

PRINCIPAL TERMS AND CONDITIONS

BACKGROUND INFORMATION

1. Issuer

- (i) Name : Manjung Island Energy Berhad (“**Issuer**”).
- (ii) Address : Tingkat 2, Urusetia Lembaga Pengarah, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur.
- (iii) Business Registration No. : 960686-V.
- (iv) Date/Place of Incorporation : 19 September 2011/Malaysia.
- (v) Date of Listing (in case of a public listed company) : Not applicable.
- (vi) Status : Resident-controlled Company.
- (vii) Principal Activities : To operate as a special purpose company to raise Islamic Securities for the Islamic Securities Programme.
- (viii) Board of Directors as at 22 September 2011 : Chia Siew Chin.
Wong Yu Chee.
- | | Name of Shareholders | Total Shareholding | % Equity Held |
|--|--------------------------------|----------------------------------|----------------------|
| (viii) Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders as at 22 September 2011 | Equity Trust (Malaysia) Berhad | 2 ordinary shares of RM1.00 each | 100% |
- (ix) Authorised share capital as at 22 September 2011 : RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each.
- (x) Paid-up share capital as at 22 September 2011 : RM2.00 divided into 2 ordinary shares of RM1.00 each.

2. Obligor

- (i) Name : TNB Janamanjung Sdn Bhd (“**TNBJ**” or “**Obligor**”).
- (ii) Address : No.129, Jalan Bangsar, 59200 Kuala Lumpur.
- (iii) Business Registration No. : 398456-H.
- (iv) Date/Place of Incorporation : 17 August 1996/ Malaysia.
- (v) Date of Listing (in case of a public listed company) : Not applicable.
- (vi) Status : Resident controlled company.
- (vii) Principal Activities : To generate and deliver electricity energy and generating capacity to Tenaga Nasional Berhad (“**TNB**”).
- (viii) Board of Directors as at 31 August 2011 : Tan Sri Leo Moggie.
Dato’ Sri Che Khalib bin Mohamad Noh.
Dato’ (Dr.) Megat Abdul Rahman bin Megat Ahmad.
Dato’ Sri Raja Ahmad Zainuddin bin Raja Haji Omar.
Dato’ Ir. Mohd Nazri bin Shahrudin.
Abdul Halim bin Mohamad Noah.
- (ix) Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders as at 31 August 2011 :
- | Name of Shareholders | Total Shareholding | % Equity Held |
|------------------------|--|---------------|
| Tenaga Nasional Berhad | 100,000,002 ordinary shares of RM1.00 each
31,224,263 redeemable preference shares of RM1.00 each | 100% |
- (viii) Authorised share capital as at 31 August 2011 : RM2,050,000,000.00 divided into 2,000,000,000 ordinary shares of RM1.00 each and 50,000,000 redeemable preference shares of RM1.00 each.
- (ix) Paid-up share capital as at 31 August 2011 : RM131,224,265.00 divided into 100,000,002 ordinary shares of RM1.00 each 31,224,263 redeemable preference shares of RM1.00 each.

3. PRINCIPAL TERMS AND CONDITIONS

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

- (i) Principal Advisers : Bank Islam Malaysia Berhad and CIMB Investment Bank Berhad.
- (ii) Lead Arrangers : Bank Islam Malaysia Berhad and CIMB Investment Bank Berhad.
- (iii) Co-Arranger : Not applicable.
- (iv) Solicitors : To the Lead Arrangers: Messrs. Zaid Ibrahim & Co. (“**Legal Counsel**”).
To the Issuer, Obligor and Guarantor: Messrs Zul Rafique & partners.
- (v) Financial Adviser : Not applicable.
- (vi) Technical Adviser : WorleyParsons Services Sdn Bhd as independent consulting engineer.
Marsh Insurance Broker Sdn Bhd as independent insurance advisers.
- (vii) Trustee : Malaysian Trustee Berhad.
- (viii) Guarantor : Tenaga Nasional Berhad (Company No. 200866-W) as the guarantor for Series 2 (as defined below).
- (ix) Valuer : Not applicable.
- (x) Facility Agent : CIMB Investment Bank Berhad.
- (xi) Primary subscriber (under a bought-deal arrangement) and amount subscribed : The primary subscribers under a bought deal arrangement for any issuance will be determined prior to that issuance, if any.
- (xii) Underwriter(s) and amount underwritten : Not applicable.
- (xiii) Shariah Advisers : Bank Islam Malaysia Berhad (backed by Shariah Supervisory Council of Bank Islam) and CIMB Islamic Bank Berhad (backed by CIMB Islamic Shariah Committee).
- (xiv) Central Depository : Bank Negara Malaysia (“**BNM**”).
- (xv) Paying Agent : BNM.

- (xvi) Reporting Accountant : Messrs KPMG.
- (xvii) Calculation Agent : Not applicable.
- (xviii) Others (please specify) CIMB Investment Bank Berhad as Security Agent.
Bank Islam Malaysia Berhad and CIMB Investment Bank Berhad as Joint Lead Managers.

**(b) Facility Description
(including description of
Islamic principle)**

Islamic Securities Programme of up to RM5.0 billion in nominal value based on the principle of Ijarah.

The Issuer, on behalf of the investors (“**Sukukholders**”), shall from time to time purchase certain Shariah-compliant leasable assets (“**Lease Assets**”) from TNB Janamanjung Sdn Bhd (“**TNBJ**” and in such capacity, the “**Seller**”) by way of transfer of the beneficial ownership at the asset purchase price (“**Asset Purchase Price**”) pursuant to an asset purchase agreement (“**Asset Purchase Agreement**”).

The Asset Purchase Price shall be in compliance with the Securities Commission (“**SC**”) Shariah Advisory Council (“**SAC**”) asset pricing guidelines under the Islamic Securities Guidelines (Sukuk Guidelines) as may be replaced, substituted, amended or revised from time to time (“**Assets Pricing Guidelines**”).

The Lease Assets shall be free from encumbrances and not subject to any existing lease arrangement. If any of the Lease Assets are encumbered, TNBJ shall obtain the relevant consents to allow TNBJ to use the Lease Assets for the Islamic Securities Programme.

For the purposes of this Principal Terms and Conditions, the “**Project**” means the construction and delivery of a 1,010 MW coal fired power plant in Manjung, Perak (“**New Power Plant**”).

The Issuer (on behalf of the Sukukholders) (in such capacity, the “**Lessor**”) shall then, from time to time, lease the Lease Assets to TNBJ (in such capacity, the “**Lessee**”) for a pre-determined rental amount (“**Rental**”) (as defined below) and tenure (“**Ijarah Lease Term**”) pursuant to an Ijarah agreement (“**Ijarah Agreement**”).

The Issuer shall declare a trust (“**Trust**”) over, amongst others, the relevant Lease Assets the present and future rights and interest in the relevant Ijarah Agreement, the relevant Purchase Undertaking (as described below), the relevant Sale Undertaking (as described below) and the relevant proceeds of the foregoing and other transaction documents pertaining to the Islamic Securities Programme (“**Transaction Documents**”) (collectively the “**Ijarah Trust Assets**”) in favour of the relevant Sukukholders, and shall issue the Islamic Securities to the Sukukholders to represent the Sukukholders’

undivided beneficial ownership in the relevant Ijarah Trust Assets.

The Islamic Securities proceeds shall be utilised by the Issuer to pay the Asset Purchase Price under the relevant Asset Purchase Agreement.

Under the terms of the Servicing Agency Agreement (as defined below), TNBJ shall be appointed as the servicing agent ("**Servicing Agent**") by the Issuer and will, amongst other things, be responsible, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Lease Assets and/or the related payment and/or ownership expenses in respect of the Lease Assets ("**Ownership Expenses**"), which are to be reimbursed by the Issuer to TNBJ upon the expiry of the relevant Ijarah Agreement.

The Servicing Agent shall also ensure that the takaful/insurance is for a covered/insured amount at all times and shall be responsible for the related payment of the relevant takaful contribution or insurance premium.

Upon receipt by the Lessor from the Lessee of Rental on the relevant rental payment dates (which would coincide with the Periodic Distribution Dates), the Issuer will use such amounts to make payments of the distributions due under the Islamic Securities (i.e. Periodic Distribution Amount) to the Sukukholders.

Pursuant to the Purchase Undertaking, TNBJ (as "**Obligor**") shall purchase the relevant Lease Assets from the Issuer and enter into a Sale Agreement for such purchase, on the earlier of:

- (a) upon the maturity date of the Islamic Securities ("**Scheduled Dissolution Date**"); or
- (b) upon declaration of a Dissolution Event or upon occurrence of a Mandatory Redemption Event (save for a Mandatory Redemption Event due to a Total Loss Event) (both as described below),

at the relevant Exercise Price (as defined below) and the proceeds therefrom shall be utilised by the Issuer for the redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

Pursuant to the Sale Undertaking, TNBJ shall have the right to require the Issuer to sell the relevant Lease Assets to TNBJ at certain dates prior to the Scheduled Dissolution Dates of the relevant Islamic Securities and accordingly the Issuer shall sell the relevant Lease Assets to TNBJ and enter into a Sale Agreement for such sale at the relevant Exercise Price on the Early Redemption Date (as defined below), if TNBJ has provided an exercise notice in this respect, and the proceeds therefrom shall be utilised by the Issuer for the Early Redemption (as defined below) of such relevant Islamic Securities held by the Sukukholders which shall

then be cancelled.

Under a substitution undertaking ("**Substitution Undertaking**"), TNBJ shall have the right to substitute all or part of the Lease Assets from time to time throughout the tenure of the Islamic Securities with qualified assets that are approved by the Shariah Advisers ("**Substitute Lease Assets**"), save and except in a Total Loss Event duly notified to the Trustee/Facility Agent (on behalf of the Sukukholders) as provided herein. The Substitute Lease Assets shall form part of the Lease Assets and thereby form part of the Ijarah Trust Assets.

Upon the occurrence of a Total Loss Event, TNBJ shall notify by written notice to the Trustee and the Issuer in accordance with the provisions of the Islamic Securities Trust Deed and/or Servicing Agency Agreement, following which upon receipt of the notice in writing by the Trustee a Mandatory Redemption Event shall have occurred in relation to the relevant tranche of the Islamic Securities relating to the relevant Lease Assets in a particular Ijarah Agreement.

In such event, the relevant Islamic Securities will be redeemed using the proceeds of takaful/insurance. If the takaful/insurance proceeds are insufficient to cover the nominal value of the relevant outstanding Islamic Securities and all accrued and unpaid Periodic Distribution Amount thereon, the Servicing Agent shall irrevocably and unconditionally undertake to make good the difference, for not taking full takaful/insurance coverage on the relevant Lease Assets pursuant to the terms of the Servicing Agency Agreement and shall immediately make the requisite payment to the Issuer if sufficient proceeds of takaful/insurance have not been received within thirty (30) days after the occurrence of a Mandatory Redemption Event. Any excess from the takaful/insurance proceeds shall be paid to the Servicing Agent as an incentive fee.

"**Total Loss Event**" is the total loss or destruction of, or damage to the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement or any event or occurrence that renders the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical.

Lease Assets for tranches maturing up to and including 18 years from the date of first issue of the Islamic Securities are proposed to consist of specific portions of land and specific leasable components of the plant and machinery assets of the existing power plant of TNBJ in Manjung, Perak (the "**Existing Power Plant**") and any other Shariah compliant leasable assets approved by the Shariah Advisers to be identified for each tranche.

Lease Assets for tranches maturing more than 18 years

from the date of first issue of the Islamic Securities are proposed to consist of specific leasable components of the plant and machinery assets of the Existing Power Plant, specific portions of land of the New Power Plant and any other Shariah compliant leasable assets approved by the Shariah Advisers to be identified for each tranche.

Under the terms of power purchase agreement for the Existing Power Plant ("**PPA1**") between TNB and TNBJ, the land and the plant and machinery assets of the Existing Power Plant and the land of the New Power Plant are to be transferred to TNB upon expiry of PPA1 on 31 August 2030 ("**Affected Assets**") unless otherwise agreed by TNB and TNBJ.

In respect of those tranches maturing more than 18 years from the date of first issue of the Islamic Securities ("**Said Tranches**") TNBJ will be obliged, pursuant to a mandatory substitution ("**Mandatory Substitution**"), from the commercial operation date of the New Power Plant ("**COD**") but no later than sixty (60) days prior to the expiry of PPA1 ("**Mandatory Substitution Period**"), to substitute the Affected Assets with specific leasable components of the plant and machinery assets of the New Power Plant and/or any other Shariah compliant leasable assets of equal or greater value than the Affected Assets subject to compliance with the Assets Pricing Guidelines, approved by the Shariah Advisers ("**Mandatory Substitute Lease Assets**"). Following such substitution, the lease under the relevant Ijarah Agreement of the Said Tranches shall continue with the Mandatory Substitute Lease Assets based on the existing terms of the relevant Ijarah Agreement. For avoidance of doubt, in the event the land of the New Power Plant is not transferred to TNB upon expiry of PPA1, the land of the New Power Plant shall continue to be part of the Lease Assets of the Said Tranches until maturity. Failure by TNBJ to substitute the Affected Assets within the Mandatory Substitution Period shall be a Dissolution Event, pursuant to which the Purchase Undertaking shall be exercised unless the failure is remedied within 30 days after TNBJ becomes aware or having been notified by the Trustee/Security Agent in writing of the failure to comply.

Please refer to Annexure 1 for the structure diagram of the Proposed Islamic Securities Programme.

(c) Issue/ Programme Size

The aggregate outstanding nominal value of Islamic Securities issued under the Islamic Securities Programme shall not exceed RM5.0 billion at any point in time, but subject to the following reducing limit schedule, with the limit fixed at RM1,140 million from the 19th anniversary of the first issue date of the Islamic Securities until the expiry of the Islamic Securities

Programme.

From Date of First Issue (years)	Reduction Amount (RM million)	Remaining Program Limit (RM million)
5	360	4,640
6	520	4,120
7	520	3,600
8	520	3,080
9	520	2,560
10	520	2,040
11	100	1,940
12	100	1,840
13	100	1,740
14	100	1,640
15	100	1,540
16	100	1,440
17	100	1,340
18	100	1,240
19	100	1,140

(d) Tenure of the Facility/Issue

The tenure of the Islamic Securities Programme shall be twenty eight (28) years from the date of first issue.

The tenure of the Islamic Securities shall be more than one (1) year and up to twenty eight (28) years, provided that the Islamic Securities mature prior to the expiry of the Islamic Securities Programme.

It is expected that the Islamic Securities will consist of at least two (2) series. The details relating to the initial two (2) series are as follows:

- (1) Series 1: Series 1 will consist of 15 tranches, with tenures ranging from 5 years to 19 years; and
- (2) Series 2: Series 2 will consist of 1 tranche, with a tenure of 20 years.

Any subsequent series of the Islamic Securities ("**Subsequent Series**") shall be governed by the terms and conditions of this Principal Terms and Conditions.

(e) Availability period of the Facility

Twenty eight (28) years from the date of first issuance which shall be made within two (2) years from the date of approval by the SC.

(f) Profit/Coupon/Rental Rate (%)

To be determined prior to each issuance of the Islamic Securities ("**Periodic Distribution Rate**").

(g) Profit/ Coupon/Rental Payment Frequency

: Islamic Securities with Periodic Distribution Amounts will be entitled to Periodic Distribution Amounts on the Periodic Distribution Dates (each as defined below).

The frequency of the Periodic Distribution Amounts for such Islamic Securities shall be on a semi-annual basis or such period to be determined prior to each issuance of the Islamic Securities ("**Periodic Distribution Dates**").

(h) **Profit/Coupon/Rental Payment Basis** : The Periodic Distribution Amounts shall be calculated based on the actual number of days elapsed and 365 days basis (actual/365).

(i) **Security/Collateral (if any)** : Series 1

The obligations of TNBJ under the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other Transaction Documents to which TNBJ is a party, in relation to Series 1 and all other amounts due and payable arising from the failure of TNBJ to pay under the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other Transaction Documents to which TNBJ is a party in relation to Series 1 shall be secured by the following security:

- (1) A first ranking assignment of all the TNBJ's rights, interests, titles and benefits under the PPA1 and the power purchase agreement ("**PPA2**") of the New Power Plant, and the proceeds therefrom; and
- (2) A first ranking assignment of all Designated Accounts (as defined below) and the related credit balances.

Series 2

Series 2 will be unsecured. However, the obligations of TNBJ in connection with payment due under the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other Transaction Documents to which TNBJ is a party in relation to Series 2 and all other amounts due and payable arising from the failure of TNBJ to pay under the Ijarah Agreement, Servicing Agency Agreement, Purchase Undertaking, Sale Undertaking, Sale Agreement and all other Transaction Documents to which TNBJ is a party in relation to Series 2 shall have the benefit of an unconditional and irrevocable guarantee ("**TNB Guarantee**") from Tenaga Nasional Berhad ("**TNB**").

Subsequent Series

The Subsequent Series will be unsecured and will not have the benefit of an unconditional and irrevocable guarantee from TNB.

(j) **Details on Utilisation of Proceeds** : The Islamic Securities proceeds shall be utilised by the Issuer to pay the Asset Purchase Price under the relevant Asset Purchase Agreement.

Upon receipt of the proceeds, TNBJ shall undertake to use the proceeds only for the following Shariah-compliant

utilisations in connection with the Project:

- (1) pay and/or towards reimbursement of all costs associated with the Project including but not limited to site acquisition, development, design, construction, start-up and initial operations of the Project;
- (2) pay and/or towards reimbursement of all Rentals, fees, expenses, commissions and all other amounts payable in connection with the Islamic Securities Programme prior to and/or after COD;
- (3) pay and/or towards reimbursement of any other Project related costs, including consultant fees, takaful contribution and contingencies;
- (4) meet the working capital requirements of TNBJ in relation to the Project; and
- (5) payment and/or redemption of financing facilities provided or to be provided from time to time by TNB to TNBJ (including, without limitation, all amounts due and/or payable in connection with the existing financing facilities and the payment of dividends and/or redemption of redeemable preference shares), for an aggregate amount which is equivalent to the aggregate amount used by TNBJ (from its internally generated funds and/or equity contribution from TNB whether in the form of equity and/or intercompany facilities) to pay and/or towards reimbursement of all costs associated with the Project.

For the avoidance of doubt, (i) the use of the proceeds by TNBJ as set out above shall not be subject to the "Priority of Cashflow" as provided below, and (ii) the utilisation mentioned in paragraph (5) shall not be subject to the various negative undertakings under the heading "Negative Covenants (by TNBJ)".

(k) Sinking Fund and designated accounts (if any)

: TNBJ shall open and maintain the following Shariah compliant designated accounts ("**Designated Accounts**") with Bank Islam Malaysia Berhad and/or any other Islamic bank chosen by TNBJ which is acceptable to the Trustee as follows:

- (1) Sukuk Escrow Account(s);
- (2) Revenue Account;
- (3) Operating Account(s); and
- (4) Finance Service Reserve Account.

The Sukuk Escrow Account(s), the Revenue Account and the Operating Account(s) shall be operated by TNBJ solely and the Finance Service Reserve Account shall be operated by the Security Agent solely. However, upon enforcement of security, the Security Agent shall be the sole signatory of all Designated Accounts.

TNBJ shall not have any bank accounts other than (i) the Designated Accounts and (ii) the maintenance reserve account(s), if any, in connection with PPA1 and/or PPA2, so long as any of the Islamic Securities is outstanding, unless otherwise agreed by the Trustee (acting reasonably).

Sukuk Escrow Account(s)

TNBJ shall open Shariah compliant Sukuk escrow account(s) (which may include foreign/multi-currencies account(s)) ("**Sukuk Escrow Account(s)**") for the purpose of depositing and/or remitting the Asset Purchase Price. TNBJ shall use the credit balances in the Sukuk Escrow Account(s) for the purposes set out under the heading "Details on Utilisation of Proceeds" above only from time to time.

Any credit balance remaining in the Sukuk Escrow Account(s) after the COD shall be deposited into the Revenue Account.

Revenue Account

TNBJ shall open a Shariah compliant revenue account ("**Revenue Account**") for the purpose of depositing the following:

- (i) all receivables under the Existing Power Plant and the project documents (including the PPA1) in connection with the Existing Power Plant, and under the New Power Plant and the project documents (including the PPA2) in connection with the New Power Plant;
- (ii) all other revenues received by TNBJ (except in connection with its future expansion (other than in connection with the Project)) ("**Future Expansion**");
- (iii) proceeds of takaful/insurance claims in respect of takaful and insurance taken and/or maintained by TNBJ or in connection with the Existing Power Plant and/or the New Power Plant;
- (iv) any claims received in respect of third party performance bonds/guarantees or any other compensation received by TNBJ (except in connection with the Future Expansion);
- (v) any remaining credit balances in the Sukuk Escrow Account(s) after the COD; and
- (vi) any transfer from the Finance Service Reserve Account in accordance with the provisions of the Transaction Documents.

The credit balances in the Revenue Account shall be

applied in accordance with the "Priority of Cashflow" clause below.

Operating Account(s)

TNBJ shall open Shariah compliant operating account(s) ("**Operating Account(s)**") for the purpose of depositing the amount transferred from the Revenue Account for the payment of operating and maintenance, taxes, duties and capital expenditures (recurring or otherwise) in respect of the Existing Power Plant and the New Power Plant including the maintenance reserve requirement in connection with PPA1 and/or PPA2.

To the extent that such amount is transferred from the Revenue Account, TNBJ shall use the amount transferred for the payment of operating and maintenance, taxes, duties and capital expenditures (recurring or otherwise) in respect of the Existing Power Plant and the New Power Plant including the maintenance reserve requirement in connection with PPA1 and/or PPA2 (and, for that purpose, TNBJ may deposit such moneys into maintenance reserve account(s)).

Finance Service Reserve Account

TNBJ shall open a Shariah compliant finance service reserve account ("**Finance Service Reserve Account**"), which may be drawn by the Security Agent to the extent that funds, in accordance with the provisions of the "Priority of Cashflow" (as provided below), are insufficient to fulfil any payment obligation under items (ii) and (iii) of the "Priority of Cashflow" in connection with Series 1 of the Islamic Securities Programme.

The minimum required balance ("**Minimum Required Balance**") in relation to the Finance Service Reserve Account shall be an amount equal to the estimated total Rental and Exercise Price payable by TNBJ for the next 12 months in relation to Series 1. The initial and subsequent Minimum Required Balance shall be funded by the internally generated funds of TNBJ and/or equity contribution from TNB and/or a bank guarantee and/or standby letter of credit procured by TNB for the benefit of TNBJ issued in favour of the Security Agent by a bank with a rating of AAA by RAM or Malaysian Rating Corporation Berhad.

For the subsequent Minimum Required Balance, the required amount shall be deposited no later than 3 months after any withdrawal is made from the Finance Service Reserve Account for the purposes of meeting any payment obligation under items (ii) and (iii) of the "Priority of Cashflow" in connection with Series 1 of the Islamic Securities Programme.

For the avoidance of doubt, if the balance in the Finance Service Reserve Account exceeds the Minimum Required Balance, the difference will be transferred to the Revenue Account to be utilised in accordance with the “Priority of Cashflow”.

- (l) **Rating** : Series 1 of the Islamic Securities Programme has been accorded an indicative rating of AAA and Series 2 of the Islamic Securities Programme has been accorded an indicative rating of AAA(s) by RAM Rating Services Berhad (“**RAM**”).
- (m) **Mode of Issue** : The Islamic Securities may be issued via bought deal or via book-building on a best effort basis or via direct placement on a best effort basis.
- (n) **Selling Restrictions, including tradability** : The Islamic Securities are tradable subject to the following restrictions:
Selling Restrictions at Issuance
The Islamic Securities may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to subscribe the Islamic Securities may be made and to whom the Islamic Securities are issued would fall within Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act 2007 (“**CMSA**”) and Schedule 7 or Section 230(1)(b) of the CMSA and would fall within Schedule 9 or Section 257(3) of the CMSA.

Selling Restrictions Thereafter
The Islamic Securities may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the Islamic Securities would fall within Schedule 6 or Section 229(1)(b) of the CMSA and would fall within Schedule 9 or Section 257 of the CMSA.
- (o) **Listing Status and type of listing** : The Islamic Securities may be listed on Bursa Malaysia Securities Berhad under its Exempt Regime, if the Issuer so decides.
- (p) **Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)** : None.
- (q) **Conditions Precedent** : To include but not limited to the following:
A. Main Documentation
a) The Transaction Documents have been signed and where applicable stamped or endorsed as being exempted from stamp duty and presented for

registration with the relevant registries (where applicable); and

- b) All relevant notices and acknowledgements (where applicable) shall have been made or received as the case may be.

B. The Issuer

- a) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer;
- b) Certified true copies of the Forms 24 and 49 of the Issuer;
- c) A certified true copy of a board resolution of the Issuer authorising, among others, the execution of the relevant Transaction Documents;
- d) A list of the Issuer's authorised signatories and their respective specimen signatures;
- e) A report of the relevant company search of the Issuer; and
- f) A report of the relevant winding up search or the relevant statutory declaration of the Issuer.

C. TNBJ

- a) The documents corresponding to those under items B(a) to B(f) (both inclusive) in respect of TNBJ.
- b) A report of the relevant land searches relating to the respective lands on which the Existing Power Plant and the New Power Plant are situated.

D. TNB

- a) The documents corresponding to those under items B(a) to B(f) (both inclusive) in respect of TNB.
- b) A letter of undertaking ("**TNB Undertaking Letter**") from TNB to provide up to RM300 million to TNBJ in the form of equity injection and/or inter-company financing facility to meet part of the Project costs, in the event that the internally generated funds of TNBJ is insufficient to fund the relevant portion of the Project costs which are not funded by the Islamic Securities Programme.

For the purposes of this Principal Terms and Conditions, (1) the TNB Guarantee and the TNB Undertaking Letter shall collectively be referred to as "**TNB Documents**", and (2) the "**Relevant Parties**" means the Issuer, TNBJ

and TNB.

E. General

- a) The approval from the SC and, where applicable, all other relevant regulatory authorities;
- b) Series 1 shall have received a rating of AAA and Series 2 of the Islamic Securities Programme shall have received a rating of AAA(s) from RAM;
- c) Evidence that all the Designated Accounts have been opened and in accordance with the provisions of this Principal Terms and Conditions;
- d) Evidence that the initial minimum required balance of the Finance Service Reserve Account has been deposited into that account or covered by a bank guarantee and/or standby letter of credit as permitted under this Principal Terms and Conditions;
- e) The Joint Lead Managers have received an acceptable legal opinion from TNBJ's solicitors addressed to them advising with respect to, among others, the legality, validity and enforceability of PPA1 and the PPA2 against TNBJ and the relevant counter-parties and confirming to the Joint Lead Managers that all the conditions precedents in relation to the PPA1 and the PPA2 (if applicable) have been fulfilled;
- f) The Joint Lead Managers have received an acceptable legal opinion from their legal counsel addressed to them and the Trustee advising with respect to, among others, the legality, validity and enforceability of the Transaction Documents and a confirmation from the legal counsel addressed to the Joint Lead Managers confirming that all the conditions precedent have been fulfilled;
- g) Certified true copies of the project documents in connection with the Existing Power Plant (including the PPA1) and the New Power Plant (including the PPA2) (list to be mutually agreed later);
- h) A written report from the independent consulting engineer confirming the reasonableness of the Project costs;
- i) A written report from the independent insurance adviser that the takaful/insurance cover obtained by TNBJ in relation to the Project is adequate and in compliance with TNBJ's obligations to insure under the relevant project documents;
- j) A written report from the independent insurance adviser that the takaful/insurance cover obtained by TNBJ in relation to the Existing Power Plant is adequate and in compliance with TNBJ's obligations to insure under the relevant project documents

relating to the Existing Power Plant;

- k) A written report from an environmental consultant (whom is acceptable to the Joint Lead Managers) which provides an environmental assessment confirming that all environmental laws and environmental licences to which the Project is subject (including the recommendations and requirements of the Department of Environment) have been complied with and that the works have been designed so as to facilitate compliance with such recommendations and requirements and which also provides a soil investigation report and permit review;
- l) Certified true copies of the relevant licences in connection with the Existing Power Plant (list to be mutually agreed later);
- m) A certified true copy of the shared facilities agreement between TNBJ and TNB relating to the land on which the New Power Plant is to be constructed;
- n) Evidence of the confirmation from the Shariah Advisers that the structure and mechanism together with the Transaction Documents of the Islamic Securities Programme are in compliance with Shariah;
- o) All transaction fees, costs and expenses have been fully paid or documentary evidence that it will be paid from the issue proceeds; and
- p) Such other conditions precedent as may be advised by the legal counsel of the Joint Lead Managers and to be mutually agreed between the Joint Lead Managers and TNBJ.

F. Additional Conditions Precedent for the Subsequent Series

The Subsequent Series shall have received a rating of AAA from RAM, before the relevant issue request is made.

(r) Representations and Warranties

: The Issuer's representations and warranties are as follows:

- (a) it is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has full power to carry on its business and to own its property and assets;
- (b) subject to the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q)

(*Conditions Precedent*), its memorandum and articles of association 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 have been duly obtained and are in full force and effect which are required to authorise it to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;

- (c) subject to any general principles of law limiting its obligations referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), the Islamic Securities and each of the other Transaction Documents, is or will be when executed and/or issued, as the case may be, in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, its valid and legally binding obligations enforceable in accordance with the terms of the Islamic Securities and each such Transaction Document;
- (d) subject to the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), neither the execution and delivery of any of the Transaction Documents by the Issuer, nor the performance of any of the transactions contemplated by the Transaction Documents by the Issuer, did or does as at the date the representation and warranty is made or repeated (i) contravene or constitute a default under any provision contained in any financing agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which it or any of its assets are bound or which is applicable to it or any of its assets, (ii) cause 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 (iii) cause the creation or imposition of any security interest or restriction of any nature on any of its assets (other than the securities as contemplated under this Principal Terms and Conditions); which will have a Material Adverse Effect or a material adverse effect on the validity or enforceability of the Transaction Documents or the right or remedies of a party (other than the Relevant Parties) under the

Transaction Documents;

- (e) save for the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), no authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever is necessary to ensure the legality, validity, enforceability of its liabilities and obligations or the rights of the Sukukholders under the Transaction Documents or the Islamic Securities;
- (f) all consents, licences, approvals or authorisations of governmental authorities in Malaysia which are required for it to own its assets and carry on its business as it is being conducted have been duly obtained and complied with and are in full force and effect where failure to do so would have a Material Adverse Effect;
- (g) except as disclosed to the Trustee in writing, no litigation, arbitration or administrative proceeding or claim is current, presently in progress or pending against it or any of its assets which would have a Material Adverse Effect;
- (h) the information memorandum issued in connection with the Islamic Securities ("**Information Memorandum**") which term shall include the Information Memorandum as amended or supplemented from time to time) does not contain any statements or information which are false or misleading or from which there is a material omission which makes the statements therein, in the light of the circumstances under which they were made, misleading in any material respects as at the date of the Information Memorandum or such other date specified therein and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful inquiry by the Issuer based on facts existing as at the date of the Information Memorandum or such other dates specified therein;
- (i) there has been no material adverse change in the financial condition of the Issuer since the date of its incorporation (where no audited financial statements have been prepared) or since its last audited financial statements, which would have a Material Adverse Effect; and
- (j) no Dissolution Event has occurred and continuing.

TNBJ's and TNB's representations and warranties are as

follows:

- (a) it is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has full power to carry on its business and to own its property and assets;
- (b) subject to the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), its memorandum and articles of association 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 have been duly obtained and are in full force and effect which are required to authorise it to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;
- (c) subject to any general principles of law limiting its obligations referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), each of the Transaction Documents to which it is a party is or will be when executed and/or issued, as the case may be, in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, its valid and legally binding obligations enforceable in accordance with the terms of such Transaction Document;
- (d) subject to the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), neither the execution and delivery of any of the Transaction Documents to which it is a party nor the performance by it of any of the transactions contemplated by such Transaction Documents did or does as at the date this representation and warranty is made or repeated (i) 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 it or any of its assets are bound or which is applicable to it or any of its assets, (ii) cause the powers of its executive, whether imposed by or contained in its constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment

or otherwise, to be exceeded, or (iii) cause the creation or imposition of any security Interest or restriction of any nature on any of its assets (other than the securities as contemplated under this Principal Terms and Conditions); which will have a Material Adverse Effect or a material adverse effect on the validity or enforceability of the Transaction Documents or the right or remedies of a party (other than the Relevant Parties) under the Transaction Documents;

- (e) save for the perfection requirements referred to in the legal opinion delivered under paragraph (q) (*Conditions Precedent*) and upon taking all necessary actions and obtaining the consents and approvals referred to under paragraph (q) (*Conditions Precedent*), no authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever is necessary to ensure the legality, validity, enforceability of its liabilities and obligations or the rights of the Sukukholders under the Transaction Documents or under the Islamic Securities;
- (f) (save and except for the relevant licences in connection with the Existing Power Plant and the New Power Plant), all consents, licences, approvals or authorisations of governmental authorities in Malaysia which are required for it to own its assets and carry on its business as it is being conducted have been duly obtained and complied with and are in full force and effect where failure to do so would have a Material Adverse Effect;
- (g) except as disclosed to the Trustee in writing, no litigation, arbitration or administrative proceeding or claim is current, presently in progress or pending against it or any of its assets, which if adversely determined would have a Material Adverse Effect;
- (h) the Information Memorandum does not contain any statements or information pertaining to the Project, the Existing Power Plant, TNBJ or TNB which are false or misleading or from which there is a material omission which makes the statements therein pertaining to the Project, the Existing Power Plant, TNBJ or TNB, in the light of the circumstances under which they were made, misleading in any material respects as at the date of the Information Memorandum or such other date specified therein and all expressions of expectation, intention, belief and opinion on the part of TNBJ or TNB contained therein were honestly made on reasonable grounds after due and careful inquiry by TNBJ and TNB based on facts existing as at the date of the Information Memorandum or such other dates

specified therein;

- (i) unless otherwise disclosed, its latest audited financial statements (including the cashflow statements, income statements and balance sheet) have been prepared in accordance with approved accounting standards in Malaysia and give a true and fair view of its financial position for that year and the state of its affairs at that date, as the case may be;
- (j) there has been no material adverse change in the financial condition of TNBJ or TNB since its last audited financial statements which would have a Material Adverse Effect; and
- (k) no Dissolution Event has occurred and continuing.

“Material Adverse Effect” means, in relation to any event, the occurrence of which materially and adversely affect the ability of any of the Relevant Parties to perform their respective payment obligations under the Islamic Securities and/or any of the Transaction Documents to which it is a party.

The representations and warranties are given on the date of the relevant agreements and repeated on the date of each Issue Request and each Issue Date of the Islamic Securities only with respect to the facts and circumstances then subsisting, as if repeated by reference to the then existing circumstances.

**(s) Events of Default/
Dissolution Events**

: The Dissolution Events mean the following events:

- (i) the Issuer fails to distribute the Scheduled Distribution Amount or a Periodic Distribution Amount or TNBJ fails to pay any rental amount under the Ijarah Agreement or any Exercise Price pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking, as the case may be or TNB fails to meet its payment obligation under any of the TNB Documents unless such failure to pay is caused by administrative or technical error and payment is made within five business days from its due date;
- (ii) any of the Relevant Parties fails to observe or perform any of its obligations under any of the Transaction Documents or under any undertaking or arrangement entered into in connection therewith (other than an obligation of the type referred to in paragraph (s)(i) above) where such failure would have a Material Adverse Effect, and in the case of a failure which in the reasonable opinion of the Trustee/Security Agent is capable of being remedied, the Relevant Party does not remedy the failure within 30 days after the Relevant Party became aware or having been

notified by the Trustee/Security Agent in writing of the failure to comply. For the purposes of this paragraph, a failure by TNBJ to perform its obligation to substitute any Lease Assets in accordance with the provisions of the relevant Transaction Documents (should such obligation arise under the terms of the relevant Transaction Documents) shall be deemed to be a failure which has a Material Adverse Effect and which is capable of being remedied;

- (iii) any representation or warranty made or given by any of the Relevant Parties under the Transaction Documents or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of the Islamic Securities and/or any of the Transaction Documents proves to have been incorrect or misleading in any material respects on or as of the date made or given or deemed made or given, where such event would have a Material Adverse Effect and in the case of a failure which in the reasonable opinion of the Trustee/Security Agent is capable of being remedied, the Relevant Parties do not remedy the failure within 30 days after the Relevant Parties become aware of such misrepresentation or has been notified by the Trustee/Security Agent in writing of such misrepresentation;
- (iv) the PPA1 or any of the Project Documents (including the PPA2) is terminated or there has been a breach of any material obligations by TNBJ and/or project counterparties under any of such documents which would have a Material Adverse Effect and which, if capable of remedy, has not been remedied to the reasonable satisfaction of the Trustee/Security Agent within a period of 30 days after the Relevant Party became aware or having been notified by the Trustee/Security Agent in writing of such breach;
- (v) (a) any financial indebtedness of any of the Relevant Parties (other than the Islamic Securities) becomes due or payable or capable of being declared due or payable prior to its stated maturity; or
(b) any guarantee or similar obligations of any of the Relevant Parties for financial indebtedness is not discharged at maturity or when called;

and such declaration of financial indebtedness being due or payable or such call on the guarantee or similar obligations would have a Material Adverse Effect unless within 90 days:

- (1) it is contested in good faith by the Relevant

Party; or

- (2) the Trustee/Security Agent is furnished with evidence that the relevant creditors' agreement has been obtained not to declare due or not to call on the guarantee or similar obligations or to waive such default or not to take any further action in relation thereto;

No Dissolution Event will occur under this paragraph (s)(v) if the aggregate amount of financial indebtedness falling within paragraph (s)(v)(a) and (s)(v)(b) above is less than 10% of the consolidated net tangible assets of TNB group (as defined below).

"TNB group" shall mean TNB and all the Subsidiaries.

"Subsidiaries" shall mean at any time, any entity whose financial statements at such time are required by law or in accordance with applicable generally accepted accounting principles at such time to be fully consolidated with those of TNB.

"financial indebtedness" shall mean, without duplication or double counting, whether Islamic or conventional:

- (a) all indebtedness for borrowed money in respect of which interest charges are customarily paid and other indebtedness under or pursuant to Islamic financing;
- (b) all indebtedness for or in respect of any amount raised pursuant to the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (c) all financial guarantees by such person of financial indebtedness of others; and
- (d) all hire purchase and finance lease obligations of such person,

provided that notwithstanding the foregoing, the term **"financial indebtedness"** shall not include subordinated shareholders loans or advances, redeemable preference shares, vendor financing, trade credits in the ordinary course of business or security or refundable deposits taken in the ordinary course of business.

- (vi) an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or substantial part of the assets of any of the Relevant Parties, or distress, legal process, sequestration or any form of execution is levied or enforced or sued out against such assets which

would have a Material Adverse Effect and is not discharged within 90 days, or any security interest which may for the time being affect any of such assets becomes enforceable and which would have a Material Adverse Effect;

For the purpose of this paragraph (s)(vi), references to "substantial" shall mean such value equivalent to or more than 10% of the consolidated net tangible assets of the TNB group.

- (vii) any of the Relevant Parties fails to satisfy any judgement involving material liabilities passed against it by any court of competent jurisdiction (excluding those liabilities in which it is confirmed that insurance coverage can be claimed) which would have a Material Adverse Effect provided that no Dissolution Event shall occur under this paragraph (s)(vii) if:-
 - (a) an appeal against such judgement has been made to any appropriate appellate court within the time prescribed by law; or
 - (b) an application is made to discharge or stay such judgment within 90 days.

For the purpose of this paragraph (s)(vii), references to "material" shall mean such value equivalent to or more than 10% of the consolidated net tangible assets of the TNB group.

- (viii) other than for the purposes of and followed by a reconstruction previously approved in writing by the Trustee/Security Agent, unless during or following such reconstruction the Relevant Party becomes or is declared to be insolvent, a winding-up order has been made against the Relevant Party or any step is taken for the winding up, dissolution or liquidation of any of the Relevant Parties or a resolution is passed for the winding up of any of the Relevant Parties or a petition for winding up is presented against any of the Relevant Parties (unless such petition is frivolous or vexatious or related to a claim to which the Relevant Parties have a good defence or which is being contested in good faith by the Relevant Party) and the Relevant Party has not taken any action in good faith to set aside such petition or the petition is not withdrawn or discharged within 90 days from the date of service of such winding up petition or a winding up order has been made against the Relevant Party;
- (ix) other than for the purposes of and followed by a reconstruction previously approved in writing by

the Trustee/Security Agent, unless during or following such reconstruction the Relevant Party becomes or is declared to be insolvent, any of the Relevant Parties:-

- (a) convenes a meeting of its creditors or proposes or makes any arrangement (including any scheme of arrangement under Section 176 of the Companies Act, 1965) or composition or begins negotiations with its creditors, or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or a material part of its indebtedness; or
- (b) a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or a material part of its indebtedness; or
- (c) makes any assignment for the benefit of its creditors in respect of or affecting all or a material part of its indebtedness.

For the purpose of this paragraph (s)(ix), references to "material" shall mean such value equivalent to or more than 10% of the consolidated net tangible assets of the TNB group.

- (x) other than as contemplated under Positive Covenants, paragraph (t)(1)(q) below, where there is a revocation, withholding or modification of any license, authorisation, approval or consent necessary for the Relevant Parties to carry on its business which in the reasonable opinion of the Trustee/Facility Agent would have a Material Adverse Effect;
- (xi) any creditor of any of the Relevant Parties exercises a contractual right to take over the financial management of the Relevant Party and such event in the reasonable opinion of the Trustee would have a Material Adverse Effect on the Relevant Party;
- (xii) any of the Relevant Parties repudiates any of the Transaction Documents to which it is a party;
- (xiii) all or a substantial part of the assets, undertakings, rights or revenue of any of the Relevant Parties are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which in the opinion of the Trustee/Security Agent would have a Material Adverse Effect on the Relevant Party;

For the purpose of this paragraph (s)(xiii), references to "substantial" shall mean such value

equivalent to or more than 10% of the consolidated net tangible assets of the TNB group.

- (xiv) any event or events has or have occurred or a situation exists which in the reasonable opinion of the Trustee/Security Agent would have a Material Adverse Effect and in the case of the occurrence of such event or situation which in the reasonable opinion of the Trustee/Security Agent is capable of being remedied, the Relevant Party does not remedy it within 60 days after the Relevant Party became aware or having been notified in writing by the Trustee/Security Agent of the event or situation;
- (xv) COD does not occur within sixty (60) months from and including 1 March 2011 or 31 March 2011 (if approved by the EC);
- (xvi) TNBJ ceases to be 100% owned by TNB directly or indirectly.

Upon the occurrence of a Dissolution Event, the Trustee may, at its sole and absolute discretion and shall, if so directed by an extraordinary resolution of the Sukukholders (subject to its rights to be indemnified to its satisfaction against all reasonable costs and expenses thereby occasioned), declare (by giving notice to the Issuer and Obligor) that a Dissolution Event has occurred and the Trustee /Security Agent is entitled to enforce its rights under the Transaction Documents, including, if applicable, requiring the Obligor as stipulated under the Purchase Undertaking to purchase the Lease Assets by entering into a Sale Agreement and pay the Exercise Price.

(t) Covenants

- (1) Positive Covenants** : TNBJ and the Issuer covenant that so long as the Islamic Securities are outstanding:
- (a) it shall provide to the Trustee at least on an annual basis, a certificate confirming that to the best of its knowledge and belief, there does not exist or had not existed, from the first date the Islamic Securities were issued or the date of the last certificate, as the case may be, any Dissolution Event, and if such is not the case, to specify the same;
 - (b) it shall deliver to the Trustee the following:
 - (i) as soon as they become available (and in any event within a period to be mutually agreed in the Transaction Documents after the end of its financial year) copies of its financial statements for that year which shall contain the income statements and balance sheets of the Issuer and TNBJ, respectively

and which are audited by a firm of independent certified public accountants acceptable to the Trustee;

- (ii) promptly, such additional financial or other information or reports as the Trustee may from time to time reasonably request including without limitation, such information as the Trustee may require in order for the Trustee to discharge its duties and obligations to the extent permitted by law and would not result in the Relevant Parties breaching any stock exchange requirements, duty of confidentiality or confidentiality obligations;
- (c) it shall promptly notify the Trustee of any litigation or other proceedings of any nature whatsoever being initiated against it before any court or tribunal or administrative agency which would have a Material Adverse Effect;
- (d) it shall promptly give notice to the Trustee of:
 - (i) any change in the utilisation of proceeds from the Islamic Securities from that set out in the Transaction Documents;
 - (ii) the occurrence of any Dissolution Event;
 - (iii) any substantial change in the nature of the business of the Relevant Party;
 - (iv) any change in the withholding tax position or taxing jurisdiction of the Relevant Party;
- (e) (save and except for the relevant licences in connection with the Existing Power Plant and the New Power Plant), it shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) which is or may become necessary to enable it to own its assets, to carry on its business or for the Relevant Party to enter into or perform its obligations under the Transaction Documents or to ensure the legality, validity, enforceability, admissibility in evidence of its obligations or the priority or rights of the Trustee/the Facility Agent/the Security Agent or the Sukukholders under the Transaction Documents and it shall comply with the same where failure to do so would have a Material Adverse Effect;
- (f) it shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the

Transaction Documents;

- (g) it shall exercise reasonable diligence in carrying out its business and affairs and in accordance with sound financial and commercial standards and practices;
- (h) it shall prepare its financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia (unless otherwise disclosed) and those financial statements shall give a true and fair view of its results of the operations for the period to which the financial statements are made up;
- (i) it shall maintain an accounting system and records in compliance with applicable statutory requirements and in accordance with generally accepted accounting principles in Malaysia which are adequate to record and reflect its operations and financial condition and it will permit upon reasonable request by the Trustee or its agent and servants and any person appointed or authorised by it with prior notice and at all reasonable times to have access to and to inspect its books of accounts and records relating to its business at any office, branch or place of business of the Issuer and all records kept by any other persons subject to such parties executing confidentiality undertakings as prescribed by the Relevant Parties and Provided further that such access and disclosure does not result in any contravention of any laws, regulations or directives by the Relevant Parties and would not result in the Relevant Parties breaching any stock exchange requirements, duty of confidentiality or confidentiality obligations;
- (j) it shall promptly comply with all applicable laws relating to the Islamic Securities (including the provisions of the Capital Markets and Services Act 2007 and all circulars, conditions or guidelines issued by the Securities Commission from time to time) as may be applicable to it;
- (k) the Issuer shall maintain a paying agent in Malaysia;
- (l) during the construction period prior to the COD, TNBJ's engineer shall submit a progress report every quarter to the independent consulting engineer ("ICE") for verification and to the Trustee, and which shall contain (i) a summary of progress towards achieving the COD, (ii) estimated date of COD, (iii) confirmation of construction and other costs paid up to the date of the then quarterly progress report and estimated remaining capital expenditure/ construction-related costs and pre-operational expenditure to be incurred towards the implementation of the COD and (iv) details of actual

or likely cost overruns;

- (m) TNBJ shall provide the Trustee and its representatives reasonable access to the Project site and inspection of all relevant Project Documents at all reasonable times provided prior notice has been given to TNBJ and subject to such parties executing confidentiality undertakings as prescribed by TNBJ and Provided further that such access and disclosure does not result in any contravention of any laws, regulations or directives by the Relevant Parties and would not result in the Relevant Parties breaching any stock exchange requirements, duty of confidentiality or confidentiality obligations; and
- (n) TNBJ shall open and maintain each of the required Designated Accounts and pay all relevant amounts into such accounts and make all payments from such accounts, only as permitted under the Transaction Documents;
- (o) TNBJ shall ensure that the Sponsor Gross Equity Contribution (as defined in PPA2) amounts to 20% or more of the Total Project Costs (as defined in PPA2) as and when calculated in accordance with the terms of PPA2;
- (p) TNBJ shall ensure that the jetty terminal usage agreement to be entered into between TNBJ and Lekir Bulk Terminal Sdn Bhd in connection with the Project is signed and will contain the salient terms as set out in Section 5.2.6 (Draft Jetty Terminal Usage Agreement between TNBJ and LBT (“**JTUA 2**”)) in the information memorandum and becomes effective no later than a date falling 6 months after the date of first issuance of the Islamic Securities or such other extended period as the Trustee may agree acting reasonably.
- (q) TNBJ shall procure from the relevant authority:
 - (i) the approval for the extension of the existing licence for the Existing Power Plant up to and including 31 August 2030; and
 - (ii) the approval for the licence for the New Power Plant;

within nine (9) months from the first Issue Date (or such extended period as the Trustee may agree, acting reasonably) and upon the said approval and licence being granted and issued by the relevant authority, TNBJ shall maintain the relevant licences in connection with the Existing Power Plant and the New Power Plant in full force and effect; and

- (r) TNBJ shall ensure that the contract between TNB and Tokyo Electric Power Services Co. Ltd and Minconsult Sdn Bhd Joint Venture as owner's

engineer is novated to TNBJ or otherwise all rights, remedies and benefits of TNB under that contract are assigned to TNBJ, no later than 6 months after the date of first issuance of the Islamic Securities or such other extended period as the Trustee may agree acting reasonably.

- (2) Negative Covenants (by the Issuer)** : The Issuer covenants that, for so long as any Islamic Security is outstanding, it will not:
- (a) add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents unless required by law;
 - (b) reduce 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 sub-dividing all or any of its shares which would have a Material Adverse Effect;
 - (c) save for any loans or securities, which repayment or redemption is subordinated to the Islamic Securities, incur any financial indebtedness whatsoever, or give any guarantee in respect of any financial indebtedness of any person other than pursuant to the Islamic Securities Programme;
 - (d) sell, lease, transfer or otherwise dispose of any part of its interest in any of the Ijarah Trust Assets except as permitted under the Islamic Securities Programme;
 - (e) use the proceeds of the issue of the Islamic Securities for any purpose other than as stated in the Transaction Documents;
 - (f) have any subsidiaries or employees;
 - (g) redeem any of its shares or pay any dividend or make any distribution to its shareholders;
 - (h) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any bankruptcy or insolvency proceeding with respect to it;
 - (i) enter into any contract, transaction or engage in any business or activity other than:
 - (i) the Transaction Documents to which it is a party (or any amendment or supplemental agreement thereto);
 - (ii) as provided for or permitted in the

Transaction Documents;

- (iii) the ownership, management and disposal of Ijarah Trust Assets as provided in the Transaction Documents; or
- (iv) such matters as incidental to the Transaction Documents or the Ijarah Trust Assets;
- (j) cause or permit to be created on any of its property or assets any security interest as security for any notes, bonds or other evidence of financial indebtedness issued, assumed or guaranteed by the Issuer, except in relation to the Islamic Securities Programme.

**(3) Negative Covenants
(by TNBJ)**

: TNBJ covenants that, for so long as any Islamic Security is outstanding:

- (i) TNBJ shall not change in a material manner the nature or scope of its existing business nor suspend a substantial part of its business where such change or suspension would have a Material Adverse Effect;
- (ii) TNBJ shall not obtain or permit to exist any financial indebtedness other than the following:
 - (a) the Islamic Securities;
 - (b) financing facilities from related corporations of TNBJ;
 - (c) the financing facilities ("**Permitted Facilities**") arising from or in connection with TNBJ's obligations under the project documents (including PPA1 and PPA2) to any provision of bonds/performance guarantee;
 - (d) the financing facilities ("**Future Facilities**") which TNBJ obtained or to be obtained from time to time to fund the Future Expansion, provided that such Future Facilities do not share any of the securities given or to be given for the Islamic Securities and also does not cause the rating of the Islamic Securities to be lower than AAA or be put on a negative watch;
 - (e) financing which repayment or redemption are subordinated to the Islamic Securities; and
 - (f) working capital facilities ("**Working Capital Facilities**") of up to an aggregate principal amount of RM450.0 million only at any time.
- (iii) TNBJ shall not create or permit to exist any

security interest over its assets, except for:-

- (a) liens arising in the ordinary course of business by operation of law and not by way of contract;
 - (b) those security as contemplated in this Principal Terms and Conditions;
 - (c) securities given for the Permitted Facilities, the Future Facilities and Working Capital Facilities;
 - (d) securities given as an alternative (whether in whole or in part) to the Permitted Facilities (**"Alternative Securities"**);
 - (e) any netting or set-off arrangement entered into in the ordinary course of banking arrangements for the purpose of netting debit and credit balances;
 - (f) security created in relation to documentary credits, trust receipts and bankers acceptances opened in the ordinary course of business;
 - (g) security arising under retention of title, leases, hire purchase or conditional sale arrangements in respect of any assets or goods supplied in the ordinary course of business;
 - (h) security created in respect solely of indebtedness incurred or assumed for the purpose of financing the purchase price of any asset (including but not limited to shares), in each case, created solely over such assets;
 - (i) security created in respect of liabilities which exist on any property or asset prior to its acquisition or arising after such acquisition pursuant to contractual commitments entered into prior to, but not in connection with or in contemplation of, such acquisition;
 - (j) security existing as at the date of the Transaction Documents and disclosed to the Trustee;
 - (k) security created with the prior written consent of the Trustee; and
 - (l) security which equally and rateably secures the obligations under the Series 1.
- (iv) TNBJ shall not provide or permit to exist any guarantee to any party other than:-

- (a) performance bonds and maintenance bonds as required in relation to the Existing Power Plant, the New Power Plant and/or the Future Expansion; and
 - (b) those required in the ordinary course of business.
- (v) TNBJ will not sell, transfer or 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 part of TNBJ's undertaking, business or assets, except:-
- (a) sale or disposal of TNBJ's undertaking, business or assets which is in the ordinary course of business and on ordinary commercial terms on the basis of arm's length transaction; or
 - (b) disposal of any of TNBJ's undertaking, business or assets due to obsolescence and/or deterioration; or
 - (c) as permitted under the Islamic Securities Programme; or
 - (d) solely for the purpose of facilitating any Islamic financing in connection with any of the financing facilities allowed under the Islamic Securities Programme; or
 - (e) transfer or disposal pursuant to the terms of PPA1; or
 - (f) sale or disposal pursuant to security permitted under the Islamic Securities Programme; or
 - (g) sale or disposal which would not have a Material Adverse Effect; or
 - (h) sale or disposal constituted by creation of permitted security; or
 - (i) sale or disposal in exchange for other assets comparable or superior as to value; or
 - (j) sale or disposal of any Future Expansion or any part thereof.

For the avoidance of doubt, the exceptions provided above (other than exception (c) and (e)) shall be subject to compliance with the Substitution Undertaking.

- (vi) TNBJ shall not add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents unless required by law or

the Listing Requirements;

- (vii) TNBJ shall not reduce its authorised or paid-up share capital (except by way of purchase, acquisition or reduction permitted under the law or redemption of redeemable preference shares permitted in the Transaction Documents) 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 sub-dividing all or any of its shares where doing so would have a Material Adverse Effect;
- (viii) save for distribution, redemption and/or payment referred to in paragraph 3(j)(5), TNBJ shall not declare or pay any dividends or make any distribution whether income or capital in nature to its shareholders or redeem any preference shares or make any payments (whether in relation to principal, profits or other forms of return, or otherwise) to its related corporations or associated companies in connection with any financing facilities, if any, from its related corporations or associated companies if:
 - (a) the FSCR (as defined below) falls below 2.0 times before and after such payment or distribution;
 - (b) the requirements with respect to the Finance Service Reserve Account and/or the Finance to Equity Ratio (as defined below) have not been met or will not be met after such payment or distribution; or
 - (c) a Dissolution Event has occurred and is continuing or if following such payment or distribution, a Dissolution Event would occur;
- (ix) TNBJ shall not enter into any agreement with its related corporations or associated companies if it has a Material Adverse Effect on TNBJ;
- (x) TNBJ shall not use the proceeds of the Islamic Securities Programme except for the purposes set out in this Principal Terms and Conditions;
- (xi) TNBJ shall not provide any financing facility to any party other than in compliance with the Listing Requirements;
- (xii) TNBJ shall not, and shall not agree to, amend, vary, terminate (except due to lapse of time), replace or supplement any of its project documents relating to the Existing Power Plant and/or the New Power Plant (the list to be mutually agreed) which would have a Material Adverse Effect;

- (xiii) TNBJ shall not, and shall not agree to, waive any breach or proposed breach in any of the project documents relating to the Existing Power Plant and/or the New Power Plant by its counterparty/ies which would have a Material Adverse Effect; and
- (xiv) TNBJ shall not do or omit to do any act, or execute or omit to execute any document which may render any of the project documents relating to the Existing Power Plant and/or the New Power Plant to be illegal, void, voidable or unenforceable which would have a Material Adverse Effect.

**(4) Negative Covenants
(by TNB)**

TNB covenants that, for so long as any Islamic Security is outstanding:

- (1) it shall not add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents unless required by law or the Listing Requirements;
- (2) it shall not reduce its authorised or paid-up share capital (except by way of purchase, acquisition or reduction permitted under the law or redemption of redeemable preference shares) 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 sub-dividing all or any of its shares which would have a Material Adverse Effect.

(5) Financial Covenants

- : (1) Finance to equity ratio ("**Finance to Equity Ratio**") of not more than 85:15 for TNBJ.
- (2) Finance service cover ratio ("**FSCR**"): minimum 2.0 times. For the requirement relating to the FSCR, not more than 1.0 time may be met by the relevant bank guarantee and/or standby letter of credit provided in relation to the Finance Service Reserve Account, if any, at any time or from time to time during the tenure of the Series 1 of the Islamic Securities.

(6) Finance to Equity Ratio

: With respect to TNBJ, the Finance to Equity Ratio will be defined as (1) the outstanding principal obligations of TNBJ under all financing facilities including the lease obligations from TNBJ to the Issuer under the Islamic Securities (except in relation to (a) intercompany facilities from related corporations of TNBJ and (b) the Future Facilities), hire purchase obligations and finance lease obligations to (2) the shareholders' funds of TNBJ.

(7) Finance Service Cover Ratio ("FSCR")

: The FSCR is the ratio of Net Available Cash (as defined below) for the next twelve (12) months to the Total Finance Service (as defined below) to be paid for such

period, where:

- i. net available cash ("**Net Available Cash**") for any period is the aggregate of (a) the net operating cash flow generated for the period (except those in relation to the Future Expansion), (b) income on cash balances (except those in relation to the Future Expansion), (c) all cash balances (including those of the Designated Accounts) at the beginning of such period and (d) the amount covered by the relevant bank guarantee and/or standby letter of credit provided in relation to the Finance Service Reserve Account. For the avoidance of doubt, such amounts will also include the nominal value of any Permitted Investments; and
- ii. total finance service ("**Total Finance Service**") for any period is the aggregate amount that is required to be paid (relating to outstanding principal obligations and periodic distribution amounts, and all other corresponding amounts) in connection with all financing facilities of TNBJ including the lease obligations from TNBJ to the Issuer under the Islamic Securities (except in relation to (a) Series 2, (b) intercompany facilities from related corporations of TNBJ and (c) the Future Facilities), for that period.

In this regard, the net operating cash flow generated means (a) with respect to inflow, the items (i) to (iv) (both inclusive) listed under the heading "Revenue Account" above and (b) with respect to outflow, the item (i) listed under the heading "Priority of Cashflow" below.

For the avoidance of doubt, any double counting shall be disregarded.

TNBJ shall maintain a minimum FSCR of 2.0 times commencing from the first semi annual periodic distribution amount date in respect of Series 1 of the Islamic Securities until final maturity of the last Islamic Securities.

The FSCR shall be calculated by TNBJ at least 14 days prior to each semi annual periodic distribution amount period in respect of Series 1 of the Islamic Securities (and, after Series 1 of the Islamic Securities has been fully redeemed, in respect of Series 2 of the Islamic Securities) and checked and confirmed acceptable by the Facility Agent. For the avoidance of doubt and in respect of paragraph (t)(3)(viii) under the heading "Negative Covenants (by TNBJ)", the calculation of FSCR shall be made at least 14 days prior to the relevant date of distribution, redemption or payment.

In the event there is a dispute and the Facility Agent requires certification from any external party (choice of such party must be acceptable to the Facility Agent) in relation to the calculation of the said FSCR, TNBJ shall promptly procure such certification prior to the relevant

periodic distribution amount date.

Such external party's certification shall be provided to the Facility Agent before the Facility Agent gives any confirmation as required above and such external party's certification is final.

(u) Provisions on buy-back and early redemption of sukuk

(1) Redemption : Unless redeemed earlier by the Issuer, the Issuer shall redeem the Islamic Securities at their face value on their respective Scheduled Dissolution Date.

(2) Repurchase and Cancellation : The Issuer and TNBJ and their respective related corporations may at any time purchase the Islamic Securities in the open market or otherwise at any price, but these repurchased Islamic Securities shall be cancelled and cannot be reissued.

(3) Early Redemption : The Issuer may, at its sole discretion, redeem in whole (and not in part) any particular tranche of the Islamic Securities before its Scheduled Dissolution Date at the Early Redemption Amount (as defined in paragraph (v)(4)) subject to the following conditions:

(i) the Issuer shall have issued a notice to the Trustee (the "**Early Redemption Notice**") not less than 21 days and not more than 60 days before the date of the proposed redemption (the "**Early Redemption Date**"). The Early Redemption Notice must specify the Early Redemption Date, the particulars of the tranche of the Islamic Securities that the Issuer wishes to cancel; and

(ii) the Early Redemption Date must fall on a Periodic Distribution Date and the redemption shall be in inverse order of maturity.

(4) Mandatory Redemption : If, at any time,

(i) any of the provisions of the Transaction Documents is or becomes illegal, void, voidable or unenforceable and it does not affect the Sukukholders' ownership of the Ijarah Trust Assets and this would have a Material Adverse Effect; or

(ii) upon occurrence of a Total Loss Event with respect to the relevant Lease Assets in a particular Ijarah Agreement;

(each a "**Mandatory Redemption Event**"), the Issuer shall, for event (i), redeem in whole (and not in part) all the Islamic Securities before its Scheduled Dissolution Date at the Exercise Price, subject to the Trustee issuing a notice to the Issuer (the "**Mandatory Redemption Notice**") requiring the Issuer to redeem all the Islamic Securities no less than 5 business days before the date

of the proposed redemption (the “**Mandatory Redemption Date**”) and, upon occurrence of event (ii), TNBJ shall notify the Trustee and the Issuer immediately, and the Issuer shall redeem the relevant Islamic Securities at the nominal value of the relevant outstanding Islamic Securities and all accrued and unpaid Periodic Distribution Amount thereon, using the proceeds of takaful/insurance (including, where applicable, the amount payable by the Servicing Agent pursuant to the Servicing Agency Agreement) as soon as practicable upon receiving the same.

(v) **Other principal terms and conditions for the issue**

(1) **Purchase Undertaking** : TNBJ (as Obligor) shall enter into a Purchase Undertaking pursuant to which TNBJ shall undertake to purchase the relevant Lease Assets from the Issuer and enter into a Sale Agreement for such purchase, on the earlier of:

- (a) upon the Scheduled Dissolution Date; or
- (b) upon declaration of a Dissolution Event or upon occurrence of a Mandatory Redemption Event (save for a Mandatory Redemption Event due to a Total Loss Event) ,

at the relevant Exercise Price and the proceeds therefrom shall be utilised by the Issuer for the redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

(2) **Sale Undertaking** : The Issuer on behalf of the Sukukholders shall enter into a Sale Undertaking pursuant to which, TNBJ shall have the right to require the Issuer to sell the relevant Lease Assets to TNBJ at certain dates prior to the Scheduled Dissolution Dates of the relevant Islamic Securities and accordingly the Issuer shall sell the relevant Lease Assets to TNBJ and enter into a Sale Agreement for such sale at the relevant Exercise Price on the Early Redemption Date, if TNBJ has provided an exercise notice in this respect, and the proceeds therefrom shall be utilised by the Issuer for the Early Redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

(3) **Costs Undertaking** : TNBJ shall enter into a costs undertaking (“**Costs Undertaking**”) pursuant to which TNBJ undertakes for the benefit of the Issuer and the Trustee to pay the fees and expenses of service providers (except the Servicing Agent) appointed to perform services in connection to the Islamic Securities.

(4) **Exercise Price** : (a) In relation to the Purchase Undertaking, the Exercise Price for the purchase of the relevant Lease Assets is as follows:

- (i) in the case of a purchase of all the Lease Assets due to declaration of a Dissolution Event or upon occurrence of a Mandatory Redemption Event (save for a Mandatory Redemption Event due to a Total Loss Event), the Exercise Price shall be an amount equal to the Dissolution Distribution Amount plus the Ownership Expenses; and
- (ii) in the case of a purchase of the relevant Lease Assets on the Scheduled Dissolution Date of a tranche of Islamic Securities, the Exercise Price shall be an amount equal to the Scheduled Distribution Amount for the relevant tranche plus the Ownership Expenses;

“Dissolution Distribution Amount” means the aggregate of the following in respect of all outstanding Islamic Securities:

- (1) the nominal value; and
- (2) the accrued but unpaid Periodic Distribution Amounts, accrued to the date of declaration of the Dissolution Event;

“Scheduled Distribution Amount” means in respect of a tranche of Islamic Securities the aggregate of the following:

- (1) the nominal value; and
- (2) the accrued but unpaid Periodic Distribution Amounts as at the Scheduled Dissolution Date;

- (b) In relation to the Sale Undertaking, the Exercise Price payable by the Obligor for the purchase of the relevant Lease Assets on the Early Redemption Date of a tranche of Islamic Securities, shall be the relevant early redemption amount (**“Early Redemption Amount”**) for the relevant tranche of Islamic Securities plus the Ownership Expenses;

The Early Redemption Amount for each particular tranche of Islamic Securities is the higher of (i) the nominal value of that particular tranche of Islamic Securities or (ii) the early redemption sum based on the following formula (which calculation by the Facility Agent shall be final and binding):

$$\frac{(NV \times ERP)}{100}$$

100

Where:

“NV” means the aggregate nominal value of the Islamic Securities to be redeemed; and

“ERP” means the early redemption price per

RM100 (rounded to 2 decimal places) subject to a minimum of RM100, calculated as follows:

$$ERP = \left[\frac{100}{[1 + (YTM / 2)]^{(N-1)}} \right] + \left[\sum_{k=1}^N \frac{[100x(\text{profit} / 2)]}{[1 + (YTM / 2)]^{(k-1)}} \right]$$

Where:

N = number of Periodic Distribution Date(s) between the Scheduled Dissolution Date and the Early Redemption Date, inclusive of both the Scheduled Dissolution Date and the Early Redemption Date.

Profit = Periodic Distribution Rate of the particular tranche of Islamic Securities expressed as a percentage per annum.

YTM = Reference MGS plus 0.30% (if the remaining tenure of the relevant tranche is 7 years or less as at the relevant Early Redemption Date) or 0.50% (if the remaining tenure of the relevant tranche is more than 7 years as at the relevant Early Redemption Date).

“**Reference MGS**” shall be the rates for the Malaysian Government Securities for the tenure which is equal to the remaining tenure of the tranche of Islamic Securities and shall be determined from:

- (i) first, the latest consolidated Government Securities Rates (Conventional) published by BNM daily, 2 business days prior to the date that the Early Redemption Notice is received by the Trustee/Facility Agent or in the case where the rate for a particular tenure is not available directly, then such a rate shall be extrapolated on a linear basis using the consolidated Government Securities Rates (Conventional) published; or
- (ii) if (i) above is not available, the arithmetic average of the mid-rates quoted by any 5 Principal Dealers, 2 business days prior to the date that the Early Redemption Notice is received by the Trustee/Facility Agent or in the case where the rate for a particular tenure is not available directly, then such a rate shall be extrapolated on a linear basis using the available arithmetic average mid-rates.

“**Principal Dealers**” are banking institutions appointed by BNM as principal dealers.

For the redemption of the relevant Islamic

Securities in connection with the Sale Undertaking, it shall be in inverse order of maturity and, in relation to a particular tranche, it shall be in whole (rather than in part) for the relevant series.

The Exercise Price payable shall be set off against the reimbursement of the Ownership Expenses to Servicing Agent.

- (5) Ijarah Agreement** : Under the terms of an Ijarah Agreement between the Lessee and the Lessor from time to time, the Lessor will agree to lease to the Lessee, and the Lessee will agree to lease from the Lessor, the Lease Assets during the term commencing on the lease commencement date and expiring on the Scheduled Dissolution Date.

The Ijarah Agreement is subject to early termination upon the occurrence of certain events to be determined.

- (6) Servicing Agency Agreement** : Under the Servicing Agency Agreement, TNBJ (in such capacity as the Servicing Agent) on behalf of the Issuer, will be responsible for among others the performance of all major maintenance and ownership expenses in respect of the Lease Assets.

- (7) Transferability** : Transferable but subject to the Selling Restrictions.

- (8) Status** : The Islamic Securities will represent the Sukukholders' undivided beneficial ownership in the Ijarah Trust Asset of the relevant tranche of Islamic Securities. The Islamic Securities will constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.

The obligations of TNBJ pursuant to the Transaction Documents to which it is a party in respect of (a) Series 1 of the Islamic Securities will constitute direct, unconditional and secured obligations of TNBJ and (b) Series 2 and the Subsequent Series of the Islamic Securities will constitute direct, unconditional and unsecured obligations of TNBJ. Series 1 is secured by the security described in paragraph 10 above, and ranks senior in right of payment to all other unsecured obligations of TNBJ with respect to the value of the security provided by TNBJ, except those mandatorily preferred by law. Series 2 and each of the Subsequent Series of the Islamic Securities (as the case may be), shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of TNBJ, except those

preferred by law and the Transaction Documents.

The obligations of TNB pursuant to the TNB Guarantee and the TNB Undertaking Letter will constitute direct, unconditional and unsecured obligations of TNB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of TNB, except those preferred by law and the Transaction Documents.

- (9) Availability** : Upon completion of documentation and, unless waived by the Joint Lead Managers, compliance of all conditions precedent and other applicable conditions to the reasonable satisfaction of the Joint Lead Managers.
- (10) Compensation for late and default payments (Ta'widh)** : In the event of any overdue payments of any Rental, Exercise Price and amounts due under the Servicing Agency Agreement in relation to occurrence of a Total Loss Event, TNBJ shall pay the compensation on such overdue amounts at the rate and manner prescribed by the SC's SAC from time to time in accordance with Shariah.
- (11) Governing Laws** : The Islamic Securities and the Transaction Documents shall be governed by the laws of Malaysia.
- (12) Taxation** : All payments by any of the Relevant Parties shall be made without withholding or deductions 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 any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law, in which event the payer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made.
- (13) Jurisdiction** : The Issuer, TNB and TNBJ shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.
- (14) No Payment of Interest** : For the avoidance of doubt and notwithstanding any other provision to the contrary herein, it is hereby agreed and declared that nothing in this principal terms and conditions and the Transaction Documents shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest.
- (15) Other Conditions** : The Islamic Securities shall at all times be governed by the guidelines issued and to be issued from time to time

by Securities Commission, BNM, Malaysian Electronic Clearing Corporation Sdn Bhd and/or any other authority in Malaysia having jurisdiction over matters pertaining to the Islamic Securities.

(16) Priority of Cashflow : Priority application of cash flow from the Revenue Account shall be as follows:

- i. for transfer to the Operating Account(s) for payment of operating and maintenance, taxes, duties and capital expenditures (recurring or otherwise) in respect of the Existing Power Plant and the New Power Plant including TNBJ's payment obligations under the Project Documents and the maintenance reserve requirement in connection with PPA1 and/or PPA2;
- ii. for payment of periodic distribution amount, fees, costs, expenses, commissions and other financing costs payable in connection with, in terms of priority, firstly, the Islamic Securities Programme and, secondly, other financing facilities as allowed under this Principal Terms and Conditions (except in relation to the Future Facilities);
- iii. for payment of all principal obligations under, in terms of priority, firstly, the Islamic Securities Programme (including TNBJ's obligations in connection with the Purchase Undertaking and the other Transaction Documents) and, secondly, other financing facilities as allowed under this Principal Terms and Conditions (except in relation to the Future Facilities);
- iv. for compliance with the requirements in connection with the Finance Service Reserve Account and the Alternative Securities;
- v. for all other payments to be determined at the discretion of TNBJ subject to compliance with Negative Covenants (TNBJ) item (viii) above (if applicable).

With respect to item (i), to the extent that there are fees, costs and expenses which cannot be reasonably identified and allocated for (a) the Existing Power Plant and the New Power Plant on the one hand and (b) the Future Expansion on the other, such fees, costs and expenses shall be proportionately allocated based on the net capacity (in MW) of (a) the Existing Power Plant and the New Power Plant and (b) the Future Expansion.

For this purpose, such net capacity is deemed to be 2,100 MW for the Existing Power Plant, and 1,010 MW for the New Power Plant and, for the Future Expansion, it shall be such number of MW as mutually agreed between the Trustee and TNBJ.

With respect to costs, fees and expenses (including enforcement costs, fees and expenses in connection with

the Islamic Securities Programme which in the view of the Facility Agent cannot be attributed solely to any particular Series, such costs, fees and expenses shall be allocated amongst all the Series proportionately based on the then outstanding nominal value of each Series.

(17) Permitted Investments : Credit balances in the Designated Accounts may be used to invest in Permitted Investments, provided that such funds utilised for the Permitted Investments shall be remitted to the respective Designated Accounts at least three (3) business days before the next payment obligation of the Issuer is due and payable.

The Permitted Investments shall comprise investment products approved by the SC's SAC, BNM's Shariah Advisory Council and/or other recognised Shariah authorities from time to time.

For the purposes of the Islamic Securities Programme, the Permitted Investments are as follows:

- (i) deposits with licensed Islamic financial institutions in Malaysia with a short term rating of P1 or MARC-1 or a minimum long term rating of A3 or A-; or
- (ii) Islamic bankers acceptances, Islamic bills and other Islamic money market instruments by licensed financial institutions with a short term rating of P1 or MARC-1 or a minimum long term rating of AA3 or AA-; or
- (iii) Islamic treasury bills, Islamic money market instruments, and other Islamic securities or sukuk issued by BNM or the Government of Malaysia; or
- (iv) Islamic securities or sukuk issued by quasi government or government related corporations with a short term rating of P1 or MARC-1 or a minimum long term rating of AA3 or AA- or Islamic securities or sukuk guaranteed by the Government of Malaysia or BNM; or
- (v) Islamic securities or sukuk issued by corporations with a short term rating of P1 or MARC-1 or a minimum long term rating of AA3 or AA- or by financial institutions with a short term rating of P1 or MARC-1 or a minimum long term rating of AA3 or AA-; or
- (vi) any Islamic fund approved by the SC which invests in any of the instruments above.

(18) Sukukholders' voting rights in relation to specific matters

In addition to other voting rights to be set out in the Transaction Documents:

- (a) Series 1 Sukukholders will have the sole right to vote on any release or replacement of any security provided for Series 1, any amendment or variation to

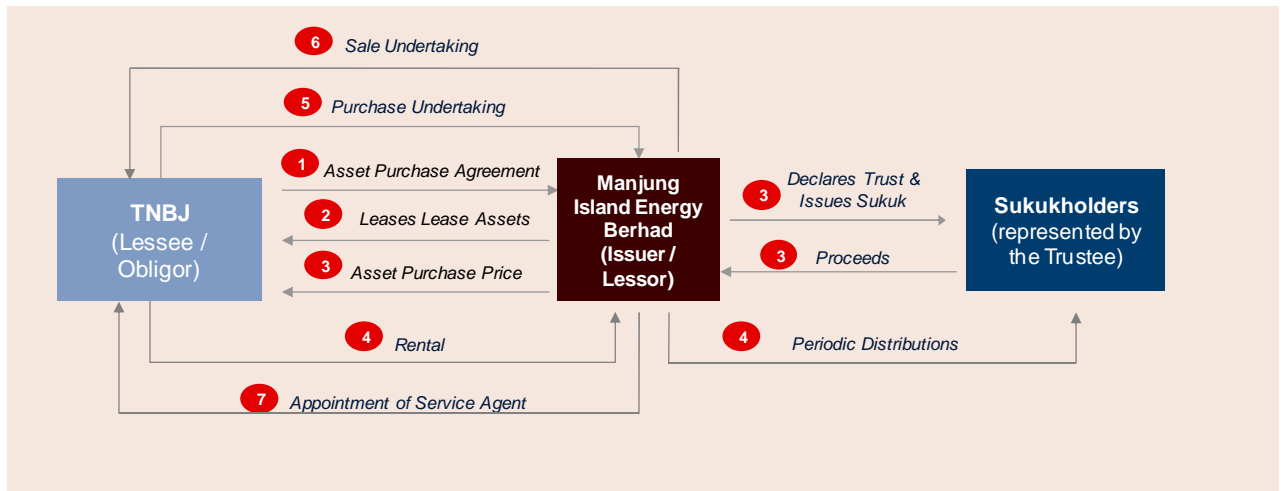
the security documents relating to the security for Series 1, any consent or waiver which may be sought in respect of any provisions of the security documents for Series 1, and the exercise or the restraint in exercising of any rights, powers or discretions under any of the security documents for Series 1, including the enforcement of the security documents for Series 1; and

- (b) Series 2 Sukukholders will have the sole right to vote on any release or replacement of the TNB Guarantee, any amendment or variation to the TNB Guarantee and any consent or waiver which may be sought in respect of any provisions of the TNB Guarantee, and the exercise or the restraint in exercising of any rights, powers or discretions under the guarantee, including the enforcement of the TNB Guarantee.

(19) Future Expansion

For the avoidance of doubt, nothing in the terms herein shall affect, restrict or impede the right of TNBJ to undertake any Future Expansion and to do all matters relating to the Future Expansion including but not limited to obtaining and/or incurring any Future Facilities, creating any security interest over any Future Expansion or part thereof and/or for the Future Facilities or part thereof (as long as such Future Facilities do not share any of the securities given or to be given for the Islamic Securities and also does not cause the rating of the Islamic Securities to be lower than AAA or be put on a negative watch) and/or disposing of the Future Expansion or part thereof and TNBJ shall be fully entitled to undertake, do and carry out any Future Expansion and to do all matters relating to the Future Expansion (as long as such Future Facilities do not share any of the securities given or to be given for the Islamic Securities and also does not cause the rating of the Islamic Securities to be lower than AAA or be put on a negative watch) without consent from any other parties to the transaction and the Transaction Documents including but not limited to the Trustee, the Sukukholders, the Security Agent and the Facility Agent.

Annexure 1 - Description of the Transaction and Structure Diagram of the Proposed Islamic Securities Programme



Step 1:

The Issuer, on behalf of the investors (“**Sukukholders**”), shall from time to time purchase certain Shariah-compliant leasable assets (“**Lease Assets**”) from TNBJ (in such capacity, the “**Seller**”) by way of transfer of beneficial ownership, at the asset purchase price (“**Asset Purchase Price**”) pursuant to an asset purchase agreement (“**Asset Purchase Agreement**”).

Step 2:

The Issuer (on behalf of the Sukukholders) (in such capacity, the “**Lessor**”) shall then, from time to time, lease the Lease Assets to TNBJ (in such capacity, the “**Lessee**”) for a pre-determined rental amount (“**Rental**”) and tenure (“**Ijarah Lease Term**”) pursuant to an Ijarah agreement (“**Ijarah Agreement**”).

Step 3:

- The Issuer shall declare a trust (“**Trust**”) over, amongst others, the relevant Lease Assets, the present and future rights and interest in the relevant Ijarah Agreement, the relevant Purchase Undertaking, the relevant Sale Undertaking, and the relevant proceeds of the foregoing and other transaction documents pertaining to the Islamic Securities Programme (collectively, the “**Ijarah Trust Assets**”) in favour of the relevant Sukukholders, and shall issue the Islamic Securities to the Sukukholders to represent the Sukukholders’ undivided beneficial ownership in the relevant Ijarah Trust Assets.
- The Islamic Securities proceeds shall be utilised by the Issuer to pay the Asset Purchase Price under the relevant Asset Purchase Agreement.

Step 4:

Upon receipt by the Lessor from the Lessee of Rental on the relevant rental payment dates (which would coincide with the periodic distribution dates under the Islamic Securities), the Issuer will use such amounts to make payments of the periodic distribution amounts due under the Islamic Securities to the Sukukholders.

Step 5:

Pursuant to a purchase undertaking ("**Purchase Undertaking**"), TNBJ (in such capacity, the "**Obligor**") shall purchase the relevant Lease Assets from the Issuer and enter into a Sale Agreement for such purchase, on the earlier of:

- (a) upon the maturity date of the Islamic Securities ("Scheduled Dissolution Date"); or
- (b) upon declaration of a Dissolution Event or upon occurrence of a Mandatory Redemption Event (save for a mandatory redemption event due to a total loss event), at the relevant Exercise Price and the proceeds therefrom shall be utilised by the Issuer for the redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

Step 6:

Pursuant to a sale undertaking ("**Sale Undertaking**"), TNBJ shall have the right to require the Issuer to sell the relevant Lease Assets to TNBJ at certain dates prior to the Scheduled Dissolution Dates of the relevant Islamic Securities ("**Early Redemption Date**") and accordingly the Issuer shall sell the relevant Lease Assets to TNBJ and enter into a Sale Agreement for such sale at the relevant Exercise Price on the Early Redemption Date, if TNBJ has provided an exercise notice in this respect and the proceeds therefrom shall be utilised by the Issuer for the early redemption of such relevant Islamic Securities held by the Sukukholders which shall then be cancelled.

Step 7:

Under the terms of a servicing agency agreement ("**Servicing Agency Agreement**"), TNBJ shall be appointed as the servicing agent ("**Servicing Agent**") by the Issuer and will, amongst other things, be responsible, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Lease Assets and/or the related payment and/or ownership expenses in respect of the Lease Assets ("**Ownership Expenses**"), which are to be reimbursed by the Issuer to TNBJ upon the expiry of the relevant Ijarah Agreement. The Servicing Agent shall also ensure that the takaful/insurance is for a covered/insured amount, at all times and shall be responsible for the related payment of the relevant takaful contribution or insurance premium.

Note:

Under a substitution undertaking ("**Substitution Undertaking**"), TNBJ shall have the right to substitute all or part of the Lease Assets from time to time throughout the tenure of the Islamic Securities with qualified assets that are approved by the Shariah Advisers ("**Substitute Lease Assets**"), save and except in a Total Loss Event (as described herein) duly notified to the Trustee/Facility Agent (on behalf of the Sukukholders). The Substitute Lease Assets shall form part of the Lease Assets and thereby form part of the Ijarah Trust Assets.

Total Loss Event is the total loss or destruction of, or damage to the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement or any event or occurrence that renders the whole (and not part only) of the relevant Lease Assets in a particular Ijarah Agreement permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical.