account (“**Trust Assets**”) for the benefit of the Trustee (acting on behalf of the Sukukholders).
- (5) The Trustee (acting on behalf of the Sukukholders) shall appoint the Issuer as its agent (the “**Manager**”) to manage the Musharakah Venture.
- (6) Income generated from the Musharakah Venture will be shared and distributed periodically or on one-off basis amongst the Sukukholders according to pre-agreed profit sharing ratio. Any losses will also be shared amongst the Sukukholders in proportion to their capital contribution.
- (7) SCC (as the “**Obligor**”) shall also grant to the Trustee (acting on behalf of the Sukukholders) a Purchase Undertaking whereby the Obligor shall undertake to purchase the Trust Assets from the Trustee upon maturity or declaration of a Dissolution Event. Upon exercise of the Purchase Undertaking and the payment of the Exercise Price, the Musharakah Venture and the trust in respect of the Trust Assets will be dissolved and the Sukuk held by the Sukukholders will be cancelled