

Serial Number:

Strictly Private & Confidential

Aquasar Capital Sdn Bhd

(Company No. 1082682-X)

INFORMATION MEMORANDUM

**PROPOSED ISSUANCE OF SUKUK MURABAHAH UNDER A SUKUK MURABAHAH
PROGRAMME OF UP TO RM1,500 MILLION IN NOMINAL VALUE**

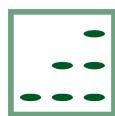
Principal Adviser/Lead Arranger/Lead Manager



RHB Investment Bank Berhad

(Company No. 19663-P)

Financial Adviser



**Newfields
Advisors**

Newfields Advisors Sdn Bhd

(Company No. 296051-V)

This Information Memorandum is dated 27 June 2014

RESPONSIBILITY STATEMENT

This Information Memorandum has been approved by the directors of Aquasar Capital Sdn Bhd (Company No. 1082682-X) (the “**Issuer**” or “**Aquasar Capital**”) and they collectively have accepted full responsibility for the accuracy of the information contained herein, and have further confirmed that, after having made all reasonable enquiries in the circumstances, and to the best of their knowledge, information and belief, there are no false or misleading statements or other material facts the omission of which would make any statement in this Information Memorandum false or misleading and that there are no material omissions from this Information Memorandum.

IMPORTANT NOTICE AND GENERAL STATEMENTS OF DISCLAIMER

This Information Memorandum is to be distributed on a private and confidential basis to potential investors for the sole purpose of assisting such investors to decide whether to subscribe for or purchase the Sukuk Murabahah (the “**Sukuk Murabahah**”) to be issued by the Issuer under a Sukuk Murabahah programme of up to RM1,500 million in nominal value (the “**Sukuk Murabahah Programme**”).

At the point of issuance of the Sukuk Murabahah, the Sukuk Murabahah shall not be issued, offered, sold, transferred or otherwise disposed of, directly or indirectly, nor may any document or other material in connection therewith including this Information Memorandum be distributed, in Malaysia other than to persons, whether as principal or agent, falling within the relevant category of the persons specified in Section 4(6) of the Companies Act, 1965, as amended from time to time (the “**Companies Act**”) and persons to whom an offer or invitation to subscribe for the Sukuk Murabahah and to whom the Sukuk Murabahah are issued would fall within (i) Schedule 6 or Section 229(1)(b); and (ii) Schedule 7 or Section 230(1)(b) of the Capital Markets and Services Act, 2007, as amended from time to time (“**CMSA**”) (both (i) and (ii) are to be read together with Schedule 9 or Section 257(3) of the CMSA).

Subsequent to the issuance of the Sukuk Murabahah, the Sukuk Murabahah shall not be offered or sold directly or indirectly, nor may any document or other material in connection therewith including this Information Memorandum be distributed, in Malaysia other than to persons, whether as principal or agent, falling within the relevant categories of the persons specified in Section 4(6) of the Companies Act and persons to whom an offer or invitation to subscribe for the Sukuk Murabahah would fall within Schedule 6 or Section 229(1)(b) (read together with Schedule 9 or Section 257(3) of the CMSA).

RAM Rating Services Berhad has assigned a rating of AAA(s)/stable for the Sukuk Murabahah Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

This Information Memorandum may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer and Principal Adviser/Lead Arranger/Lead Manager or as required under Malaysian laws, regulations or guidelines.

None of the information or data contained in this Information Memorandum has been independently verified by the Principal Adviser/Lead Arranger/Lead Manager and the Financial Adviser. Accordingly, no representation or warranty, express or implied, is given or assumed by the Principal Adviser/Lead Arranger/Lead Manager and the Financial Adviser as to the authenticity, origin, validity, accuracy or completeness of information and data contained in this Information

Memorandum or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum.

The Principal Adviser/Lead Arranger/Lead Manager and the Financial Adviser have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Sukuk Murabahah and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum, except as provided by Malaysian laws. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Principal Adviser/Lead Arranger/Lead Manager, the Financial Adviser or any other person.

This Information Memorandum should not be construed as a recommendation by the Issuer, the Principal Adviser/Lead Arranger/Lead Manager, any of its advisers or any other party to subscribe for or purchase the Sukuk Murabahah. Further, the information contained herein should not be read as a representation or warranty, expressed or implied, as to the merits of the Sukuk Murabahah or the purchase thereof. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis. Each recipient should perform and is deemed to have made his/its own independent investigation and analysis of the Issuer, the Sukuk Murabahah and all other relevant matters, including but not limited to the information and data set out in this Information Memorandum, and each recipient should consult his/its own professional advisers.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction outside Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an offer of, or an invitation to subscribe for or purchase the Sukuk Murabahah or any other securities of any kind by any party in any Foreign Jurisdiction.

This Information Memorandum is not and is not intended to be a prospectus and has not been registered or lodged under the laws of Malaysia or of any Foreign Jurisdiction as a prospectus. The information in this Information Memorandum is current as at the date hereof, unless specified otherwise.

The distribution or possession of this Information Memorandum in Malaysia or in any Foreign Jurisdiction may be restricted or prohibited by law. Each recipient is required by the Issuer, the Principal Adviser/Lead Arranger/Lead Manager and the Financial Adviser to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer, the Principal Adviser/Lead Arranger/Lead Manager nor the Financial Adviser accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in Malaysia or in any Foreign Jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that: (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to receive this Information Memorandum and to subscribe for, purchase or in any other way to receive the Sukuk Murabahah under all jurisdictions to which the recipient is subject, (c) the recipient will comply with all the applicable laws in connection with such subscription, purchase or acceptance of the Sukuk Murabahah, (d) the Issuer and all other parties involved in the preparation of this Information Memorandum and their respective directors, officers, employees, agents and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription, purchase or acceptance of the Sukuk Murabahah and they shall not have any responsibility or liability in the event

that such subscription or acceptance of the Sukuk Murabahah is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Sukuk Murabahah can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Sukuk Murabahah and is able and prepared to bear the economic and financial risks of investing in or holding the Sukuk Murabahah, (g) it is subscribing for, purchasing or accepting the Sukuk Murabahah for its own account, and (h) it, at the point of issuance of the Sukuk Murabahah, falls within one (1) or more of the categories of persons within the relevant category of the persons specified in Section 4(6) of the Companies Act and persons to whom an offer or invitation to subscribe for or purchase the Sukuk Murabahah would constitute an excluded issue, excluded offer or excluded invitation pursuant to Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b); read together with Schedule 9 or Section 257(3) of the CMSA and after the point of issuance of the Sukuk Murabahah, falls within one (1) or more of the categories of persons within the relevant category of the persons specified in Section 4(6) of the Companies Act and persons to whom an offer or invitation to subscribe for or purchase the Sukuk Murabahah would constitute an excluded offer or excluded invitation pursuant to Schedule 6 or Section 229(1)(b); read together with Schedule 9 or Section 257(3) of the CMSA. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk Murabahah shall in any circumstance imply that the information contained herein concerning the Issuer or any other person referred to in this Information Memorandum is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Sukuk Murabahah is correct as of any time subsequent to the date indicated in the document containing the same. The Principal Adviser/Lead Arranger/Lead Manager and the Financial Adviser expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Sukuk Murabahah or to advise any investor in the Sukuk Murabahah of any information coming to its attention. The recipient of this Information Memorandum or the potential investors should review, inter alia, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase the Sukuk Murabahah.

This Information Memorandum includes certain historical information, estimates or reports thereon derived from sources believed to be reliable and other publicly available information. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and/or report thereon derived from such and other third party sources.

This Information Memorandum includes “forward looking statements”. These statements include, among other things, disclosure of the Issuer’s business strategy and expectation concerning its position in the Malaysian economy and future operations. Such forward looking statements involve known and unknown risks, uncertainties and other factors, which may affect actual outcomes, many of which are outside the control of the Issuer. All these statements are based on estimates and assumptions made by the Issuer that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of the Issuer to be materially different from that expected or indicated by such statements and estimates, and no assurance is given that any of such statements or estimates will be realised. Therefore, the contingencies and inherent uncertainties underlying such information should be carefully considered by investors and the inclusion of a forward looking statement in this Information Memorandum is not a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved. Further, such parties are not under any obligation to update or revise such forward looking statements to reflect any change in expectations or circumstances. Any differences in the expectations of the Issuer and its actual performance may result in the Issuer’s operating performance and plans being materially different from those anticipated.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after rounding.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION MALAYSIA

A copy of this Information Memorandum will be deposited in accordance with Sections 229(4) and 230(4) of the CMSA with the Securities Commission Malaysia (“SC”), which takes no responsibilities for its contents.

The SC authorised the Sukuk Murabahah Programme pursuant to Section 256C(1) of the CMSA, on 9 June 2014. Please note that the SC’s authorisation shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk Murabahah.

The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed and contained in this Information Memorandum.

SHARIAH ADVISER

RHB Islamic Bank Berhad (Company No. 680329-V) has been appointed as the Shariah Adviser for the Sukuk Murabahah Programme (“**Shariah Adviser**”).

The transaction structure and mechanism relating to the Sukuk Murabahah has been approved by the Shariah Adviser, by way of their Shariah pronouncement dated 14 May 2014 (“**Shariah Pronouncement**”). Neither the Issuer nor the Principal Adviser/Lead Arranger/ Lead Manager make any representation, warranty or undertaking, express or implied as to the Sukuk Murabahah’s compliance with Shariah principles. As the Shariah pronouncement is only an expression of the view of the Shariah Adviser, investors are reminded that differences in opinion are possible. Investors are advised to obtain their own independent Shariah advice as to whether the Sukuk Murabahah Programme structure meets their individual standards of compliance with Shariah principles and make their own determination whether to subscribe the Sukuk Murabahah. If the Sukuk Murabahah is deemed not to be Shariah-compliant by potential investors’ standards of Shariah compliance, they may be prohibited from investing in the Sukuk Murabahah by virtue of their own constitutional restraints or otherwise.

EACH ISSUE OF SUKUK MURABAHAH UNDER THE SUKUK MURABAHAH PROGRAMME WILL CARRY DIFFERENT RISKS AND EACH INVESTOR SHOULD EVALUATE EACH ISSUE OF SUKUK MURABAHAH BASED ON ITS MERITS. PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN ANY ISSUE OF THE SUKUK MURABAHAH. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR OWN LEGAL, FINANCIAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR SUBSCRIBING FOR ANY OF THE SUKUK MURABAHAH.

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CONFIDENTIALITY

This Information Memorandum and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. Accordingly, this Information Memorandum and its contents, and any information that is made available in connection with any further enquiries, must be held in complete confidence.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law or equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisers, directors, employees and any other persons who may receive this Information Memorandum (or any part of it) from the recipient.

This Information Memorandum is provided to prospective investors solely for their own evaluation of the Sukuk Murabahah.

The recipient must return this Information Memorandum and all reproductions thereof whether in whole or in part and any other information in connection therewith to the Principal Adviser/Lead Arranger/Lead Manager promptly upon the Principal Adviser/Lead Arranger/Lead Manager's request, unless that recipient provides proof of a written undertaking satisfactory to the Principal Adviser/Lead Arranger/Lead Manager with respect to destroying these documents as soon as reasonably practicable after the said request from the Principal Adviser/Lead Arranger/Lead Manager.

E-DISCLAIMER

This Information Memorandum may be sent to you in an electronic form.

This Information Memorandum is strictly confidential and does not constitute an offer to subscribe for or purchase of any of the securities described herein or any invitation to subscribe for or purchase of any of the securities to any person or to the public generally other than to the intended recipient. Distribution or reproduction in any manner and form of this Information Memorandum to any persons, other than the person receiving the electronic transmission from the Issuer, the Principal Adviser/Lead Arranger/Lead Manager and their respective directors, officers, employees, affiliates and agents and any person retained to advise the person receiving the electronic transmission with respect thereto, is unauthorised. The person receiving the electronic transmission from the Issuer, the Principal Adviser/Lead Arranger/Lead Manager and their respective directors, officers, employees, affiliates and agents is prohibited from disclosing this Information Memorandum or any of its contents in any manner or form, altering the contents of this Information Memorandum or forwarding a copy of this Information Memorandum or any portion thereof by electronic mail or otherwise to any person. By opening and accepting this electronic transmission of this Information Memorandum, the recipient agrees to the foregoing.

Transmission over the internet may be subject to interruptions, transmission blackout, delayed transmission due to internet traffic, incorrect data transmission, data corruption, interception, unauthorised amendment, tampering, viruses or other technical, mechanical or systemic risks associated with internet transmissions due to the public nature of the internet. The Issuer, the Principal Adviser/Lead Arranger/Lead Manager and their respective directors, officers, employees, affiliates and agents have not accepted and will not accept any responsibility and/or liability for any

such interruption, transmission blackout, delayed transmission, incorrect data transmission, corruption, interception, amendment, tampering or viruses or any consequences thereof.

The electronic transmission of this Information Memorandum is intended only for use by the addressee named in the e-mail and may contain legally privileged and/or confidential information. If you are not the intended recipient of the e-mail, you are hereby notified that any dissemination, distribution or copying of the e-mail, and any attachments thereto, is strictly prohibited. If you have received the e-mail in error, please immediately notify by reply e-mail and permanently delete all copies of the e-mail and destroy all printouts of it.

The foregoing is in addition to and without prejudice to all other disclaimers and agreements as provided in this Information Memorandum which disclaimers and agreements, the recipient shall be deemed to have agreed to or be bound by.

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DEFINITIONS

In this Information Memorandum, except where the context otherwise requires, all capitalised terms shall bear the meaning ascribed to them in Section 2 below and additionally, the following words or expressions shall have the following meanings:

Aquasar Capital or Issuer	Aquasar Capital Sdn Bhd (Company No. 1082682-X);
CMSA	- Capital Markets and Services Act, 2007 as may be amended from time to time;
Companies Act	- Companies Act, 1965, as amended from time to time;
Corporate Guarantee	- The corporate guarantee issued by the Guarantor to the Security Trustee in relation to the Sukuk Murabahah Programme;
Federal Government or GOM	- The Government of Malaysia;
Financial Adviser or Newfields	Newfields Advisors Sdn Bhd (Company No. 296051-V);
GDP	- Gross Domestic Product
Government Fund	- The State Development Fund or its successor or replacement fund;
Guarantor or Aquasar Holdings	- Aquasar Holdings Sdn Bhd (Company No. 1082683-W);
Package 1	- As described in Section 4.3 of this Information Memorandum;
Package 2	- As described in Section 4.3 of this Information Memorandum;
Principal Adviser/Lead Arranger/Lead Manager	- RHB Investment Bank;
Project	- The development, design, construction, management, operation and maintenance of the Kuching Centralised Sewerage System to be undertaken by the Sarawak State Agency, as further described in Section 1.5 and Section 4.3 of this Information Memorandum;
PTC	- The Principal Terms and Conditions (as per Section 2 of this Information Memorandum);
RAM	- RAM Rating Services Berhad

RHB Investment Bank	- RHB Investment Bank Berhad (Company No. 19663-P);
Ringgit/RM and sen	- Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia;
Sarawak State Agency	- Jabatan Perkhidmatan Pembetungan Sarawak or Sewerage Services Department, Sarawak;
SC	- Securities Commission Malaysia;
Security Trustee	- Malaysian Trustees Berhad (Company No. 21666-V);
SFS	- The State Financial Secretary of Sarawak, a body corporate incorporated under the State Financial Secretary (Incorporation) Ordinance (Cap. 36);
Shariah Adviser	- RHB Islamic Bank Berhad (Company No. 680329-V);
State	- The State Government of Sarawak;
Sukukholders	- The holders of the Sukuk Murabahah;
Sukuk Murabahah	- Up to RM1,500 million in nominal value of Sukuk Murabahah to be issued under the Sukuk Murabahah Programme;
Sukuk Murabahah Programme	- This Sukuk Murabahah programme for the issuance of up to RM1,500 million in nominal value of Sukuk Murabahah under the Shariah principle of Murabahah; and
Sukuk Trustee	- Malaysian Trustees Berhad (Company No. 21666-V).

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SECTION 1.0 EXECUTIVE SUMMARY

The following executive summary is only a summary of the salient information relating to the Sukuk Murabahah and the Issuer and should be read and understood in conjunction with the full text of this Information Memorandum.

1.1 Information on the Issuer

Aquasar Capital is a wholly-owned subsidiary of Aquasar Holdings which in turn is a wholly-owned subsidiary of SFS. SFS is a body corporate incorporated under the State Financial Secretary (Incorporation) Ordinance (Cap. 36) and is responsible for all financial matters for the State.

Aquasar Capital was incorporated as a special purpose vehicle for the State to undertake the Sukuk Murabahah Programme to, amongst others, fund Packages 1 and 2 of the Project undertaken by the Sarawak State Agency.

1.2 Brief summary of the structure of the Sukuk Murabahah and Sukuk Murabahah Programme

(Please refer to the definitions in the PTC as provided under Section 2.0 of this Information Memorandum for all words and expressions used and defined in this Section 1.2)

General

The Sukuk Murabahah will be issued by the Issuer pursuant to the Sukuk Murabahah Programme.

The Sukuk Murabahah Programme allows the Issuer to issue, from time to time, the Sukuk Murabahah during the tenure of the Sukuk Murabahah Programme, provided that the aggregate outstanding amount of the Sukuk Murabahah shall not at any time exceed RM1,500 million in nominal value and subject to the reduction schedule set out below.

Months from first issue (End of Month)	Reduction Amount (RM million)	Available Limit After Reduction (RM million)
13	100.0	1,400
24	100.0	1,300
36	100.0	1,200
48	100.0	1,100
60	100.0	1,000
72	100.0	900
84	100.0	800
96	100.0	700
108	100.0	600
120	100.0	500
132	100.0	400
144	100.0	300
156	100.0	200
168	100.0	100
180	100.0	0

The tenure of the Sukuk Murabahah Programme is more than one (1) year and up to fifteen (15) years from the first issue date of the Sukuk Murabahah. The first issue of the Sukuk Murabahah shall not be later than two (2) years from the date of the SC's authorisation. During this programme tenure, each tranche of Sukuk Murabahah shall have a tenure of more than one (1) year and up to fifteen (15) years from the issuance date, as the Issuer may select, provided always that the maturity of each tranche of Sukuk Murabahah does not extend beyond the tenure of the Sukuk Murabahah Programme.

All payment obligations under the Sukuk Murabahah shall represent direct, unconditional and secured obligations of the Issuer and shall at all times rank *pari passu*, without any discrimination, preference or priority amongst themselves and rank at least *pari passu* in all respects with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law or the Transaction Documents.

The Sukuk Murabahah may be issued at par, at a premium or at a discount. The profit rate, if applicable, shall be determined and agreed prior to each issuance of the Sukuk Murabahah.

The Sukuk Murabahah will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.

The Sukuk Murabahah have been accorded a rating of AAA(s)/stable by RAM Rating Services Berhad.

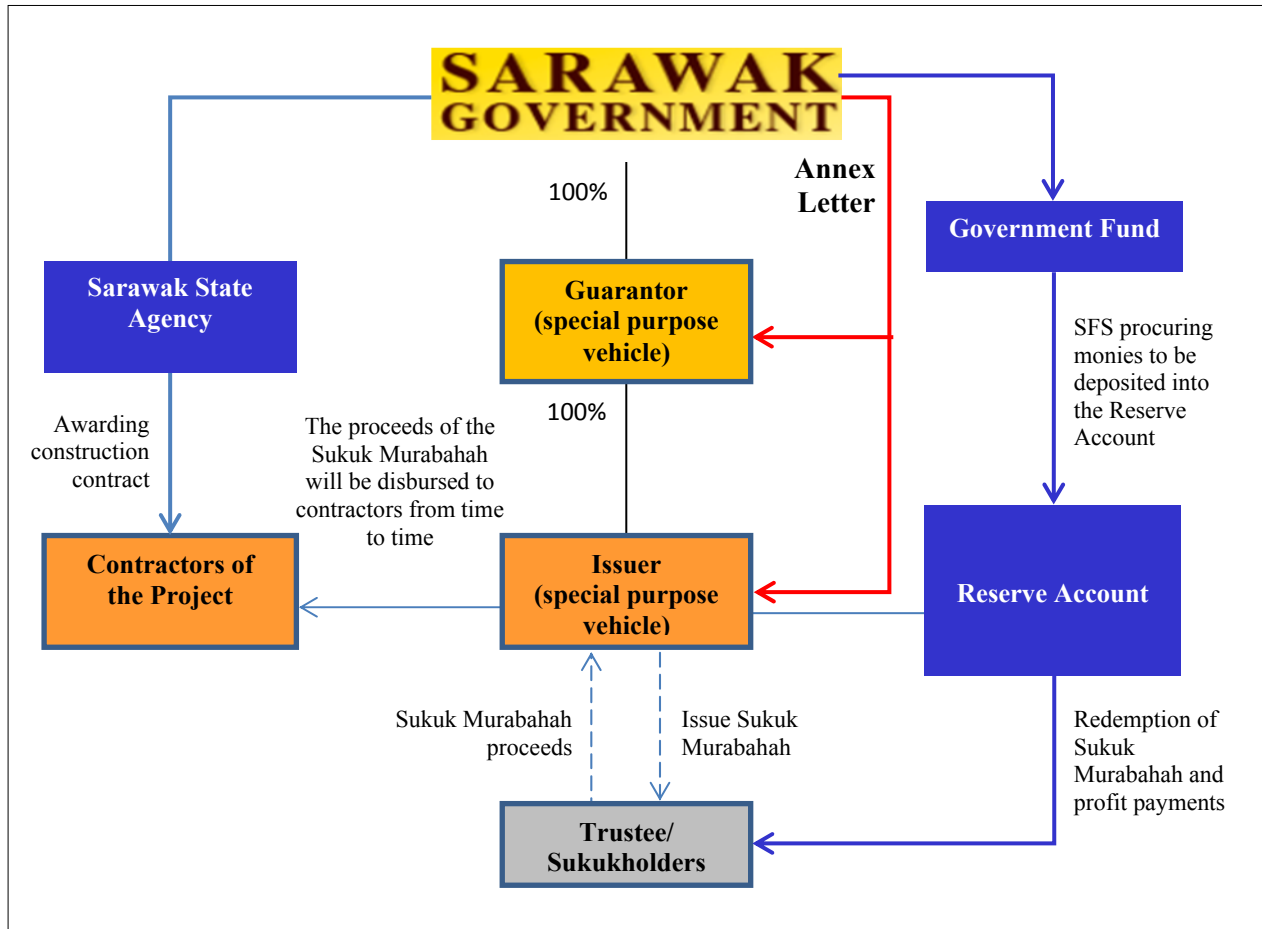
The Sukuk Murabahah will be guaranteed by the Guarantor and secured by a debenture and an assignment and charge over the Reserve Account both created by the Issuer in favour of the Security Trustee (please see section 2(l) of the PTC for further details on the security in respect of the Sukuk Murabahah).

Annex Letter

As a condition precedent for the establishment of the Sukuk Murabahah Programme, the State through the SFS will issue a letter (the “**Annex Letter**”) in favour of the Issuer and Guarantor, under which the SFS will agree to make certain periodic contributions (the “**Contribution Amount**”) into the Government Fund and to procure that such monies are paid to the Reserve Account from time to time. Such Contribution Amount(s) will be used by the Issuer for payments under the Sukuk Murabahah. The form of the Annex Letter is attached as Appendix 1 to this Information Memorandum.

Each Contribution Amount referred to in the Annex Letter must be of an amount that is sufficient to meet the corresponding payments due under the Sukuk Murabahah at least fourteen (14) business days before such payment falls due.

For avoidance of doubt, the Annex Letter does not constitute a guarantee or letter of support by the State of the obligations of the Issuer or the Guarantor in respect of the Sukuk Murabahah.



The issuance of each tranche of Sukuk Murabahah which will be conditional upon the aggregate Deferred Sale Price under all the outstanding Sukuk Murabahah shall not exceed the corresponding Contribution Amount under the Annex Letter from time to time. This is to ensure that the Contribution Amount as stated in the Annex Letter will be of an amount that is sufficient to meet the corresponding payments due under the Sukuk Murabahah.

The Contribution Amount will be deposited into the Reserve Account at least fourteen (14) business days before the corresponding payment due under the Sukuk Murabahah falls due. If such Contribution Amount is not deposited by such time, the Sukuk Trustee shall issue a notice requiring that such Contribution Amount be deposited into the Reserve Account within seven (7) business days. If the relevant amount is not paid within such seven (7) business day period (other than where the failure to pay is caused by an administrative or technical error or a disruption to payment systems, and such failure is rectified within three (3) business days), an Event of Default will be triggered, and the Sukuk Trustee may, or shall if directed to do so by the Sukukholders pursuant to a special resolution, declare by way of giving a written instruction to the Issuer and the Guarantor that the Event of Default be treated as a Contribution Acceleration Event, whereupon and the Issuer and the Guarantor will be required to procure that an Accelerated Contribution Payment be paid in accordance with the terms of the Transaction Documents.

If the Accelerated Contribution Payment is not paid into the Reserve Account within seven (7) business days after the same becomes due and payable (other than where the failure to pay is caused by an administrative or technical error or a disruption to payment systems, and such failure is rectified within three (3) business days), an Enforcement Event occurs. Upon occurrence of an Enforcement Event, the Sukuk Trustee may, or shall, if directed to do so by the Sukukholders pursuant to a special resolution, declare all amounts then outstanding on the respective Deferred Sale Price under all the Sukuk Murabahah immediately due and payable. The Sukuk Trustee subsequently may take the necessary proceedings as it may think fit against the Issuer to enforce payment of the Redemption Amount and all other sums payable under the Sukuk Murabahah Programme and to enforce its rights under the Transaction Documents.

For the avoidance of doubt, in the event that an Event of Default occurs and the Accelerated Contribution Payment due under the Annex Letter is paid into the Reserve Account, the Sukuk Murabahah will not become immediately due and payable but will instead remain outstanding and amounts standing to the credit of the Reserve Account may be applied in accordance with the terms of the Transaction Documents. In such event, the Event of Default will not be deemed to be continuing.

Please also see Section 3.3 “Risks relating to the Annex Letter”.

Reserve Account

The Issuer shall open and maintain a Reserve Account to capture the Contribution Amount to be transferred from the Government Fund. Monies in the Reserve Account shall be used for periodic profit payments and principal redemption of the Sukuk Murabahah.

The Reserve Account shall be operated jointly by the Issuer and the Security Trustee save and except upon declaration of an Event of Default whereby the Security Trustee shall be the sole signatory. All balances therein may be placed in Permitted Investments, if requested by the Issuer.

1.3 Utilisation of Proceeds

The Sukuk Murabahah proceeds will be utilised, amongst others, to finance all fees, costs and expenses associated with the development, operation and maintenance cost of the Project (including costs already incurred and paid in respect of Package 1).

The Sukuk Murabahah proceeds will be captured in a bank account owned by the Issuer and such bank account will not be designated as a bank account controlled by the Security Trustee. The proceeds of the Sukuk Murabahah will then be disbursed to pay the contractors from time to time by the Issuer and the disbursement process will be in accordance with the internal control practices of the State.

For avoidance of doubt, notwithstanding the Sukuk Murabahah proceeds will be utilised for the Project as mentioned above, the cash flow from the Project, if any, will not be utilised to meet the payment obligations under the Sukuk Murabahah.

1.4 Credit Rating

RAM has assigned a AAA(s)/stable rating to the Sukuk Murabahah Programme.

RAM equates Aquasar Capital's issue-specific rating with the credit strength of the State as the payments for the Sukuk Muabahah will essentially come directly from the State's budget via the Contribution Amounts pursuant to the Annex Letter.

1.5 Brief Background of the Project

The Project entails the development, design, construction, management, operation and maintenance of the Kuching Centralised Sewerage System to be undertaken by the Sarawak State Agency. The Project construction works include the construction of a wastewater treatment plant, sewer network, property connections and thereafter setting-up the operating mechanism to manage the sewerage system. The Project area covers the south of the Sarawak river and the northern region of Kuching city. The Project is expected to be divided into six packages and to be implemented in stages. The first two packages (Packages 1 and 2) are expected to achieve a maximum system capacity of 200,000 Population Equivalent ("PE") units which require 14.7 kilometres ("km") of trunk sewer, 110 km of secondary and tertiary sewer, and 109,000 PE property connections.

1.6 The State of Sarawak

Sarawak is the largest state in Malaysia. Sarawak is currently the main producer of Liquefied Natural Gas ("LNG") in Malaysia, and is blessed with a wealth of natural resources – crude oil, timber products and crude palm oil ("CPO") – which form the backbone of its economy. The primary sector (agriculture and mining, particularly crude petroleum) remains the predominant contributor to the State's economic output.

Sarawak's economy has been transformed in recent years, as the state diversifies away from its traditional reliance on mining, agriculture and forestry. Relying on the state of Sarawak's abundant renewable energy, the State has embarked on the development of Sarawak Corridor of Renewable Energy (SCORE) aiming to provide more employment opportunities and development in rural areas as well as allow diversification and a sustainable manufacturing sector.

Sarawak's economy generally moves in tandem with the national trend, with real GDP growth reaching 4.7% (Malaysia: 4.7%) in 2013. Overall, Sarawak is considered to enjoy one of the strongest income-generating capacities among the states in Malaysia.

Sarawak's GDP is generally underpinned by resource-based industries. The economy is predominantly export oriented with a strong primary industry sector which includes mining, oil and gas and agriculture. While Sarawak's economy is concentrated in the primary sector, there is still diversification within it – namely crude oil, LNG, CPO and forestry – thereby providing a certain degree of resilience supported by the relatively sustainable demand for these commodities domestically and internationally.

Sarawak has prudent budgeting practices. Its higher-than-expected revenue and rather close-to-budgeted expenditure have led to consistent fiscal surpluses for the past years. In view of this, it is expected that the State would have the capacity to absorb any unforeseen deficit given its robust cash balances.

The state of Sarawak has more revenue sources compared to other states in Peninsular Malaysia. These include import and excise duty on petroleum products, export duty on timber-related products as well as dues from ports and harbours. The State also has the authority to set and collect state sales taxes. These rights are conferred exclusively on the East Malaysian states, as provided by the Constitution. As such, the State is viewed to have a stronger fiscal-adjustment capacity than their counterparts in Peninsular Malaysia. In addition, long-term development plans (by the Federal Government and the State), including the SCORE initiative, signal a positive development for the state of Sarawak's economy.

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SECTION 2.0 THE SUKUK MURABAHAH

Words and expressions used and defined in this Section 2 shall, in the event of inconsistency with the definitions section of this Information Memorandum, be applicable for this Section 2.

The PTC has been extracted from the submission of this proposal to the SC as authorized by the SC vide its letter dated 9 June 2014.

Principal Terms and Conditions of Sukuk Murabahah Programme**1. BACKGROUND INFORMATION****(a) Issuer**

(i) Name : Aquasar Capital Sdn. Bhd. (the "**Issuer**").

(ii) Address : 18th Floor,
Wisma Bapa Malaysia,
Petra Jaya,
93502 Kuching, Sarawak,
Malaysia

(iii) Business registration number : 1082682-X

(iv) Date and place of Incorporation : 27 February 2014, Malaysia

(v) Date of listing : Not applicable.

(vi) Status on residence : Resident controlled company.

(vii) Principal activities : Investment Holding.

The Issuer is essentially a funding conduit for the State Government of Sarawak to finance the Project (as defined below) which will be undertaken by Jabatan Perkhidmatan Pembetungan Sarawak ("Sarawak State Agency").

(viii) Board of directors as at 15 March 2014 : (i) Jumastapha bin Lamat
(ii) Hasmawati binti Sapawi
(iii) Angeline Chia Poh Lin

- (ix) **Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders as at 15 March 2014** :

Name of Shareholder	Number of Shares Held	% of Equity Held
Aquasar Holdings Sdn. Bhd.	2	100%

- (x) **Authorised and paid-up capital** : **Authorised share capital of the Issuer as at 15 March 2014**
RM 400,000.00

Issued and paid-up share capital of the Issuer as at 15 March 2014
RM 2.00

- (xi) **Disclosure of the following:**

- **If the Issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of application; and**

None.

- **If the Issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of application.**

Not applicable.

2. PRINCIPAL TERMS AND CONDITIONS**(a) Name of parties involved in the Proposal (where applicable)**

- | | |
|---|--|
| (i) Principal Adviser | RHB Investment Bank Berhad (" RHB Investment Bank "). |
| (ii) Lead Arranger | RHB Investment Bank. |
| (iii) Co-arranger | Not applicable. |
| (iv) Solicitor | <p>(a) To the Principal Adviser/Lead Arranger - Adnan Sundra & Low (the "Solicitors").</p> <p>(b) To the Issuer, the Guarantor and the State Financial Secretary of Sarawak ("SFS") – Rahmat Lim and Partners.</p> |
| (v) Financial adviser | Newfields Advisors Sdn. Bhd. |
| (vi) Technical adviser | Not applicable. |
| (vii) Sukuk trustee | Malaysian Trustees Berhad (the " Sukuk Trustee "). |
| (viii) Shariah adviser | RHB Islamic Bank Berhad (the " Shariah Adviser "). |
| (ix) Guarantor | Aquasar Holdings Sdn. Bhd. (" HoldCo " or " Guarantor "). |
| (x) Valuer | Not applicable. |
| (xi) Facility Agent | RHB Investment Bank. |
| (xii) Primary Subscriber (under a bought-deal arrangement) and amount subscribed | The primary subscribers will be determined prior to each issuance of the Sukuk Murabahah (as defined below) in the event of a bought deal issue. |
| (xiii) Underwriter and amount underwritten | Not applicable. |
| (xiv) Central depository | Bank Negara Malaysia (" BNM "). |

(xv)	Paying agent	BNM.
(xvi)	Reporting accountant	Not applicable.
(xvii)	Calculation agent	Not applicable.
(xviii)	Others (please specify)	<u>Lead Manager</u> RHB Investment Bank. <u>Security Trustee</u> Malaysian Trustees Berhad (“ Security Trustee ”)
(b)	Islamic Principles used	<u>Murabahah (Cost-Plus Sale)</u> A contract that refers to the sale and purchase transaction for the financing of an asset whereby the cost and profit margin (mark-up) are made known and agreed by all parties involved.
(c)	Facility description	<p>Up to RM1,500 million in nominal value of Islamic medium term notes ("Sukuk Murabahah") to be issued pursuant to a Sukuk Murabahah issuance programme of up to RM1,500 million (the "Sukuk Murabahah Programme" or the "Programme").</p> <p>The Sukuk Murabahah will be issued based on the Shariah principle of Murabahah (via a tawarruq arrangement) based on a Commodity Murabahah structure in the following form:</p> <p><u>Commodity Murabahah</u></p> <p>The Issuer will be appointed as agent/wakeel ("Wakeel") by Sukuk Trustee (acting for the investor(s) (the "Sukukholder(s)")) to buy and sell Shariah-compliant commodities* (the "Commodities").</p> <p>The Wakeel will then appoint the Facility Agent as its sub-purchase agent to purchase and sell the Commodities. The Issuer (in the capacity as the “Purchaser”) will issue a purchase order (the "Purchase Order") to the Wakeel and the Facility Agent from time to time. In the Purchase Order, the Issuer will irrevocably undertake to purchase the Commodities from the Sukukholders at a price equivalent to the Purchase Price and a mark-up (profit) payable on a deferred payment basis (the "Deferred Sale Price").</p> <p>The Facility Agent will purchase the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila commodity market (through a Commodity Trading Participant ("CTP") at a purchase price (the "Purchase Price") on a</p>

spot basis, which shall be equivalent to the proceeds of the Sukuk Murabahah.

The Purchase Price will be in compliance with the asset pricing requirements as set out in the Securities Commission Malaysia ("SC")'s Guidelines on Sukuk (revised and effective on 8 January 2014) ("**Sukuk Guidelines**") as may be replaced, substituted or revised from time to time.

Subsequently, the Issuer shall issue the Sukuk Murabahah to the Sukukholder(s) whereupon the Sukuk Murabahah shall evidence the Sukukholder(s)' ownership of the Commodities and all such rights thereto (including all rights against the Issuer under the Purchase Order as well as the rights to the Deferred Sale Price once the Commodities are sold to the Issuer).

Proceeds received from the issuances of the Sukuk Murabahah shall be used by or deemed to have been used by the Facility Agent to pay the Purchase Price of the Commodities.

Thereafter, the Facility Agent as instructed by the Sukukholder(s), shall sell the Commodities to the Purchaser at the Deferred Sale Price.

Upon completion of such purchase, the Issuer shall appoint the Facility Agent to sell the Commodities to Bursa Suq Al-Sila (through a CTP) for a cash consideration equal to the Purchase Price on a spot basis.

The Sukuk Murabahah may be issued with or without periodic payments. During the tenure of the Sukuk Murabahah, the Purchaser shall make periodic payments or a lump sum payment of the Deferred Sale Price to the Sukuk Trustee (acting for the Sukukholder(s)) amounting to its obligation to pay the Deferred Sale Price to the Sukukholder(s). Each such payment shall pro tanto reduce the obligation of the Purchaser on the Deferred Sale Price payable for the Commodities. On the date of maturity of the Sukuk Murabahah, all amounts then outstanding on the Deferred Sale Price shall be paid by the Purchaser to the Sukuk Trustee whereupon the Sukuk Murabahah shall be cancelled.

Pursuant to the Corporate Guarantee (as defined below) , the Holdco shall provide an unconditional and irrevocable guarantee under the principle of Kafalah, as a continuing obligation, in favour of the Security Trustee, for and on behalf of the Sukukholders, under which the HoldCo shall agree to guarantee the Issuer's payment obligation under the Sukuk Murabahah.

Note(*):

Shariah-compliant commodities would exclude ribawi items in the category of medium of exchange such as currency, gold and silver.

A diagrammatical illustration of the transaction structure is set out in **Appendix I**.

- | | | |
|-----|--|---|
| (d) | Identified assets | Shariah-compliant Commodities which would exclude ribawi items in the category of medium of exchange such as currency, gold and silver. |
| (e) | Purchase and selling price/rental | To be determined prior to each issuance of the Sukuk Murabahah under the Programme. |
| (f) | Issue/sukuk programme size | Up to RM1,500 million in nominal value. |

The aggregate outstanding nominal value of all the tranches of Sukuk Murabahah issued under the Programme at any point in time shall not exceed RM1,500 million, subject to the reduction schedule set out below.

Months from first issue (End of Month)	Reduction Amount (RM Million)	Available Limit After Reduction (RM Million)
13	100.0	1,400
24	100.0	1,300
36	100.0	1,200
48	100.0	1,100
60	100.0	1,000
72	100.0	900
84	100.0	800
96	100.0	700
108	100.0	600
120	100.0	500
132	100.0	400
144	100.0	300
156	100.0	200
168	100.0	100
180	100.0	0

- | | | |
|-----|---|--|
| (g) | Tenure of issue/sukuk programme | <p><u>The Programme</u></p> <p>Subject to the conditions herein, the tenure of the Programme is up to fifteen (15) years from the first issuance date, provided that the first issue of the Sukuk Murabahah shall not be later than two (2) years from the date of the SC's authorisation.</p> <p><u>Sukuk Murabahah Tenure</u></p> <p>Each tranche of the Sukuk Murabahah shall have a tenure of more than one (1) year and up to fifteen (15) years from the issuance date, as the Issuer may select, provided always that the maturity of each tranche of Sukuk Murabahah does not extend beyond the tenure of the Programme.</p> |
| (h) | Availability period of sukuk programme | <p>The Sukuk Murabahah may be issued at any time during the period from completion of documentation and unless waived by the Lead Arranger, compliance of all conditions precedent and other applicable conditions to the satisfaction of the Lead Arranger up to the maturity of the Programme. The first issuance shall be made within two (2) years from the date of the SC's authorisation.</p> |
| (i) | Profit/coupon/rental rate | <p>The Sukuk Murabahah may be issued at par, at a premium or at a discount. The profit rate, if applicable, shall be determined and agreed prior to each issuance of the Sukuk Murabahah.</p> |
| (j) | Profit/coupon/rental payment frequency | <p><u>Sukuk Murabahah with periodic payments</u></p> <p>The periodic payments are payable at semi-annual intervals or such other periodic intervals in arrears to be agreed between the Issuer and the relevant Lead Manager prior to the issuance of such Sukuk Murabahah.</p> <p><u>Sukuk Murabahah without periodic payments</u></p> <p>Not applicable.</p> |
| (k) | Profit/coupon/rental payment basis | <p><u>Sukuk Murabahah with periodic payments</u></p> <p>The profit payments shall be calculated on an actual number of days based on 365-day basis.</p> <p><u>Sukuk Murabahah without periodic payments</u></p> <p>Not applicable.</p> |
| (l) | Security/collateral (if any) | <p>(i) A debenture (the "Debenture") incorporating a first ranking fixed and, where applicable, floating charge on the assets, rights, undertakings and interests of the Issuer, both present and future;</p> <p>(ii) A corporate guarantee of Holdco (the "Corporate Guarantee"); and</p> |

- (iii) An assignment and charge over the Reserve Account (as defined below) (the "**Assignment and Charge**").

The Debenture, the Corporate Guarantee and the Assignment and Charge shall collectively be referred to as the "**Security Documents**".

(m) Details on utilisation of proceeds by issuer

Proceeds raised from the Sukuk Murabahah shall be utilised for the following purposes which are within the definition of Shariah-compliant activities:

Details of Utilisation	Up to (RM million)
To finance all fees, costs and expenses associated with the development, operation and maintenance of the Project (including costs already incurred and paid in respect of Package 1)	1,491.8
To pay all transaction costs (including legal fees) in relation to the establishment of the Programme	8.2
Total	1,500

The Sukuk Murabahah proceeds will be captured in a bank account owned by the Issuer and the said bank account will not be designated as a bank account controlled by the Security Trustee. The proceeds of the Sukuk Murabahah will then be disbursed to pay the contractors from time to time by the Issuer and the disbursement process will be in accordance with the internal control practices of the State Government of Sarawak.

"The Project" means the development, design, construction, management, operation and maintenance of the Kuching Centralised Sewerage System to be undertaken by the Sarawak State Agency. The Project construction works include the construction of wastewater treatment plant, sewer network, property connections and thereafter setting-up the operating mechanism to manage the sewerage system. The Project area covers south of the Sarawak river and northern region of Kuching city. The Project is expected to be divided into six packages and to be implemented in stages. For the first two packages (Packages 1 and 2), a maximum system capacity of 200,000 Population Equivalent ("**PE**") which requires 14.7 kilometres ("**km**") of trunk sewer, 110 km of secondary and tertiary sewer and with 109,000 PE property connections will be constructed.

- (n) **Sinking fund and designated accounts (where applicable)**
- The Issuer shall open and maintain a Reserve Account to capture the Contribution Amount (as defined below) to be transferred from the State Development Fund or its successor or replacement fund ("**the Government Fund**").
- Monies in the Reserve Account shall be used for periodic payments and principal redemption of the Sukuk Murabahah.
- The Reserve Account shall be operated jointly by the Issuer and the Security Trustee save and except upon declaration of an Event of Default (as defined below) whereby the Security Trustee shall be the sole signatory. All balances therein may be placed in Permitted Investments (as defined in paragraph 2(y)(v) below), if requested by the Issuer.
- (o) **Rating**
- **Credit rating(s) assigned and whether the rating is final or indicative**
- Final credit rating: AAA(s).
- **Name of rating agency**
- RAM Rating Services Berhad (the "**Rating Agency**").
- (p) **Mode of issue**
- Via private placement on a best effort basis or on a bought deal basis or on a book running on a best effort basis.
- Issuance of Sukuk Murabahah under the Programme shall be in accordance with:
- (i) the Operational Procedures for Securities Services issued by Malaysian Electronic Clearing Corporation Sdn. Bhd. ("**MyClear**") effective as at 10 October 2013; and
 - (ii) the Participation and Operation Rules for Payment and Securities Services issued by MyClear effective as at 10 October 2013,
- as amended and/or substituted from time to time.

**(q) Selling restriction,
including tradability****Selling Restrictions at Issuance**

The Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed directly or indirectly to persons falling within the relevant category of the persons specified in Section 4(6) of the Companies Act, 1965, as amended from time to time, and persons to whom an offer or invitation to subscribe the Sukuk Murabahah may be made and to whom the Sukuk Murabahah are issued would fall within:

- (i) Schedule 6 or Section 229(1)(b); and
- (ii) Schedule 7 or Section 230(1)(b),

read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act 2007 ("CMSA"), as amended from time to time.

Selling Restrictions Thereafter

The Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed directly or indirectly to persons falling within the relevant category of the persons specified in Section 4(6) of the Companies Act, 1965, as amended from time to time, and persons to whom an offer or invitation to purchase the Sukuk Murabahah would fall within Schedule 6 or Section 229(1)(b), read together with Schedule 9 or Section 257(3) of the CMSA, as amended from time to time.

**(r) Listing status and types
of listing (where
applicable)**

The Sukuk Murabahah will not be listed on Bursa Malaysia Securities Berhad ("**Bursa Securities**") or any other stock exchanges.

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

None.

(t) Conditions precedent

Conditions precedent to the availability of the Programme include but not limited to the following:

(i) Main Documentation

- (a) The Transaction Documents (as defined below) have been duly executed and stamped (or, where applicable, endorsed as exempted from stamp duty) and presented for registration (where applicable);

- (b) All relevant notices and/or acknowledgements and consents to/from relevant counterparties (where applicable) to be delivered and/or obtained in connection with the Programme shall have been made or received as the case may be, by the Lead Arranger;

(ii) The Issuer and the Guarantor

- (a) Certified true copies of the Certificates of Incorporation and the Memorandum and Articles of Association of the Issuer and the Guarantor;
- (b) Certified true copies of the latest Form 24, Form 44 and Form 49 of the Issuer and the Guarantor;
- (c) Certified true copy of the Board Resolution of the Issuer, amongst others, authorising the issuance of Sukuk Murabahah and the execution of the Transaction Documents to which it is a party;
- (d) Certified true copy of the Board Resolution of the Guarantor, amongst others, authorising the issuance of the Corporate Guarantee and the execution of the Security Documents to which it is a party;
- (e) A list of the authorised signatories and their respective specimen signatures of each of the Issuer and the Guarantor;
- (f) Report of the relevant winding-up searches or the relevant statutory declarations of the Issuer and the Guarantor (in form and substance acceptable to the Lead Arranger) signed by a director of the Issuer/Guarantor declaring that the Issuer/Guarantor is not wound-up and that no winding-up petition has been presented against the Issuer/Guarantor as at the date of such report;

(iii) General

- (a) Evidence that arrangements have been made for the payment of all transaction fees, costs and expenses in connection with the establishment of the Programme;

- (b) The Lead Arranger has received from the Solicitors a satisfactory legal opinion addressed to it, advising with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents (save for the Annex Letter (as defined below)) and a confirmation addressed to the Lead Arranger that all the conditions precedent have been fulfilled (or waived as the case may be);
- (c) The Lead Arranger has received from the Attorney General of Sarawak a satisfactory legal opinion addressed to it, advising with respect to, amongst others, the legality, validity and enforceability of the Annex Letter (as defined below) and stating that in the considered view of the Attorney General of Sarawak (i) the Annex Letter issued by the State Government of Sarawak will not constitute a guarantee for the purposes of Section 14(2) of the Financial Procedure Act 1957 or Article 111(3) of the Federal Constitution; and (ii) the issuance of the Sukuk Murabahah by the Issuer will not constitute a borrowing by the State Government of Sarawak for the purposes of Article 111(2) of the Federal Constitution;
- (d) Receipt of the Annex Letter, the content of which is acceptable to the Lead Arranger;
- (e) A certificate from each of the Issuer and the Guarantor confirming that there is no litigation, arbitration or administrative proceeding or claim against the Issuer or the Guarantor respectively (as the case may be) which would have a Material Adverse Effect on each of their respective ability to perform its obligations under the Transaction Documents to which it is a party.

"Material Adverse Effect" shall mean, in the reasonable opinion of the Lead Arranger or Sukuk Trustee, as the case may be, (i) a material adverse effect upon the financial condition and/or business operations of the Issuer or the Guarantor; or (ii) a material adverse effect upon the ability of the Issuer or the Guarantor to perform its respective obligations under the Transaction Documents to which it is a party;

- (f) Evidence that the authorisation of the SC in respect of the Programme has been obtained;
- (g) Confirmation from the Rating Agency that the Sukuk Murabahah has obtained a rating of AAA(s);
- (h) Evidence of confirmation from the Shariah Adviser that the structure and mechanism together with the Transaction Documents of the Sukuk Programme is in compliance with Shariah principles;
- (i) A certified true copy of the certificate of the SFS certifying that the Chief Minister of the State of Sarawak has in his capacities as the Chief Minister of the State of Sarawak and the Finance Minister for the State of Sarawak approved: (i) the designation of each of the Issuer and the Guarantor as agencies to receive funding from the Government Fund; and (ii) the issuances of the Sukuk Murabahah by the Issuer; and
- (j) Such other conditions precedent as may be advised by the Solicitors and agreed by the Issuer.

Additional condition precedent for issuance of each tranche of Sukuk Murabahah: The issuance of each tranche of Sukuk Murabahah will be conditional upon the aggregate periodic payments and redemption amounts under all the outstanding Sukuk Murabahah (including the tranche of Sukuk Murabahah proposed to be issued) from time to time shall not exceed the corresponding Contribution Amount under the Annex Letter.

Definition

"**Annex Letter**" for the purposes of these principal terms and conditions ("PTC"), means a letter to be issued by the State Government of Sarawak through the SFS in favour of the Issuer and the Guarantor, under which the SFS will agree to make certain periodic contributions into the Government Fund and to procure that such monies be paid to the Reserve Account from time to time ("**Contribution Amount**"). Such Contribution Amount(s) will be used by the Issuer for payments under the Sukuk Murabahah.

Each Contribution Amount referred to in the Annex Letter must be of an amount that is sufficient to meet the corresponding payment due under the Sukuk Murabahah at least fourteen 14 business days before such payment falls due.

For avoidance of doubt, the Annex Letter does not constitute a guarantee or letter of support by the State Government of Sarawak of the obligations of the Issuer or the Guarantor in respect of the Sukuk Murabahah.

(u) Representations and warranties

Representations and warranties usual and customary to the Issuer and/or the Guarantor for a transaction of such nature including but not limited to the following:

- (i) each of the Issuer and the Guarantor 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, and has full beneficial ownership of all its property and assets;
- (ii) the Issuer and the Guarantor's 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 the Issuer and the Guarantor respectively to execute and deliver the Transaction Documents to which it is a party in accordance with their terms;
- (iii) all necessary authorisations, permits, licences and consents required under the Transaction Documents have been obtained, renewed and fulfilled and remain in full force and effect, if failure to obtain or effect any of such authorisations, permits, licences and consents would impair or prejudice the Issuer's and/or the Guarantor's ability to comply with the Transaction Documents to which it is a party;
- (iv) the Transaction Documents constitute valid and binding obligations of the Issuer and the Guarantor, where applicable, enforceable in accordance with their respective terms and, to the best of the Issuer's or Guarantor's knowledge after due and careful enquiry, that there is no law or regulation or any order or decree of any governmental authority, agency or court to which the Issuer or Guarantor is subject which would be in conflict with or prevent the Issuer or Guarantor from executing, delivering

and performing the transactions contemplated in each of the Transaction Documents to which it is a party;

- (v) neither the execution and delivery of the Transaction Documents, nor the performance of any of the transactions contemplated in the Transaction Documents:
 - (a) contravenes or constitutes a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer and/or Guarantor or any of its assets is bound;
 - (b) causes any limitation on the Issuer and/or Guarantor or the powers of its Board of Directors, whether imposed by or contained in the Memorandum and Articles of Association or in any agreement, instrument, law, ordinance, decree, order, rule, regulation or judgment binding on the Issuer or the Guarantor (as applicable), to be exceeded; or
 - (c) causes the creation or imposition of any security interest or restrictions of any nature on any of its assets save as permitted under the Transaction Documents;
- (vi) no authorisation, approval, consent, permit, license, exemption, registration, recording, filing, or notarisation of the Transaction Documents and no payment of any duty or tax which has not been duly and unconditionally obtained, made or taken is necessary to ensure the validity or enforceability of the liabilities and obligations of the Issuer and/or Guarantor or the rights of the Lead Arranger, Facility Agent and Sukuk Trustee under the Transaction Documents in accordance with their terms;
- (vii) no litigation, arbitration or administrative proceeding or claim which might by itself or together with any other such proceedings or claims which may have a Material Adverse Effect on the Issuer or Guarantor, is presently in progress or pending, to the best of the knowledge, information and belief of the Issuer or Guarantor against the Issuer or Guarantor or any of its assets;
- (viii) no Event of Default has occurred and is continuing or would occur as a result of the issuance of the Sukuk Murabahah; and

- (ix) any other representations and warranties as required under the Sukuk Guidelines, or as advised by the Solicitors and mutually agreed between the Lead Arranger and the Issuer.

(v) Events of default, dissolution event and enforcement event, where applicable

Events of default usual and customary for a transaction of such nature including but not limited to the following ("Event(s) of Default"):

- (a) Failure by the Issuer to pay any amount due under the Sukuk Murabahah and/or any sum due under the Transaction Documents on the due date and such default is not remedied within seven (7) business days after the relevant due date;
- (b) Failure by the Issuer and/or the Guarantor to perform or observe the material obligations under any other provision of the Transaction Document(s) which would have a Material Adverse Effect (other than (a) above) and where the Sukuk Trustee reasonably considers that such failure is capable of remedy, the failure is not remedied within thirty (30) days after the Issuer and/or the Guarantor became aware or having been notified by the Sukuk Trustee of such failure;
- (c) If it becomes unlawful or illegal for the Issuer and/or the Guarantor to perform or comply with its respective obligations under the Transaction Documents to which the Issuer and/or the Guarantor is a party or any of the Transaction Documents becomes void and/or unenforceable in any material respect;
- (d) If the Issuer and/or the Guarantor ceases to carry on the whole or substantially the whole of its business or where there is expiry or withdrawal, revocation, termination, withholding or modification of its licences, permits, consents, authorisations or approvals that impair or prejudice the Issuer's and/or the Guarantor's ability to comply with the Transaction Documents to which it is a party or the terms of the Programme;
- (e) If the Issuer and/or the Guarantor admits inability or becomes unable to pay its debts as they fall due within the meaning of Section 218(2) of the Companies Act, 1965 with respect to any class of its debts;
- (f) Any declaration of a default or any declaration of an event of default under any indebtedness for borrowed monies (including guarantees issued by financial

institutions) of the Issuer and/or the Guarantor, or where the security created for any other indebtedness of the Issuer and/or the Guarantor becomes enforceable (subject to any applicable grace periods);

- (g) If any step or action is taken for the winding-up, administration, dissolution or liquidation or winding-up of the Issuer and/or the Guarantor (including, without limitation, the presentation of a petition for the winding-up of the Issuer and/or the Guarantor where no action is taken in good faith to set aside such petition within thirty (30) days from the date of service of such winding-up petition or the making of any order or the passing of any resolution for the winding-up, dissolution or liquidation of the Issuer and/or the Guarantor);
- (h) If the Issuer or the Guarantor fails to satisfy any judgment passed against it by any court of competent jurisdiction and no appeal against such judgment or no application for a stay of execution has been made to any appropriate appellate court within the time prescribed by law or such appeal or application for a stay of execution has been dismissed;
- (i) the Issuer or the Guarantor enters into a scheme of arrangement under section 176 of the Companies Act 1965 or such a scheme has been instituted against the Issuer and/or the Guarantor (other than for the purpose of a scheme of reconstruction, amalgamation, consolidation or merger, unless during or following such reconstruction, amalgamation, consolidation or merger the Issuer becomes or is declared to be insolvent);
- (j) If an encumbrancer takes possession of or a receiver, liquidator or similar officer is appointed over the whole or a substantial part of the assets or undertaking of the Issuer or the Guarantor;
- (k) if the Issuer and/or the Guarantor makes any representation or warranty which is incorrect in any material respect when made or repeated having regard to the prevailing facts and circumstances;
- (l) Any change in the Memorandum and Articles of Association of the Issuer and/or the Guarantor which would have a Material Adverse Effect;
- (m) If the Issuer and/or the Guarantor repudiates any Transaction Documents to which it is a party;

- (n) If any agency, authority or governmental body seizes, compulsorily acquires, expropriates or nationalises a substantial part of the assets, undertakings, rights or revenue of the Issuer and/or the Guarantor which would have a Material Adverse Effect;
- (o) If the Issuer ceases to be a wholly owned subsidiary of the Guarantor or indirectly wholly owned by the State Government of Sarawak;
- (p) The State Government of Sarawak declares a general moratorium with respect to the payment of principal, premium or interest/profit on any external public indebtedness;
- (q) The Annex Letter is not (or is claimed by the State Government of Sarawak not to be) in full force and effect; or the Government Fund or any successor or replacement fund is dissolved, wound up or otherwise ceases to be in existence (and no successor or replacement fund is established in its place);
- (r) Any amount (other than an Accelerated Contribution Payment (as defined below)) due under the Annex Letter to be paid into the Reserve Account is not paid within seven (7) business days after the Issuer has received written notice from the Sukuk Trustee stating that such amount had not been received in the Reserve Account by the due date of the same and requiring that the Issuer request that the State Government of Sarawak make payment of such amount under the Annex Letter (other than where the failure to pay is caused by an administrative or technical error or a disruption to payment systems, and such failure is rectified within three (3) business days); and
- (s) Such other Events of Default as required under the SC's Trust Deed Guidelines (as events of default) or as may be advised by the Solicitors and agreed to by the Issuer.

Upon the occurrence of an Event of Default, the Sukuk Trustee may, or shall, if directed to do so by the Sukukholders pursuant to a special resolution, declare by way of giving a written instruction to the Issuer and the Guarantor that the Event of Default be treated as a Contribution Acceleration Event (as defined below) and the Issuer and the Guarantor shall procure that an Accelerated Contribution Payment be paid in accordance with the terms of the Annex Letter.

An enforcement event ("**Enforcement Event**") occurs if a Contribution Acceleration Event has occurred in relation to the Annex Letter and the Accelerated Contribution Payment is not paid into the Reserve Account within seven (7) business days after the same becomes due and payable (other than where the failure to pay is caused by an administrative or technical error or a disruption to payment systems, and such failure is rectified within three (3) business days).

Upon occurrence of an Enforcement Event, the Sukuk Trustee may, or shall if directed to do so by the Sukukholders pursuant to a special resolution, declare all amounts then outstanding on the respective Deferred Sale Price under all the Sukuk Murabahah immediately due and payable. The Sukuk Trustee subsequently may take the necessary proceedings as it may think fit against the Issuer to enforce payment of the Redemption Amount (as defined below) and all other sums payable under the Programme and to enforce its rights under the Transaction Documents.

For the avoidance of doubt, in the event that an Event of Default occurs and the Accelerated Contribution Payment due under the Annex Letter is paid into the Reserve Account, the Sukuk Murabahah will not become immediately due and payable but instead, the Sukuk Murabahah will remain outstanding and amounts standing to the credit of the Reserve Account may be applied in accordance with the terms of the Transaction Documents. In such event, the Event of Default will be deemed not to be continuing.

"**Accelerated Contribution Payment**" means an amount equal to the aggregate outstanding Deferred Sale Price.

A "**Contribution Acceleration Event**" occurs where an Event of Default has occurred and the Issuer and the Guarantor have received a written instruction issued by the Sukuk Trustee to procure that the Acceleration Contribution Payment be made.

"**Redemption Amount**" means the amount equal to the Deferred Sale Price at the Issue Date less (i) the aggregate of the periodic payments paid (if any); and (ii) the Rebate (Ibra') (if any).

(w) Covenants

Covenants usual and customary to the Issuer and/or the Guarantor for a transaction of such nature including but not limited to the following:

(A) Positive Covenants

- (i) each of the Issuer and the Guarantor shall promptly perform and carry out all its obligations under the Transaction Documents to which it is a party and ensure that it shall immediately notify the Sukuk Trustee in the event it is unable to fulfill or comply with any provision of the Transaction Documents to which it is a party;
- (ii) each of the Issuer and the Guarantor shall preserve and maintain in full force and effect all relevant authorisations, consents, rights, licenses, approvals and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licenses, approvals and permits (governmental and otherwise) which is or may become necessary to enable it to own its assets and/or to operate its business;
- (iii) each of the Issuer and the Guarantor 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 effect to the terms and conditions of the Transaction Documents to which it is a party;
- (iv) the Issuer shall prepare its financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia and those financial statements shall give a true and fair view of the results of the operations of the Issuer for the period to which the financial statements are made up and shall disclose or provide against all liabilities (actual or contingent) of the Issuer;
- (v) each of the Issuer and the Guarantor shall take reasonable steps to defend itself against claims from third parties and diligently pursue claims against third parties on a best commercial endeavors basis;
- (vi) each of the Issuer and the Guarantor shall exercise reasonable diligence in carrying on and conducting its business and affairs in a proper and efficient manner in accordance with sound financial and commercial standards and practices, in particular to ensure that all necessary approvals or relevant licenses are obtained and preserved;
- (vii) the Issuer and Guarantor shall promptly exercise their rights under the Annex Letter;

- (viii) the Issuer and Guarantor shall ensure that there is no change in their respective shareholding structures during the tenure of the Programme; and
- (ix) such other covenants as required under the SC's Trust Deed Guidelines or as may be advised by the Solicitors and as agreed by the Issuer and/or the Guarantor (as the case may be).

(B) Negative Covenants

- (i) the Issuer shall not engage in any business other than undertaking the fundraising contemplated in this PTC;
- (ii) the Issuer shall not suspend a substantial part of its business in any manner which would have Material Adverse Effect;
- (iii) the Issuer shall not permit any amendment, supplement or variation to the Memorandum and Articles of Association of the Issuer in a manner which may be materially prejudicial to the interests of the Sukukholders;
- (iv) the Issuer shall not reduce its authorised and 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, or by any other manner;
- (v) the Issuer shall not utilise the proceeds from the Sukuk Murabahah for the purposes other than as set out in the Transaction Documents;
- (vi) save and except for loan/advances prior to the execution of the Transaction Documents and in the ordinary course of business and which have been disclosed in writing to the Sukuk Trustee, or for the intended purposes of utilisation of this Sukuk Murabahah, the Issuer shall not make any loans or advances to its shareholders, subsidiaries, associated companies and any other party save for the Issuer's directors, officers or employees as part of their terms of employment;
- (vii) other than the Programme and any other existing borrowings/financing facilities disclosed in writing to the Lead Arranger and the Sukuk Trustee prior to the first issue of the Sukuk Murabahah, the Issuer will not obtain or permit to exist any additional borrowings or financing facilities, without the prior written consent

of the Sukuk Trustee (such consent not to be unreasonably withheld);

- (viii) the Issuer will not take steps to wind up or dissolve its business or amalgamate or consolidate or merge with any other entity;
- (ix) the Issuer shall not sell, transfer or dispose of its material assets during the tenure of the Sukuk Programme, save and except for transactions conducted in its normal course of business;
- (x) the Issuer shall not provide or permit to exist any guarantee to any party save and except in the ordinary course of business of the Issuer;
- (xi) the Issuer and the Guarantor shall not agree to amend, vary or terminate, replace or supplement the Annex Letter or waive any rights conferred on them under the Annex Letter in any manner which would be materially detrimental to the interests of the Sukukholders without the prior written consent of the Sukuk Trustee (such authorisation not to be unreasonably withheld, delayed or refused);
- (xii) the Issuer shall not enter into a transaction, whether directly or indirectly with interested persons (including any director, major shareholder and chief executive of the Issuer) unless the transaction is:
 - (a) on an arms' length basis where such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and
 - (b) with respect to transactions involving an aggregate payment or value equal to or greater than 15% of the net assets or shareholders' equity (whichever is the lower) (based on the latest audited annual accounts) of the Issuer, the Issuer obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms,

PROVIDED THAT the Issuer certifies to the Sukuk Trustee that the transaction complies with paragraphs (a) and (b) and that the Issuer has received the certification referred to in paragraph (b) (where applicable) and that the transaction has been approved by the majority of the Board of Directors or shareholders in

general meeting as the case may require.

- (xiii) Such other covenants as required under the SC's Trust Deed Guidelines or as may be advised by the Solicitors and agreed to by the Issuer and/or the Guarantor (as the case may be).

(C) Information Covenants

The Issuer shall deliver to the Sukuk Trustee the following:

- (i) as soon as they become available (and in any event within one hundred and eighty (180) days after the end of each financial year) a copy of the Issuer's financial statements for that period which shall contain a profit and loss account, a balance sheet and a cash flow statement and be audited and certified without qualification by independent auditor permitted under applicable laws together with certificates issued by two (2) directors of the Issuer to the effect that no material adverse change has occurred since the date of such financial statements;
- (ii) as soon as they become available (and in any event within ninety (90) days after the end of each half of the Issuer's financial year) a copy of its half yearly management accounts for that period on a basis consistently applied in accordance with generally acceptable accounting principles in Malaysia together with certificates issued by two (2) directors of the Issuer to the effect that no material adverse change has occurred since the date of such financial statements;
- (iii) on an annual basis, a certificate signed by two (2) directors of the Issuer stating that it complies with its obligations under the respective Transaction Documents and the terms and conditions of the Sukuk Murabahah and that there does not exist or has not existed, from the date Sukuk Murabahah are issued, any Event of Default, and if such is not the case, to specify the same;
- (iv) promptly: (aa) all notices or other documents received by the Issuer from, or dispatched by the Issuer to any of its directors, relevant authorities or its creditors which may have a Material Adverse Effect; and (bb) any account, report, notice, statement or circular issued to shareholders;

- (v) promptly, such additional financial or other information as the Sukuk Trustee may from time to time reasonably request;
- (vi) promptly, notice of any change in the Issuer's board of directors;
- (vii) promptly, notice of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer before any court or tribunal or administrative agency which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents;
- (viii) promptly, notice of the occurrence of any Event of Default or any event which, upon the giving of notice and/or lapse of time and/or the issue of a certificate and/or the fulfillment of the relevant requirement as contemplated under the relevant transaction document would constitute an Event of Default forthwith upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Sukuk Trustee to remedy and/or mitigate the effect of the Event of Default; and
- (ix) such other covenants as required under the SC's Trust Deed Guidelines or as may be advised by the Solicitors and agreed with the Issuer and/or the Guarantor (as the case may be).

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

Redemption on maturity

Unless previously redeemed or purchased and cancelled, the Sukuk Murabahah will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates.

Repurchase and Cancellation

The Issuer or any of its subsidiaries or agents may at any time purchase the Sukuk Murabahah at any price in the open market or by private treaty, but these repurchased Sukuk Murabahah shall be cancelled and cannot be resold.

Early redemption

The Issuer may redeem the Sukuk Murabahah prior to their maturity by giving the requisite notice period set out in the Transaction Documents at the Redemption Price (as defined below). The Sukuk Murabahah which are redeemed by the Issuer are to be cancelled.

"Redemption Price" shall be the outstanding Deferred Sale price less the Rebate (Ibra') (if any).

Ibra (Rebate)

The Sukukholder(s) in subscribing or purchasing the Sukuk Murabahah consent to grant a rebate, if the Sukuk Murabahah is redeemed before the maturity date, upon the declaration of an Enforcement Event or upon such early redemption.

In case of declaration of an Enforcement Event, the Rebate (Ibra') shall be the unearned profit due to the Sukukholder(s) from the date of redemption of the Sukuk Murabahah upon the declaration of an Enforcement Event up to the maturity of the Sukuk Murabahah.

In case of an early redemption, the Rebate (Ibra') (if any) shall be at the discretion of the Sukukholders based on a formula to be mutually agreed by both parties.

(y) Other principal terms and conditions for the Proposal**(i) Status**

All payment obligations under the Sukuk Murabahah shall represent direct, unconditional and secured obligations of the Issuer. The Sukuk Murabahah shall at all times rank pari passu, without any discrimination, preference or priority amongst themselves and rank at least pari passu in all respects with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law or the Transaction Documents.

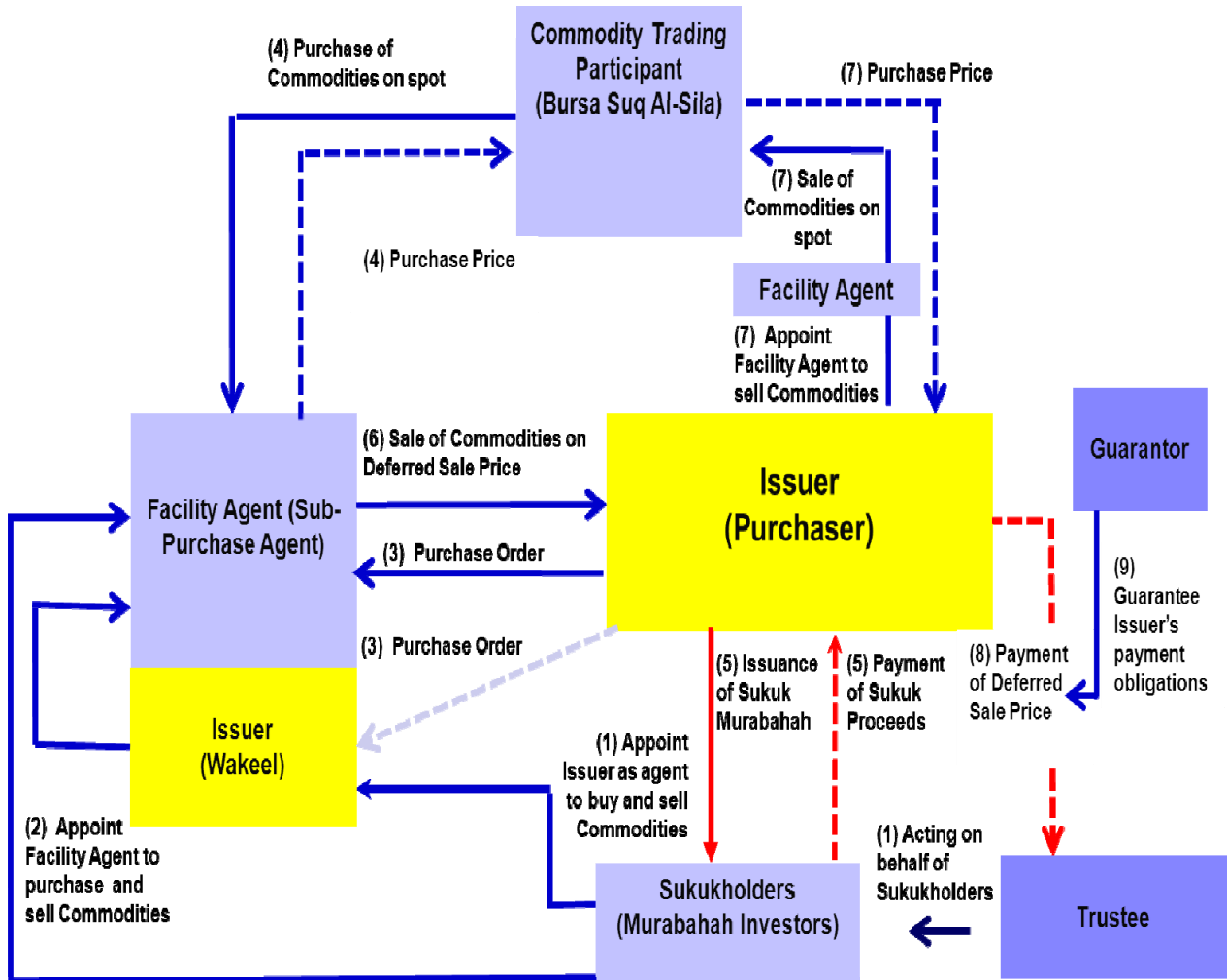
(ii) Transaction Documents

"Transaction Documents" includes:

- (a) the Programme Agreement;
- (b) the Sukuk Trust Deed;
- (c) the Securities Lodgement Form;
- (d) documents in relation to the Commodity Murabahah transaction;
- (e) the Annex Letter;
- (f) the Security Documents; and
- (g) any other relevant documentation which may be advised by the Solicitors and mutually agreed by the Issuer and the Lead Arranger.

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| (iii) | Compensation for Late Payment ("Ta'widh") | In the event of delay in payments of the Deferred Sale Price under the Sukuk Murabahah Programme, the Issuer shall pay to the Sukukholder(s) compensation on such delayed payments at an amount and manner prescribed by the SC's Shariah Advisory Council. |
| (iv) | Permitted Investment | <p>The Issuer shall be permitted from time to time to utilise funds held in the Reserve Account to make Permitted Investments or make other investments subject to a maximum tenure of twelve (12) months and provided such funds utilised for the Permitted Investments shall be remitted to the Reserve Account at least three (3) business days before the next payment obligation of the Issuer is due and payable.</p> <p>Permitted Investments shall comprise investments in Shariah compliant products approved by the SC's Shariah Advisory Council or BNM's Shariah Advisory Council and shall include the following:-</p> <ul style="list-style-type: none"> (a) Islamic securities issued by and/or guaranteed by the Government of Malaysia ("GOM"); (b) Sukuk issued in Malaysia by any authority established by the GOM or any state government; (c) Treasury bills, money market instruments and other debt instruments under Shariah principles by BNM or the GOM; or (d) Mudharabah, wadiah and other deposits, Islamic acceptance bills, bankers' acceptance or promissory notes or certificates of deposit issued by any bank licensed pursuant to the Islamic Financial Services Act 2013 (the banks must have a long-term rating of at least A3 or its equivalent and a short-term rating of at least P1 or its equivalent), and investment in Islamic money market instruments. |
| (v) | Taxation | All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied or on behalf of Malaysia or 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. |

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| (vi) Trustees' Reimbursement Account for Sukukholders' Actions | The Issuer shall set up, or procure the setting up of a "Trustees" Reimbursement Account with a sum of RM30,000.00 (which shall be maintained at all times throughout the tenure of the Programme). The said account shall be operated by the Sukuk Trustee and the money shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of an Event of Default which are to be provided in the relevant transaction documents. Any unutilised money in the Trustees' Reimbursement Account shall be returned to the Issuer upon expiry of the Programme. |
| (vii) Governing Law and Jurisdiction | Laws of Malaysia. The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia. |
| (viii) Costs and Expenses | All legal fees, stamp duties (if any) and reasonable expenses incurred in connection with the Sukuk Murabahah, including professional due diligence fees and fees payable to BNM, SC and the Rating Agency, where applicable shall be for the account of the Issuer. |
| (ix) Other conditions | The Sukuk Murabahah shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or MyClear having jurisdiction over matters pertaining to the Sukuk Murabahah. |

Appendix 1**Overview of Transaction Structure**

1. The Issuer ("**Issuer**") will be appointed as agent/wakeel ("**Wakeel**") for the investor(s) (the "**Sukukholder(s)**") to buy and sell Shariah-compliant commodities (the "**Commodities**").
2. The Wakeel will then appoint the Facility Agent (as its sub-purchase agent) to purchase and sell the Commodities.
3. The Issuer (*in the capacity as the "Purchaser"*) will issue a purchase order (the "**Purchase Order**") to the Wakeel and the Facility Agent from time to time. In the Purchase Order, the Issuer will irrevocably undertake to purchase the Commodities from the Sukukholder(s) at a price equivalent to the Purchase Price and a mark-up (profit) payable on a deferred payment basis (the "**Deferred Sale Price**").

4. The Facility Agent will purchase the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila commodity market (through a Commodity Trading Participant ("CTP")) at a purchase price (the "**Purchase Price**") on a spot basis, which shall be equivalent to the proceeds of the Sukuk Murabahah.
5. Subsequently, the Issuer shall issue the Sukuk Murabahah to the Sukukholder(s) whereupon the Sukuk Murabahah shall evidence the Sukukholder(s)' ownership of the Commodities and all such rights thereto (including all rights against the Issuer under the Purchase Order as well as the rights to the Deferred Sale Price once the commodities are sold to the Issuer). Proceeds received from the issuances of the Sukuk Murabahah shall be used by or deemed to have been used by the Facility Agent to pay the Purchase Price of the Commodities.
6. The Facility Agent as instructed by the Sukukholder(s) shall sell the Commodities to the Purchaser at the Deferred Sale Price.
7. Upon completion of such purchase, the Issuer shall appoint the Facility Agent to sell the Commodities to Bursa Suq Al-Sila through a CTP for a cash consideration equal to the Purchase Price on a spot basis.
8. The Sukuk Murabahah may be issued with or without periodic payments. During the tenure of the Sukuk Murabahah, the Issuer shall make periodic payments or a lump sum payment of the Deferred Sale Price to the Sukuk Trustee (acting for the Sukukholder(s)) amounting to its obligation to pay the Deferred Sale Price to the Sukukholder(s). Each such payment shall pro tanto reduce the obligation of the Issuer on the Deferred Sale Price payable for the Commodities. On the date of maturity of the Sukuk Murabahah, all amounts then outstanding on the Deferred Sale Price shall be paid by the Issuer to the Sukuk Trustee whereupon the Sukuk Murabahah shall be cancelled.
9. Pursuant to the Corporate Guarantee, the Holdco shall provide an unconditional and irrevocable guarantee under the principle of Kafalah, as a continuing obligation, in favour of the Security Trustee, for and on behalf of the Sukukholder(s), under which Holdco shall agree to guarantee the Issuer's payment obligation under the relevant tranche of Sukuk Murabahah.

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SECTION 3.0 INVESTMENT CONSIDERATIONS

The following is a summary of investment considerations relating to the Sukuk Murabahah and their possible mitigating factors. This section does not purport to be comprehensive or exhaustive and is not intended to substitute or replace an independent assessment of the risk factors that may affect the Issuer, the Guarantor, the State or the Sukuk Murabahah. Each prospective investor should carefully conduct its independent evaluation and analysis on the Issuer, the Guarantor, the State and the risks associated with investing in the Sukuk Murabahah. Prospective investors should also note that each issue of the Sukuk Murabahah will carry different risks and all potential investors are strongly encouraged to evaluate each Sukuk Murabahah on its own merit. In addition, the Issuer's ability to meet its obligations under the Sukuk Murabahah is wholly dependent upon funds transferred from the Government Fund into the Reserve Account (please see section 2(n) of the PTC for further details on the Reserve Account) pursuant to the Annex Letter issued by the State through SFS. As such, the Sukuk Murabahah indirectly carries all the risks of the State.

3.1 Risks Relating to the Issuer and the Guarantor

(i) The Issuer and the Guarantor, and to a large extent their activities, are materially affected by the legal and regulatory environment in Malaysia

Each of the Issuer and the Guarantor are subject to regulation by governmental and regulatory authorities in Malaysia (including governmental and regulatory authorities of Sarawak). As a result, the prospects and business activities of the Issuer and the Guarantor are substantially affected by regulations, decisions and policies of governmental and regulatory authorities in Malaysia, including in particular, the State.

(ii) The Issuer and the Guarantor have no business operations or substantial assets or income and are dependent upon the State

The Issuer and the Guarantor were incorporated as special purpose vehicles established for the purposes of the Sukuk Murabahah pursuant to the Sukuk Murabahah Programme. As such, the Issuer and the Guarantor are newly formed entities and neither has any significant operating history or significant income or assets.

The Issuer will rely indirectly on the State for sufficient funds to meet all payments due under the Sukuk Murabahah. The Issuer will have no assets or sources of income. The Issuer will remain dependent on the contributions made by the State pursuant to the Annex Letter to meet its repayment obligations under the Sukuk Murabahah, and the Guarantor will also be reliant on financial support from the State to meet its obligations pursuant to the Corporate Guarantee.

3.2 Risks Relating to Sarawak

(i) The financial condition of the State may deteriorate

The ability of the Issuer to meet its obligations to repay the principal amount of the Sukuk Murabahah and the profits thereon and to meet its obligations under the Sukuk Murabahah and other Transaction Documents to which it is a party will largely be dependent on funding from the State. In turn, the State's revenue is substantially dependent on its ability to derive revenue from its natural resources. In particular, oil

and gas sales contribute significantly to the revenue generated by the State. In addition, the State also receives dividends and interest payments from its investments and income from taxes levied by it on sales of crude palm oil. While the Petroleum Development Act, 1974 provides that the GOM must compensate the State for exploiting the State's petroleum resources, and the Federal Constitution provides for import duty and excise duty on petroleum products as additional sources of revenue assigned to the State, there can be no assurance that the State will be able to sustain its revenue from its natural resources at current levels as long-term demand for such commodities may diminish and the market price of such commodities may fall. Furthermore, no assurance can be given that the State's reserves of natural resources will not significantly reduce.

The Sukukholders are exposed, amongst other things, to the credit worthiness of the State. If the financial condition of the State deteriorates, for example, as a result of its inability to derive sufficient revenue to meet its operating and development needs or any material adverse change to the revenues that the State generates from its natural resources (including, for the avoidance of doubt, as a result of a fall in the market price of oil or gas), or for any other reason, the State may not be able to support the Guarantor and/or the obligations of any other designated finance vehicles of the State including, among others, the Issuer. This could have a material adverse effect on the ability of the Guarantor to meet its payment obligations under the Corporate Guarantee to meet any payment obligations under the Corporate Guarantee and the Issuer's ability to meet its payment obligations under the Sukuk Murabahah.

While the State seeks to limit this risk through, amongst others, its prudent budgeting practices which have led to consistent fiscal surpluses for the past years and developing long term development plans to diversify away from its reliance on natural resources (including the SCORE), there can be no assurance that the abovementioned factors will not lead to deterioration of the financial condition of the State or the State's revenue.

(ii) Political, economic and social developments in Sarawak and Malaysia or economic downturns may materially and adversely affect the State

The business, prospects, financial condition, results of operations and financial condition of the State, may be adversely affected by political, economic and social developments in Sarawak and Malaysia, as well as economic downturns and conditions in the global capital markets and the general economy in Asia and elsewhere. Any adverse change in political, economic or social conditions in Sarawak or Malaysia, or in the Federal Government's and/or the State's policies, or any political instability in Sarawak or Malaysia arising from these changes, may have a material adverse effect on the business, operations, financial condition and/or prospects and financial condition of the State. Furthermore, any changes in the composition of the GOM and/or the State could result in a change in their respective policies. Any change to the policies of the GOM and/or the State may have a material adverse effect on the business, results of operations and financial condition of the State. Other political and economic uncertainties which may affect political, economic or social conditions in Sarawak or Malaysia include, but are not limited to, the risks of war, terrorism, riots, expropriation, nationalism, renegotiations or nullifications of existing contracts, changes in interest rates and methods of taxation.

3.3 Risk Relating to the Annex Letter

The Sukuk Murabahah are not general or direct obligations of the State and the Annex Letter does not constitute a guarantee or letter of support by the State and there may be limitations on its enforceability.

Under the Annex Letter which has been issued by the SFS in favour of the Issuer and the Guarantor, the State has agreed to make payment of the Contribution Amounts into the Government Fund, and to procure that such monies are paid to the Reserve Account. The Sukukholders will be dependent on the State satisfying its obligations under the Annex Letter. Notwithstanding the foregoing, the Sukuk Murabahah will not constitute general or direct obligations of the State and the Annex Letter does not constitute a guarantee or letter of support by the State of the obligations of the Issuer or the Guarantor in respect of the Sukuk Murabahah.

If the State fails to make the requisite contributions pursuant to the terms of the Annex Letter or to procure that such monies are paid to the Reserve Account, proceedings may be brought by the Issuer and/or the Guarantor or a receiver (as agent of the Issuer) against the State in respect of such contributions under the Annex Letter. Investors should note that as the Security Trustee only has an indirect ability to initiate enforcement of the Annex Letter by appointing a receiver, there could be delays in such enforcement and the right to enforce may be challenged. Investors should also note that any claim under the Annex Letter would be for damages for breach of contract and not a debt claim for a pre-agreed or set amount. Where a judgment is obtained from a Malaysian court against the State, the State is obliged to satisfy monetary judgments made against it but no execution proceedings can be brought against the State in Malaysia. Accordingly, if a judgment is obtained against the State, such judgment cannot be enforced by any court in Malaysia against the assets of the State. As a result, the assets of the State are not available to the Sukukholders. Any failure of such a judgment to be successfully enforced against the State in respect of the Annex Letter may materially and adversely affect the ability of Sukukholders to receive payments under the Sukuk Murabahah.

3.4 Risks relating to the Sukuk Murabahah

- (i) **Any enforcement of security under the Sukuk Murabahah is dependent on the Security Trustee and/or the Sukuk Trustee and them being indemnified and/or prefunded to their satisfaction, which may cause the enforcement of security to be delayed**

In the event that the Sukukholders require the Security Trustee and/or the Sukuk Trustee to enforce the security, the Sukukholders should be aware that the Security Trustee and/or the Sukuk Trustee may not take any such action until it is indemnified and/or prefunded to its satisfaction. In addition, the Security Trustee and/or the Sukuk Trustee has a right to recover all costs, charges, expenses and liabilities incurred or which may be incurred by it including, without limitation, fees and extraordinary or unanticipated expenses and it shall be entitled to be indemnified in respect of the execution of any of its powers, authorities or discretions. In the event that the Security Trustee and/or the Sukuk Trustee exercises this right, in respect of any such costs, charges, expenses and liabilities which are not otherwise met, this will result in a reduction of the amounts (if any) available for distribution to the Sukukholders.

(ii) The credit ratings assigned to the Sukuk Murabahah may be lowered or withdrawn in the future

The Sukuk Murabahah has been accorded a rating of AAA(s)/stable by RAM. A rating is not a recommendation to purchase, hold or sell securities and may be subject to revision, suspension or withdrawal at any time. There is no assurance that the rating will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely if the circumstances in the future so warrant. Further, the rating is not a guarantee of repayment of that there will be no default by the Issuer under the Sukuk Murabahah. In the event that the rating initially assigned to the Sukuk Murabahah is subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Sukuk Murabahah. Any downgrade or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Sukuk Murabahah but would not constitute an event of default or an event obliging the Issuer to prepay the Sukuk Murabahah. There is no obligation on the part of the Issuer, the Principal Adviser/Lead Arranger/Lead Manager, the Financial Adviser, the Sukuk Trustee or any other person or entity to maintain or procure maintenance of the ratings for the Sukuk Murabahah.

(iii) Sukukholders are exposed to the risk of potential changes in law

The transactions described in this Information Memorandum (including the issue of the Sukuk Murabahah) are based on law and administrative practice in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to law or administrative practice or tax treatment after the date of this Information Memorandum or can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Sukuk Murabahah.

(iv) The Sukuk Murabahah may not be suitable investment for all investors

Each prospective investor in any of the Sukuk Murabahah must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk Murabahah, the merits and risks of investing in the Sukuk Murabahah and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk Murabahah and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk Murabahah;
- (d) understand thoroughly the terms of the Sukuk Murabahah and be familiar with the behaviour of any relevant indices and financial markets; and

- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest/profit rate and other factors that may affect its investment and its ability to bear the applicable risks.

(v) Investors should pay attention to any modification and waivers

The terms and conditions of the Sukuk Murabahah contain provisions for calling meetings of Sukukholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Sukukholders, including Sukukholders who did not attend and vote at the relevant meeting and Sukukholders who voted in a manner contrary to the majority.

(vi) Global financial uncertainty has a contingent effect which may affect the market price of the Sukuk Murabahah

Changes in global financial conditions may result in substantial and/or continuing volatility in international capital markets. Further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may adversely affect the market price of the Sukuk Murabahah.

(vii) The secondary market generally and liquidity of the Sukuk Murabahah

The Sukuk Murabahah comprises a new issue of securities for which there is no existing market for the Sukuk Murabahah and there can be no assurances that a secondary market for the Sukuk Murabahah will develop, or if a secondary market does develop, that it will provide the holders of the Sukuk Murabahah with liquidity of investment or that it will continue for the life of the Sukuk Murabahah. Therefore, investors may not be able to sell their Sukuk Murabahah easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Sukuk Murabahah that are especially sensitive to interest/profit rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Sukuk Murabahah generally would have a more limited secondary market and more price volatility than conventional debt securities.

The market value of the Sukuk Murabahah may fluctuate. Consequently, any sale of the Sukuk Murabahah by holders of the Sukuk Murabahah in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price depending on many factors, including the market for similar securities. No assurance can be given as to the liquidity of, or trading market for, the Sukuk Murabahah and an investor in the Sukuk Murabahah must be prepared to hold the Sukuk Murabahah for an indefinite period of time or until their maturity. Historically, the market for debt securities/Sukuk has been subject to disruptions that have caused substantial volatility in the prices of such securities/Sukuk. There can be no assurance that the market for any Sukuk Murabahah will not be subject to similar disruptions. Any such disruption may have an adverse effect on holders of the Sukuk Murabahah.

Additionally, investors should also take note that the Sukuk Murabahah will not be listed on the Bursa Malaysia Securities Berhad or any other stock exchange and there are selling restrictions governing the Sukuk Murabahah as described under “Selling Restrictions” under Clause 2(q) of the PTC in Section 2 of this Information Memorandum.

Accordingly, the purchase or subscription of the Sukuk Murabahah is suitable only for investors who can bear the risks associated with a lack of liquidity in the Sukuk Murabahah apart from the financial and other risks associated with an investment in the Sukuk Murabahah.

(viii) Interest rate risk

Sukukholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices. The Sukuk Murabahah may be similarly affected resulting in a capital loss for the Sukukholders. Conversely, when interest rates fall, bond prices and the prices at which the Sukuk Murabahah trade may rise. Sukukholders may enjoy a capital gain but the profit received may be reinvested for lower returns.

(ix) Inflation risk

Sukukholders may suffer erosion on the return of their investments due to inflation. Sukukholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Sukuk Murabahah. An unexpected increase in inflation could reduce the actual returns.

(x) Credit rating may not reflect all risks

The rating of the Sukuk Murabahah may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Sukuk Murabahah. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time.

(xi) Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment or securities laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent: (1) the Sukuk Murabahah are legal investments for it; (2) the Sukuk Murabahah can be used as collateral for various types of borrowing; and (3) other restrictions apply to the purchase or charging of any Sukuk Murabahah.

(xii) Investors to make their own evaluation of Shariah compliance

The Shariah Adviser, by way of their Shariah Pronouncement has confirmed that the Sukuk Murabahah are Shariah compliant. However, the interpretation and application of Islamic Shariah is a matter of opinion and debate, and may be subject to differing interpretations by Shariah scholars, Shariah supervisory and advisory boards and the courts (or any arbitral tribunal). Therefore, there can be no assurance that the transaction structure or issue and trading of the Sukuk Murabahah will be deemed to be Shariah compliant by any other Shariah board or Shariah scholars. Potential investors are advised to obtain their own independent Shariah advice as to whether the Sukuk Murabahah Programme structure meets their individual standards of compliance with Shariah principles and make their own determination whether to subscribe the Sukuk Murabahah. If the Sukuk Murabahah is deemed not to be Shariah-compliant by potential investors' standards of Shariah compliance, they may

be prohibited from investing in the Sukuk Murabahah by virtue of their own constitutional restraints or otherwise.

3.5 Forward looking statements and Force Majeure

(i) Forward looking statements

This Information Memorandum contains forward looking statements. Such forward-looking statements in the Information Memorandum involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer and the Guarantor to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward-looking statements and no assurance can be given that any of such forward-looking statements or estimates will be realised. In light of these and other uncertainties, these forward-looking statements do not constitute a representation by the Issuer, the Principal Adviser/Lead Arranger and the Financial Adviser that future results will be achieved in the amounts or by the dates indicated.

(ii) Force Majeure

An event of force majeure is an event which is not within the control of the party effected, which that party is unable to prevent, avoid or remove and shall include war and acts of terrorism, riot and disorders, natural catastrophes and others. Force majeure events do not include economic downturn, non-availability or insufficient or lack of financing on the part of the Issuer, the Guarantor or the State. The occurrence of a force majeure event may have a material impact on the State.

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SECTION 4.0 BACKGROUND INFORMATION ON THE ISSUER, GUARANTOR AND THE PROJECT**4.1 THE ISSUER****4.1.1 Corporate history and principal activities****A Background information**

Aquasar Capital was incorporated in Malaysia on 27 February 2014 under the Companies Act.

B Principal activities

Aquasar Capital carries on the functions of a special purpose vehicle for the State and to do all acts and things as it may think fit to raise, maintain and repay financing (whether by way of loan, the issuance of securities or otherwise) for, amongst other things, the Project and to channel proceeds of any such financing to the State, its departments, agencies or wholly-owned corporations for the purposes of the Project.

The Issuer is essentially a funding conduit for the State to finance the Project.

4.1.2 Share capital

The authorised and issued and paid-up share capital of Aquasar Capital as at 31 May 2014 are as follows:

(a) Authorised share capital

Type of shares	No. of shares	Par Value (RM)	Total (RM)
Ordinary	400,000	1.00	400,000.00

(b) Issued and paid-up share capital

Type of shares	No. of shares	Par Value (RM)	Total (RM)
Ordinary	2	1.00	2.00

4.1.3 Shareholding structure

The entire issued and paid-up share capital of Aquasar Capital is held by the Guarantor, which in turn is wholly owned by SFS. The shareholder of the Aquasar Capital based on the Register of Members as at 31 May 2014 is as follows:

Name	No. of Shares	% shareholding
Aquasar Holdings	2	100

4.1.4 Profile of directors of Aquasar Capital

Brief profiles of each director of Aquasar Capital Sdn Bhd as of 31 May 2014 are set out below:

Jumastapha bin Lamat

Jumastapha bin Lamat, a Malaysian, was appointed to the Issuer's board of directors on 7 March 2014.

He has been the State Accountant General of Sarawak since January 2005. Prior to this, he was the Director of Budget in the State Financial Secretary of Sarawak's Office. He also sits on the board of directors of several State-linked companies.

Hasmawati binti Sapawi

Hasmawati binti Sapawi, a Malaysian, was appointed to the Issuer's board of directors on 27 February 2014.

She is presently the director of the Corporate Services and Investment Division of the State Financial Secretary of Sarawak's Office, handling corporate finance and investment activities. She joined the State Financial Secretary of Sarawak's Office in 2006 and prior to that, she worked in a state agency and a government-linked company. She also sits on the boards of several State-linked companies.

Angeline Chia Poh Lin

Angeline Chia Poh Lin, a Malaysian, was appointed to the Issuer's board of directors on 27 February 2014.

She joined SGOS Capital Holdings Sdn Bhd, a wholly-owned subsidiary of the SFS, in December 2005 and is presently the General Manager. Previously, she was the Senior Manager of Amanah Saham Sarawak Bhd and has over fifteen (15) years of experience in auditing, investment and corporate finance.

4.1.5 Existing Borrowings of Aquasar Capital Sdn Bhd

As at 31 May 2014, Aquasar Capital has no existing borrowings.

4.2 THE GUARANTOR**4.2.1 Corporate history and principal activities****A Background information**

Aquasar Holdings, the Guarantor, was incorporated in Malaysia on 27 February 2014 under the Companies Act.

B Principal activities

Aquasar Holdings carries on the functions of a special purpose vehicle for the State and to do all acts and things as it may think fit to raise, maintain and repay financing (whether by way of loan, the issuance of securities or otherwise), for, amongst other things, the Project and to channel proceeds of any such financing to the State, its departments, agencies or wholly-owned corporations for the purposes of the Project.

4.2.2 Share capital

The authorised and issued and paid-up share capital of Aquasar Holdings Sdn Bhd as at 31 May 2014 are as follows:

(a) Authorised share capital

Type of shares	No. of shares	Par Value (RM)	Total (RM)
Ordinary	400,000	1.00	400,000.00

(b) Issued and paid-up share capital

Type of shares	No. of shares	Par Value (RM)	Total (RM)
Ordinary	2	1.00	2.00

4.2.3 Shareholding structure

The entire issued and paid-up share capital of Aquasar Holdings is held by SFS. The shareholder of Aquasar Holdings Sdn Bhd based on the Register of Members as at 31 May 2014 is as follows:

Name	No. of Shares	% shareholding
SFS	2	100

4.2.4 Profile of directors of Aquasar Holdings

Brief profiles of each director of Aquasar Holdings Sdn Bhd as of 31 May 2014 are set out below:

Dato Sri Ahmad Tarmizi Bin Haji Sulaiman

Dato Sri Ahmad Tarmizi Bin Haji Sulaiman, a Malaysian, was appointed to the Issuer's board of directors on 7 March 2014.

He was the Deputy State Financial Secretary of Sarawak from 1 October 2002 until his promotion to his present position as State Financial Secretary of Sarawak on 1 July 2004. He has been an Ordinary Member on the Board of Sarawak Economic Development Corporation since 1 April 1997 and was duly appointed as the Board's Official Member on his appointment as the State Financial Secretary of Sarawak. Previously, he was the Chief Executive Officer of Amanah Saham Sarawak Bhd and also an investment manager of the then Arab Malaysia Merchant Bank Bhd.

Jumastapha bin Lamat

Jumastapha bin Lamat, a Malaysian, was appointed to the Issuer's board of directors on 7 March 2014.

He has been the State Accountant General of Sarawak since January 2005. Prior to this, he was the Director of Budget in the State Financial Secretary of Sarawak's Office. He also sits on the board of directors of several State-linked companies.

Hasmawati binti Sapawi

Hasmawati binti Sapawi, a Malaysian, was appointed to the Issuer's board of directors on 27 February 2014.

She is presently the director of the Corporate Services and Investment Division of the State Financial Secretary of Sarawak's Office, handling corporate finance and investment activities. She joined the State Financial Secretary of Sarawak's Office in 2006 and prior to that, she worked in a state agency and a government-linked company. She also sits on the boards of several State-linked companies.

4.2.5 Existing Borrowings of Aquasar Holdings Sdn Bhd

As at 31 May 2014, Aquasar Holdings Sdn Bhd has no borrowings.

4.3 THE PROJECT

The Project entails the development, design, construction, management, operation and maintenance of the Kuching Centralised Sewerage System to be undertaken by the Sarawak State Agency. The Project construction works include the construction of a wastewater treatment plant, sewer network, property connections and thereafter setting-up the operating mechanism to manage the sewerage system. The Project area covers the south of the Sarawak river and the northern region of Kuching city. The Project is expected to be divided into six packages and to be implemented in stages. The first two packages (Packages 1 and 2) are expected to achieve a maximum system capacity of 200,000 PE units which require 14.7 km of trunk sewer, 110 km of secondary and tertiary sewer, and 109,000 PE property connections.

The contract for Package 1 (Central Business District), awarded by the State in October 2008, is due for completion by 31 January 2015. This involves the construction of a 100,000 PE capacity module with 7.7km of trunk sewer, 56.8km of secondary and tertiary sewer and property connections covering 67,000 PE. The construction contract was awarded to a Turnkey Contractor, Kumpulan -Nishimatsu - Hock Seng Lee Consortium, on 30 September 2008.

The next phase of development involves the proposed Package 2 (Gita and Padungan), to be implemented over a period of six (6) years. The proposed Package 2 involves the construction of an additional 100,000 PE capacity to the existing wastewater treatment plant, 7km of trunk sewer, 53km of secondary and tertiary sewer and property connections of 42,000 PE.

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SECTION 5.0 THE STATE OF SARAWAK**General**

Sarawak is the largest state in Malaysia, with an area of approximately 124,450 square kilometres. The State is divided into 11 administrative divisions, namely Kuching, Sri Aman, Sibu, Miri, Limbang, Sarikei, Kapit, Samarahan, Bintulu, Betong and Mukah. The capital city of Sarawak is Kuching and has a population of approximately 639,100.

The population of Sarawak is approximately 2.6 million.

5.1 Performance Highlights

The Issuer and the Guarantor believe that the key performance highlights of the State of Sarawak include, amongst other things, (i) its operating performance which has been strong, with consistent fiscal surpluses; (ii) its natural resource-heavy economy which may make Sarawak more resilient to economic contraction; and (iii) its large holdings of cash and liquid assets which provide ample coverage for debt servicing, and which help the State to fund its current operating and developmental expenditures in addition to servicing its debt requirements.

5.2 Economy

Sarawak's real GDP growth is underpinned by resource-based industries, which provided a cushioning effect during the recession in the late 1990s. Sarawak's real GDP is primarily contributed by the services, manufacturing and mining and quarrying sectors. The state of Sarawak recorded a real GDP growth of 4.7 per cent. in 2013. The favourable real GDP growth was largely due to strong domestic demand as well as favourable export terms for the State's commodities. Export of crude petroleum increased from 7.7 million tonnes in 2012 to 8.3 million tonnes in 2013 and accordingly the export value of crude petroleum increased from RM21.3 billion in 2012 to RM22.6 billion in 2013.

Real GDP and Real GDP growth of Sarawak

	2011	2012	2013
Real GDP (RM million)	70,821	71,873	75,241
Real GDP Growth (%)	5.8	1.5	4.7

Source: State and Department of Statistics, Malaysia

Sarawak economic growth by Sector

Sectors	2011		2012		2013	
	Value (RM million)	% chg	Value (RM million)	% chg	Value (RM million)	% chg
Agriculture	8,157	6.0	8,351	2.4	8,685	4.0
Mining & Quarrying	16,456	4.4	15,171	-7.8	15,397	1.5
Primary Sector	24,613	5.0	23,522	-4.4	24,082	2.4
Manufacturing	19,237	6.2	19,400	0.8	20,309	4.7
Construction	1,853	-1.3	2,270	22.5	2,505	10.4

Secondary Sector	21,090	5.5	21,670	2.8	22,814	5.3
Utilities, Transport, Storage and Communication	5,501	4.9	5,805	5.5	6,138	5.7
Wholesale and Retail Trade, Accommodation and Restaurants	6,750	7.5	7,051	4.5	7,437	5.5
Finance and Insurance, Real Estate and Business Services	6,354	6.2	6,878	8.2	7,389	7.4
Government Services	3,802	11.9	4,168	9.6	4,478	7.4
Other Services	2,443	6.5	2,530	3.6	2,646	4.6
Tertiary Sector	24,850	7.1	26,432	6.4	28,088	6.3
Plus Import Duties	268	-11.0	249	-7.1	257	3.2
Total Real GDP	70,821	5.8	71,873	1.5	75,241	4.7

Source: State and Department of Statistics, Malaysia

Sarawak's economy is export-orientated with a strong primary industry sector which includes mining and quarrying, oil and gas and agriculture. The primary sector accounted for approximately 32.0 per cent. of Sarawak's real GDP in 2013. The secondary industries of construction and manufacturing, which include the production of liquefied natural gas, accounted for approximately 30.3 per cent. of real GDP in 2013. Another significant contributor to the economy is the tertiary sector, which contributed approximately 37.3 per cent. of the real GDP in 2013. The main contributors to the tertiary sector are private services, such as the wholesale and retail trade industries, transport and communication industries, as well as financial and business services.

5.3 Natural resources

In comparison with other states in Malaysia, Sarawak is one of the richest states in terms of natural resources. There are more than 8,000 species of flora and more than 20,000 species of fauna in Sarawak. Sarawak has a coastline of 1,051 kilometres, which yields approximately 300,000 tonnes of marine fish per year. Sarawak has the capacity to produce approximately 20,000 MW of hydropower by 2030, including the Bakun Hydropower station which has an installed capacity of 2,400 MW and the Murum Hydropower station which has an installed capacity of 944 MW.

The state of Sarawak, through Petroleum Nasional Berhad ("PETRONAS"), produces oil and gas, including LNG. Malaysia was the second largest LNG-exporter in the world in 2011 and most of the LNG produced comes from Sarawak. In terms of agricultural potential, the State has 1.9 million hectares of land for agriculture development. Sarawak produced approximately 2.9 million tonnes of crude palm oil in 2012; 27,300 tonnes of rubber in 2012; 25,800 tonnes of pepper (white and black) in 2012; and 599 tonnes of cocoa beans (raw and roasted) in 2012. As at 31 December 2012 a total of 1,076,238 hectares of land had been planted with oil palm plantations.

Another important and abundant natural resource in Sarawak is its forest, which produces timber and a multitude of other forest products. In 2012, Sarawak produced 9.5 million cubic metres of saw logs, 2.1 million cubic metres of sawn timber, and 2.7 million cubic metres of plywood.

5.4 Balance of Trade

The state of Sarawak registered a trade surplus of RM68,692 million or an increase of 4.6 per cent. in 2013, compared to RM65,641 million in 2012. Growth in exports was high at 4.1 per cent., largely attributed to an increase in exports of LNG and petroleum. Exports of oil and gas accounted for 76.9 per cent. of the State's total exports in 2013. Other principal exports include palm oil, which accounted for 6.8 per cent. of the State's total exports in 2013, and petroleum products, which accounted for 1.1 per cent. Imports of capital goods remain crucial in the development of Sarawak. Capital goods accounted for 34.7 per cent. of Sarawak's total imports in 2013, a decrease of 5.9 percent compared with 2012. Imports of intermediate goods, which are reflected by imports of mineral fuels and lubricants, animal and vegetable oils and fats, chemicals and manufactured goods, together, accounted for 48.2 per cent. of Sarawak imports in 2013.

5.5 Budgetary Performance

The State has absolute discretion in the preparation of the annual budget. Pursuant to the Federal Constitution, the GOM undertakes expenditure in the state of Sarawak in respect of matters for which the GOM is responsible. This includes education, defence, security and health and funding for development.

Based on the 2013 unaudited budgetary performance, the State revenue stood at RM7,163.0 million and the State has spent RM1,736.7 million for operating expenditure and appropriated a sum of RM3,300.0 million to the Development Fund Account.

Revenue and Expenditure Trends 2011-2013

	2011	2012	2013
	Actual	Actual	Unaudited
	<i>RM (million)</i>		
Revenue	6,627.1	7,187.4	7,163.0
Operating Expenditure	1,449.2	1,568.7	1,736.7
Operating Surplus/Deficit	5,177.9	5,618.7	5,426.3
Appropriation to Development Fund A/C	2,575.0	3,050.0	3,300.0
Overall Surplus/Deficit	2,602.9	2,568.7	2,126.3
Current GDP	95,175.0	103,574.0	113,425.0
Total Real GDP	70,821	71,873	75,241
Overall Surplus/(Deficit) as a % over current GDP...	2.7	2.5	1.9
Overall Surplus/ (Deficit) as a % over revenue	39.3	35.7	29.7

Source: State

5.6 Revenue

The division of revenue between Malaysia and each state is set out in the Tenth Schedule of the Federal Constitution. Under the Federal Constitution, there are several rights relating to the assignment of taxes and sources of revenue, which are unique to the states of Sabah and Sarawak, that are included in the State Lists of Sabah and Sarawak. These additional sources of revenue include import and excise duties on petroleum products, export duties on timber products, State sales taxes (including taxes on crude palm oil sales and lottery ticket sales) and port dues.

Pursuant to the Petroleum Development Act 1974 and an agreement between the State, the GOM and PETRONAS executed in 1975, PETRONAS is obliged to make cash payments equal to 5 per cent of the selling price of petroleum extracted in the state of Sarawak to the State in return for the ownership and exploitation of rights, powers, liberties and privileges vested in PETRONAS.

The State's revenue sources under the State's consolidated revenue accounts are divided into four categories:

1. *Tax Revenue*: includes forest royalties, State sales tax and raw water levies.
2. *Non-Tax Revenue*: includes cash compensation in lieu of oil and gas rights, dividends from investments, interests from fixed deposits, land premiums and compensation in lieu of import and excise duties on petroleum products.
3. *Non-Revenue Receipts*: includes recovery of overpayments and proceeds of disposal of assets.
4. *Federal Grants and Reimbursements*: includes grants and reimbursements as provided under the Federal Constitution.

The State revenue decreased by 0.3 per cent. from RM7,187.4 million for 2012 to RM7,163.0 million for 2013. The decrease was mainly due to lower cash compensation in lieu of oil and gas rights.

State Revenue 2011-2013

Year	2011 (Actual)		2012 (Actual)		2013 (Unaudited)	
Sources	(RM million)	%	(RM million)	%	(RM million)	%
Tax Revenue	1,252.2	18.9	1,322.9	18.4	1,172.7	16.4
Non-Tax Revenue	5,237.3	79.0	5,714.1	79.5	5,853.2	81.7
Non Revenue Receipts	16.4	0.2	30.7	0.4	11.6	0.1
Federal Grants and Reimbursements	121.2	1.8	119.7	1.7	125.5	1.8
Total	6,627.1	100.0	7,187.4	100.0	7,163.0	100.0

Source: State

Summary of Revenue 2011-2013

Year	2011 (Actual)		2012 (Actual)		2013 (Unaudited)	
Sources	(RM million)	%	(RM million)	%	(RM million)	%
Oil and Gas	2,050.0	30.9	2,625.6	36.5	2,487.5	34.7
Forestry	656.1	9.9	672.2	9.4	572.9	8.0
Dividend and Interest	2,527.0	38.1	2,423.1	33.7	2,722.6	38.0
Sales Tax	523.5	7.9	561.6	7.8	472.1	6.6
Land Premium	306.0	4.6	339.5	4.7	314.1	4.4
Federal Grant	121.2	1.8	119.7	1.7	125.5	1.8
Revenue from other sources	443.3	6.7	445.7	6.2	468.3	6.5
Total	6,627.1	100.0	7,187.4	100.0	7,163.0	100.0

Source: State

5.7 Expenditures

The State's total spending is divided into operating and development expenditure. The State's spending in Sarawak has consisted of the following amounts for the following periods indicated:

Year	Development	Operating
	(RM million)	
2011 (Actual)	2,701.6	1,449.2
2012 (Actual)	3,069.9	1,568.7
2013 (Unaudited)	3,382.9	1,736.7

Source: State

In 2013, operating expenditure and development expenditure totalled RM1,736.7 million (approximately 33.9 per cent. of the total expenditure in 2013) and RM3,382.9 million (approximately 66.1 per cent. of total expenditure in 2013) respectively.

Development Expenditure by Sector 2011-2013

Year	2011 (Actual)		2012 (Actual)		2013 (Unaudited)	
Sector	(RM million)	%	(RM million)	%	(RM million)	%
Commerce and Industry	1,558.8	57.7	1,881.9	61.3	2,048.2	60.6
Agriculture and Land Development	157.5	5.8	259.1	8.4	192.7	5.7
Transport and Communication	239.3	8.9	293.9	9.6	200.4	5.9
Social and Community Development	232.9	8.6	240.9	7.8	332.5	9.8
General Administration	296.0	11.0	281.9	9.2	372.7	11.0

Public Utilities	217.1	8.0	112.2	3.7	236.4	7.0
Total	2,701.6	100.0	3,069.9	100.0	3,382.9	100.0

Source: State

5.8 Reserves

The State's cash reserves increased from approximately RM21,096 million as at 31 December 2012 to RM23,359 million as at 31 December 2013. The State cash reserves were held in fixed deposits and other money market investments.

5.9 Liabilities

As at 31 December 2013 the State's unaudited liabilities comprised of borrowings of approximately RM2,267 million from the Federal Government, which represents funding passed through the State, which the State lends to various State agencies. These borrowings are on a long-term basis and are expected to be repaid from the investments made with the borrowed funds, for example, from proceeds of low cost housing projects and water projects. Meanwhile, the State through its state-owned off-shore companies has facilities in USD of approximately RM5,810 million as at end-2013, and those facilities issued are for the purpose of financing the State development initiatives. This debt burden is offset by strong growth in revenue and sinking fund arrangements.

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SECTION 6.0 OTHER INFORMATION**6.1 Material litigation**

As at 27 June 2014, neither the Issuer nor the Guarantor is engaged in any litigation or arbitration, either as plaintiff or defendant and their respective directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Issuer or the Guarantor.

6.2 Material contracts outside the ordinary course of business

As at 27 June 2014, save as disclosed in this Information Memorandum, neither the Issuer nor the Guarantor has entered into any contracts which are or may be material, outside the ordinary course of business from the date of its incorporation.

6.3 Material contingent liabilities and material capital commitments

As at 27 June 2014, the directors of the Issuer and the Guarantor are not aware of any material contingent liabilities, which upon becoming enforceable, may have a substantial impact on the financial position and/or the business of the Issuer and the Guarantor.

As at 27 June 2014, the directors of the Issuer and the Guarantor are not aware of any material capital commitments other than in the ordinary course of the Issuer's and the Guarantor's principal activities, which may have a substantial impact on the financial position and/or the business of the Issuer and the Guarantor.

6.4 Conflict of Interest and Appropriate Mitigating Measures

The directors of the Issuer and the Guarantor are not aware of any circumstances which would give rise to a conflict of interest situation arising from the proposed issue of the Sukuk Murabahah.

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Appendix I - Form of Annex Letter**ANNEX LETTER**

To: Aquasar Capital Sdn. Bhd. (the “**Issuer**”)
18th Floor, Wisma Bapa Malaysia, Petra Jaya
93502 Kuching, Sarawak,
Malaysia

Aquasar Holdings Sdn. Bhd. (the “**Guarantor**”)
18th Floor, Wisma Bapa Malaysia, Petra Jaya
93502 Kuching, Sarawak,
Malaysia

[Date]

1. We refer to the proposed issuance (the “**Issuance**”) by the Issuer of up to RM1,500 million in nominal value of Islamic medium term notes (“**Sukuk Murabahah**”) under a Sukuk Murabahah issuance programme of up to RM1,500 million (the “**Sukuk Murabahah Programme**”), unconditionally and irrevocably guaranteed by the Guarantor. The Sukuk Murabahah are to be constituted by a trust deed to be dated on or around the date of this Annex Letter and made between the Issuer, the Guarantor and Malaysian Trustees Berhad, (the “**Sukuk Trustee**”), (the “**Trust Deed**”).
2. The issuance and delivery of this Annex Letter is a condition precedent to the availability of the Sukuk Murabahah Programme.
3. We hereby confirm to you that, in consideration of the Issuer issuing the Sukuk Murabahah, we agree to make the following contributions into the State Development Fund or its successor or replacement fund (the “**Government Fund**”), and to procure that such monies are paid to an account (the “**Reserve Account**”) opened with RHB Islamic Bank Berhad (the “**Account Bank**”) in the name of the Issuer pursuant to the assignment and charge to be dated on or around the date of this Annex Letter and made between the Issuer and Malaysian Trustees Berhad (the “**Security Trustee**”) in respect of the Sukuk Murabahah:
 - (i) on or prior to each Deposit Date (as set out in the Schedule to this Annex Letter), or if such day is not a Business Day (as defined in the Trust Deed), the Business Day immediately prior to such day, the amount as set out against the Deposit Date in the Schedule to this Annex Letter (the “**Contribution Amount**”). Each Contribution Amount must be of an amount that is sufficient to meet the corresponding payment due under the Sukuk Murabahah at least fourteen (14) Business Days before such payment falls due; and

- (ii) upon the occurrence of a Contribution Acceleration Event (as defined below), an amount equal to the Accelerated Contribution Payment shall be paid immediately into the Reserve Account. If the Accelerated Contribution Payment is not paid into the Reserve Account within seven (7) Business Days after the same becomes due and payable (other than where the failure to pay is caused by an administrative or technical error or a disruption to payment systems, and such failure is rectified within three (3) Business Days), an Enforcement Event (as defined in the Trust Deed) will occur under the Sukuk Murabahah.

In this Annex Letter:

A “**Contribution Acceleration Event**” occurs where an Event of Default (as defined in the Trust Deed) has occurred and the Issuer and the Guarantor have received a written instruction issued by the Sukuk Trustee to procure that the Acceleration Contribution Payment be made.

The “**Accelerated Contribution Payment**” means an amount equal to the aggregate outstanding Deferred Sale Price (as defined in the Trust Deed).

- 4. In addition, the State Government of Sarawak (the “**State**”) has agreed to ensure that the Issuer, the Guarantor and their respective subsidiaries at all times have funds to satisfy their respective operating expenses and Relevant Taxes.

“**Relevant Taxes**” means any tax, duties, assessments or governmental charges of whatever nature (including, without limitation, any corporation tax, income tax, value added tax, capital gains tax, capital duty, stamp duty, if any).

- 5. We hereby agree that this Annex Letter is irrevocable and may not be withdrawn, waived or modified without your prior written consent (such consent not to be unreasonably withheld).
- 6. This Annex Letter shall be governed by and shall be construed in all respects in accordance with the laws of Malaysia.
- 7. We agree that in relation to any dispute arising out of or in connection with this Annex Letter (including a dispute relating to the existence, validity or termination of this Annex Letter) or the consequences of its nullity (a “**Dispute**”), the parties irrevocably submit to the exclusive jurisdiction of the Courts of Malaysia, and waive any objection to any legal action or proceeding (the “**Proceedings**”) in any other court outside Malaysia on the grounds of venue or on the grounds that the Proceedings have been brought in an inconvenient forum.
- 8. We agree that the documents which start any Proceedings in relation to a Dispute and any other documents required to be served in relation to a Proceeding may be served on us by being delivered to us at 18th Floor, Wisma Bapa Malaysia, Petra Jaya, 93502 Kuching, Sarawak. Nothing in this paragraph shall affect the right of the Issuer or the Guarantor to serve process in any other manner permitted by law.

9. We consent generally in respect of any Proceedings to the giving of any relief or any order or judgment which is made or given in such Proceedings.
10. To the fullest extent permitted by law we irrevocably and unconditionally, waive and agree not to claim any sovereign or other immunity from the jurisdiction of the Courts of Malaysia in relation to any Dispute (including to the extent that such immunity may be attributed to us), and agree to ensure that no such claim is made on our behalf.
11. To the extent that the State and/or State Financial Secretary of Sarawak is concerned, this Annex Letter sets out the entire agreement among the parties with respect to the subject matter hereof, namely, the Issuance, and this Annex Letter supersedes and replaces any agreement or understanding that may have existed between the parties prior to the date of this Annex Letter in respect of such subject matter.
12. This Annex Letter is strictly limited to the points above and there is no express or implied guarantee or support with regard to any document or agreement in general.

Yours faithfully

State Financial Secretary, Sarawak
For and on behalf of the State Government of Sarawak

We agree to be bound by the terms of this Annex Letter.

For and on behalf of:
Aquasar Capital Sdn. Bhd. as Issuer

(duly authorised)

(duly authorised)

For and on behalf of:
Aquasar Holdings Sdn. Bhd. as Guarantor

(duly authorised)

(duly authorised)

Schedule

Deposit Schedule

Deposit Date	Deposit Amount
[Date]	RM [●]
[Date]	RM [●]
[Date]	RM [●]

The Issuer

Aquasar Capital Sdn Bhd
(Company No. 1082682-X)
18th Floor, Wisma Bapa Malaysia
Petra Jaya, 93502 Kuching
Sarawak, Malaysia

**Principal Adviser/Lead Arranger/
Facility Agent/Lead Manager
RHB Investment Bank Berhad**
Level 11, Tower Three
RHB Centre
Jalan Tun Razak
50490 Kuala Lumpur
Malaysia

**Shariah Adviser
RHB Islamic Bank Berhad**
(Company No. 680329-V)
Level 11, Menara Yayasan Tun Razak,
200 Jalan Bukit Bintang,
55100 Kuala Lumpur
Malaysia

**Security Trustee/Sukuk Trustee
Malaysian Trustees Berhad**
(Company No. 21666-V)
8th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Malaysia

**Financial Adviser
Newfields Advisors Sdn Bhd**
(Company No. 296051-V)
Suite 17.1, Level 17
Menara Weld
76 Jalan Raja Culan
50200 Kuala Lumpur
Malaysia

**Legal Counsel to the Issuer/Guarantor/SFS
Rahmat Lim & Partners**
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Malaysia

**Legal Counsel to the
Principal Adviser/
Lead Arranger /Lead Manager
Adnan Sundra & Low**
Level 11, Menara Olympia
No. 8, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia