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PRELIMINARY INFORMATION MEMORANDUM



Cagamas MBS Berhad
(655289-H)

PROPOSED ISSUE OF UP TO RM2.05 BILLION IN NOMINAL VALUE SUKUK MUSYARAKAH

arising from an

ISLAMIC RESIDENTIAL MORTGAGE-BACKED SECURITISATION TRANSACTION

*Joint Principal Advisers, Joint Lead Arrangers and
Joint Bond Co-ordinators*

CIMB

Commerce International
Merchant Bankers Berhad
(Company No. 18417-M)

HSBC 

HSBC Bank Malaysia
Berhad
(Company No. 127776-V)

Joint Lead Managers

CIMB

Commerce International
Merchant Bankers Berhad
(Company No. 18417-M)

HSBC 

HSBC Bank Malaysia
Berhad
(Company No. 127776-V)



ABN·AMRO

ABN AMRO Bank
Berhad
(Company No. 301932-A)



AmInvestment Group

AmMerchant Bank
Berhad
(Company No. 23742-V)

**This Preliminary Information Memorandum is dated 12 July 2005.
The information contained in this Preliminary Information Memorandum is subject to
completion and amendments in the final Information Memorandum.**

Responsibility Statement

This Preliminary Information Memorandum has been approved by the directors of Cagamas MBS Berhad (“CMBS” or the “Issuer”) and they collectively and individually accept full responsibility for the accuracy of the information given (other than information in relation to Portfolio 2005-1 or information obtained from public sources) and confirm that, after having made all reasonable enquiries, and to the best of their information and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Preliminary Information Memorandum false or misleading and there is no material omission in this Preliminary Information Memorandum. Information in relation to Portfolio 2005-1 has been supplied by the Government of Malaysia (“the Originator”) through the Bahagian Pinjaman Perumahan and the Issuer has relied upon the representation and warranty that the information supplied is true and accurate. While the directors of CMBS believe that all reasonable care has been taken in ensuring the accuracy of the information in relation to Portfolio 2005-1 and all information obtained from public sources and the directors of CMBS are not, as at the date of this Preliminary Information Memorandum, aware of any inaccuracy in relation to such information, the responsibility of the directors of CMBS is limited to ensuring reasonable care in the reproduction of such information.

General Statement of Disclaimer and Important Notice

This Preliminary Information Memorandum is in connection with the issue of up to RM2.05 billion nominal value asset-backed Islamic securities comprising sukuk musyarakah arising from an Islamic residential mortgage-backed securitisation transaction (the “Sukuk Musyarakah”) by the Issuer. Using the proceeds of the Sukuk Musyarakah, the Issuer will purchase home financing provided on Syariah principles and all charges, guarantees, insurances and rights in connection thereto (the “Mortgage Assets”) from the Originator. Details of these transactions are described in this Preliminary Information Memorandum.

At the point of issuance of the Sukuk Musyarakah, the Sukuk Musyarakah shall not be issued, offered, sold, transferred or otherwise disposed, directly or indirectly, nor shall any document or other material in connection therewith including this Preliminary Information Memorandum be distributed, in Malaysia other than to persons who fall within any of the categories of persons specified under Schedule 2 or Section 38(1)(b), and Schedule 3 or Section 39(1)(b) and Schedule 5 or Section 66(3) of the Securities Commission Act 1993 (as amended from time to time) (“SCA”).

Subsequent to the issuance of the Sukuk Musyarakah, the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Sukuk Musyarakah will be subject to the selling restrictions that the Sukuk Musyarakah may not be offered or sold directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons who fall within any of the categories of persons specified under Schedule 2 or Section 38(1)(b) and Schedule 5 or Section 66(3) of the SCA.

No application is being made to list the Sukuk Musyarakah on any stock exchange, nor is any such application contemplated.

The Issuer has authorised Commerce International Merchant Bankers Berhad (“CIMB”) (Company No. 18417-M), HSBC Bank Malaysia Berhad (“HSBC”) (Company No. 127776-V), AmMerchant Bank Berhad (“AmMerchant”) (Company No. 23742-V) and ABN AMRO Bank Berhad (“ABN”) (Company No. 301932-A) (CIMB and HSBC known as the “Joint Principal Advisers, the Joint Lead Arrangers and/or the Joint Bond Co-ordinators” and CIMB, HSBC, AmMerchant and ABN collectively known as the “Joint Lead Managers”) to distribute this Preliminary Information Memorandum, which is now being provided by the Joint Lead Managers on a confidential basis to potential investors for the sole purpose of assisting them to decide whether to subscribe for or purchase the Sukuk Musyarakah. This Preliminary 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, the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators and the Joint Lead Managers and as required under Malaysian laws, regulations or guidelines.

None of the information or data contained in this Preliminary Information Memorandum has been independently verified by the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators nor the Joint Lead Managers. No representation or warranty, express or implied, is given or assumed by the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators or the Joint Lead Managers as to the authenticity, origin, validity, accuracy or completeness of information and data contained in this Preliminary Information Memorandum or that the information or data remains unchanged in any respect after the relevant date shown in this Preliminary Information Memorandum. The Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators and the Joint Lead Managers have not accepted and will not accept any responsibility for the information and data contained in this Preliminary Information Memorandum or otherwise in relation to the Sukuk Musyarakah and shall not be liable for any consequences of reliance on any of the information or data in this Preliminary 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 Preliminary 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 Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators, the Joint Lead Managers or any other person. The Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators and the Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the tenure of the Sukuk Musyarakah or to advise any investor in the Sukuk Musyarakah of any information coming to their attention.

The information in this Preliminary Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Preliminary Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied.

This Preliminary Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia (the “Foreign Jurisdiction”), and has not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any Foreign Jurisdiction and it does not constitute an issue or offer of, or an invitation to apply for, the Sukuk Musyarakah or any other securities of any kind by any party in any Foreign Jurisdiction.

The distribution or possession of this Preliminary Information Memorandum in Malaysia or in any Foreign Jurisdiction may be restricted or prohibited by law. Each recipient is required by the Issuer, the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators and the Joint Lead Managers to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer, the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators nor the Joint Lead Managers accept any responsibility or liability to any person in relation to the distribution or possession of this Preliminary Information Memorandum in Malaysia or in any Foreign Jurisdiction. This Preliminary 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.

In addition, recipients of this Preliminary Information Memorandum should note the selling restrictions in Singapore and Hong Kong as set out in Chapter 5 of this Preliminary Information Memorandum.

By accepting delivery of this Preliminary Information Memorandum, each recipient agrees to the terms upon which this Preliminary Information Memorandum is provided to such recipient as set out in this Preliminary Information Memorandum, and further agrees and confirms that (a) it will keep confidential all information and data in this Preliminary Information Memorandum, (b) it is lawful for the recipient to subscribe for or purchase the Sukuk Musyarakah under all jurisdictions to which the recipient is subject, (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Sukuk Musyarakah, (d) the Issuer, the Joint Lead Managers and their respective directors, officers, employees 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 or purchase of the Sukuk Musyarakah, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk Musyarakah is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Sukuk Musyarakah 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 or purchasing the Sukuk Musyarakah, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk Musyarakah, (g) it is subscribing or accepting the Sukuk Musyarakah for its own account, and (h) it is a person to whom an issue, offer or invitation to subscribe or purchase the Sukuk Musyarakah would constitute an excluded issue, excluded offer or excluded invitation as defined in the SCA. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Preliminary Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Sukuk Musyarakah in relation to any recipient who does not fall within item (h) above.

This Preliminary Information Memorandum is not, and should not be construed as, a recommendation by the Issuer, the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators, the Joint Lead Managers or any other party to the recipient to subscribe for or purchase the Sukuk Musyarakah. This Preliminary 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 its own independent investigation and analysis of the Issuer, the Sukuk Musyarakah and all other relevant matters, and each recipient should consult its own professional financial, legal and other appropriate professional advisers.

Neither the delivery of this Preliminary Information Memorandum nor the offering, sale or delivery of any Sukuk Musyarakah shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Sukuk Musyarakah is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators and the Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Sukuk Musyarakah or to advise any investor in the Sukuk Musyarakah of any information coming to their attention.

This Preliminary Information Memorandum includes “forward looking statements”. These statements include, among other things, discussions on the projected cash flows 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 can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward looking statement in this Preliminary Information Memorandum should not be regarded as a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved.

The Sukuk Musyarakah are issued on a limited recourse basis solely to the funds available to the Issuer from the Collections 2005-1 or from the proceeds of realisation of Portfolio 2005-1 or any rights, title or interest, therein or related thereto. The Sukuk Musyarakah will not be obligations or responsibilities of any person other than the Issuer and, in relation to the Issuer, are limited to its obligations as agent and trustee of the Collections 2005-1 and any proceeds of realisation of Portfolio 2005-1 or any rights, title or interest, therein or related thereto for the holders of the Sukuk Musyarakah.

In particular, the Sukuk Musyarakah will not be obligations or responsibilities of the holding company of CMBS, Cagamas Berhad, the Originator, the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators, the Joint Lead Managers, the Trustee or any of their related corporations and associated companies. The Sukuk Musyarakah also do not represent deposits or liabilities of the Originator. The Originator does not in any way stand behind the Sukuk Musyarakah except to the extent specified in the documentation in connection with this securitisation exercise and as described in this Preliminary Information Memorandum.

This Preliminary Information Memorandum may include certain historical information, estimates, projections or reports thereon derived from sources mentioned in this Preliminary Information Memorandum and other parties with respect to the Malaysian economy, the local financial industry and certain other matters. Such information, estimates, projections or reports have been included solely

for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, derived from such and other third party sources.

The Issuer, its holding company, the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Bond Co-ordinators, the Joint Lead Managers and certain other parties referred to in this Preliminary Information Memorandum are companies limited by shares incorporated under the Companies Act 1965 (“Companies Act”). Substantially all the directors, officers and employees and certain professional advisers referred to in this Preliminary Information Memorandum are residents of Malaysia and a substantial portion of the assets of such companies and persons are located in Malaysia. Any person seeking to take any legal action against such companies or persons outside Malaysia will have to establish that a court outside Malaysia has jurisdiction in respect of such action and, even if such court decides that it has the relevant jurisdiction, it may be difficult for that party to effect service of process outside Malaysia or to enforce judgments obtained from such court predicated upon such liability provisions of laws of foreign countries.

CIMB, in its capacity as one of the Joint Lead Arrangers as referred to in this Preliminary Information Memorandum, will perform the functions required to be performed by the Facility Agent as stated in the Rules on Fully Automated System for Issuing/Tendering issued by Bank Negara Malaysia to the extent applicable to the Sukuk Musyarakah.

All discrepancies (if any) in the tables included in this Preliminary Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Preliminary Information Memorandum are shown after, rounding. Where this Preliminary Information Memorandum contains or refers to a summary of a document or agreement, the summary is not meant to be exhaustive and potential investors should refer to or read the document or agreement in its entirety.

Statements Of Disclaimer – Securities Commission

A copy of this Preliminary Information Memorandum will be deposited with the Securities Commission, who takes no responsibility for its contents.

The approval of the Securities Commission for the issue of the Sukuk Musyarakah was granted on 6 July 2005. A recipient of this Preliminary Information Memorandum acknowledges and agrees that the approval of the Securities Commission shall not be taken to indicate that the Securities Commission recommends an investment in or purchase of the Sukuk Musyarakah.

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

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR INVESTING IN THE SUKUK MUSYARAKAH.

Confidentiality

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

This Preliminary Information Memorandum is provided to prospective investors solely with reference to their own evaluation of the Sukuk Musyarakah.

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DEFINITION OF KEY TERMS AND ABBREVIATION

“ABN”	means ABN AMRO Bank Berhad (Company No. 301932-A).
“Account Records”	means books and records kept by the Originator (whether in paper or electronic form) recording all information and transactions as they apply to any Mortgage Transactions, including notes and statements intended to be read with the aforesaid books and records.
“ADIs”	means Authorised Depository Institutions.
“Administration Agreement 2005-1”	means the agreement between Cagamas, the Issuer and the Trustee pursuant to which Cagamas provides, inter alia, corporate and administrative services to the Issuer.
“Administration Services Documents 2005-1”	means, the agreement for the provision of certain services by Cagamas to the Issuer, being:- <ul style="list-style-type: none"> (a) the Administration Agreement 2005-1; and (b) the Transaction Administration Agreement 2005-1.
“AmMerchant”	means AmMerchant Bank Berhad (Company No. 23742-V).
“Armed Forces”	means the Malaysian Army, Navy and Airforce as more particularly defined under the Armed Forces Act 1972.
“Arrears of Instalments”	means, in relation to a Mortgage Transaction, any part of a Monthly Instalment (including previous Monthly Instalments) which has or have accrued past its Instalment Payment Date and remains unpaid by the relevant Obligor.
“Bare Land”	means land upon which a Residential Unit is intended to be constructed but which, at the Purchase Date, has not had any such construction started thereon.
“BNM”	means Bank Negara Malaysia.
“BPP”	means the Bahagian Pinjaman Perumahan, the division of the GOM responsible for all aspects of Mortgage Transactions.
“Business Day”	means a day on which banks are open for business in Kuala Lumpur excluding Saturday and Sunday.
“Cagamas”	means Cagamas Berhad (Company No. 157931-A).
“Central Depository”	means BNM as the Central Depository of the global certificate(s) for the Sukuk Musyarakah.
“CIMB”	means Commerce International Merchant Bankers Berhad (Company No. 18417-M).
“CMBS”	means Cagamas MBS Berhad (Company No. 655289-H).

“CMBS 2004-1”	means the fixed rate asset backed bonds issued by CMBS in 2004 on its inaugural securitisation of a portfolio of Housing Loans and Home Financing.
“Collection Period”	means each quarterly period commencing from the Purchase Date.
“Collections”	means, in respect of any Collection Period, all sums received or recovered from Obligor or Security Providers on or under or in respect of any Mortgage Transaction during such Collection Period (whether profit, principal, fees or any other amounts) and all proceeds of any sale or other disposal of the Mortgage Assets or the Mortgaged Property received during such Collection Period (including for the avoidance of doubt any Equivalent Amount paid by the Originator).
“Collections 2005-1”	means the Collections in relation to Portfolio 2005-1 and with a Collection Period commencing from the Purchase Date 2005-1.
“Collections Account 2005-1”	means, in relation to Portfolio 2005-1, the Syariah compliant bank account held by the Issuer with a bank acceptable to the Trustee and the rating agencies for the receipt of all Collections 2005-1.
“Completion Date”	means the date on which the Issuer pays the Purchase Consideration pursuant to Purchase Contract 2005-1 and, in the case of Portfolio 2005-1, is also the Issue Date.
“Deed of Assignment 2005-1”	means the deed executed concurrent with Purchase Contract 2005-1 for the assignment of the Mortgage Assets of Portfolio 2005-1 to the Issuer.
“Deed of Warranties 2005-1”	means the deed executed concurrent with the Master Sale and Purchase Agreement 2005-1 and pursuant to which warranties in relation to each purchase of a portfolio of Mortgage Assets and the remedies in relation to any breach of such warranties, are given or set forth.
“Depository and Paying Agency Agreement 2005-1”	means the agreement between, amongst others, the Issuer and Bank Negara Malaysia for Bank Negara Malaysia to act as the Central Depository and Paying Agent for the Sukuk Musyarakah.
“Dissolution Events”	means each of those events pursuant to which the requisite majority of Sukukholders or the Trustee on their behalf may dissolve the Musyarakah Venture and require the cancellation of the Sukuk Musyarakah and the return of the capital represented by the nominal value of the Sukuk Musyarakah.
“Distributions”	<p>means:</p> <ul style="list-style-type: none"> (a) the return to each Sukukholder on a Maturity Date of capital invested by it in the Sukuk Musyarakah; or (b) the distribution to the Sukukholders of Profit on each Profit Distribution Date, <p>from the Collections 2005-1;</p>
“Eligibility Criteria”	means the “Core Eligibility Criteria” which have to be fulfilled by all Mortgage Assets purchased from the Originator and the “Portfolio Eligibility Criteria” in relation to Portfolio 2005-1 which is set forth in Chapter 3 of this Preliminary Information Memorandum.

“Eligible Person”	means a person eligible under the HLF Act to be provided by the Government with Home Financing or a Housing Loan.
“Enforcement Procedures”	means the procedures established by the Servicer and generally applicable to the enforcement of the obligations of any Obligor or Security Provider under the relevant Mortgage Instruments.
“Equivalent Amount”	means, in relation to any Mortgage Asset for which the Issuer elects to be compensated pursuant to the Deed of Warranties 2005-1, such amount equivalent to and to be paid at the same time as the remaining Monthly Instalments payable under that Mortgage Asset after the date from which the Originator is required to commence payment of the Equivalent Amount.
“GOM”	means the Government of Malaysia.
“Government Employee”	means any person in the employment of the Government under a valid contract of service with the Government.
“Guidelines”	means the Government’s guidelines (as amended from time to time) for the grant of Home Financing and Housing Loans.
“HLF Act”	means the Housing Loans Fund Act 1971 as amended, revised or re-enacted from time to time.
“Home Financing”	<p>means the financing or refinancing granted by the Originator to an Eligible Person for:</p> <ul style="list-style-type: none"> (a) the purchase of a Bare Land or a Residential Unit; or (b) the construction of a Residential Unit; or (c) the renovation or refurbishment of a Residential Unit, <p>which financing or refinancing was made in accordance with Syariah principles.</p>
“Housing Loan”	<p>means a loan granted by the Originator to an Eligible Person for the purpose of the financing or refinancing of:</p> <ul style="list-style-type: none"> (a) the purchase of a Bare Land or a Residential Unit; or (b) the construction of a Residential Unit; or (c) the renovation or refurbishment of a Residential Unit.
“HSBC”	means HSBC Bank Malaysia Berhad (Company No. 127776-V).
“Instalment Payment Date”	means, in relation to a Mortgage Transaction, the date on which a Monthly Instalment is payable.
“Insurance Policies”	means, in relation to a Mortgage Transaction, any and all insurance or takaful policies in respect of or covering the relevant Obligor and or the relevant Mortgaged Property including any MRTA Policy and or Residential Unit Policy.
“Insurance Provider”	means Takaful Nasional Sdn Bhd, the takaful company providing the MRTA Policies and the Residential Unit Policies for the Mortgaged Properties in Portfolio 2005-1.

“Issue Date”	means the date of issue of the Sukuk Musyarakah.
“Issue Documents”	means the agreements related to and executed in connection with the issue of the Sukuk Musyarakah and include: <ul style="list-style-type: none"> (a) the Sukuk Musyarakah Issuance Agreement 2005-1; (b) the Trust Deed 2005-1; (c) the Administration Services Documents 2005-1; and (d) the Depository and Paying Agency Agreement 2005-1.
“Issuer”	means CMBS.
“Joint Lead Arrangers”	means CIMB and HSBC.
“Joint Lead Managers”	means CIMB, HSBC, AmMerchant and ABN.
“Land Code”	means the National Land Code (Act 56 of 1965), the Ordinance (Cap 68) of Sabah or the Land Code (Cap 81) of Sarawak, as the case may be, including any amendment, revision or re-enactment from time to time.
“Laws”	means any law (including common law), constitution, statute, ordinance, treaty, regulation, rule, guidelines, directives, orders, decrees, judgments or awards of any legislative, statutory, judicial or administrative body or entity.
“MARC”	means Malaysian Rating Corporation Berhad (Company No. 364803-V).
“Master Sale and Purchase Agreement 2005-1”	means the master agreement (on or about the date of the Trust Deed 2005-1) between the Originator and the Issuer for the sale from time to time by the Originator of Mortgage Assets to the Issuer.
“Maturity Date”	means, in respect of each Tranche, the date on which the capital invested in the Sukuk Musyarakah of that Tranche is to be returned in accordance with the Trust Deed 2005-1.
“Monthly Instalment”	means the instalments payable by the Obligor monthly or at such other interval as may be agreed upon between the Obligor and the Originator in accordance with the terms and conditions of a Mortgage Transaction and shall include any variations thereof from time to time.
“Monthly Pension”	means the monthly amount, without deductions, receivable by a Pensioner as her/his basic pension.
“Monthly Salary”	means the monthly amount, without deductions, receivable by a Government Employee as her/his basic salary.
“Mortgage Assets”	means all of the right, title, interest and benefit of the Originator in, to, under and in respect of Mortgage Transactions that are sold and assigned to the Issuer by the Originator pursuant to or under the Master Sale and Purchase Agreement 2005-1 and a Purchase Contract and includes all amounts to be collected under such Mortgage Transactions and all charges, guarantees, insurances and other rights in connection thereto, including any proceeds from recoveries.

“Mortgage Charge”	means a legal charge registered under the relevant Land Code to secure a Mortgage Transaction.
“Mortgage Instrument”	means any agreement, charge, assignment or other instrument or document creating and or evidencing a lien or other security interest on each Mortgaged Property securing the Housing Loan or Home Financing (as the case may be) and includes any guarantee and/or indemnity and/or any other security instrument (if any) relating to or connected with such Mortgage Instrument.
“Mortgage Transaction”	means a Home Financing or a Housing Loan but, in relation to Portfolio 2005-1, refers only to a Home Financing.
“Mortgaged Property”	means Bare Land or a Residential Unit which is the subject of a Mortgage Transaction.
“MRTA Policy”	means a mortgage reducing term assurance policy insuring repayment of at least the Outstanding Principal Amount of a Mortgage Transaction in the case, inter alia, of the death of the Obligor.
“Musyarakah Declaration of Trust”	means the declaration of trust dated on or about the date of the Trust Deed 2005-1 made by the Issuer in favour of the Trustee (on behalf of the Sukukholders) with respect to the Sukuk Musyarakah under which, amongst others, the Issuer declares its holding of the Mortgage Assets of Portfolio 2005-1 on trust for the benefit of the Sukukholders upon the terms and subject to the conditions therein contained.
“Musyarakah Venture”	means the venture, in accordance with the Syariah principle of Musyarakah, established pursuant to the Musyarakah Declaration of Trust for an investment in Portfolio 2005-1.
“Obligor”	means an Eligible Person(s) who is the Government’s counterparty to a Mortgage Transaction.
“Operating Account”	means the existing account that has been opened and maintained by the Issuer for the receipt of, inter alia, amounts which are required to be paid into such account from the Collections Account 2005-1.
“Originator”	means the GOM.
“Outstanding Amount”	means that amount at any point in time which an Obligor would need to pay in a single lump sum in order to satisfy and discharge her/his obligations and liabilities to the Government under her/his Mortgage Transaction.
“Outstanding Principal Amount”	means the amount of the principal outstanding on a Mortgage Transaction.
“Paying Agent”	means BNM as Paying Agent for the Sukuk Musyarakah.
“Pensioner”	means an Eligible Person who has retired and has become entitled to a pension from the GOM.
“Portfolio 2005-1”	means the pool of Mortgage Assets the subject of this Preliminary Information Memorandum and described in Chapter 3 of this Preliminary Information Memorandum.

“Profit”	means the amount specified under the terms of the Trust Deed 2005-1 as the expected profit from the Musyarakah Venture to be distributed in respect of each Tranche of the Sukuk Musyarakah.
“Profit Distribution Date”	means each date for distribution of Profit on the Sukuk Musyarakah.
“Purchase Consideration”	means the amount agreed in Purchase Contract 2005-1 as the consideration payable by the Issuer to the Originator for the sale and purchase of the Mortgage Assets the subject of Purchase Contract 2005-1.
“Purchase Contract Date”	means the date of a Purchase Contract.
“Purchase Contract Date 2005-1”	means the date of Purchase Contract 2005-1.
“Purchase Contract”	means an agreement (and the schedules, annexures or attachments thereto) between the Originator and the Issuer for the purchase of any portfolio of Mortgage Assets.
“Purchase Contract 2005-1”	means the agreement on or about the date of the Trust Deed 2005-1 for the purchase by the Issuer of Portfolio 2005-1.
“Purchase Date”	means the date before, current with or after the Purchase Contract Date, as specified in a Purchase Contract, from which the Collections relating to the Mortgage Assets the subject of the Purchase Contract are sold or deemed sold to the Issuer.
“Purchase Date 2005-1”	means 31 March 2005.
“RAM”	means Rating Agency Malaysia Berhad (Company No. 208095-U).
“Remaining Tenure”	means the unexpired Tenure of the Mortgage Transactions from the Purchase Date.
“RENTAS”	means Real Time Electronic Transfer of Funds and Securities System.
“Reporting Accountants”	means Ernst & Young, the firm of accountants appointed as Reporting Accountants in relation to the issue of the Sukuk Musyarakah.
“Residential Unit Policy”	means the insurance policy insuring a Residential Unit against, amongst others, specified risk of loss or damage.
“Residential Unit”	means a unit of property intended primarily for residential purposes and shall include a house, condominium, unit, apartment, flat or shophouse.
“SC”	means the Securities Commission of Malaysia.
“Security Provider”	means any person, other than the Obligor, providing security for a Mortgage Transaction and includes any Insurance Provider.
“Servicer Fee”	means the fee payable to the Servicer.
“Servicer”	means the Originator.

“Servicing Agreement 2005-1”	means the servicing agreement between the Issuer, the Originator and the Trustee in relation to Portfolio 2005-1.
“SSTS”	means Scripless Securities Trading System.
“Sukuk Musyarakah Issuance Agreement 2005-1”	means the agreement to be executed in connection with the issue of the Sukuk Musyarakah.
“Sukuk Musyarakah”	means the Islamic securities of up to RM2.05 billion in nominal value to be known as “CMBS 2005-1-i” to be issued by the Issuer to represent the Sukukholder’s undivided proportionate beneficial ownership of Portfolio 2005-1.
“Sukukholder” or “Holder”	means the persons who are for the time being the beneficial owners of the Sukuk Musyarakah.
“Tenure”	means the tenure of a Mortgage Transaction as varied from time to time.
“the Code”	means the Rules on the Scripless Securities under the Real Time Electronic Transfer of Funds and Securities (RENTAS) System.
“Title Documents”	means the issue document of title to any Mortgaged Property.
“Tranche”	means each series of the Sukuk Musyarakah and referred to respectively as Tranches 2005-A 1 to 2005-A 6.
“Transaction Administration Agreement 2005-1”	means the agreement between Cagamas, the Issuer and the Trustee pursuant to which Cagamas provides, inter alia, services to the Issuer in relation, amongst others, to the purchase of Portfolio 2005-1, the issue of the Sukuk Musyarakah and the assessment and reconciliation of data in relation to the Mortgage Assets.
“Transaction Documents”	means the agreements related to and in connection with the sale and purchase of Portfolio 2005-1 and include: <ul style="list-style-type: none"> (a) the Purchase Contract 2005-1; (b) the Deed of Assignment 2005-1; and (c) the Servicing Agreement 2005-1.
“Trust Deed 2005-1”	means the trust deed between the Issuer and the Trustee relating to the Sukuk Musyarakah and appointing the Trustee to act for and on behalf of the Sukukholders.
“Trustee”	means Malaysian Trustees Berhad (Company No. 21666-V).

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1.0 INTRODUCTION

1.1 Overview

The Government of Malaysia (the “GOM” or “Originator”) through its Housing Loans Division (Bahagian Pinjaman Perumahan, “BPP”) grants Housing Loans and Home Financing to public sector employees, pursuant to the Housing Loans Fund Act 1971 (Act 42).

In April 2004, the GOM appointed Cagamas to securitise the entire pool of the GOM’s Housing Loans and Home Financing. The mandate is not limited to the existing outstanding portfolio of Housing Loans and Home Financing but extends to all future GOM Housing Loans and Home Financing. As at 31 March 2005, approximately RM23.69 billion of Housing Loans and Home Financing (in Outstanding Principal Amount) remain outstanding (excluding Housing Loans and Home Financing sold pursuant to the inaugural securitisation of Housing Loans and Home Financing in October 2004 and those earmarked for Portfolio 2005-1).

For the purposes of the securitisation exercise, Cagamas incorporated a wholly owned subsidiary, Cagamas MBS Berhad (the “Issuer” or “CMBS”). CMBS will purchase Housing Loans and Home Financing progressively from BPP and will issue asset backed securities to raise the purchase consideration for such purchases.

In October 2004, CMBS completed the first securitisation of a portfolio of Housing Loans and Home Financing granted to Pensioners. It involved the issuance of RM1.555 billion of asset-backed fixed rate bonds (known as “CMBS 2004-1”) and the purchase of Housing Loans and Home Financing with an aggregate Outstanding Principal Amount of approximately RM1.9 billion.

1.2 Brief Description of the Securitisation Transaction

This transaction, involving the issue of Sukuk Musyarakah, is the second in CMBS’ ongoing securitisation programme of GOM Housing Loans and Home Financing. The Issuer, CMBS, will purchase from the Originator, the GOM, a portfolio of Home Financing granted to Eligible Persons (including both current employees and pensioners) (“Mortgage Transactions”) together with all amounts to be collected under such Mortgage Transactions and all charges, guarantees, insurances and other rights in connection thereto (the “Mortgage Assets”). The aggregate Outstanding Principal Amount of Portfolio 2005-1 is RM2.84 billion. The Monthly Instalments of these Mortgage Transactions will be deducted at source from the Monthly Salary or Monthly Pension payable to the relevant Obligor. The Mortgage Transactions are covered by Residential Unit Policies and MRTA Policies.

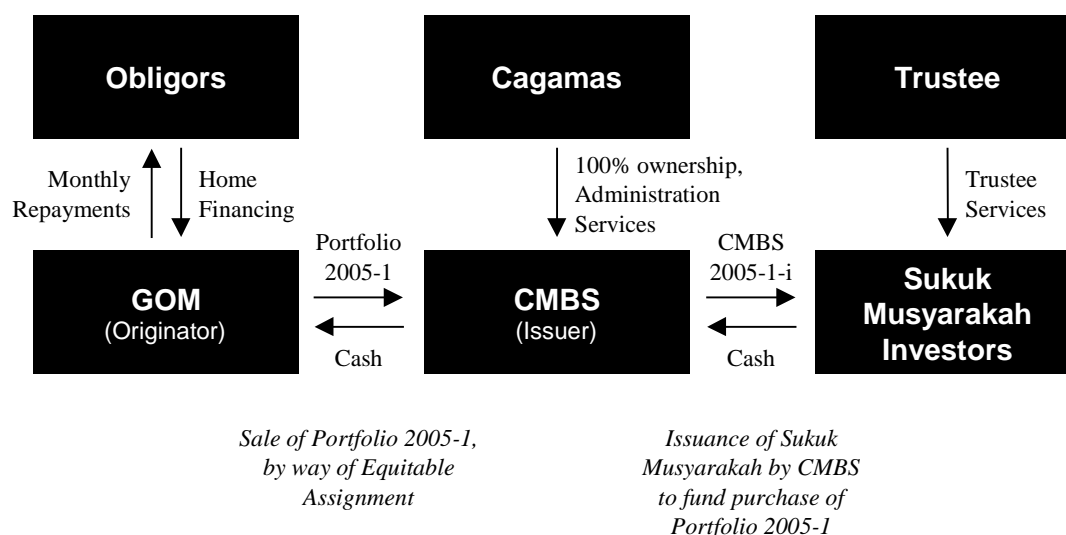
CMBS will issue asset-backed securities of up to RM2.05 billion under the Islamic principle of Musyarakah (the “Sukuk Musyarakah”) and utilise the proceeds to settle in whole the purchase consideration payable to the Originator for Portfolio 2005-1, in payment of the fees, costs and expenses relating to the distribution of the Sukuk Musyarakah and, any excess, to be paid into the Collections Account 2005-1. The Monthly Instalments of these Mortgage Transactions will be received from the Originator on a quarterly basis and utilised for the making of Distributions.

Both RAM and MARC have reviewed the transaction structure and performed collateral analysis on Portfolio 2005-1. After taking into account inter alia that (i) a portion of the cash flow from Portfolio 2005-1 is scheduled for payment after the ultimate legal maturity of the Sukuk; and (ii) the profit rate of the Mortgage Transactions in Portfolio 2005-1 is lower than the expected profit rate under the Sukuk; the overcollateralisation of 138.5% is sufficient for both RAM and MARC to assign preliminary ratings of AAA and AAA_{ID} respectively to the Sukuk Musyarakah.

The GOM, in its capacity as the Servicer, will continue to administer the Mortgage Transactions after the securitisation exercise, through the BPP.

Malaysian Trustees Berhad has been appointed as the Trustee for the transaction. The Transaction Administrator and the Administrator for CMBS will be Cagamas, who will receive quarterly or other periodic servicer reports on the Collections 2005-1 from BPP and reconcile, amongst others, the amounts received against the amounts expected to be received.

Please refer to the following diagram for a graphical illustration of the securitisation transaction.



1.3 Salient Characteristics of the Sukuk Musyarakah

Issuer	: Cagamas MBS Berhad (Company No. 655289-H)
Originator/Servicer	: Government of Malaysia
Trustee	: Malaysian Trustees Berhad (Company No. 21666-V)
Transaction Administrator/ Administrator	: Cagamas Berhad
Central Depository and Paying Agent	: Bank Negara Malaysia
Rating Agencies	: Malaysian Rating Corporation Berhad (Company No. 364803-V) Rating Agency Malaysia Berhad (Company No. 208095-U)
Musyarakah Venture and Issuance of Sukuk Musyarakah	: The Sukuk Musyarakah are Islamic securities to be issued in connection with the securitisation of a portfolio of Mortgage Assets purchased from the Originator.

Underlying Transaction

- Musyarakah Venture

The Musyarakah Venture involves the investment by investors in a specifically identified pool of Mortgage Assets originated by the Originator (Portfolio 2005-1). The investment in Portfolio 2005-1 represents a business transaction amongst the investors (excluding the Issuer) in Portfolio 2005-1.

To facilitate the investment, the Issuer will be appointed by the investors as their *wakeel* (agent) and trustee in the Musyarakah Venture via a Musyarakah Declaration of Trust, *inter alia* to receive the investors' capital contribution, to acquire on their behalf, the Portfolio 2005-1 and to hold the same upon the terms thereof.

Any profit in the Musyarakah Venture shall be shared between the holders of the Sukuk Musyarakah in proportion to their capital invested in the Musyarakah Venture and the expected profit rate of each Tranche of the Sukuk Musyarakah. Pursuant to a Tanazul (waiver) arrangement, the holders of the Sukuk Musyarakah will amongst themselves agree from the outset that they shall waive any profit from the Musyarakah Venture in excess of the expected profit rate based on the agreed profit sharing ratio.

Any loss in the Musyarakah Venture shall be shared between the holders of the Sukuk Musyarakah in proportion to their capital invested in the Musyarakah Venture.

The proportions for the sharing of profit is computed as the ratio of capital invested by each holder of the Sukuk Musyarakah (as represented by the nominal value of the Sukuk Musyarakah held) to the total capital invested by all Sukuk Musyarakah holders in the Musyarakah Venture (as represented by the nominal value of all Sukuk Musyarakah).

The proportions for the sharing of loss is computed as the ratio of capital invested by each holder of the Sukuk Musyarakah (as represented by the nominal value of the Sukuk Musyarakah held) to the total capital invested by all Sukuk Musyarakah holders in the Musyarakah Venture (as represented by the nominal value of all Sukuk Musyarakah).

Unless earlier dissolved upon the occurrence of a Dissolution Event (as hereinafter defined), the Musyarakah Venture will automatically be dissolved upon the cancellation and return of all capital invested in accordance with the terms of the Sukuk Musyarakah.

- Issuance of Sukuk Musyarakah

Upon the investors' making their respective capital contributions to the Issuer, the Issuer shall issue the Sukuk Musyarakah which represent the investors' undivided proportionate beneficial ownership of Portfolio 2005-1 and their right to receive Distributions.

The Sukuk Musyarakah will be issued in tranches with different maturities.

The Sukuk Musyarakah will be issued within six (6) months from the date of the approval of the issue by the Securities Commission.

The Sukuk Musyarakah are issued on a limited recourse basis. This means that holders of the Sukuk Musyarakah will have only the benefit of Portfolio 2005-1 and the Collections 2005-1 from or proceeds of realisation

thereof and limited recourse to the counterparties to the Administration Services Documents 2005-1 and Transaction Documents for any breach of those agreements, to satisfy their right to receive profit and repayment of the capital invested.

The payment of the collections from Portfolio 2005-1 or the proceeds of realisation thereof shall constitute a complete discharge of the Issuer's duties and obligations in relation to the Sukuk Musyarakah and the holders of the Sukuk Musyarakah waive all claims against the Issuer or any of its other assets in respect of any duties and obligations of the Issuer, which but for such waiver, the Issuer would be subject to under or in connection with the Sukuk Musyarakah.

Holders of the Sukuk Musyarakah will also be deemed to have agreed (by their investment in or purchase of a Sukuk Musyarakah or the holding of a beneficial interest therein) not to petition for or join any person in petitioning for the winding up of the Issuer or otherwise institute against, or join any person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other similar proceedings under any applicable laws.

Amount	: Up to RM2.05 billion in Nominal Value
Joint Lead Arrangers/ Joint Bond Co-ordinators	: CIMB and HSBC
Facility Agent	: CIMB
Joint Lead Managers	: CIMB, HSBC, AmMerchant and ABN
Security	: The Sukuk Musyarakah will not be secured as the Sukukholders are the beneficial owners of all the Mortgage Assets of Portfolio 2005-1.
Tranches	Subject to investor demand, the Sukuk Musyarakah will be issued in the following tranches:

<u>Tranche</u>	<u>Tenure (months)</u>
Tranche 2005-A 1	36
Tranche 2005-A 2	60
Tranche 2005-A 3	84
Tranche 2005-A 4	120
Tranche 2005-A 5	144
Tranche 2005-A 6	180

Profit rate (%)	: The profit rate on the Sukuk Musyarakah will be determined closer to the date of issue depending upon the mode of issue which may include private placement on a best efforts basis, book running on a best efforts basis or a bought deal basis.
Profit payment frequency	: Profit is distributable (payable) quarterly in arrears from the date of issuance (each date of distribution of profit, a "Profit Distribution Date" save for the last distribution which shall be made on a Maturity Date).

Profit will be calculated on the basis of actual number of days elapsed and actual number of days in the year.

Preliminary Rating : Preliminary Credit Rating Assigned: AAA

Rating Agency: RAM

Rating Definition: *Islamic investment instruments rated AAA are judged to be of premier quality, with the highest safety for capital preservation and the highest likelihood of realising the expected returns in accordance with the investment contract*

Preliminary Credit Rating Assigned: AAA_{ID}

Rating Agency: MARC

Rating Definition: *Extremely strong ability to make payment on the instrument issued under the Islamic financing contract(s)*

Selling Restrictions : The Sukuk Musyarakah may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons to whom the offer or invitation to purchase the Sukuk Musyarakah would fall within:

- (a) at the point of issuance of the Sukuk Musyarakah, Schedule 2 or Section 38(1)(b) and Schedule 3 or Section 39(1)(b) and Schedule 5 or Section 66(3) of the Securities Commission Act 1993 as amended from time to time (the “SCA”); and
- (b) after the issuance of the Sukuk Musyarakah, Schedule 2 or Section 38(1)(b) and Schedule 5 or Section 66(3) of the SCA.

In addition, if any offer or sale of these Sukuk Musyarakah or any distribution of any document or other material in connection therewith is to be conducted in any jurisdiction other than Malaysia, the applicable laws and regulations of such jurisdiction will also have to be complied with prior to any such offer, sale or distribution.

Listing : Unlisted.

The detailed terms and conditions of the Sukuk Musyarakah are set forth in Chapter 6 of this Preliminary Information Memorandum.

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2.0 THE SECURITISATION STRUCTURE

The transaction is the securitisation of a portfolio of Mortgage Assets (the Portfolio 2005-1) originated by the GOM. The securitisation is effected through a sale of Portfolio 2005-1 to CMBS for a cash consideration. The Issuer will fund the purchase through the issuance of the Sukuk Musyarakah.

2.1 Sale of the Mortgage Assets**2.1.1 Overview of the Sale**

The seller is the GOM (as the Originator) acting through the BPP and the purchaser is the Issuer. The Mortgage Assets which are being sold as Portfolio 2005-1 constitute Mortgage Transactions which are being serviced by Obligors currently in service of the GOM receiving Monthly Salaries or Pensioners receiving Monthly Pensions. The Monthly Instalments for the Mortgage Transactions will be deducted at source from the Monthly Salary or the Monthly Pensions payable to the Obligors. It is a criteria of the sale that the Monthly Salaries or Monthly Pensions received by the Obligors is adequate to service the Monthly Instalments under the Mortgage Transactions.

2.1.2 Nature of the Sale

The Originator will enter into the Master Sale and Purchase Agreement 2005-1 with the Issuer. The sale of Portfolio 2005-1 will be pursuant to Purchase Contract 2005-1 which will specify the commercial terms applicable in respect of the purchase of that portfolio but will otherwise incorporate the terms of the Master Sale and Purchase Agreement 2005-1 and the Deed of Warranties 2005-1. Portfolio 2005-1 will be more particularly identified in a summary of the relevant Mortgage Transactions annexed to Purchase Contract 2005-1. The sale and purchase will be of all the rights, title, interest and benefits of the Originator in the Mortgage Assets on and as of the Purchase Date 2005-1 and in consideration of the Issuer paying to the Originator the Purchase Consideration on the Completion Date. The Originator also agrees to service and administer all Mortgage Assets sold in accordance with the terms of the Servicing Agreement 2005-1.

The Originator may, pursuant to the Master Sale and Purchase Agreement 2005-1, enter into future Purchase Contracts with the Issuer for the sale of other portfolios of Mortgage Assets.

The Originator makes various representations and warranties under the Deed of Warranties which are incorporated into the Purchase Contract 2005-1. The Originator also warrants that the information set forth in the summary of the relevant Mortgage Transactions is true and accurate and not misleading and that the portfolio of the Mortgage Assets sold pursuant to the Purchase Contract 2005-1 satisfies the Eligibility Criteria up to the Completion Date.

2.1.3 Legal True Sale and Equitable Assignment

Wong & Partners, in its capacity as the Transaction and Issuer's Legal Counsel, has opined that the sale of Mortgage Assets by the Originator under the Master Sale and Purchase Agreement 2005-1 will be a "true sale" by way of an equitable absolute assignment for legal purposes and as such no notification will be required to be given to the Obligors or any Security Provider or any other person. The equitable absolute assignment is by the Deed of Assignment 2005-1 executed concurrent with the Purchase Contract 2005-1. The Issuer is entitled, however, to require a legal transfer of the Mortgage Transactions. The Issuer bears the risk of default of by an Obligor or any Security Provider under the Mortgage Transactions.

In addition, the Trustee may give or require that notice be given to the Obligors or any Security Provider of the sale of the Mortgage Assets once a Dissolution Event has occurred and upon such notification, an absolute and perfected legal assignment will be created. The Trustee may then require the Obligors to make payments directly to the Collections Account 2005-1, may require registration of the Mortgage Charges in the name of the CMBS, may require the Insurance Providers to recognize CMBS as the loss payee and otherwise require the execution and delivery of such documents and deeds as may be necessary to perfect the title of CMBS to the Mortgage Assets.

2.1.4 Terms of the Sale

Portfolio 2005-1 will be the subject of Purchase Contract 2005-1 dated on or about the date of the Trust Deed 2005-1.

The principal commercial terms of the sale are as follows:

- (a) the portfolio size is determined and Portfolio 2005-1 is purchased as of 31 March 2005 (the "Purchase Date 2005-1"). The Issuer is purchasing, inter alia, all rights to Portfolio 2005-1 and Collections 2005-1 therefrom on and from the Purchase Date 2005-1.
- (b) the aggregate Outstanding Principal Amount on the Mortgage Transactions of Portfolio 2005-1 is approximately RM2.84 billion as at the Purchase Date 2005-1.
- (c) the Purchase Consideration will be settled in cash by payment to the Originator on the Completion Date.
- (d) the Mortgage Transaction must satisfy an agreed list of criteria (the "Core Eligibility Criteria" and the "Portfolio Eligibility Criteria"). The Mortgage Transactions will consist only of Home Financing.
- (e) the Originator will act as the servicer and remit quarterly Collections from Portfolio 2005-1 six (6) months in arrears from the date of commencement of the relevant quarter. Thus Collections 2005-1 in the months of April 2005, May 2005 and June 2005 will be remitted by 1 October 2005 and so on.

2.1.5 Mortgage Assets

The Mortgage Assets of Portfolio 2005-1 include, the Originator's rights, benefit, title and interest in and to the relevant Mortgage Transaction and Mortgage Instruments and all amounts to be collected under the Mortgage Transactions and all charges, guarantees and insurances and other rights in connection thereto, including any proceeds from recoveries.

2.1.6 Purchase Consideration

The price to be paid for Portfolio 2005-1 on the date for completion will equal the fair value of the Mortgage Assets as at the Purchase Contract Date 2005-1 and will be settled fully in cash.

The fair value has been agreed between the Originator as a willing seller and the Issuer as a willing buyer and is based on a discounted cash flow calculation using agreed assumptions – *see Section 3.4.3 of Chapter 3 of this Preliminary Information Memorandum for the assumptions.*

2.1.7 Cancellation

In the event the Purchase Consideration is not paid by an agreed date for completion, the Purchase Contract 2005-1 shall be terminated unless otherwise agreed by the parties. In that case the issue of the Sukuk Musyarakah will be aborted but without prejudice to any other future issue.

2.2 Issuance of Sukuk Musyarakah

To fund the purchase, the Issuer will issue the Sukuk Musyarakah comprising six (6) Tranches with maturities of 3, 5, 7, 10, 12 and 15 years. Under the Musyarakah concept, two or more investors inject capital into a proposed venture. For this securitisation, the Musyarakah Venture shall be between the Sukukholders for the purchase of Portfolio 2005-1. The Issuer shall purchase Portfolio 2005-1 from the Originator and hold Portfolio 2005-1 on trust for the Sukukholders. The profit sharing ratio shall be pre-agreed between the investors and will differ depending on the Profit of each Tranche. The loss sharing ratio shall be the ratio of the capital contribution by each investor to the total capital contribution of all investors.

The Issuer will issue the Sukuk Musyarakah to the investors to represent the investors' undivided proportionate beneficial ownership in Portfolio 2005-1. Collections from Portfolio 2005-1 shall be utilised for the making of Distributions. Part of the proceeds from the capital contribution of investors shall be utilised to purchase Portfolio 2005-1.

Holders of the Sukuk Musyarakah will be limited in their recourse to Portfolio 2005-1 underlying the Sukuk Musyarakah and the proceeds from or the realisation of the Portfolio 2005-1. Save for such recourse, Sukukholders have no claims against the Issuer or any of its other assets in respect of the Sukuk Musyarakah.

2.2.1 Partial Early Return of Capital Option

In the event of prepayments on the Mortgage Transactions resulting in Collections 2005-1 being in excess of forecast cashflows, the Issuer may give notice, which shall be irrevocable, to partially or wholly early return the capital invested in Tranche 2005-A 6 of the Sukuk Musyarakah. This partial early return of capital is reflected in the Sukuk Musyarakah as a conditional reverse pay structure with limited pass through features. These features allow the outstanding Sukuk Musyarakah with the longest maturity i.e. Tranche 2005-A 6 maturing in year 2020, to be prepaid partially or in whole if the cash balance exceeds RM66 million after the respective scheduled return of capital on the first five Tranches. This prepayment can be effected only on a Maturity Date of a Tranche.

2.2.2 Optional Return of Capital in Full

The Issuer may cancel and return all of the capital invested in all (but not some only) outstanding Sukuk Musyarakah on any Profit Distribution Date falling after the date on which the amount of the Outstanding Principal Amount on Portfolio 2005-1 is equal to or less than ten percent (10%) of the Outstanding Principal Amount on the Issue Date.

2.2.3 Mandatory Return of Capital in Full

Under the terms of the Deed of Warranties 2005-1, which are incorporated into Purchase Contract 2005-1, the occurrence of any of the following events which in the opinion of the Issuer affects the entire Portfolio 2005-1 will, by written notice from the Issuer, oblige a repurchase by the Originator of the entire outstanding Portfolio 2005-1:

- (a) the failure by the Originator to comply with any applicable law with respect to the Mortgage Assets;

- (b) the failure to vest and maintain vested in the Issuer a perfected ownership interest in the Mortgage Assets, free and clear of any encumbrances;
- (c) any successful dispute, claim or defence of the Obligor to the legality and enforceability of any Mortgage Assets and such dispute, claim or defence would be applicable to all Mortgage Assets;
- (d) any successful attempt by any person to avoid, rescind or set-aside any transfer by the Originator to the Issuer of the Mortgage Assets under any law, including any bankruptcy law or other insolvency law, and such avoidance, rescission or setting aside would be applicable to all Mortgage Assets.

The repurchase will be for a consideration which is the lower of the Purchase Consideration or the Outstanding Principal Amount at the relevant date for the repurchase of the entire portfolio.

In such circumstances, the Issuer shall cancel and return all of the capital invested in all (but not some only) of the outstanding Sukuk Musyarakah on the Profit Distribution Date falling after the date on which the Originator repurchases the entire Portfolio 2005-1.

2.2.4 Formula for Optional/Mandatory Return of Capital in Full

Return of capital invested in the Sukuk Musyarakah under paragraphs 2.2.2 and 2.2.3 shall be at an amount given by the following:

$$\text{ERS} = \frac{(\text{PB} \times \text{ERP})}{100}$$

where:

PB = aggregate nominal value of the Sukuk Musyarakah to be cancelled for return of the capital invested

ERP = amount to be returned as capital per RM100 of the nominal value of the Sukuk Musyarakah to be cancelled for return of the capital invested (rounded to the nearest 5 decimal places) subject to a minimum of RM100 calculated based on the formula set out below.

$$\text{ERP} = \left(\frac{100}{\left(1 + \frac{\text{YTM}}{4}\right)^{(N-1)}} \right) + \left(\sum_{k=1}^N \frac{\left(100 \times \frac{\text{Coupon}}{4}\right)}{\left(1 + \frac{\text{YTM}}{4}\right)^{(k-1)}} \right)$$

For the purposes of calculating the ERP, the following variables are used:

- (i) Coupon = the Profit Rate applicable to the relevant Tranche;
- (ii) YTM = the lower of (a) the Profit Rate applicable to the relevant Tranche or (b) the yield to maturity of Reference Malaysian Government Islamic Securities plus a spread of 25 basis points.

Reference Malaysian Government Islamic Securities shall be Malaysian Government Islamic Securities for tenures which are equal to the remaining tenure of the Tranche being cancelled for return of the capital invested and shall be determined from:

- (a) the latest Consolidated Government Securities Rates (Islamic) published by BNM weekly, two (2) Business Days prior to the date of issue of the notice of cancellation for return of the capital invested;

or, if that published rate is unavailable:

- (b) the arithmetic average of the mid-rates quoted by any five (5) Principal Dealers (being dealers in securities as appointed by BNM from time to time to bid at primary issues of Malaysian Government Islamic Securities), two (2) Business Days prior to the date of issue of the notice of cancellation for return of the capital invested.

In the case where the rate for a particular tenure is not available directly, then such a rate shall be extrapolated on a linear basis using the available arithmetic average mid-rates, provided that if the tenure of the tranche is not an integer, the Reference Malaysian Government Islamic Securities shall be the arithmetic mean of the rates of the two (2) nearest tenures derived from (a) or (b) above.

- (iii) N = number of profit distributions to be made between Maturity Date and the date of cancellation for return of the capital invested, inclusive of both the Maturity Date and the date of cancellation for return of the capital invested.

2.3 Servicing Function

2.3.1 Servicing by the Originator

Pursuant to the Servicing Agreement 2005-1 between the Originator and the Issuer, the Originator will act as the Servicer of the Mortgage Assets of Portfolio 2005-1 for a specified fee.

The Servicer will provide certain services to the Issuer in relation to the Mortgage Assets and these include but are not limited to:

- (a) the collection of all amounts from the Mortgage Assets in Portfolio 2005-1 (the Collections 2005-1);
- (b) the payment of Collections 2005-1 to the Collections Account 2005-1;
- (c) the provision of quarterly servicer reports summarising the amount of Collections 2005-1, prepayments and any other payments received, delinquency and default information;
- (d) the keeping of records, books, accounts and data in relation to each Mortgage Transaction in Portfolio 2005-1;
- (e) using its best efforts to maintain the relevant Insurance Policies; and
- (f) the taking of action for the realisation of any Mortgage Asset in relation to which there has been any default by the Obligor thereto.

Information on the Servicer is further provided in Chapter 9 of this Preliminary Information Memorandum.

2.3.2 Servicing of the Sukuk Musyarakah by the Issuer

The Issuer will receive quarterly payments from the Originator and this will be credited into the Collections Account 2005-1.

The monies in the Collections Account 2005-1 will be used for payments in the following order:

- (a) to the payment to the Operating Account as and when due of such amount as is computed by the Transaction Administrator as the amount of the tax liability of the Issuer in respect of Portfolio 2005-1 (such computation to take into account amounts previously paid to the credit of the Operating Account);
- (b) to the payment of all fees and expenses of the Trustee, the Facility Agent, the Paying Agent, the Central Depository and the rating agencies to the extent such fees and expenses having fallen due have not been paid by the Transaction Administrator;
- (c) to the payment on each Profit Distribution Date of the Servicer Fee on Portfolio 2005-1 and the payment as and when due of any amounts required for the perfection or enforcement of any rights under or in connection with any Mortgage Assets of Portfolio 2005-1;
- (d) to the payment on each Profit Distribution Date of the fees due and payable to the Transaction Administrator and the Administrator;
- (e) to the distribution of Profit payable on the Sukuk Musyarakah;
- (f) to return of the capital invested in the Tranches of the Sukuk Musyarakah according to their Maturity Dates until all the Sukuk Musyarakah are cancelled and all the capital invested has been returned; and
- (g) prior to the respective Maturity Dates of the Sukuk Musyarakah, to early cancellation and return of the capital invested pursuant to the options for early return of capital invested.

Following the declaration of a Dissolution Event, the priority of payment changes to the following:

- (a) to the payment to the Operating Account of such amount as is computed by the Transaction Administrator as the amount of the tax liability of the Issuer in respect of Portfolio 2005-1 (such computation to take into account amounts previously paid to the credit of the Operating Account);
- (b) towards payment of all fees and expenses of the Trustee, the Facility Agent, the Paying Agent, the Central Depository and the rating agencies to the extent such fees and expenses having fallen due have not been paid by the Transaction Administrator;
- (c) towards payment of all fees, costs and expenses incurred or to be incurred in connection with or incidental to disposal or winding up of Portfolio 2005-1;
- (d) towards the payment to the Servicer of its accrued and unpaid fees, costs and expenses;
- (e) pro-rata distribution of Profit on the Sukuk Musyarakah, if available, up to the agreed amount;

- (f) pro-rata return of capital invested in the Sukuk Musyarakah until cancellation and return of capital invested on all of the Sukuk Musyarakah and all other amounts payable to the holders of the Sukuk Musyarakah;
- (g) towards payment to the Transaction Administrator and the Administrator of their accrued and unpaid fees; and
- (h) payment of any surplus to the Issuer.

Amounts paid in respect of fees and expenses having fallen due but not been paid by the Transaction Administrator and which the Transaction Administrator is liable for are recoverable against the Transaction Administrator.

2.4 Application of Funds

With regards to the proceeds of issue of the Sukuk Musyarakah, their application is as follows:

- (a) in payment of the fees, costs and expenses relating to the distribution of the Sukuk Musyarakah;
- (b) in settlement in whole of the purchase consideration payable to the Originator for Portfolio 2005-1; and
- (c) any excess to be credited to Collections Account 2005-1.

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3.0 THE MORTGAGE POOL – PORTFOLIO 2005-1

3.1 Mortgage Assets

The Mortgage Assets of Portfolio 2005-1 consist of Home Financing outstanding from Obligor currently in the service of the GOM and receiving Monthly Salaries and/or Pensioners receiving Monthly Pensions. The criteria for the Monthly Salary received by Government Employees and the Monthly Pension received by the Pensioners is that it is adequate to service the Monthly Instalments.

3.2 Eligibility Criteria

There are certain Core Eligibility Criteria for the purchase of all Mortgage Assets (including those comprised in future portfolios). In addition, there will be Portfolio Eligibility Criteria applicable to each portfolio.

The Originator will represent that each Mortgage Transaction within a portfolio satisfies the Core Eligibility Criteria and the Portfolio Eligibility Criteria. In the event of a breach of such representation, in relation to any Mortgage Transactions, the Originator will compensate the Issuer by payment of the Equivalent Amount or, at the election of the Issuer, replace such Mortgage Transaction with another Mortgage Transaction acceptable to the Issuer.

The Core Eligibility Criteria, applicable to each Mortgage Transaction in a portfolio, is that it must meet the following criteria as at the Purchase Contract Date:

- (a) it is absolutely beneficially owned by the Originator free from all encumbrances other than in favour of the Originator;
- (b) it was created in accordance with the Guidelines of the Originator for the grant of Housing Loans or Home Financing and credit standards no less stringent than those generally applied by the Originator;
- (c) it is a Mortgage Transaction which is a legal, valid and binding obligation of the related Obligor and where applicable, related Security Provider enforceable against such Obligor and where applicable, related Security Provider in accordance with its terms, subject to applicable bankruptcy or insolvency related exceptions;
- (d) to the best knowledge of the Originator, it is a Mortgage Transaction which the relevant Obligor has not exercised or indicated an intention to exercise the option of early settlement/prepayment, any right of rescission, set-off, counterclaim or defence (including the defence of usury);
- (e) all amounts required to be paid for the purchase of the Mortgaged Property, the subject of the Mortgage Transaction, have been paid;
- (f) it is not a Mortgage Transaction which the Originator is prohibited or restricted by law, contract or otherwise from effecting a transfer of the same together with all related security thereto free from all encumbrances;
- (g) all security created under or pursuant to the Mortgage Transaction is a first ranking security having priority to all secured and unsecured claims, has been validly created and perfected and all procedures in accordance with the Originator's usual practices have been adhered to in the creation and perfection of such security and all documents evidencing such security are in the possession and custody of the Originator;
- (h) it was advanced and is repayable in Ringgit Malaysia;

- (i) the amount of the financing under the Mortgage Transaction has been fully disbursed and the Originator retains no obligation to make any further advances of any nature under the Mortgage Transaction and the Originator has satisfied all obligations to be fulfilled on or prior to the time the Mortgage Transaction is sold to the Issuer;
- (j) the property the subject of the Mortgage Transaction, if a Residential Unit, has a certificate of fitness for occupation;
- (k) the Mortgage Transaction provides for settlement of amounts due from the Obligor by monthly instalments; and
- (l) the Mortgage Asset must have been created more than six (6) months prior to the Purchase Date.

In relation to Portfolio 2005-1, each Mortgage Transaction in Portfolio 2005-1 must also meet the following criteria:

- (a) the Mortgage Transaction must be granted based on acceptable Islamic principles;
- (b) the amount of the monthly salary/pension due to the Obligor is equal to or greater than the amount of the monthly instalment required to be paid to the Originator;
- (c) it has not been classified by the Originator in accordance with its usual practices as being currently in default (a default being a case where there are any Arrears of Instalments which are at least three (3) months overdue) nor has any payment in respect thereof been rescheduled, amended or changed to avoid or eliminate a delinquency or default or following a delinquency or default;
- (d) each Mortgage Asset includes homeowner's insurance (covering, inter alia, loss by fire) and Mortgage Reducing Term Assurance (MRTA) policy cover and each of such policies has had the premium thereon paid and the policies are endorsed with the interest of the Originator as "mortgagee", "financier" or "lender";
- (e) the sum assured under the MRTA policy cover for each Mortgage Transaction is equal to or greater than the Outstanding Principal Amount in respect of that Mortgage Transaction;
- (f) the MRTA policy cover for each Mortgage Transaction will remain in effect at least until the scheduled date for payment of the last monthly instalment of the relevant Mortgage Transaction;
- (g) the Obligor under the Mortgage Transaction is not a person identified in the records of the Originator as being or having been the subject of bankruptcy proceedings, as having been convicted of any offence capable of resulting in imprisonment or as being deceased.
- (h) a Mortgage Transaction where the obligor must currently be in the service of the Government of Malaysia (other than in service in the Armed Forces) or a Pensioner;
- (i) a Mortgage Transaction in which the salary/pension deduction for Monthly Instalments must have commenced no earlier than 1998 and at least six (6) months prior to Purchase Date 2005-1; and;
- (j) a Mortgage Transaction which has not been already sold/transferred to the Issuer.

3.3 Compensation or Replacement

The Originator will represent:

- (a) that each Mortgage Transaction within Portfolio 2005-1 satisfies the Eligibility Criteria up to the Completion Date of the purchase of Portfolio 2005-1; and
- (b) that the information given in Purchase Contract 2005-1 in relation to the Mortgage Assets is true and accurate and is not misleading because of any omission or ambiguity or for any other reason.

In the event of a breach of any of the representations, in relation to any Mortgage Transaction or an order for sale is granted in respect of any second charge created by an Obligor (which is a breach of the terms of the Purchase Contract 2005-1), the Originator will, as provided by the Deed of Warranties 2005-1, either, at the election of the Issuer, compensate the Issuer in the Equivalent Amount or, replace such Mortgage Asset with another Mortgage Asset acceptable to the Issuer.

3.4 Description of the Mortgage Assets (The Securitised Assets)

3.4.1 Portfolio Description and Characteristics

Portfolio 2005-1 Summary (As at 31 March 2005)

Aggregate Outstanding Principal Amount	RM2.84 billion
Mortgage Type	Islamic Mortgage Transaction
Current Obligor Status	Obligors currently in the service of the GOM receiving Monthly Salaries and/or Pensioners receiving Monthly Pensions. Pensioners: 0.39% Active employees: 99.61%
Repayment Source	Direct deductions from Monthly Salaries and/or Monthly Pensions and remitted directly to BPP.
Mortgage Security	1 st ranking legal security on the Mortgaged Property.
MRTA Coverage	MRTA coverage equal to or more than the Outstanding Principal Amount.
Number of Mortgages	37,264
Average Mortgage Size	RM76,334
Weighted Average Profit Rate	4.00% (Fixed)
Weighted Average Seasoning	3.47 years
Weighted Average Term to Maturity (at origination)	23.7 years
Weighted Average Remaining Life to Maturity	20.23 years
Weighted Average Current Age*	40.94 years
Weighted Average Age at Maturity*	61.0 years

* As at 1 June 2005

See "Eligibility Criteria" in Section 3.2 of this chapter for the Portfolio Eligibility Criteria.

The following diagrams (Table 1 and Figure 1) indicate the types of Mortgage Transaction constituting Portfolio 2005-1. 76% of the Mortgage Transactions were for the purpose of purchasing Residential Units under construction.

Table 1 – Distribution of Mortgage Transactions by Types of Mortgage Transaction

Types of Mortgage Transaction (As at 31 March 2005)	Number of Accounts	Number of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
Purchase of Completed House	4,298	11.53%	322.53	11.34%
Construction of House	2,739	7.35%	236.71	8.32%
Purchase of House under Construction	28,178	75.62%	2,200.64	77.37%
Purchase of Land	1,566	4.20%	50.39	1.77%
Refinancing	372	1.00%	25.25	0.89%
Construction of House on Land Previously Purchased	111	0.30%	8.97	0.32%
Total	37,264	100.00%	2,844.49	100.00%

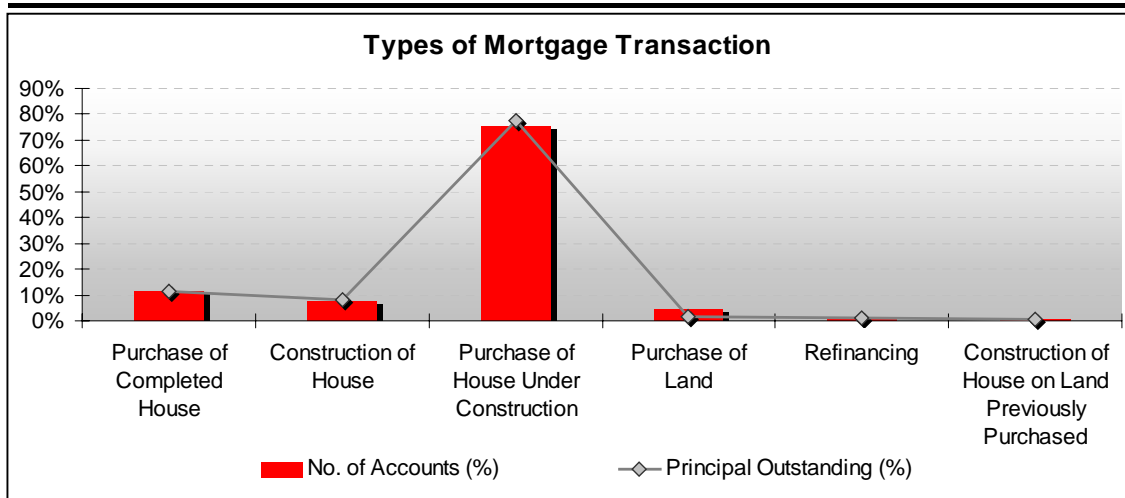


Figure 1

The following diagrams (Table 2 and Figure 2) indicate the distribution of the principal outstanding of the Mortgage Transactions. Around 70% of Portfolio 2005-1 consists of Mortgage Transactions that have principal outstanding of greater than RM60,000. This can be attributed to the fact that no Mortgage Transactions prior to 1998 are being securitised, hence short seasoning levels with relatively high principal outstanding.

Table 2 – Distribution of Mortgage Transactions by Principal Outstanding

Range (RM) (As at 31 March 2005)	No. of Accounts	No. of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
<30,000	2,466	6.62%	52.20	1.83%
30,000 - 39,999	2,929	7.86%	101.95	3.58%
40,000 - 49,999	2,730	7.33%	123.30	4.33%
50,000 - 59,999	3,950	10.60%	218.20	7.67%
60,000 - 69,999	4,800	12.88%	312.79	11.00%
70,000 - 79,999	6,553	17.59%	491.94	17.29%
80,000 - 89,999	2,862	7.68%	241.43	8.49%
90,000 - 99,999	2,352	6.31%	223.80	7.87%
100,000 - 109,999	2,523	6.77%	265.43	9.33%
110,000 - 119,999	2,806	7.53%	321.59	11.31%
120,000 - 129,999	936	2.51%	116.60	4.10%
130,000 - 139,999	634	1.70%	85.18	2.99%
140,000 - 149,999	420	1.13%	61.00	2.14%
150,000 - 159,999	512	1.37%	79.26	2.79%
≥ 160,000	791	2.12%	149.82	5.27%
Total	37,264	100.00%	2,844.49	100.00%

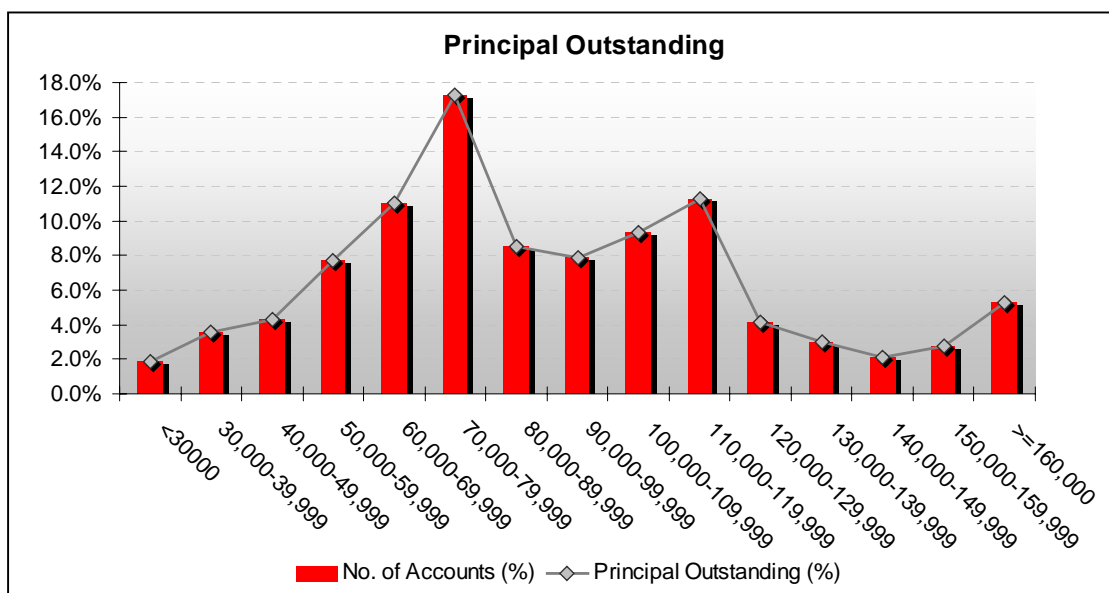


Figure 2

The following diagrams (Table 3 and Figure 3) indicate the distribution of the Monthly Instalments of Portfolio 2005-1. Roughly 60% of all Mortgage Transactions pay Monthly Instalments between RM300 and RM650.

Table 3 – Distribution of Mortgage Transactions by Monthly Instalments

Range (RM) (As at 31 March 2005)	No. of Accounts	No. of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
<100	66	0.18%	0.64	0.02%
100 - 149	763	2.05%	16.13	0.57%
150 - 199	1,922	5.16%	55.18	1.94%
200 - 249	2,253	6.05%	79.73	2.80%
250 - 299	2,222	5.96%	96.81	3.40%
300 - 349	3,333	8.94%	176.99	6.22%
350 - 399	3,881	10.41%	237.03	8.33%
400 - 449	5,059	13.58%	362.35	12.74%
450 - 499	4,381	11.76%	339.17	11.92%
500 - 549	2,252	6.04%	187.36	6.59%
550 - 599	2,025	5.43%	189.64	6.67%
600 - 649	1,593	4.27%	160.04	5.63%
650 - 699	3,324	8.92%	371.92	13.08%
700 - 749	1,171	3.14%	138.59	4.87%
750 - 799	782	2.10%	92.40	3.25%
800 - 899	930	2.50%	129.99	4.57%
900 - 999	609	1.63%	89.37	3.14%
≥ 1000	698	1.87%	121.13	4.26%
Total	37,264	100.00%	2,844.49	100.00%

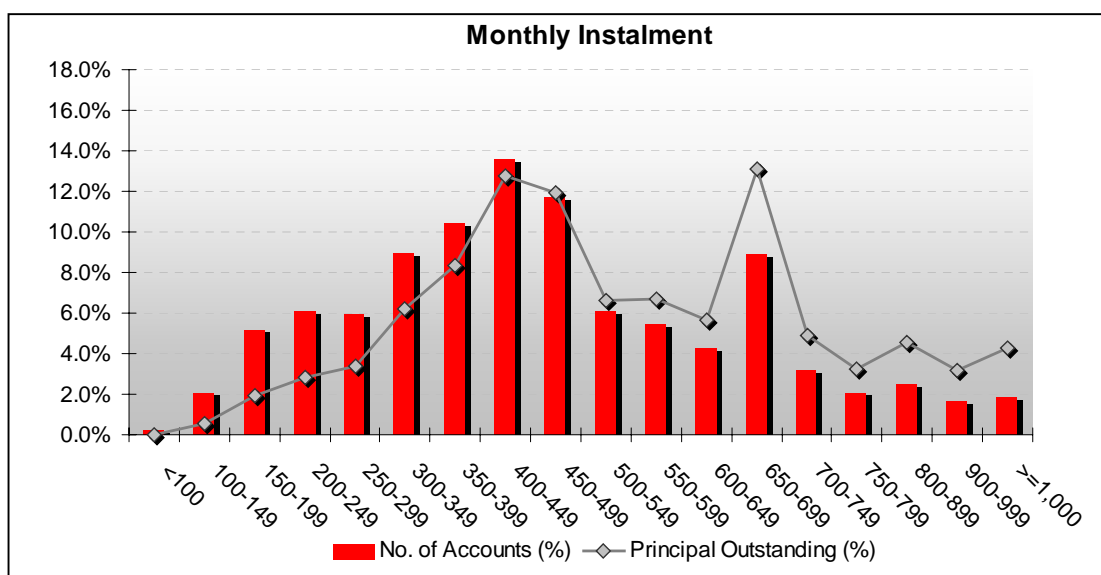


Figure 3

The following diagrams (Table 4 and Figure 4) show the occupation of government employees (obligors). Over 80% of the obligors are classified in the public category, which are not classified in each of the specific occupation listed below.

Table 4 – Distribution of Mortgage Transactions by Employee Occupation

Occupation (As at 31 March 2005)	Number of Accounts	Number of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
Public	29,851	80.11%	2,348.51	82.56%
Teacher	1,201	3.22%	87.06	3.06%
Police	1,965	5.27%	117.27	4.12%
Malaysian Railway	7	0.02%	0.35	0.01%
State Government	1,061	2.85%	59.33	2.09%
State Body	6	0.02%	0.44	0.02%
Federal Body	20	0.05%	1.54	0.05%
Local Council	391	1.05%	20.46	0.72%
Federal & State Member	96	0.26%	6.38	0.22%
Member of Parliament	2	0.01%	0.11	0.00%
Statutory Body	2,664	7.15%	203.03	7.14%
Total	37,264	100.00%	2,844.49	100.00%

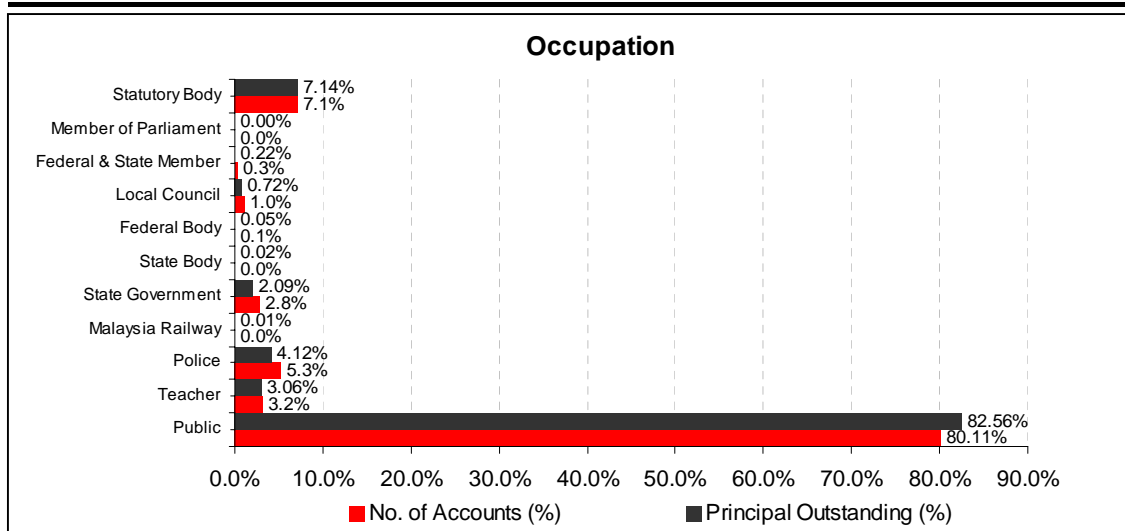


Figure 4

The following diagrams (Table 5 and Figure 5) provide an illustration of the seasoning of Portfolio 2005-1. About 65% of all Mortgage Transactions have seasoning of 3 years or less.

Table 5 – Distribution of Mortgage Transactions by Seasoning

Seasoning (Years) (As at 31 March 2005)	Number of Accounts	Number of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
≤ 1	4,149	11.13%	408.76	14.37%
2	9,177	24.63%	763.82	26.85%
3	9,506	25.51%	693.72	24.39%
4	7,328	19.67%	502.73	17.67%
5	5,082	13.64%	350.04	12.31%
6	1,917	5.14%	119.16	4.19%
7	105	0.28%	6.27	0.22%
≥ 8	-	0.00%	-	0.00%
Total	37,264	100.00%	2,844.49	100.00%

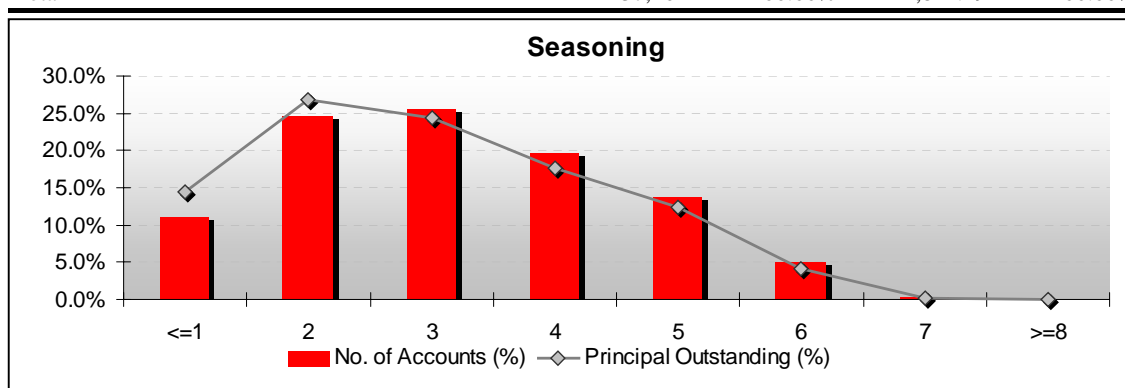


Figure 5

The following diagrams (Table 6 and Figure 6) indicate the distribution of the maturities. Approximately 68.9% of all Mortgage transactions will expire between 2024 and 2027, with the final Mortgage Transaction maturing in 2029.

Table 6 – Distribution of Mortgage Transactions by Year of Maturity

Year of Maturity (As at 31 March 2005)	Number of Accounts	Number of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
≤ 2012	1,009	2.71%	27.05	0.95%
2013	480	1.29%	15.66	0.55%
2014	382	1.03%	16.69	0.59%
2015	258	0.69%	15.80	0.56%
2016	278	0.75%	19.24	0.68%
2017	278	0.75%	19.98	0.70%
2018	371	1.00%	26.77	0.94%
2019	574	1.54%	40.64	1.43%
2020	680	1.82%	48.71	1.71%
2021	801	2.15%	61.24	2.15%
2022	806	2.16%	66.04	2.32%
2023	1,919	5.15%	139.25	4.90%
2024	4,532	12.16%	328.46	11.55%
2025	6,272	16.83%	447.99	15.75%
2026	7,311	19.62%	553.79	19.47%
2027	7,550	20.26%	642.04	22.57%
2028	3,616	9.70%	361.12	12.70%
≥ 2029	147	0.39%	14.01	0.49%
Total	37,264	100.00%	2,844.49	100.00%

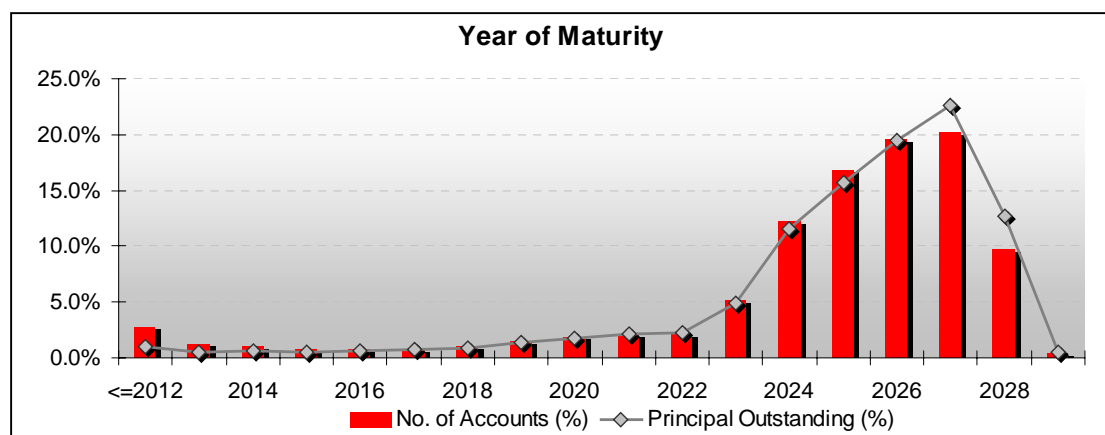


Figure 6

The following diagram (Table 7 and Figure 7) shows the remaining life of the portfolio. With low seasoning and an average Mortgage Transaction tenor of 24 years, 70.3% of all Mortgage Transactions have between 19 and 22 years remaining tenor on the Mortgage Transactions.

Table 7 – Distribution of Mortgage Transactions Remaining Life

Remaining Life (Years) (As at 31 March 2005)	Number of Accounts	Number of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
≤ 7	1,106	2.97%	29.83	1.05%
8	552	1.48%	19.55	0.69%
9	271	0.73%	13.33	0.47%
10	265	0.71%	16.69	0.59%
11	287	0.77%	20.33	0.71%
12	278	0.75%	20.44	0.72%
13	386	1.04%	27.32	0.96%
14	641	1.72%	45.39	1.60%
15	703	1.89%	50.61	1.78%
16	825	2.21%	64.44	2.27%
17	871	2.34%	71.10	2.50%
18	2,449	6.57%	177.35	6.24%
19	5,014	13.46%	359.19	12.63%
20	6,680	17.93%	482.43	16.96%
21	7,792	20.91%	607.04	21.34%
22	6,712	18.01%	595.42	20.93%
23	2,412	6.47%	242.09	8.51%
≥ 24	20	0.05%	1.92	0.07%
Total	37,264	100.00%	2,844.49	100.00%

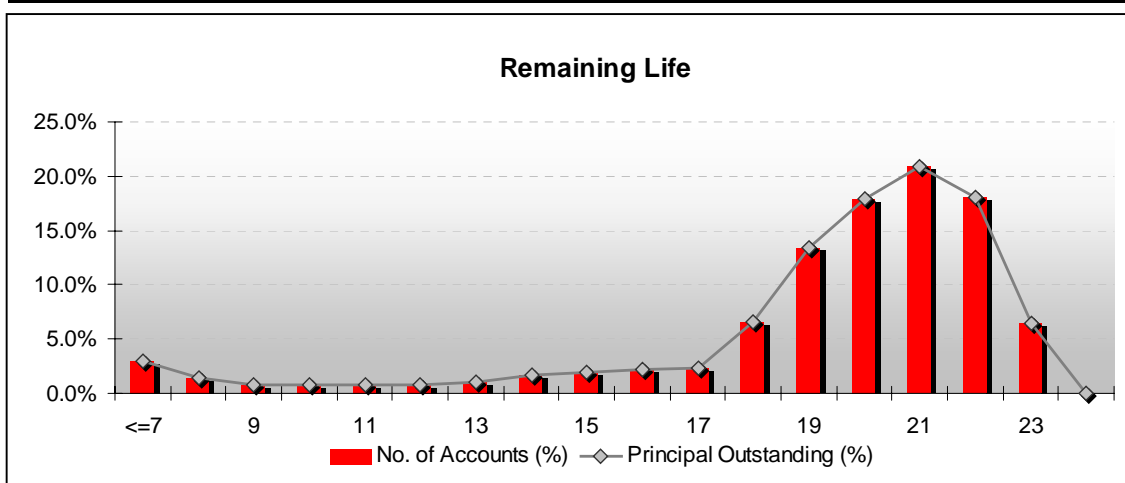


Figure 7

The following diagrams (Table 8 and Figure 8) illustrate the distribution of ages of the obligors. The oldest is 61 years old.

Table 8 – Distribution of Mortgage Transactions by Employee's Current Age

Remaining Life (Years) (As at 1 June 2005)	Number of Accounts	Number of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
≤ 31	1,170	3.14%	83.31	2.93%
32	931	2.50%	71.69	2.52%
33	1,323	3.55%	105.43	3.71%
34	1,747	4.69%	139.98	4.92%
35	1,955	5.25%	153.27	5.39%
36	2,187	5.87%	171.55	6.03%
37	2,528	6.78%	195.52	6.87%
38	2,609	7.00%	201.35	7.08%
39	2,873	7.71%	218.59	7.68%
40	2,709	7.27%	204.37	7.18%
41	2,535	6.80%	193.43	6.80%
42	2,198	5.90%	166.62	5.86%
43	1,999	5.36%	149.34	5.25%
44	1,878	5.04%	139.19	4.89%
45	1,598	4.29%	120.26	4.23%
46	1,429	3.83%	106.21	3.73%
47	1,237	3.32%	92.96	3.27%
48	1,004	2.69%	74.08	2.60%
49	827	2.22%	64.46	2.27%
50	648	1.74%	48.48	1.70%
51	547	1.47%	42.07	1.48%
52	432	1.16%	33.00	1.16%
53	323	0.87%	24.18	0.85%
54	244	0.65%	19.27	0.68%
≥ 55	333	0.89%	25.88	0.91%
Total	37,264	100.00%	2,844.49	100.00%

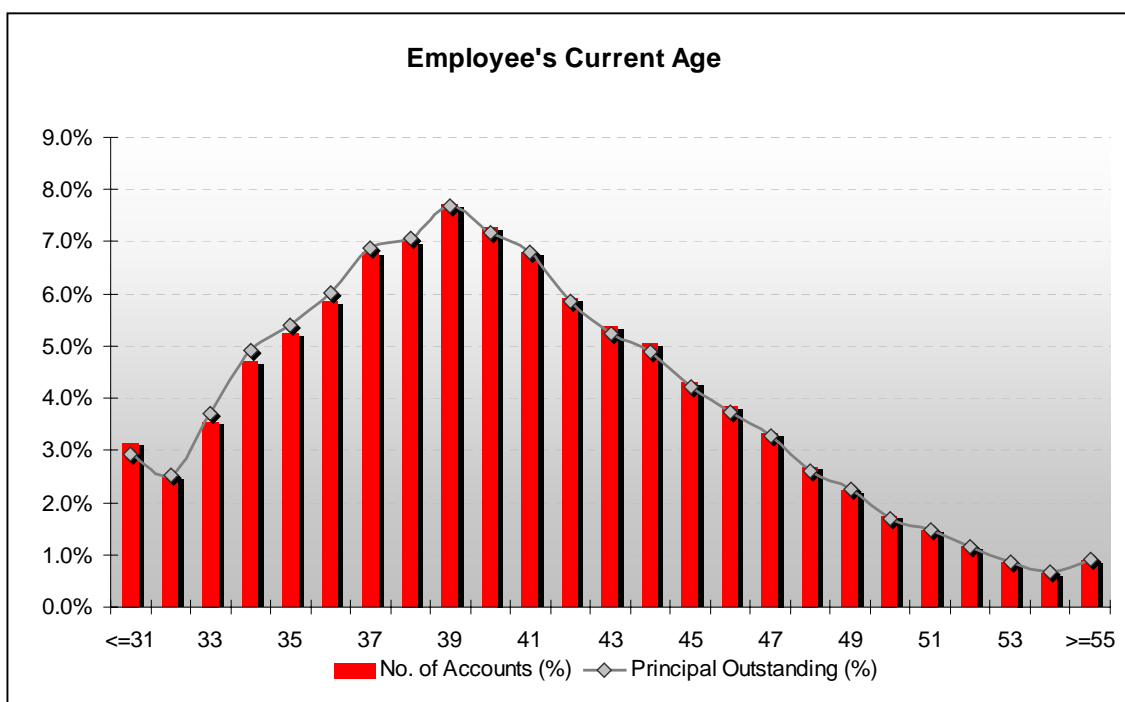


Figure 8

The following diagram (Table 9 Figure 9) provides the expected age of the obligor at maturity of their Mortgage Transaction. The average age at maturity is 60 years old while the oldest is 80 years old.

Table 9 – Distribution of Mortgage Transactions by Employee's Age at Maturity

Remaining Life (Years) (As at 1 June 2005)	Number of Accounts	Number of Accounts (%)	Principal Outstanding (RM million)	Principal Outstanding (%)
≤ 49	1,205	3.23%	38.84	1.37%
50	275	0.74%	14.16	0.50%
51	417	1.12%	24.85	0.87%
52	690	1.85%	43.75	1.54%
53	1,074	2.88%	74.24	2.61%
54	1,653	4.44%	121.65	4.28%
55	2,346	6.30%	176.91	6.22%
56	2,787	7.48%	218.59	7.68%
57	2,761	7.41%	216.81	7.62%
58	2,638	7.08%	205.98	7.24%
59	2,637	7.08%	209.80	7.38%
60	2,743	7.36%	213.12	7.49%
61	2,429	6.52%	192.25	6.76%
62	2,200	5.90%	173.37	6.10%
63	1,939	5.20%	153.17	5.38%
64	1,634	4.38%	128.18	4.51%
65	1,440	3.86%	113.42	3.99%
66	1,266	3.40%	101.61	3.57%
67	1,076	2.89%	85.20	3.00%
68	883	2.37%	69.89	2.46%
69	798	2.14%	66.00	2.32%
70	554	1.49%	45.61	1.60%
71	476	1.28%	39.30	1.38%
72	374	1.00%	31.68	1.11%
≥ 73	969	2.60%	86.09	3.03%
Total	37,264	100.00%	2,844.49	100.00%

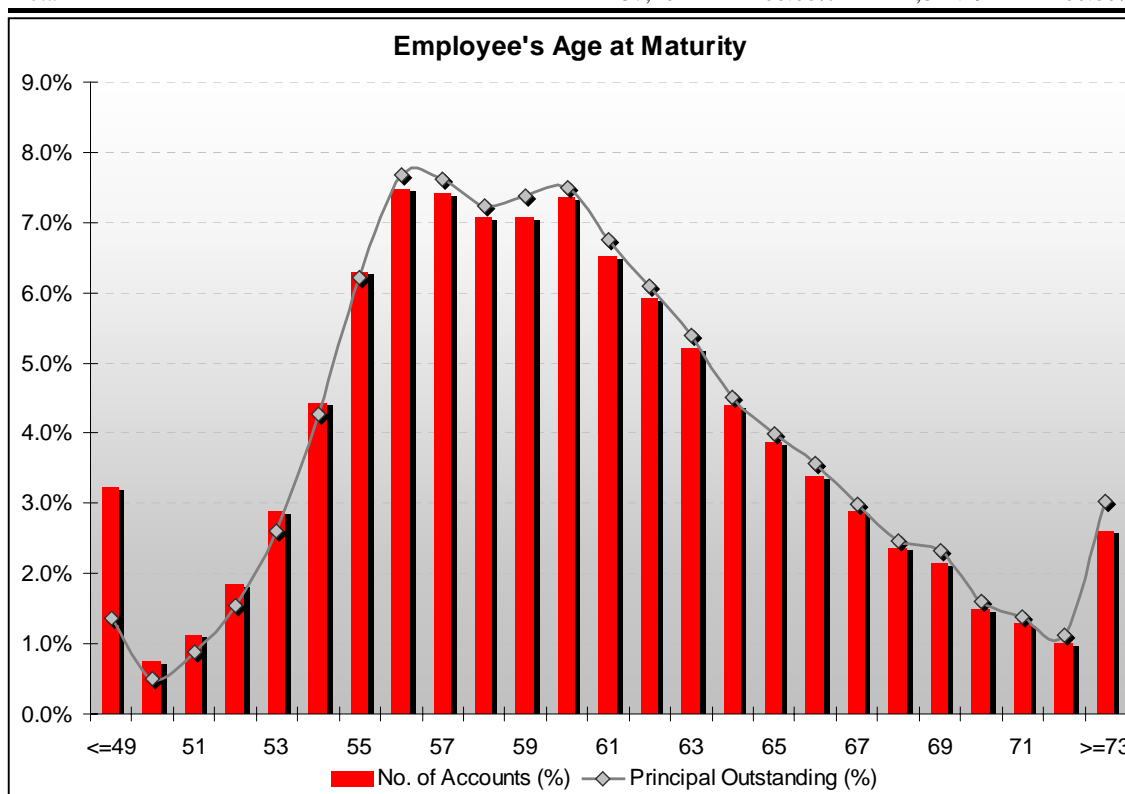


Figure 9

3.4.2 Historical Data

The following tables provide 88 months (from January 1998 to April 2005) historical data (not limited to Portfolio 2005-1) of Mortgage Transactions.

Table 1 - Number of Mortgage Transactions Originated by Year

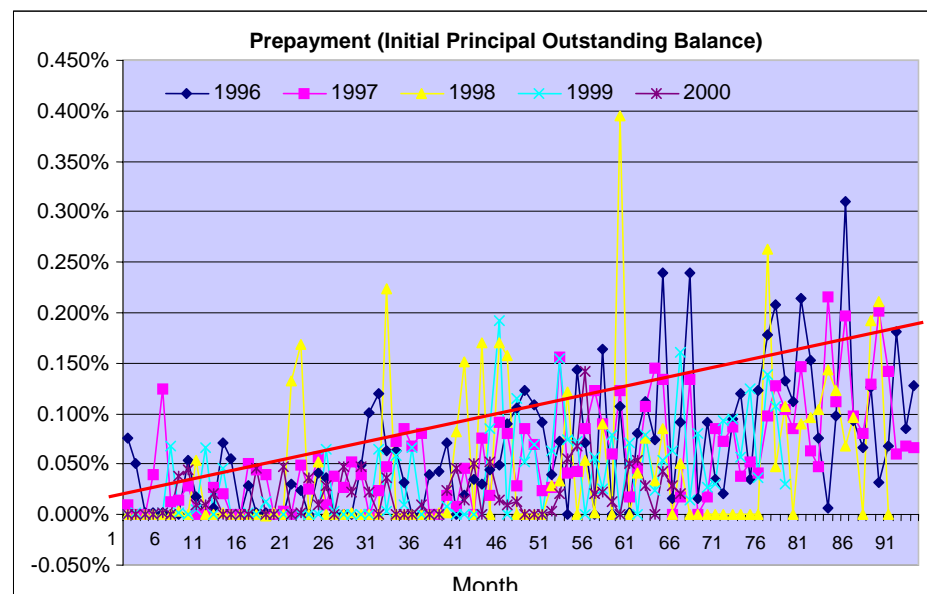
Year of Origination	No of Accounts at Origination	Home Financing Amount at Origination (RM)	Outstanding Balance (RM)
1996	2,305	154,859,330	116,169,801
1997	4,596	318,890,073	242,975,639
1998	1,008	75,342,844	66,050,257
1999	2,536	195,384,101	171,773,880
2000	3,969	294,335,655	269,389,931

Table 2 – Average Annual Prepayment by Year as a Percentage of Total Portfolio

Year of Origination	Voluntary (%)	Involuntary (%)	Total Prepayment (%)
1996	0.632	0.127	0.759
1997	0.547	0.163	0.710
1998	0.413	0.124	0.537
1999	0.363	0.088	0.451
2000	0.166	0.071	0.237
Average	0.424	0.115	0.539

(Note: Voluntary Prepayment arises from Obligor who voluntarily make unscheduled mortgage repayments. Involuntary Prepayments arise primarily from death of Pensioners.)

The average annual prepayment may be distorted by extremely high or low prepayment in certain months. The graph below shows that the historical monthly prepayment rate increase gradually over time to 0.2% (annual rate of 2.4%).



The delinquency summary below analyses the delay in scheduled principal and profit collections of the Islamic mortgage Home Financing from the scheduled collection month by working out the average percentage of delinquent Home Financing in the 12 months subsequent to the scheduled collection month. The high percentage of 1-month delinquency has reflected the technical delay in transfer and recording of collections.

Table 3 - Level of Delinquency

Year of Origination	Months (%)											
	1	2	3	4	5	6	7	8	9	10	11	12
1996	57.6	2.3	0.4	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.0
1997	58.1	2.5	0.5	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1
1998	55.5	3.4	1.3	0.9	0.3	0.2	0.2	0.1	0.2	0.1	0.1	0.0
1999	61.0	4.2	1.1	0.5	0.1	0.1	0.2	0.1	0.1	0.1	0.0	0.0
2000	59.2	5.8	1.6	0.5	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Average	58.3	3.6	1.0	0.5	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1

By analysing historical monthly and accumulated default data summarised below, we have observed that the levels of delinquency stabilise when the repayment of Mortgages Transactions were 10 months overdue. The analysis of the historical default rate is therefore calculated as an average percentage of the outstanding Home Financing amount overdue for 10 months (270-300 days) against the total Home Financing amount originated in each respective year. Historical default levels are summarised as follows:

Table 4 - Level of Defaults

Year of Origination	Months Overdue (%)			
	10	11	12	Average
1996	0.04	0.05	0.03	0.04
1997	0.06	0.04	0.08	0.06
1998	0.02	0.03	0.04	0.03
1999	0.06	0.05	0.04	0.05
2000	0.07	0.08	0.09	0.08
Average	0.05	0.05	0.05	0.05

Table 5 - Accumulated Default Analysis

Year of Origination	Loss Curve Month (%)		
	10	11	12
1996	5.1	4.5	2.9
1997	5.8	3.7	6.4
1998	2.9	3.3	3.1
1999	4.0	3.0	2.8
2000	4.5	5.3	5.5
Average	4.5	4.0	4.1

3.4.3 Cash Flow Description

Key assumptions in the base case cash flow projections

Default rate

Based on 88 months of historical data which shows a cumulative figure of 4.5% over the 88 months, the cash flow projections assume an average gross default rate of Portfolio 2005-1 amounted to an average of 0.6% p.a. throughout the tenor of the Sukuk Musyarakah. The recovery rate of the defaulted amount is assumed at around 10% and the average recovery time is 12 months based on historical data.

Delinquency rate

The long period of delinquency assumption is mainly due to the extended period of technical delinquencies (up to 270 days) as a result of delay in data input, employees (obligors) changing department, employees retiring and changing from payroll to pension system, etc. However, administrative improvements in respect of salary deductions are presently in progress and are anticipated to reduce the delinquency level. The delinquent amount will be recovered over 8 months in assessing the liquidity impact on the transaction. The recovery speed is based on the 88-month historical data, which shows over 98% of the delinquencies in the current month was recovered in the first and second months.

Prepayment rate

Prepayment of the Mortgage Transactions disrupts future scheduled instalments resulting in early settlement of principal outstanding at the time of prepayment but in loss of future cash flow stream. Although motivation of prepayment may be low due to the comparatively lower profit rate, historical portfolio performance has indicated an average prepayment level of 2.4% per annum.

The key assumptions applied in the cash flow projections are summarised below:

Key Assumptions	Base Case
Default rate	Average of 0.67% per annum
Default recovery rate	10% of the defaulted amount
Default recovery lag time	12 months
Delinquency rate	25% for each monthly instalment due
Delinquency recovery lag time	Over 8 months following the delinquency with 98% recovery in the first and second months
Prepayment	Gradually build up to 2.4% per annum over 108 months and maintain at 2.4% per annum thereafter

Expenses

The following fees and expenses are assumed in the base case cash flow projections based on the Transaction Administration Agreement, Administration Agreement and the Servicing Agreement:

Fee to Transaction Administrator	0.046% per annum
Fee to Administrator	0.001% per annum
Fee to Servicer	0.010% per annum

All the above fees are calculated based on the Outstanding Principal Amount at the beginning of each quarter from the Purchase Date 2005-1. The fees will be paid quarterly on each Profit Distribution Date.

The base case cash flow projections have also assumed other miscellaneous expenses of 0.025% per annum. Other expenses are also calculated based on the Outstanding Principal Amount at the beginning of each quarter from the Purchase Date 2005-1 and are assumed to be paid quarterly on each Profit Distribution Date.

Calculation of Fair Value

Section 2.1.6 refers to the fair value being determined based on a discounted net cash flow calculation using agreed assumptions. The discounted cash flow is the present value of the projected net cash flows based on the following stressed assumptions,

which are the same stressed assumptions utilised by the rating agencies in order to assign the appropriate rating to the Sukuk Musyarakah.

Key Assumptions	Stressed Case
Default rate	Average of 1.2%–1.35% per annum
Default recovery rate	5% of the defaulted amount
Default recovery lag time	24 months
Delinquency rate	45% for each monthly instalment due
Delinquency recovery lag time	Over 8 months following the delinquency, with 98% recovery in the first and second months
Prepayment	Gradually build up to 2.5% and 4.8% per annum over 88 and 108 months (by MARC and RAM respectively) and maintained at 2.5% and 4.8% per annum thereafter

Projected Cash Flows

Projected cash flows have been run for the following base cases:

- Base case with assumed average prepayment rate of 2.4% per annum derived from historical data;
- Base case with minimal average prepayment rate of less than 1% per annum.

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Base Case Projected Cash Flow Before Tax with Assumed Prepayment Rate

Time	Cash Flow from Portfolio 2005-1			Cash Outflow for the Sukuk Musyarakah				Cumulative Projected Net Pre-Tax Cash Flow
Months	Profit Collection	Principal Collection	(+) Credit Income	Profit on Sukuk Musyarakah	Capital Amortisation	Passthrough Capital Amount (for Tranche 6)	Expenses	RM
0*				-	-	-	-	-
1				-	-	-	-	-
2	26,134,099	22,371,142	-	-	-	-	-	48,505,240
3	-	-	101,053	25,322,500	-	-	583,121	22,700,672
4	-	-	47,293	-	-	-	-	22,747,965
5	28,491,663	25,245,569	47,392	-	-	-	-	76,532,588
6	-	-	159,443	25,322,500	-	-	578,084	50,791,447
7	-	-	105,816	-	-	-	-	50,897,263
8	28,305,008	25,991,076	106,036	-	-	-	-	105,299,382
9	-	-	219,374	25,322,500	-	-	572,898	79,623,358
10	-	-	165,882	-	-	-	-	79,789,240
11	28,078,176	20,754,308	166,228	-	-	-	-	128,787,952
12	-	-	268,308	25,322,500	-	-	567,563	103,166,197
13	-	-	214,930	-	-	-	-	103,381,126
14	27,854,215	21,484,986	215,377	-	-	-	-	152,935,705
15	-	-	318,616	25,322,500	-	-	562,079	127,369,742
16	-	-	265,354	-	-	-	-	127,635,095
17	27,623,400	22,216,700	265,906	-	-	-	-	177,741,102
18	-	-	370,294	25,322,500	-	-	556,446	152,232,450
19	-	-	317,151	-	-	-	-	152,549,601
20	27,385,690	22,937,864	317,812	-	-	-	-	203,190,967
21	-	-	423,315	25,322,500	-	-	550,662	177,741,119
22	-	-	370,294	-	-	-	-	178,111,413
23	27,143,229	24,064,822	371,065	-	-	-	-	229,690,530
24	-	-	478,522	25,322,500	-	-	544,731	204,301,821
25	-	-	425,629	-	-	-	-	204,727,450
26	26,891,978	24,998,542	426,516	-	-	-	-	257,044,486
27	-	-	535,509	25,322,500	-	-	538,650	231,718,845
28	-	-	482,748	-	-	-	-	232,201,593
29	26,633,832	25,725,729	483,753	-	-	-	-	285,044,907
30	-	-	593,844	25,322,500	-	-	532,418	259,783,832
31	-	-	541,216	-	-	-	-	260,325,048
32	26,368,903	26,455,822	542,344	-	-	-	-	313,692,117
33	-	-	653,525	25,322,500	-	-	526,038	288,497,104
34	-	-	601,036	-	-	-	-	289,098,140
35	26,097,196	27,194,614	602,288	-	-	-	-	342,992,238
36	-	-	714,567	25,322,500	250,000,000	1,150,230	519,507	66,714,567
37	-	-	138,989	-	-	-	-	66,853,556
38	25,818,569	27,930,209	139,278	-	-	-	-	120,741,612
39	-	-	251,545	23,024,572	-	-	512,825	97,455,760
40	-	-	203,033	-	-	-	-	97,658,793
41	25,532,975	28,667,940	203,456	-	-	-	-	152,063,164
42	-	-	316,798	23,024,572	-	-	505,993	128,849,398
43	-	-	268,436	-	-	-	-	129,117,834
44	25,240,426	29,404,217	268,995	-	-	-	-	184,031,472
45	-	-	383,399	23,024,572	-	-	499,009	160,891,291

* Month "0" is the month of issuance for the Sukuk Musyarakah

Time	Cash Flow from Portfolio 2005-1			Cash Outflow for the Sukuk Musyarakah				Cumulative Projected Net Pre-Tax Cash Flow
Months	Profit Collection	Principal Collection	(+) Credit Income	Profit on Sukuk Musyarakah	Capital Amortisation	Passthrough Capital Amount (for Tranche 6)	Expenses	RM
46	-	-	335,190	-	-	-	-	161,226,481
47	24,940,963	30,144,874	335,889	-	-	-	-	216,648,207
48	-	-	451,350	23,024,572	-	-	491,874	193,583,112
49	-	-	403,298	-	-	-	-	193,986,410
50	24,634,552	30,875,349	404,138	-	-	-	-	249,900,449
51	-	-	520,626	23,024,572	-	-	484,588	226,911,916
52	-	-	472,733	-	-	-	-	227,384,649
53	24,321,200	31,617,357	473,718	-	-	-	-	283,796,925
54	-	-	591,244	23,024,572	-	-	477,151	260,886,445
55	-	-	543,513	-	-	-	-	261,429,959
56	24,000,823	32,353,874	544,646	-	-	-	-	318,329,302
57	-	-	663,186	23,024,572	-	-	469,563	295,498,353
58	-	-	615,622	-	-	-	-	296,113,975
59	23,673,569	33,085,475	616,904	-	-	-	-	353,489,923
60	-	-	736,437	23,024,572	215,000,000	49,003,528	461,823	66,736,437
61	-	-	139,034	-	-	-	-	66,875,472
62	23,339,423	33,805,698	139,324	-	-	-	-	124,159,916
63	-	-	258,666	20,137,145	-	-	453,934	103,827,503
64	-	-	216,307	-	-	-	-	104,043,811
65	22,998,414	34,515,780	216,758	-	-	-	-	161,774,763
66	-	-	337,031	20,137,145	-	-	445,897	141,528,751
67	-	-	294,852	-	-	-	-	141,823,603
68	22,650,587	35,227,399	295,466	-	-	-	-	199,997,054
69	-	-	416,661	20,137,145	-	-	437,715	179,838,854
70	-	-	374,664	-	-	-	-	180,213,518
71	22,295,809	35,912,487	375,445	-	-	-	-	238,797,259
72	-	-	497,494	20,137,145	-	-	429,387	218,728,221
73	-	-	455,684	-	-	-	-	219,183,905
74	21,934,667	36,620,108	456,633	-	-	-	-	278,195,313
75	-	-	579,574	20,137,145	-	-	420,919	258,216,822
76	-	-	537,952	-	-	-	-	258,754,774
77	21,566,941	37,339,425	539,072	-	-	-	-	318,200,213
78	-	-	662,917	20,137,145	-	-	412,305	298,313,679
79	-	-	621,487	-	-	-	-	298,935,166
80	21,192,360	38,043,925	622,782	-	-	-	-	358,794,232
81	-	-	747,488	20,137,145	-	-	403,544	339,001,031
82	-	-	706,252	-	-	-	-	339,707,283
83	20,811,113	38,711,548	707,724	-	-	-	-	399,937,668
84	-	-	833,203	20,137,145	260,000,000	53,405,883	394,639	66,833,203
85	-	-	139,236	-	-	-	-	66,972,439
86	20,423,441	39,381,107	139,526	-	-	-	-	126,916,513
87	-	-	264,409	16,437,760	-	-	385,598	110,357,565
88	-	-	229,912	-	-	-	-	110,587,476
89	20,032,470	41,208,399	230,391	-	-	-	-	172,058,736
90	-	-	358,456	16,437,760	-	-	376,418	155,603,013
91	-	-	324,173	-	-	-	-	155,927,186
92	19,633,650	42,473,829	324,848	-	-	-	-	218,359,514

Time	Cash Flow from Portfolio 2005-1			Cash Outflow for the Sukuk Musyarakah				Cumulative Projected Net Pre-Tax Cash Flow
Months	Profit Collection	Principal Collection	(+) Credit Income	Profit on Sukuk Musyarakah	Capital Amortisation	Passthrough Capital Amount (for Tranche 6)	Expenses	RM
93	-	-	454,916	16,437,760	-	-	367,098	202,009,571
94	-	-	420,853	-	-	-	-	202,430,425
95	19,226,838	43,147,692	421,730	-	-	-	-	265,226,684
96	-	-	552,556	16,437,760	-	-	357,635	248,983,845
97	-	-	518,716	-	-	-	-	249,502,561
98	18,813,601	43,832,712	519,797	-	-	-	-	312,668,671
99	-	-	651,393	16,437,760	-	-	348,033	296,534,271
100	-	-	617,780	-	-	-	-	297,152,051
101	18,393,543	44,416,378	619,067	-	-	-	-	360,581,039
102	-	-	751,210	16,437,760	-	-	338,292	344,556,197
103	-	-	717,825	-	-	-	-	345,274,022
104	17,967,406	44,962,178	719,321	-	-	-	-	408,922,927
105	-	-	851,923	16,437,760	-	-	328,420	393,008,670
106	-	-	818,768	-	-	-	-	393,827,438
107	17,535,237	45,590,687	820,474	-	-	-	-	457,773,836
108	-	-	953,695	16,437,760	-	-	318,412	441,971,359
109	-	-	920,774	-	-	-	-	442,892,133
110	17,098,982	45,870,936	922,692	-	-	-	-	506,784,743
111	-	-	1,055,802	16,437,760	-	-	308,276	491,094,508
112	-	-	1,023,114	-	-	-	-	492,117,621
113	16,661,892	46,065,678	1,025,245	-	-	-	-	555,870,436
114	-	-	1,158,063	16,437,760	-	-	298,083	540,292,657
115	-	-	1,125,610	-	-	-	-	541,418,266
116	16,223,318	46,297,806	1,127,955	-	-	-	-	605,067,345
117	-	-	1,260,557	16,437,760	-	-	287,848	589,602,293
118	-	-	1,228,338	-	-	-	-	590,830,632
119	15,782,611	46,541,469	1,230,897	-	-	-	-	654,385,609
120	-	-	1,363,303	16,437,760	515,000,000	56,670,284	277,565	67,363,303
121	-	-	140,340	-	-	-	-	67,503,644
122	15,339,906	46,774,937	140,633	-	-	-	-	129,759,119
123	-	-	270,331	9,114,166	-	-	267,233	120,648,052
124	-	-	251,350	-	-	-	-	120,899,402
125	14,895,209	47,000,106	251,874	-	-	-	-	183,046,591
126	-	-	381,347	9,114,166	-	-	256,852	174,056,920
127	-	-	362,619	-	-	-	-	174,419,539
128	14,448,604	47,210,030	363,374	-	-	-	-	236,441,547
129	-	-	492,587	9,114,166	-	-	246,426	227,573,542
130	-	-	474,112	-	-	-	-	228,047,654
131	14,000,337	47,413,306	475,099	-	-	-	-	289,936,396
132	-	-	604,034	9,114,166	-	-	235,956	281,190,308
133	-	-	585,813	-	-	-	-	281,776,121
134	13,550,322	47,634,119	587,034	-	-	-	-	343,547,595
135	-	-	715,724	9,114,166	-	-	225,446	334,923,708
136	-	-	697,758	-	-	-	-	335,621,465
137	13,098,574	47,842,582	699,211	-	-	-	-	397,261,833
138	-	-	827,629	9,114,166	-	-	214,890	388,760,407
139	-	-	809,918	-	-	-	-	389,570,324

Time	Cash Flow from Portfolio 2005-1			Cash Outflow for the Sukuk Musyarakah				Cumulative Projected Net Pre-Tax Cash Flow
Months	Profit Collection	Principal Collection	(+) Credit Income	Profit on Sukuk Musyarakah	Capital Amortisation	Passthrough Capital Amount (for Tranche 6)	Expenses	RM
140	12,645,242	48,060,766	811,605	-	-	-	-	451,087,936
141	-	-	939,767	9,114,166	-	-	204,290	442,709,246
142	-	-	922,311	-	-	-	-	443,631,557
143	12,190,043	48,261,312	924,232	-	-	-	-	505,007,145
144	-	-	1,052,098	9,114,166	410,000,000	19,699,332	193,647	67,052,098
145	-	-	139,692	-	-	-	-	67,191,790
146	11,733,375	48,479,476	139,983	-	-	-	-	127,544,624
147	-	-	265,718	3,191,026	-	-	182,962	124,436,354
148	-	-	259,242	-	-	-	-	124,695,596
149	11,275,163	48,714,839	259,782	-	-	-	-	184,945,380
150	-	-	385,303	3,191,026	-	-	172,232	181,967,425
151	-	-	379,099	-	-	-	-	182,346,524
152	10,815,045	48,944,705	379,889	-	-	-	-	242,486,163
153	-	-	505,180	3,191,026	-	-	161,454	239,638,862
154	-	-	499,248	-	-	-	-	240,138,110
155	10,352,871	49,164,600	500,288	-	-	-	-	300,155,869
156	-	-	625,325	3,191,026	-	-	150,629	297,439,539
157	-	-	619,666	-	-	-	-	298,059,204
158	9,889,028	49,386,530	620,957	-	-	-	-	357,955,719
159	-	-	745,741	3,191,026	-	-	139,759	355,370,676
160	-	-	740,356	-	-	-	-	356,111,031
161	9,423,219	49,603,046	741,898	-	-	-	-	415,879,193
162	-	-	866,415	3,191,026	-	-	128,843	413,425,739
163	-	-	861,304	-	-	-	-	414,287,043
164	8,955,397	49,794,529	863,098	-	-	-	-	473,900,067
165	-	-	987,292	3,191,026	-	-	117,884	471,578,449
166	-	-	982,455	-	-	-	-	472,560,904
167	8,485,759	49,981,089	984,502	-	-	-	-	532,012,253
168	-	-	1,108,359	3,191,026	-	-	106,885	529,822,701
169	-	-	1,103,797	-	-	-	-	530,926,498
170	8,014,238	50,189,939	1,106,097	-	-	-	-	590,236,773
171	-	-	1,229,660	3,191,026	-	-	95,848	588,179,559
172	-	-	1,225,374	-	-	-	-	589,404,933
173	7,540,767	50,340,823	1,227,927	-	-	-	-	648,514,449
174	-	-	1,351,072	3,191,026	-	-	84,768	646,589,727
175	-	-	1,347,062	-	-	-	-	647,936,789
176	7,065,370	50,440,803	1,349,868	-	-	-	-	706,792,829
177	-	-	1,472,485	3,191,026	-	-	73,659	705,000,630
178	-	-	1,468,751	-	-	-	-	706,469,381
179	6,588,793	50,520,367	1,471,811	-	-	-	-	765,050,352
180	-	-	1,593,855	3,191,026	220,070,743	-	62,530	543,319,908

Base Case Projected Cash Flow Before Tax with Minimal Prepayment Rate

Time	Cash Flow from Portfolio 2005-1			Cash Outflow for the Sukuk Musyarakah				Cumulative Projected Net Pre-Tax Cash Flow
Months	Profit Collection	Principal Collection	(+) Credit Income	Profit on Sukuk Musyarakah	Capital Amortisation	Passthrough Capital Amount (for Tranche 6)	Expenses	RM
0*				-	-	-	-	-
1				-	-	-	-	-
2	26,134,433	22,272,392	-	-	-	-	-	48,406,825
3	-	-	100,848	25,322,500	-	-	583,121	22,602,051
4	-	-	47,088	-	-	-	-	22,649,139
5	28,495,717	24,744,338	47,186	-	-	-	-	75,936,379
6	-	-	158,201	25,322,500	-	-	578,104	50,193,976
7	-	-	104,571	-	-	-	-	50,298,547
8	28,316,766	25,087,442	104,789	-	-	-	-	103,807,543
9	-	-	216,266	25,322,500	-	-	573,021	78,128,288
10	-	-	162,767	-	-	-	-	78,291,055
11	28,101,700	19,439,142	163,106	-	-	-	-	125,995,003
12	-	-	262,490	25,322,500	-	-	567,872	100,367,121
13	-	-	209,098	-	-	-	-	100,576,219
14	27,893,514	19,772,199	209,534	-	-	-	-	148,451,466
15	-	-	309,274	25,322,500	-	-	562,657	122,875,582
16	-	-	255,991	-	-	-	-	123,131,573
17	27,682,315	20,127,414	256,524	-	-	-	-	171,197,827
18	-	-	356,662	25,322,500	-	-	557,375	145,674,614
19	-	-	303,489	-	-	-	-	145,978,103
20	27,468,048	20,502,662	304,121	-	-	-	-	194,252,934
21	-	-	404,694	25,322,500	-	-	552,019	168,783,109
22	-	-	351,631	-	-	-	-	169,134,740
23	27,251,515	21,369,476	352,364	-	-	-	-	218,108,095
24	-	-	454,392	25,322,500	-	-	546,587	192,693,400
25	-	-	401,445	-	-	-	-	193,094,845
26	27,029,804	21,906,675	402,281	-	-	-	-	242,433,604
27	-	-	505,070	25,322,500	-	-	541,059	217,075,115
28	-	-	452,240	-	-	-	-	217,527,355
29	26,804,972	22,287,504	453,182	-	-	-	-	267,073,013
30	-	-	556,402	25,322,500	-	-	535,461	241,771,454
31	-	-	503,691	-	-	-	-	242,275,145
32	26,575,381	22,879,469	504,740	-	-	-	-	292,234,735
33	-	-	608,822	25,322,500	-	-	529,785	266,991,272
34	-	-	556,232	-	-	-	-	267,547,503
35	26,341,262	23,330,797	557,391	-	-	-	-	317,776,953
36	-	-	662,035	25,322,500	250,000,000	-	523,988	42,592,500
37	-	-	88,734	-	-	-	-	42,681,235
38	26,103,802	23,690,455	88,919	-	-	-	-	92,564,410
39	-	-	192,843	23,041,250	-	-	518,098	69,197,904
40	-	-	144,162	-	-	-	-	69,342,067
41	25,862,001	24,235,068	144,463	-	-	-	-	119,583,598
42	-	-	249,132	23,041,250	-	-	512,135	96,279,346
43	-	-	200,582	-	-	-	-	96,479,928
44	25,614,705	24,861,162	201,000	-	-	-	-	147,156,795
45	-	-	306,577	23,041,250	-	-	506,060	123,916,062

* Month "0" is the month of issuance for the Sukuk Musyarakah

Time	Cash Flow from Portfolio 2005-1			Cash Outflow for the Sukuk Musyarakah				Cumulative Projected Net Pre-Tax Cash Flow
Months	Profit Collection	Principal Collection	(+) Credit Income	Profit on Sukuk Musyarakah	Capital Amortisation	Passthrough Capital Amount (for Tranche 6)	Expenses	RM
46	-	-	258,158	-	-	-	-	124,174,220
47	25,361,190	25,500,731	258,696	-	-	-	-	175,294,838
48	-	-	365,198	23,041,250	-	-	499,856	152,118,929
49	-	-	316,914	-	-	-	-	152,435,844
50	25,102,618	26,020,936	317,575	-	-	-	-	203,876,973
51	-	-	424,744	23,041,250	-	-	493,522	180,766,945
52	-	-	376,598	-	-	-	-	181,143,543
53	24,838,494	26,683,580	377,382	-	-	-	-	233,042,999
54	-	-	485,506	23,041,250	-	-	487,080	210,000,175
55	-	-	437,500	-	-	-	-	210,437,675
56	24,567,593	27,388,748	438,412	-	-	-	-	262,832,428
57	-	-	547,568	23,041,250	-	-	480,503	239,858,242
58	-	-	499,705	-	-	-	-	240,357,946
59	24,289,515	28,164,819	500,746	-	-	-	-	293,313,026
60	-	-	611,069	23,041,250	215,000,000	-	473,782	55,409,064
61	-	-	115,436	-	-	-	-	55,524,499
62	24,004,590	28,940,222	115,676	-	-	-	-	108,584,988
63	-	-	226,219	20,864,375	-	-	466,901	87,479,930
64	-	-	182,250	-	-	-	-	87,662,180
65	23,712,525	29,562,893	182,630	-	-	-	-	141,120,227
66	-	-	294,000	20,864,375	-	-	459,862	120,089,990
67	-	-	250,187	-	-	-	-	120,340,178
68	23,415,292	30,116,552	250,709	-	-	-	-	174,122,731
69	-	-	362,756	20,864,375	-	-	452,695	153,168,416
70	-	-	319,101	-	-	-	-	153,487,517
71	23,112,859	30,625,460	319,766	-	-	-	-	207,545,601
72	-	-	432,387	20,864,375	-	-	445,415	186,668,198
73	-	-	388,892	-	-	-	-	187,057,090
74	22,804,274	31,414,676	389,702	-	-	-	-	241,665,743
75	-	-	503,470	20,864,375	-	-	438,031	220,866,808
76	-	-	460,139	-	-	-	-	221,326,947
77	22,486,809	32,387,394	461,098	-	-	-	-	276,662,248
78	-	-	576,380	20,864,375	-	-	430,484	255,943,768
79	-	-	533,216	-	-	-	-	256,476,984
80	22,160,897	33,252,020	534,327	-	-	-	-	312,424,229
81	-	-	650,884	20,864,375	-	-	422,738	291,788,000
82	-	-	607,892	-	-	-	-	292,395,892
83	21,825,622	34,187,795	609,158	-	-	-	-	349,018,466
84	-	-	727,122	20,864,375	260,000,000	1,739,276	414,815	66,727,122
85	-	-	139,015	-	-	-	-	66,866,137
86	21,481,876	35,050,775	139,304	-	-	-	-	123,538,092
87	-	-	257,371	17,914,155	-	-	406,701	105,474,606
88	-	-	219,739	-	-	-	-	105,694,345
89	21,134,042	36,832,103	220,197	-	-	-	-	163,880,687
90	-	-	341,418	17,914,155	-	-	398,410	145,909,540
91	-	-	303,978	-	-	-	-	146,213,518
92	20,782,176	37,619,020	304,611	-	-	-	-	204,919,325

Time	Cash Flow from Portfolio 2005-1			Cash Outflow for the Sukuk Musyarakah				Cumulative Projected Net Pre-Tax Cash Flow
Months	Profit Collection	Principal Collection	(+) Credit Income	Profit on Sukuk Musyarakah	Capital Amortisation	Passthrough Capital Amount (for Tranche 6)	Expenses	RM
93	-	-	426,915	17,914,155	-	-	389,986	187,042,099
94	-	-	389,671	-	-	-	-	187,431,770
95	20,427,101	37,814,370	390,483	-	-	-	-	246,063,723
96	-	-	512,633	17,914,155	-	-	381,518	228,280,682
97	-	-	475,585	-	-	-	-	228,756,267
98	20,070,388	38,020,877	476,576	-	-	-	-	287,324,108
99	-	-	598,592	17,914,155	-	-	373,011	269,635,534
100	-	-	561,741	-	-	-	-	270,197,274
101	19,711,638	38,126,031	562,911	-	-	-	-	328,597,854
102	-	-	684,579	17,914,155	-	-	364,460	311,003,817
103	-	-	647,925	-	-	-	-	311,651,742
104	19,351,595	38,193,317	649,274	-	-	-	-	369,845,928
105	-	-	770,512	17,914,155	-	-	355,878	352,346,407
106	-	-	734,055	-	-	-	-	353,080,462
107	18,990,305	38,343,313	735,584	-	-	-	-	411,149,664
108	-	-	856,562	17,914,155	-	-	347,257	393,744,812
109	-	-	820,302	-	-	-	-	394,565,114
110	18,627,941	38,464,057	822,011	-	-	-	-	452,479,123
111	-	-	942,665	17,914,155	-	-	338,608	435,169,025
112	-	-	906,602	-	-	-	-	436,075,627
113	18,264,920	38,658,800	908,491	-	-	-	-	493,907,837
114	-	-	1,028,975	17,914,155	-	-	329,932	476,692,724
115	-	-	993,110	-	-	-	-	477,685,834
116	17,900,415	38,890,927	995,179	-	-	-	-	535,472,355
117	-	-	1,115,567	17,914,155	-	-	321,216	518,352,551
118	-	-	1,079,901	-	-	-	-	519,432,452
119	17,533,776	39,134,591	1,082,151	-	-	-	-	577,182,970
120	-	-	1,202,465	17,914,155	515,000,000	-	312,452	45,158,827
121	-	-	94,081	-	-	-	-	45,252,908
122	17,165,140	39,368,058	94,277	-	-	-	-	101,880,384
123	-	-	212,251	11,412,280	-	-	303,638	90,376,717
124	-	-	188,285	-	-	-	-	90,565,001
125	16,794,512	39,593,228	188,677	-	-	-	-	147,141,419
126	-	-	306,545	11,412,280	-	-	294,775	135,740,907
127	-	-	282,794	-	-	-	-	136,023,701
128	16,421,976	39,803,152	283,383	-	-	-	-	192,532,212
129	-	-	401,109	11,412,280	-	-	285,868	181,235,172
130	-	-	377,573	-	-	-	-	181,612,746
131	16,047,778	40,006,428	378,360	-	-	-	-	238,045,311
132	-	-	495,928	11,412,280	-	-	276,917	226,852,042
133	-	-	472,608	-	-	-	-	227,324,650
134	15,671,832	40,227,240	473,593	-	-	-	-	283,697,315
135	-	-	591,036	11,412,280	-	-	267,924	272,608,146
136	-	-	567,934	-	-	-	-	273,176,080
137	15,294,152	40,435,704	569,117	-	-	-	-	329,475,053
138	-	-	686,406	11,412,280	-	-	258,887	318,490,292
139	-	-	663,521	-	-	-	-	319,153,814

Time	Cash Flow from Portfolio 2005-1			Cash Outflow for the Sukuk Musyarakah				Cumulative Projected Net Pre-Tax Cash Flow
Months	Profit Collection	Principal Collection	(+) Credit Income	Profit on Sukuk Musyarakah	Capital Amortisation	Passthrough Capital Amount (for Tranche 6)	Expenses	RM
140	14,914,888	40,653,887	664,904	-	-	-	-	375,387,493
141	-	-	782,057	11,412,280	-	-	249,806	364,507,464
142	-	-	759,391	-	-	-	-	365,266,855
143	14,533,759	40,854,434	760,973	-	-	-	-	421,416,020
144	-	-	877,950	11,412,280	410,000,000	-	240,681	641,009
145	-	-	1,335	-	-	-	-	642,344
146	14,151,159	41,072,597	1,338	-	-	-	-	55,867,440
147	-	-	116,390	5,774,780	-	-	231,514	49,977,535
148	-	-	104,120	-	-	-	-	50,081,655
149	13,767,016	41,307,961	104,337	-	-	-	-	105,260,968
150	-	-	219,294	5,774,780	-	-	222,303	99,483,178
151	-	-	207,257	-	-	-	-	99,690,435
152	13,380,967	41,537,827	207,688	-	-	-	-	154,816,918
153	-	-	322,535	5,774,780	-	-	213,044	149,151,629
154	-	-	310,733	-	-	-	-	149,462,361
155	12,992,862	41,757,722	311,380	-	-	-	-	204,524,325
156	-	-	426,092	5,774,780	-	-	203,737	198,971,900
157	-	-	414,525	-	-	-	-	199,386,425
158	12,603,088	41,979,652	415,388	-	-	-	-	254,384,553
159	-	-	529,968	5,774,780	-	-	194,385	248,945,356
160	-	-	518,636	-	-	-	-	249,463,992
161	12,211,347	42,196,167	519,717	-	-	-	-	304,391,223
162	-	-	634,148	5,774,780	-	-	184,988	299,065,603
163	-	-	623,053	-	-	-	-	299,688,656
164	11,817,594	42,387,650	624,351	-	-	-	-	354,518,252
165	-	-	738,580	5,774,780	-	-	175,546	349,306,505
166	-	-	727,722	-	-	-	-	350,034,227
167	11,422,025	42,574,210	729,238	-	-	-	-	404,759,700
168	-	-	843,249	5,774,780	-	-	166,067	399,662,102
169	-	-	832,629	-	-	-	-	400,494,732
170	11,024,573	42,783,061	834,364	-	-	-	-	455,136,730
171	-	-	948,202	5,774,780	-	-	156,548	450,153,603
172	-	-	937,820	-	-	-	-	451,091,423
173	10,625,170	42,933,945	939,774	-	-	-	-	505,590,311
174	-	-	1,053,313	5,774,780	-	-	146,986	500,721,858
175	-	-	1,043,171	-	-	-	-	501,765,028
176	10,223,842	43,033,924	1,045,344	-	-	-	-	556,068,138
177	-	-	1,158,475	5,774,780	-	-	137,395	551,314,438
178	-	-	1,148,572	-	-	-	-	552,463,010
179	9,821,334	43,113,489	1,150,965	-	-	-	-	606,548,797
180	-	-	1,263,643	5,774,780	398,260,724	-	127,785	203,649,151

3.5 Insurance Policies

The following are only summaries of the relevant insurance policies and should not be taken as exhaustive or as necessarily being the terms of the insurance policies for all mortgage transactions.

There are two types of insurance policies; an MRTA Policy and/or a Residential Unit Policy. For Home Financing these insurance policies are provided only by Takaful Nasional Sdn Bhd ("Takaful").

MRTA Policy

MRTA policies are cover provided to pay a Sum Assured in the event of the death of the Obligor. The Sum Assured reduces annually and would at any time be greater than the Outstanding Principal Amount. In the event of a claim, the Sum Assured would be paid to the Government in reduction of the Outstanding Principal Amount with any excess being paid to the estate of the Obligor.

Takaful does not pay if the death of the Obligor is from Acquired Immune Deficiency Syndrome (AIDS) or any AIDS related conditions.

Premium on a policy is paid once on inception of the policy. Once paid the policy is non-cancellable.

The policy provides for a supplementary benefit in the event of permanent total disability. The supplementary benefit takes the form of the payment of the Sum Assured. The supplementary benefit automatically terminates on the 60th birthday of the Obligor or if the MRTA policy is surrendered.

Permanent total disability means irrecoverable loss of sight of both eyes, the amputation of both hands at or above the wrist, the amputation of both feet at or above the ankle, the amputation of one entire hand at or above the wrist and one entire foot at or above the ankle, the irrecoverable loss of sight of one eye or the amputation of one entire limb at or above the wrist or above the ankle. Provided, however, that to determine if the total disability has become a permanent one, it must continue uninterrupted for the period of at least six months.

If an Obligor is found to be older than as stated in the proposal and declaration for the policy, the policy is not avoided but the Sum Assured shall be adjusted for the premium actually paid and for the correct age.

Residential Unit Policy

The Residential Unit Policy is a homeowner or householder's insurance policy provided by Takaful to cover for a specified period the Residential Unit and the contents up to a maximum total sum insured.

Premium on a policy is paid once on inception of the policy.

The policy cover is against loss or damage as a result of any of the following perils:

- (1) fire, lightning, thunderbolt, subterranean fire,
- (2) explosion,
- (3) aircraft and other aerial devices or articles dropped,
- (4) impact by any road vehicle or animals not belonging to the insured or any member of his or her family,
- (5) bursting or overflowing of domestic water tanks, apparatus or pipes,
- (6) theft if accompanied with forcible or violent entry and the private dwelling was not left alone for more than 90 days,

- (7) hurricane, cyclone, typhoon, windstorm,
- (8) earthquake, volcanic eruption, and
- (9) flood.

The policy does not cover loss or damage occasioned by or through or in consequence of:

- (a) war, invasion, act of foreign enemy, civil war etc.,
- (b) mutiny, riot, insurrection, etc.
- (c) any act of terrorism;
- (d) confiscation, commandeering, requisition or destruction to property by order of the Government or local authority,
- (e) loss or damage by nuclear weapons material, ionising radiations or contamination by radioactivity,
- (f) hurricane, cyclone, typhoon or windstorm to any building in the course of construction, reconstruction or repair,
- (g) subsidence or landslips.

Consequential loss or damage of any kind whatsoever is also excluded except for loss of rent, reasonable additional expense necessarily incurred at a hotel, lodging house or boarding house and injury to third parties or damage to their property (subject to conditions applying in respect of liability for such loss or damage).

The insurer is also not liable:

- (a) under peril 5 above for the first RM50.00;
- (b) under perils 7, 8 and 9 for the first one percent (1%) of the Total Sum Insured or RM200.00 whichever is lower.

In the event of loss to the property insured, the insurer shall pay the lower of the insured value or the market value of the insured property. The market value of the insured property shall be determined by a valuation obtained by the insurer.

A Loss Mortgagee (Chargee) clause substantially in the following terms would be endorsed on the relevant policies:

“Loss if any, payable to Federal Treasury, Mortgagee (Chargee), as interest may appear and this insurance, as to the interest of the Mortgagee (Chargee) only therein shall not be invalidated by any act or neglect of the Mortgagor (Chargor) or the Owner of the private dwelling nor any foreclosure or notice of sale or by the occupation of the premises for purposes more hazardous than permitted by the Policy. Provided that if the Mortgagor (Chargor) or Owner shall neglect to pay any premium due under the Policy the Mortgagee (Chargee) shall on demand pay the same. Provided also that the Mortgagee (Chargee) shall notify the Company (the insurer) of any non-occupancy or of any change of ownership or occupancy or increase of hazard. Whenever the Company pays the Mortgagee (Chargee) any sum in respect of loss or damage under the policy, the Company shall become legally subrogated to all the rights of the Mortgagee (Chargee) to the extent of such payment but not so as to impair the right of the Mortgagee (Chargee) to recover the full amount of any claim it may have on the Mortgagor (Chargor) or Owner.

The cancellation of the policy cannot be effected by the Mortgagee or (Chargor) or Owner except on 14 days notification in writing to the Mortgagee (Chargee).

A profile of Takaful is provided in Appendix III of this Preliminary Information Memorandum.

3.6 Standard Home Financing Documentation

The following summary is not to be taken as exhaustive or complete as to all the terms and conditions of the documents summarised. It is intended to provide an overview of the current documentation used but no assurance is given that such documentation has in all cases been used in the documenting of the Mortgage Transactions in Portfolio 2005-1.

A number of standard form documents are used by the Government for the documentation of the Housing Loans and Home Financing provided by it. The form used in any particular case depends upon whether the property is in Peninsular Malaysia, Sabah or Sarawak and whether there is separate title to the property or not. Slightly different forms of these documents are used in cases where the financing is provided for refinancing purposes or renovations.

Home Financing Documentation

Home Financing is granted under the principle of Al - Bai Bithaman Ajil where the employee (the Obligor) agrees to sell to the financier (the Government) and the financier agrees to purchase from the employee the property for the purpose of immediately selling back the property to the employee on a deferred payment basis. The financing is extended by the Government to all employees eligible under the Islamic Home Financing Scheme. As security for the Al - Bai Bithaman Ajil financing either a memorandum of charge or an assignment is used. A memorandum of charge is used if there has been issued a separate document of title. If there is no separate document of title an assignment is used.

Property Purchase Agreement

Under the Property Purchase Agreement, the employee sells and the financier purchases the property free from all encumbrances for a purchase price which is the total amount of the financing facility. Similar to conventional loans, the amount of the financing will include all of the following:

- (a) the amount for financing the purchase of the property under the sale and purchase agreement with the developer or other party;
- (b) the premium payable in respect of the MRTA taken out on the property and other insurance cover that the financier may effect in its absolute discretion for or on behalf of the employee; and/or
- (c) if it is a renovation financing, the contract sum due to the contractor appointed by the employee and agreed to by the financier for the purpose of carrying out renovation works.

The employee is also to execute and deliver the following documents to the financier:

- (a) If there is a separate document of title, a valid and registrable Memorandum of Transfer in favour of the employee as the financier's nominee together with the document of title and all other relevant documents necessary for registering the employee as the financier's nominee and proprietor of the property free from all encumbrances; and
- (b) If there is no separate document of title, the employee is to execute a valid and registrable Memorandum of Transfer to the property and to deliver the document of title when it is issued.

Property Sale Agreement

Under the Property Sale Agreement (the "Agreement"), the financier (the Originator) sells to the employee (the Obligor) and the employee purchases the property free from all encumbrances. The employee is to pay the sale price by deferred monthly instalments.

If there is an order for compulsory acquisition under the Land Acquisition Act or the employee:

- (a) makes a default in payment;
- (b) fails to observe or perform any of the terms and conditions of the Agreement;
- (c) permits any judgment against him or her to remain unsatisfied or becomes a bankrupt or enters into any statutory or other composition or arrangement with or for the benefit of his or her creditors;
- (d) allows a second charge to be registered against the property;
- (e) commits any act of bankruptcy;
- (f) dies;
- (g) resigns or the employee's employment with the Government is terminated;

then all money covenanted to be paid by the employee will become immediately due and payable.

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4.0 INVESTMENT CONSIDERATIONS

An investment in the Sukuk Musyarakah involves risks and such investment is only suitable for investors who have knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of such an investment. The following section summarises certain of such risks associated with the investment in the Sukuk Musyarakah. Only sophisticated investors who have knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Sukuk Musyarakah should consider any investment therein. In addition to the other information contained in this Preliminary Information Memorandum, prospective purchasers of the Sukuk Musyarakah are strongly advised to read and carefully consider, in light of their own financial circumstances and investment objectives, the factors discussed below and to conduct their own independent investigation of the risks posed by the Sukuk Musyarakah and consult their own financial and legal advisors on the risks associated with the investment in the Sukuk Musyarakah prior to making an investment in the Sukuk Musyarakah.

4.1 Risks Related to Limited Recourse Obligations

- (a) *There is no recourse against the Originator in respect of defaults by Obligors in respect of their obligations under Mortgage Transactions. Neither does the Originator stand behind the Sukuk Musyarakah.*

The Sukukholders bear the risk of any default by the Obligors in making payment of their Monthly Instalments. There is no recourse against the Originator in respect of such default.

The Sukuk Musyarakah do not represent in any way obligations of the Originator nor does the Originator provide any guarantee or other assurance in respect of the Issuer's obligations on the Sukuk Musyarakah.

- (b) *The Issuer's ability to make payments on the Sukuk Musyarakah depends upon the collection of amounts owing by the Obligors in respect of the Mortgage Transactions.*

Obligors may fail to pay Monthly Instalments due from them on time or at all. In particular, if Obligors lose their salary or pension entitlements, this is likely to adversely affect the timing and amounts of Obligor payments. A significant increase in defaults or delinquencies by Obligors could lead to a default or delay in the making of Distributions on the Sukuk Musyarakah.

- (c) *Sukukholders' recourse in respect of the Sukuk Musyarakah is limited solely to Collections 2005-1 from Portfolio 2005-1 or the realisation thereof.*

The capital invested in the Sukuk Musyarakah will be returned and profit distributed thereon only out of Collections 2005-1 from Portfolio 2005-1 or the realisation thereof. Neither the Issuer nor the Originator is obligated to make any payments in respect of the Sukuk Musyarakah or the Mortgage Assets, except, in certain limited circumstances resulting from a breach of certain representations and warranties by the Originator regarding the Mortgage Assets when the Originator will be obliged to compensate the Issuer in the Equivalent Amount or replace the relevant Mortgage Assets. Consequently, Sukukholders must rely upon payments on or the realisation of the Mortgage Assets for the payment of principal of and profit on the Sukuk Musyarakah. Should the Sukukholders not be paid in full on a timely basis, the Sukukholders would not be able to look to the Issuer or the Originator or to any assets of the Originator or the Issuer to satisfy their claims.

The sole remedy of the Sukukholders or any other person in respect of any obligation, covenant, representation, warranty or agreement of the Issuer under or related to the Issue Documents shall be against the Portfolio 2005-1 or proceeds of Collections 2005-1 therefrom or disposal thereof (the realisable assets). Neither the Trustee, the Sukukholders nor any other person shall have any claim against the Issuer or the Originator to the extent that the realisable assets are insufficient to meet any such obligation, covenant, representation, warranty or agreement (the difference being referred to herein as a “shortfall”) and all claims in respect of the shortfall shall be extinguished and waived.

- (d) *Sukukholders may not petition for the winding-up of the Issuer or institute any insolvency proceedings against it.*

The Trustee (for itself and on behalf of the Sukukholders) covenants and agrees in the Trust Deed 2005-1 that it will not institute against, or join any other person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings, or other proceedings under any applicable insolvency laws.

4.2 Risks Associated with an Investment in the Sukuk Musyarakah

- (a) *No prior market for the Sukuk Musyarakah.*

Although the Issuer has previously issued CMBS 2004-1, the Sukuk Musyarakah may be considered a new issue of securities for which there is currently no established secondary market. There can therefore be no assurance that a secondary market will develop or, if a secondary market does develop, as to the liquidity of that market for the Sukuk Musyarakah or that it will continue for the entire tenure of the Sukuk Musyarakah, as to the ability of Sukukholders to sell their Sukuk Musyarakah, or the prices at which Sukukholders would be able to sell the Sukuk Musyarakah. There is also no assurance that the price of the Sukuk Musyarakah will not be adversely affected by the issue of additional asset-backed or other securities by the Issuer.

- (b) *The market value of the Sukuk Musyarakah may be subject to fluctuation.*

Trading prices of the Sukuk Musyarakah may be influenced by numerous factors, including the operating results and/or financial condition of the Issuer and/or Cagamas, political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuer or Cagamas. Adverse economic developments could have a material adverse effect on the market value of the Sukuk Musyarakah.

- (c) *An investment in the Sukuk Musyarakah is subject to interest rate risk.*

Sukukholders may suffer unforeseen losses due to fluctuations in interest rates. Although the Sukuk Musyarakah are Islamic securities which do not pay interest, they are similar to fixed income securities and may therefore see their price fluctuate due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices. The Sukuk Musyarakah may be similarly affected resulting in a capital loss for Sukukholders. Conversely, when interest rates fall, bond prices and the prices at which the Sukuk Musyarakah trade may rise. Sukukholders may enjoy a capital gain but Profit received may be reinvested for lower returns.

- (d) *An investment in the Sukuk Musyarakah is subject to 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 Musyarakah. An unexpected increase in inflation could reduce the actual return.

- (e) *The Sukuk Musyarakah do not have a cross-default provision relating to a default on other securities of the Issuer.*

The terms of the Sukuk Musyarakah do not provide the ability for Sukukholders to declare a Dissolution Event in the event of a default by the Issuer on CMBS 2004-1 or any other securities it may issue in the future. Sukukholders are restricted in their right to declare a default to the Dissolution Events stipulated as being applicable under the terms of the Sukuk Musyarakah.

- (f) *The Issuer may in certain circumstances exercise rights of Early Return of Capital.*

The Issuer has a right to an early return of capital on the last Tranche of the Sukuk Musyarakah and may exercise a “clean up” option if the amount of the principal outstanding on the Mortgage Transactions of Portfolio 2005-1 is equal to or less than 10 per cent of the aggregate of the Outstanding Principal Amount on the Issue Date.

Early return of capital of Tranche 2005-A 6 is conditional upon there remaining to the credit of the Collections Account 2005-1 an amount of not less than RM66 million after such return of capital invested.

If such rights of early return of capital are exercised, the holders of the Sukuk Musyarakah being cancelled may not make the return they are expecting.

- (g) *The ratings on the Sukuk Musyarakah may be changed at any time and this may adversely affect the market value of the Sukuk Musyarakah*

The Sukuk Musyarakah have been assigned preliminary ratings of “AAA_{ID}” and “AAA” respectively, by MARC and RAM. The ratings address the likelihood of full and timely payment of Distributions to Sukukholders. A rating is not a recommendation to purchase, hold or sell the Sukuk Musyarakah as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by an assigning rating organization in the future, if, in its judgment, circumstances in the future so warrant. In such circumstances, the market price and liquidity of the Sukuk Musyarakah may decrease, and no person or entity would be obligated to provide any additional credit enhancement with respect to the Sukuk Musyarakah. Any reduction, suspension or withdrawal of a rating of the Sukuk Musyarakah will not constitute a Dissolution Event with respect to the Sukuk Musyarakah.

4.3 Risks Related to the Mortgage Assets

- (a) *The Issuer’s ability to make payments on the Sukuk Musyarakah is dependent upon timely and complete payment by the Obligors and in the event a Mortgage Transaction becomes delinquent, the Issuer’s ability to make payments on the Sukuk Musyarakah on a timely basis may depend upon the timing and the amount of the realisations from any foreclosure proceedings commenced in respect of the related Mortgaged Property.*

There is no assurance, in the event of a default by an Obligor that the cash flow generated by the Mortgage Transactions will be timely or sufficient to ensure

payment when due, or at all, of principal and profit due on the Sukuk Musyarakah. The Issuer may be dependent on the timely resolution of, and the amount of realisations from, foreclosure proceedings commenced on the related Mortgaged Property.

- (b) *The Mortgage Assets are real estate assets and in the event a Mortgage Transaction becomes delinquent and foreclosure proceedings are commenced in respect of the related Mortgaged Property, the amount of realisations from such proceedings is subject to conditions affecting the real estate market and the particular Mortgaged Property.*

The market for the Mortgaged Properties is subject to certain real estate risks which include, but are not limited to, adverse changes in the national, regional or local economic and demographic conditions, real estate values generally and in the locale of the property, interest rates, inflation, the supply of and demand for residential properties, zoning laws or other governmental rules and policies and competitive conditions (including the construction of new competitive properties). If the real estate market collapses or falls sharply, the market value of the Mortgaged Properties may be adversely affected. Such risks, as well as general economic conditions, may result in the delay or inability to find buyers for Mortgaged Properties in foreclosure proceedings and/or adversely affect the amount of realisations from the resolution of such proceedings. Furthermore, foreclosure proceedings will generally take time to be completed. In the event a Mortgaged Transaction becomes delinquent and the sale of the related Mortgaged Property is delayed or the proceeds therefrom are insufficient to satisfy the Outstanding Amount due under the related Mortgaged Transaction, the Issuer's ability to make payments on the Sukuk Musyarakah on a timely basis or at all may adversely be affected.

- (c) *The Mortgage Transactions have the benefit of MRTA and Residential Property Insurance. Such MRTA and Residential Property Insurance is, however, provided only by a single insurer. Sukukholders may suffer losses if the insurer defaults on its obligations or is excused from its obligations or delay in meeting its obligations.*

The Originator requires Obligors to obtain MRTA and Residential Property Insurance. Such insurance policies are provided only through Takaful Nasional Sdn Bhd. A default in the performance of its obligations by the Insurance Provider may result in losses to the Sukukholders. Some information on the Insurance Provider may be found in Section 3.5 of Chapter 3 and Appendix III of this Preliminary Information Memorandum.

The Insurance Provider is not obliged to meet any liabilities under the MRTA policies taken out with it in the event an Obligor is made totally and permanently disabled due to Acquired Immune Deficiency Syndrome ("AIDS") or attempted suicide. However, the Insurance Provider provides MRTA coverage for death due to suicide. Death of an Obligor due to AIDS or any AIDS related conditions is not covered. If the Insurance Provider is excused by the terms of its policy or by law from meeting its obligations under the policies taken out with it, this may result in losses to the Sukukholders.

In making claims against the Insurance Provider, the Originator is dependent upon the Obligors or their personal representatives, in the case of the death of the Obligor, to furnish complete and timely details and evidence to support a claim against the Insurance Provider. Delays in obtaining such details or evidence could compromise a claim or the amount that may be claimed against the Insurance Provider and result in losses.

- (d) *Obligors may in certain circumstances lose their salary or pensions. Obligors may also be dependent upon their salary or pension payments to make payment of the Monthly Instalments due from them.*

The Monthly Instalments due on the Mortgage Transactions of the Portfolio 2005 -1 are paid from the Monthly Salary or Monthly Pensions of the Obligors. An Obligor may lose her/his pension in the event of a conviction for certain types of offences, bankruptcy or loss of citizenship or her/his salary in the event of a termination of employment. Such loss could adversely affect the ability of an Obligor to make timely and complete payment of the Monthly Instalments due from her/him.

- (e) *The Issuer's interest in the Mortgage Assets will not be perfected against the Obligors until a later time if at all.*

The sale of the Mortgage Assets will only be by way of equitable assignment. In order to perfect a transfer of the Mortgage Assets in favour of the Issuer, it is necessary that notices of such transfer be delivered to the Obligors and/or the Security Providers. Accordingly, the transfer of the Mortgage Assets will not be perfected against the Obligors or the Security Providers until notices of such transfer are delivered to the relevant Obligors and the Security Providers. This would mean that, until such notices are delivered to the Obligors and the Security Providers, the Obligors and the Security Providers will be entitled to continue to make payments to the Originator under the Mortgage Transactions and exercise vis-à-vis the Issuer all defences (such as set-off rights) that are available against the Originator in respect of their obligations under the Mortgage Transactions.

The perfection of title to Mortgage Charges will require their registration in accordance with the relevant Land Codes. Any registration of such Mortgage Charges to perfect title to them may involve significant costs and take time. Such costs, if any, will have to be borne by the Issuer (and, ultimately, the Sukukholders). The registration of such Mortgage Charges may be prevented or delayed if there are caveats lodged against the relevant land titles and the prior approval of the relevant State Authority may in some cases, where there are restrictions in interest or conditions of title requiring such prior approval, be required for such registration.

- (f) *There is no assurance that all of the Mortgage Transactions meet the applicable Eligibility Criteria or that the details provided by the Originator regarding the Mortgage Transactions are correct.*

Portfolio 2005-1 consists of over 37,000 individual Mortgage Transactions. It is not practical to undertake a due diligence review of all such Mortgage Transactions nor has any such attempt been made. No assurance can be or is given (save for certain representations and warranties from the Originator) with regard to details of the Mortgage Transactions nor as to their conformity with the Eligibility Criteria.

It has been determined, however, that the Mortgaged Properties include Malay Reserve Land, Native Land or Customary Land. The Issuer is not currently gazetted or authorised, as required by most relevant State legislation, to take a charge on such lands. Action, however, is currently being taken with the assistance of the GOM to secure such gazetting or authorisation.

- (g) *In the event a Mortgage Transaction goes into default, reliance will be placed on the Servicer to take enforcement proceedings.*

Among the responsibilities of the Servicer is the taking of enforcement action or proceedings in the event of a default by an Obligor in the performance of her/his obligations under a Mortgage Transaction. In the undertaking of such responsibility, the Servicer is entitled to exercise a reasonable discretion in the action to be taken and to deduct from the proceeds of realisation any legal costs incurred by it.

The Servicer may also be faced with capability constraints if a significant number of actions or proceedings needs to be undertaken by it. Such capability constraints need to be considered also in the light of the fact that the Servicer also has responsibility for enforcement action or proceedings for Mortgage Transactions of the Originator which are not the subject of Portfolio 2005-1. No assurance is given that there will be no delays or even failure in performance by the Servicer in the taking of enforcement action or proceedings.

- (h) *Sukukholders may suffer losses if the Servicer fails to remit payments received from Obligors to the Issuer in accordance with the Servicing Agreement 2005-1*

Obligors will continue to make payments with respect to the Mortgage Assets to the Originator. Under the Servicing Agreement 2005-1, the Originator (in its capacity as the Servicer) is required to remit or procure the remittance to the Collections Account 2005-1 of any payments with respect to the Mortgage Assets payable to the Issuer received on or after the Issue Date.

If the Originator (in its capacity as the Servicer) fails to remit or procure the remittance of such payments to the Collections Account 2005-1 in accordance with the Servicing Agreement 2005-1, the ability of the Issuer to make payments under the Sukuk Musyarakah would be adversely affected.

- (i) *The performance of Portfolio 2005-1 will be dependent on the prepayment experience of the Mortgage Transactions*

In the event of a demise of an Obligor, her/his Monthly Salary or Monthly Pension will cease and recourse must be to the MRTA claim for recovery of any amounts outstanding. Such recourse and recovery will constitute a prepayment of the Mortgage Transaction of that Obligor.

Prepayments may also result from the sale of the Mortgaged Properties by the Obligors, the refinancing of the Mortgage Transactions by the Obligors or the enforcement of the relevant Mortgage Assets due to a default in payment by the related Obligors. If substantial prepayments are received, the actual Collections 2005-1 would be less, than would otherwise be the case.

4.4 Risks Related to the Issuer

- (a) *Neither the Originator nor the Issuer will compensate Sukukholders for any withholding tax on payments pursuant to the Sukuk Musyarakah.*

In the event that withholding taxes are imposed in respect of payments to Sukukholders of amounts due pursuant to the Sukuk Musyarakah, neither the Originator nor the Issuer is obliged to gross-up or otherwise compensate Sukukholders for the lesser amounts the Sukukholders may receive as a result of the imposition of withholding taxes.

- (b) *The Issuer is a subsidiary of Cagamas and will undertake further securitisation transactions and issue further debt securities in the future.*

The Issuer is restricted in its business activities by its Memorandum of Association to the securitisation of Mortgage Transactions of the Originator. The Originator currently has a total pool of approximately RM23.69 billion of Outstanding Principal Amount of Housing Loans and Home Financing (excluding Housing Loans and Home Financing sold pursuant to the inaugural securitisation of Housing Loans and Home Financing by the Issuer in October 2004 and those earmarked for Portfolio 2005-1) and will continue to add to that pool from time to time. The Issuer will seek to securitise most (if not all) of such Mortgage Transactions. In connection with such

securitisation, further issues of debt securities will be made by the Issuer. The features of such debt securities and the characteristics of the portfolio underlying such debt securities may differ from the Sukuk Musyarakah and Portfolio 2005-1 respectively.

It should be noted that the Issuer has no material assets and does not benefit from any guarantee or undertaking from its holding company, Cagamas Berhad, with regard to its financial obligations or its financial status.

Although the structure of the Issuer and the transaction structure are designed to minimise the likelihood of the Issuer's insolvency or its liquidation, no assurance is given that the Issuer will not become insolvent or the subject of a winding-up or liquidation. In the event of an insolvency, winding-up or a liquidation of the Issuer, the interests of the Sukukholders may be affected.

4.5 Dependence on Transaction Administrator

The performance by the Transaction Administrator of its obligations is to a certain extent in turn dependent upon the performance of its employees who will be performing the various roles of the Transaction Administrator and the continued services of these employees.

Like other employers, the Transaction Administrator has to compete for the best employees and its long term prospects will depend on its success in recruiting and retaining its employees. In recognising such importance, the Transaction Administrator believes that it can offer attractive remuneration packages comprising of comprehensive benefit schemes for various levels of its employees, as well as prepare a succession plan for its continuity.

4.6 Dependence on Servicer

The collection of payments from the Mortgage Assets of Portfolio 2005-1 is dependent upon the proper performance by the Servicer of its obligations under the Servicing Agreement 2005-1.

The performance by the Servicer of its obligations is to a certain extent in turn dependent upon the performance of its employees who will be performing the various roles of the Servicer and the continued services of these employees.

Like other employers, the Servicer has to manage its employees and is dependent on its success in recruiting and retaining its employees.

Additionally, in the event that the Servicer for any reason whatsoever is no longer capable of performing any of its functions under the Servicing Agreement 2005-1, the availability of a replacement servicer is limited given that the Servicer is a division of the GOM and has the necessary infrastructure and experience.

4.7 Change in Law

The structure of the transaction and the issue of the Sukuk Musyarakah are based on Malaysian law, tax and administrative practice as at the date of this Preliminary Information Memorandum. No assurance can be given that Malaysian law, tax (or changes in tax rates) or administrative practice will not change after the date hereof or that such change will not adversely impact the structure of the transaction and the treatment of the Sukuk Musyarakah.

5.0 TAX AND REGULATIONS**5.1 Tax Considerations****5.1.1 Withholding Tax**

All payments by the Issuer in respect of the Sukuk Musyarakah shall be made to the Sukukholders without withholding or deductions for or on account of any present or future income tax imposed or levied by or on behalf of the tax authorities of Malaysia, or any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required under the Malaysian law. The Issuer shall not be required to gross up in connection with such withholding or deduction.

Paragraph 33A of Schedule 6 of the Income Tax Act, 1967 provides that tax exemption be given on interest income derived by non-resident companies from Ringgit denominated debentures and Islamic securities (other than convertible loan stocks) approved by the Securities Commission and securities issued by the Government of Malaysia, effective from 11 September 2004. Section 2(7) of the same Act provides that gains or profits received in lieu of interest, in transactions conducted in accordance with the principles of Syariah shall be treated as interest for purposes of the Income Tax Act, 1967. The Issuer will therefore be exempted from the requirement to withhold tax under Section 109 of the Malaysian Income Tax Act, 1967 in respect of payments to foreign corporate Sukukholders.

5.1.2 Stamp Duty and Capital Gains Tax

Based on Malaysian tax laws applicable as at the date of this Preliminary Information Memorandum, there are no Malaysian real property gains tax with respect to the issuance and the subsequent sale of the Sukuk Musyarakah and Malaysian stamp duty is specifically exempted under the Stamp Duty (Exemption) (No. 12) Order 2001 and Stamp Duty (Exemption) (No. 23) Order 2000.

5.1.3 Calculation of Tax Liability of the Issuer

The Malaysian tax liability of the Issuer is calculated on an entity basis. The Issuer will set aside in the Operating Account the tax liabilities for each portfolio under Purchase Contract 2005-1 to ensure that Sukukholders do not bear unforeseen tax liabilities that could arise from other portfolios.

Potential investors should consult their own professional advisors in respect of their personal tax liability and the tax implications that could arise in their relevant jurisdictions.

5.2 Regulations**5.2.1 Exchange Control Policy**

Malaysia has historically maintained a liberal system of exchange controls. Prior to September 1998, the few exchange control rules that were in place were aimed at monitoring the settlement of payments and receipts for compilation of balance of payment statistics and to ensure that funds raised abroad were channelled to finance productive investments in Malaysia which either directly or indirectly generate foreign exchange.

On 1 September 1998, the GOM introduced a series of selective exchange control measures. These measures were designed to eliminate the internationalisation of the Ringgit to contain speculation and to stabilise short-term capital flows. On 2 September 1998, the exchange rate was fixed at RM3.80 to US\$1.00.

The exchange control measures affect, among other things, transfer among non-residents via non-resident external accounts, the import and export of Ringgit in and out of Malaysia by resident and non-resident travellers, investment abroad by Malaysian investors and foreign investors investing in Malaysia.

Permission is given to resident controlled companies to issue private debt securities (“PDS”) to non-residents subject to the following conditions:

- (a) Payment for the PDS by non-residents at the primary market can be made in foreign currency equivalent or in Ringgit from the respective non-residents’ External Account and/or Special External Account; and
- (b) Payment to non-residents arising from the redemption of the PDS should be made in Ringgit and credited to the respective non-residents’ Special External Account.

5.2.2 Clearing and Settlement

The Sukuk Musyarakah will be represented by global certificates deposited with BNM as central depository. The issue, transfer and trading of the Sukuk Musyarakah in the secondary market will be done through the RENTAS operated by BNM and in accordance with the procedures established under the Code of Conduct and Market Practices for the Malaysian Scripless Securities Market under RENTAS (the “Code”). Clearing and settlement for trades in the Sukuk Musyarakah will also be undertaken through RENTAS and in accordance with the procedures established under the Code. BNM acts also as Paying Agent on the Sukuk Musyarakah.

Procedures under the Code are subject to alteration by BNM.

The Issuing, Trading and Clearing System

BNM is the operator of RENTAS which is a system for the issue of private debt securities on a scripless basis. As part of RENTAS, BNM also operates and manages the SSTS which is a scripless book-entry securities trading system that effects and records the trading and settlement of securities traded on RENTAS and an inter bank funds transfer system that effects and records transfers of funds between BNM and persons approved by it to have access to and utilise RENTAS (such persons being referred to as ADIs).

Interests in the Sukuk Musyarakah can only be held through ADIs and will be represented by book entries in the records of the ADIs.

Distributions of profit and return of capital with respect to book-entry interests in the Sukuk Musyarakah will be credited, to the extent received by BNM, as the Paying Agent, to the accounts of the ADIs maintained with BNM.

Form and Interests

The Sukuk Musyarakah will be represented by global certificates in bearer form and deposited with BNM as Central Depository. BNM will credit each ADI with an aggregate amount of the Sukuk Musyarakah and Sukuk Musyarakah are held by Sukukholders having a beneficial interest in the Sukuk Musyarakah through that ADI. ADIs are responsible for establishing and maintaining accounts for their customers (the Sukukholders) having interests in the Sukuk Musyarakah.

Neither the Issuer nor BNM will impose any fees or charges on Sukukholders in respect of the deposit of the global certificates to the Sukuk Musyarakah with BNM. The ADIs, however, will charge their normal fees and expenses in respect of the maintenance and operation of accounts for Sukukholders.

Clearing, Settlement and Return of Capital

On issue of the Sukuk Musyarakah, the global certificates in respect thereof will be deposited with BNM who will credit the accounts of the ADIs in accordance with the instructions of CIMB, as the Lead Arranger, subject to availability of sufficient funds in the cash accounts of the relevant ADIs maintained with BNM. Allocation and settlement will normally be affected by 11.30 a.m. on the Issue Date with proceeds being paid to the Issuer by 2.00 p.m. on the same day.

Secondary market trading of the Sukuk Musyarakah is through the SSTS with transfers of interests between the ADIs being reflected in the book entries maintained by BNM. Settlement is also effected through the SSTS through the accounts maintained by the ADIs with BNM.

Return of capital invested and distribution of profits, subject to receipt of the relevant funds, are also effected through credits by BNM to the accounts of the ADIs with BNM.

5.3 Selling Restrictions**5.3.1 Singapore**

This Preliminary Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each recipient of this Preliminary Information Memorandum undertakes not to offer or sell the Sukuk Musyarakah or cause the Sukuk Musyarakah to be made the subject of an invitation for subscription or purchase nor will it circulate or distribute this Preliminary Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Sukuk Musyarakah, whether directly or indirectly, (A) to any person in Singapore other than under circumstance in which such offer or sale does not constitute an offer of sale of the Sukuk Musyarakah to the public or any member of the public in Singapore or (B) to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

5.3.2 Hong Kong

Each recipient of this Preliminary Information Memorandum undertakes that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any of the Sukuk Musyarakah other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong or any rules made thereunder; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purpose of issue, and will not issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Sukuk Musyarakah, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong), other than with respect to the Sukuk Musyarakah which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

6.0 TERMS AND CONDITIONS OF THE SUKUK MUSYARAKAH

As the terms and conditions have been taken from the submission of this proposal to the Securities Commission without amendments, definitions of terms used may vary slightly from the definitions at the beginning of this Preliminary Information Memorandum.

PRINCIPAL TERMS AND CONDITIONS OF THE SUKUK MUSYARAKAH ISSUANCE

1. *Issuer*

- | | | |
|-------|---|--|
| (i) | <i>Name</i> | Cagamas MBS Berhad, a wholly-owned subsidiary of Cagamas Berhad |
| (ii) | <i>Address</i> | 19th Floor, West Wing, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur |
| (iii) | <i>Company Registration No.</i> | 655289-H |
| (iv) | <i>Date/Place of Incorporation</i> | 8 June, 2004/Kuala Lumpur |
| (v) | <i>Date of Listing (in case of a public-listed company)</i> | Not applicable, as Issuer is not listed |
| (vi) | <i>Status</i> | Resident-controlled company and Bumiputera-controlled company |
| (vii) | <i>Principal Activities</i> | The principal activities of the Issuer consist of the purchase from time to time of residential mortgages from the Originator and the issue of securities (bonds, notes etc) (both conventional and Islamic) to finance the purchases. The residential mortgages originated by the Originator are secured conventional housing loans or Islamic home financing (each a "Mortgage Transaction") granted by the Originator pursuant to the Housing Loans Fund Act 1971 (as amended from time to time, the "HLF Act"). Under the HLF Act, a fund (the "Fund") is established in relation to the monies paid out or received for the purposes of such Mortgage Transactions. |

It is intended that purchases from the Originator will be of discrete pools of Mortgage Transactions and each purchase would be funded through a separate issue of securities, with each issue of securities being secured or having the benefit of, but being limited in its recourse for payment of interest/profit and redemption/repayment of the capital invested in such securities, to the Mortgage Transactions purchased through the proceeds of that issue.

With regard to the Sukuk Musyarakah, the subject of these Principal Terms and Conditions, see ITEM 5 FACILITY DESCRIPTION below on the limited recourse.

It is also intended that each issue of securities will not have the benefit of a provision entitling the holders of those securities to declare an event of default or a dissolution event solely by reason of a default on another and different issue of securities (the “cross default provision”). This means that an issue of securities by the Issuer could go into default but the holders of other securities (not in default) would not by reason only of such default be entitled to declare an event of default or dissolution event.

With regard to the Sukuk Musyarakah, see the Note under (xi) DISSOLUTION EVENTS of SECTION A GENERAL TERMS in ITEM 28 OTHER PRINCIPAL TERMS AND CONDITIONS FOR THE ISSUE.

Note: In October 2004, the Issuer completed the first securitisation of a portfolio of Mortgage Transactions, involving the issuance of RM1.55 billion of asset-backed fixed rate bonds and the purchase of Mortgage Transactions with approximately RM1.9 billion of principal outstanding.

This transaction, involving the issue of Sukuk Musyarakah, will represent the second securitisation of Mortgage Transactions undertaken by the Issuer.

(viii) *Board of Directors
(as at 15 June 2005)*

1. Dato’ Mohd Razif Abdul Kadir
2. Dato’ Huang Sin Cheng; and
3. Mr. Kokularupan Narayanasamy.

(ix) *Structure of
shareholdings and
names of
shareholders or, in
the case of a public
company, names of
all substantial
shareholders*

100% owned by Cagamas Berhad (Company No. 157931-A) (“Cagamas”)

(x) *Authorised capital/
Paid up capital (as
at 15 June 2005)*

Authorised capital: RM100,000 comprising 100,000 ordinary shares of RM1 each.

Paid up capital: RM2 consisting of 2 ordinary shares of RM1 each.

2. *Originator*

(i) *Name*

Government of Malaysia (“GOM”)

(ii) *Address*

c/o Bahagian Pinjaman Perumahan, Blok 8, Kompleks Pejabat-Pejabat Kerajaan, Jalan Duta, 50592 Kuala Lumpur.

(iii) *Company
Registration No.*

Not applicable as Originator is the GOM.

(iv) *Date/Place of
Incorporation*

Not applicable as Originator is the GOM.

- | | | |
|--------|--|--|
| (v) | <i>Date of Listing (in case of a public-listed company)</i> | Not applicable as Originator is the GOM. |
| (vi) | <i>Status</i> | Not applicable as Originator is the GOM. |
| (vii) | <i>Principal Activities</i> | Not applicable as Originator is the GOM. |
| (viii) | <i>Board of Directors</i> | Not applicable as Originator is the GOM. |
| (ix) | <i>Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders</i> | Not applicable as Originator is the GOM. |
| (x) | <i>Authorised capital/ Paid up capital</i> | Not applicable as Originator is the GOM. |
3. *Names of parties involved in the proposed transaction*
- | | | |
|--------|--|--|
| (i) | <i>Principal Adviser(s)/Lead Arranger(s)</i> | : <u>Joint Lead Arrangers:</u>
1. Commerce International Merchant Bankers Berhad (Co. No. 18417-M) ("CIMB")
2. HSBC Bank Malaysia Berhad (Co. No. 127776-V) ("HSBC")
(the "Joint Lead Arrangers") |
| (ii) | <i>Arranger(s)</i> | : Not applicable |
| (iii) | <i>Valuers</i> | : Not applicable |
| (iv) | <i>Solicitors</i> | : <u>Legal Counsel for the Joint Lead Arrangers/Joint Lead Managers:</u>
Zaid Ibrahim & Co
<u>Legal Counsel for the Issuer:</u>
Wong & Partners |
| (v) | <i>Financial Adviser</i> | : 1. CIMB
2. HSBC |
| (vi) | <i>Technical Adviser</i> | : Not applicable |
| (vii) | <i>Guarantor</i> | : Not applicable |
| (viii) | <i>Trustee</i> | : Malaysian Trustees Berhad (Co. No. 21666-V) |
| (ix) | <i>Facility Agent</i> | : CIMB |
| (x) | <i>Primary Subscriber and amount subscribed (where applicable)</i> | : Not applicable |

- | | | | |
|--------|---|---|---|
| (xi) | <i>Underwriter(s) and amount underwritten</i> | : | Not applicable |
| (xii) | <i>Syariah Adviser (where applicable)</i> | : | 1. CIMB Shariah Committee
2. HSBC Syariah Committee |
| (xiii) | <i>Central Depository</i> | : | Bank Negara Malaysia (“BNM”) |
| (xiv) | <i>Paying Agent</i> | : | BNM |
| (xv) | <i>Reporting Accountant</i> | : | Ernst & Young |
| (xvi) | <i>Others</i> | : | |
| | • <i>Joint Bond Co-ordinators</i> | : | 1. CIMB
2. HSBC |
| | • <i>Joint Lead Managers</i> | : | 1. CIMB
2. HSBC
3. AmMerchant Bank Berhad (Co. No. 23742-V)
4. ABN AMRO Bank Berhad (Co. No. 301932-A) |
| | • <i>Transaction Administrator</i> | : | Cagamas |
| | • <i>Administrator</i> | : | Cagamas |
| | • <i>Tax Advisor</i> | : | Ernst & Young Tax Consultants Sdn. Bhd. (Co. No. 179793-K) |
| 4. | <i>Islamic principle used</i> | : | Musyarakah |
| 5. | <i>Facility Description</i> | : | Asset-Backed Sukuk Musyarakah Issuance of up to Nominal Value RM2,500 million (the “Sukuk Musyarakah”). The Sukuk Musyarakah shall be Islamic securities issued in connection with the securitisation of a portfolio of Mortgage Assets ¹ purchased from the Originator. |

¹ “Mortgage Assets” in relation to the Sukuk Musyarakah, means all of the right, title, interest and benefit of the Originator in, to, under and in respect of the Mortgage Transactions within the portfolio and includes all amounts to be collected under such Mortgage Transactions and all charges, guarantees and insurance and other rights in connection thereto, including any proceeds from recoveries, amounts paid in compensation for overdue payments etc thereon. The Mortgage Transactions utilise the concept of Bai Bithaman Ajil which is one of the approved Syariah concepts and principles contained in the Securities Commission’s Guidelines on the Offering of Islamic Securities.

Underlying Transaction

- Musyarakah Venture

The Musyarakah venture involves the investment by investors in a specifically-identified pool of Mortgage Assets (“Portfolio 2005-1”) originated by the Originator. The investment in Portfolio 2005-1 represents a business transaction amongst the investors (excluding the Issuer) in Portfolio 2005-1.

To facilitate the investments, the Issuer will be appointed by the investors as their *wakeel* (‘agent’) or trustee in the Musyarakah venture via a Musyarakah Declaration of Trust, *inter alia* to receive the investors’ capital contribution, to acquire on their behalf, the Portfolio 2005-1 and to hold the same together with the Collections Account 2005-1, the Administration Services Documents 2005-1 and the Transaction Documents upon the terms thereof.

Any profit in the Musyarakah venture shall be shared between the holders of the Sukuk Musyarakah in proportion to their capital invested in the Musyarakah venture and the expected/indicative profit rate of each Tranche of the Sukuk Musyarakah. Pursuant to a *tanazul* (‘waiver’) arrangement, the holders of the Sukuk Musyarakah will amongst themselves agree from the outset that they shall waive any profit from the Musyarakah venture in excess of the expected/indicative profit rate based on the agreed profit sharing ratio.

Any loss in the Musyarakah venture shall be shared between the holders of the Sukuk Musyarakah in proportion to their capital invested in the Musyarakah venture.

The proportions for the sharing of profit is computed as the ratio of capital invested by each holder of the Sukuk Musyarakah (as represented by the nominal value of the Sukuk Musyarakah held) to the total capital invested by all Sukuk Musyarakah holders in the Musyarakah venture (as represented by the nominal value of all Sukuk Musyarakah).

The proportions for the sharing of loss is computed as the ratio of capital invested by each holder of the Sukuk Musyarakah (as represented by the nominal value of the Sukuk Musyarakah held) to the total capital invested by all Sukuk Musyarakah holders in the Musyarakah venture (as represented by the nominal value of all Sukuk Musyarakah).

Unless earlier dissolved upon the occurrence of a Dissolution Event (as hereinafter defined), the Musyarakah venture will automatically be

dissolved upon the cancellation and return of all capital invested in accordance with the terms of the Sukuk Musyarakah.

- Issuance of Sukuk Musyarakah

Upon the investors' making their respective capital contributions to the Issuer, the Issuer shall issue the Sukuk Musyarakah which represent the investors' undivided proportionate beneficial ownership in *inter alia* the Portfolio 2005-1, their right to receive profit arising thereon and their right to repayment of the capital invested in the Musyarakah venture.

The Sukuk Musyarakah will be issued in tranches with different maturities.

The Sukuk Musyarakah will be issued within six (6) months from the date of the approval of the issue by the Securities Commission ("SC").

The Sukuk Musyarakah are issued on a limited recourse basis. This means that holders of the Sukuk Musyarakah will have only the benefit of the specifically identified Mortgage Assets (Portfolio 2005-1) and the collections from or proceeds of realisation thereof and limited recourse to the counterparties to the Administration Services Documents 2005-1 and Transaction Documents for any breach of those agreements, to satisfy their right to receive profit and repayment of the capital invested.

The payment of the collections from Portfolio 2005-1 or the proceeds of realisation thereof shall constitute a complete discharge of the Issuer's duties and obligations in relation to the Sukuk Musyarakah and the holders of the Sukuk Musyarakah waive all claims against the Issuer or any of its other assets in respect of any duties and obligations of the Issuer, which but for such waiver, the Issuer would be subject to under or in connection with the Sukuk Musyarakah.

Holders of the Sukuk Musyarakah will also be deemed to have agreed (by their investment in or purchase of a Sukuk Musyarakah or the holding of a beneficial interest therein) not to petition for or join any person in petitioning for the winding up of the Issuer or otherwise institute against, or join any person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other similar proceedings under any applicable laws.

6. *Issue Size (RM)* : The issue size of the Sukuk Musyarakah is up to RM2,500 million and consists of the following indicative tranches:

<u>Tranche¹</u>	<u>Indicative Size²</u>
Tranche 2005-A 1	up to RM400,000,000
Tranche 2005-A 2	up to RM400,000,000
Tranche 2005-A 3	up to RM400,000,000
Tranche 2005-A 4	up to RM600,000,000
Tranche 2005-A 5	up to RM600,000,000
Tranche 2005-A 6	up to RM700,000,000

¹ *Not all tranches may be issued. In the event any particular tranche is not issued, the remaining tranches will be renumbered accordingly.*

² *Maximum tranche sizes shown for each tranche. The aggregate of the final issue amount shall not exceed RM2,500 million.*

7. *Issue Price (RM)* : To be issued at par.
8. *Tenor of the facility/issue* : Tenor of the facility/issue from the date of issue of the Sukuk Musyarakah:

<u>Tranche¹</u>	<u>Tenure</u>
Tranche 2005-A 1	36 months
Tranche 2005-A 2	60 months
Tranche 2005-A 3	84 months
Tranche 2005-A 4	120 months
Tranche 2005-A 5	144 months
Tranche 2005-A 6	180 months

¹ *Not all tranches may be issued. In the event any particular tranche is not issued, the remaining tranches will be renumbered accordingly.*

9. *Coupon/Profit or equivalent rate (%) (please specify)* : The expected/indicative profit rate on the Sukuk Musyarakah will be determined closer to the date of issue depending upon the mode of issue which may include private placement on a best efforts basis, book running on a best efforts basis or a bought deal basis. Pursuant to a *Tanazul* (waiver) arrangement, the holders of the Sukuk Musyarakah will amongst themselves agree from the outset that they shall waive any profit from the Musyarakah venture in excess of the expected/indicative profit rate based on the agreed profit sharing ratio.

See under 17. MODE OF ISSUE for details on the mode of issue.

The mode of issue has not been determined and will be notified to the SC closer to the date of issue.

10. *Coupon/Profit payment frequency and basis* : Profit Distribution Frequency
- Profit is distributable (payable) quarterly in arrears from the date of issuance (each date of distribution of profit, a “profit distribution date” save for the last distribution which shall be made on a Maturity Date).
- Profit Calculation Basis
- Profit will be calculated on the basis of actual number of days elapsed and actual number of days in the year.
11. *Yield to Maturity (%)* : YTM of the Sukuk Musyarakah will be determined closer to the date of issue
12. *Security/Collateral (if any)* : The Sukuk Musyarakah will not be secured as the holders of the Sukuk Musyarakah are the beneficial owners of all the Mortgage Assets of Portfolio 2005-1. The Issuer will hold all the Mortgage Assets of Portfolio 2005-1 and all rights, title and benefits therein or thereto, including all collections and proceeds of realisation arising therefrom, rights under the Collections Account 2005-1 and rights under the Administration Services Documents 2005-1 and the Transaction Documents as agent and trustee for the holders of the Sukuk Musyarakah and in the event of the occurrence of a Dissolution Event (as hereinafter defined), the Trustee (after notice has been given for a dissolution of the Musyarakah venture and an accelerated return of capital to the Sukuk Musyarakah holders) has the power, under the terms of the Musyarakah Declaration of Trust, to assume control and possession (by itself or by the appointment of a receiver and manager) of the Mortgage Assets of Portfolio 2005-1 and all rights, title and benefits therein or thereto, and in respect of the Collections Account 2005-1 and under the Administration Services Documents 2005-1 and the Transaction Documents.
13. *Details on utilisation of proceeds* : The entire proceeds of the issue will be applied:
- (i) In payment of fees, costs and expenses relating to the distribution of the Sukuk Musyarakah;
 - (ii) In settlement in whole of the purchase consideration payable to the Originator for Portfolio 2005-1; and
 - (iii) Any excess from (i) and (ii) above, shall be credited into Collections Account 2005-1.
14. *Sinking Fund (if any)* : None.
15. *Rating*
- *Credit Rating Assigned [specify if it is indicative]* : Indicative rating: AAA
 - *Name of Rating Agency* : Malaysian Rating Corporation Berhad (Co. No. 364803-V).
- Rating Agency Malaysia Berhad (Co. No. 208095-U)

16. *Form and Denomination* : The Sukuk Musyarakah shall be issued in accordance with (1) the CODE OF CONDUCT AND MARKET PRACTICES FOR THE MALAYSIAN CORPORATE BOND MARKET issued by the Institut Peniaga Bon Malaysia and approved by BNM; (2) the RULES ON THE SCRIPLESS SECURITIES UNDER THE REAL TIME ELECTRONIC TRANSFER OF FUNDS AND SECURITIES (“RENTAS”) SYSTEM issued by BNM; and (3) the RULES ON FULLY AUTOMATED SYSTEM FOR ISSUING/TENDERING (“FAST”) issued by BNM, or their replacement thereof (collectively the “Code of Conduct”) applicable from time to time.

The Sukuk Musyarakah shall be represented by global certificates to be deposited with BNM, which are exchangeable for definitive bearer certificates only in certain limited circumstances.

The minimum denomination of the Sukuk Musyarakah shall be RM1,000 each.

17. *Mode of Issue* : Private placement via best efforts basis, book running via best efforts basis or bought deal, without prospectus.

The Sukuk Musyarakah may be placed privately by the Joint Bond Co-ordinators and/or the Joint Lead Managers on a best efforts basis to selected investors at a yield to be agreed between the Issuer and the investors.

Alternatively, the Sukuk Musyarakah may be placed out on a book running basis by the Joint Bond Co-ordinators and/or the Joint Lead Managers on a best efforts basis.

Finally, the Sukuk Musyarakah may be placed out on a bought deal basis arranged by the Joint Bond Co-ordinators and/or the Joint Lead Managers.

Such private placement, book running or bought deal shall be subject to terms and conditions to be agreed between the Issuer and the Joint Bond Co-ordinators and/or the Joint Lead Managers.

18. *Selling Restrictions* : The Sukuk Musyarakah may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons (the “Eligible Persons”) to whom the offer or invitation to purchase the Sukuk Musyarakah would fall within:

- (a) at the point of issuance of the Sukuk Musyarakah, Schedule 2 or Section 38(1)(b) and Schedule 3 or Section 39(1)(b) and Schedule 5 or Section 66(3) of the Securities Commission Act 1993 as amended from time to time (the “SCA”); and
- (b) after the issuance of the Sukuk Musyarakah, Schedule 2 or Section 38(1)(b) and Schedule 5 or Section 66(3) of the SCA.

In addition, if any offer or sale of these Sukuk Musyarakah or any distribution of any document or other material in connection therewith is to be conducted in any jurisdiction other than Malaysia, the applicable laws and regulations of such jurisdiction will also have to be complied with prior to any such offer, sale or distribution.

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| 19. | <i>Listing Status</i> | : | The Sukuk Musyarakah will not be listed on the Bursa Malaysia Securities Berhad or any other stock exchange. |
| 20. | <i>Minimum Level of Subscription (RM or %)</i> | : | 100% of the proposed issuance, failing which the issue shall be cancelled. |
| 21. | <i>Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained</i> | : | No other approvals sought. |
| 22. | <i>Identified assets</i> | | Portfolio 2005-1 consisting of a specifically-identified pool of Mortgage Assets. |
| 23. | <i>Purchase and selling price/rental (where applicable)</i> | | <p>The Mortgage Assets shall be purchased by the Issuer for a price to be determined prior to issuance of Sukuk Musyarakah.</p> <p>A selling price is not relevant in this Musyarakah transaction.</p> |
| 24. | <i>Conditions Precedent</i> | | <p>The agreement for the subscription and issue of Sukuk Musyarakah (the “Sukuk Musyarakah Issuance Agreement 2005-1”) will provide that the issue of the Sukuk Musyarakah will be subject to the satisfaction of certain conditions, including but not limited to:</p> <ul style="list-style-type: none"> (i) Satisfactory completion and execution of all legal documentation, including but not limited to the Issue Documents, the Musyarakah Declaration of Trust and Transaction Documents (as defined below), and duly endorsed as exempted under Stamp Duty Exemption (No. 23) Order 2000 or Stamp Duty Exemption (No. 12) Order 2001 as the case may be; (ii) The Transaction Documents become unconditional (other than the fulfilment of any condition of issue of the Sukuk Musyarakah) and a satisfactory ‘true sale’ opinion from legal counsel to the Issuer having been obtained; (iii) Approval of the SC and such other regulatory bodies in respect of the issue of the Sukuk Musyarakah having been obtained; (iv) Winding-up search conducted on the Issuer wherein the Director General of Insolvency confirms that the Issuer is not wound up or the subject of winding up proceedings; |

- (v) Completion of a due diligence carried out on the Issuer and the relevant Mortgage Assets to the satisfaction of the Joint Lead Arrangers;
- (vi) The Joint Lead Arrangers shall have received satisfactory documentary evidence that the Sukuk Musyarakah have obtained the required rating stated herein;
- (vii) Board resolution of the Issuer authorising the issuance of the Sukuk Musyarakah, the execution of the Transaction Documents, the Musyarakah Declaration of Trust, the Issue Documents and all other documents relevant thereto, the opening of the Collections Account 2005-1 and the appointment of the Trustee as the sole signatory thereto;
- (viii) Collections Account 2005-1 has been established;
- (ix) The Minister of Finance has authorised the payment of monies out of the Fund under the HLF Act in connection with the securitisation of Portfolio 2005-1;
- (x) Satisfactory legal opinion from legal counsel to the Joint Lead Arrangers and Joint Lead Managers addressed to the Joint Lead Arrangers, Joint Lead Managers and Trustee as to the legality, validity and enforceability of all legal documentation (including the Issue Documents, the Transaction Documents and the Musyarakah Declaration of Trust;
- (xi) Confirmation from legal counsel to the Joint Lead Arrangers and Joint Lead Managers that all the conditions precedent pertaining to the issue have been fulfilled;
- (xii) Receipt of confirmation from the Syariah Adviser that the transactions for the issue of the Sukuk Musyarakah are Syariah-compliant; and
- (xiii) Such other conditions as may be advised by legal counsel to the Joint Lead Arrangers and Joint Lead Managers.

25. *Representations and Warranties*

- : The Sukuk Musyarakah Issuance Agreement 2005-1 will provide for representations and warranties, usual and customary for such transactions and such other representations as may be advised by the legal counsel to the Joint Lead Arrangers and Joint Lead Managers including but not limited to:
- (i) the Issuer is a limited liability company duly incorporated and validly existing under the laws of Malaysia, has power to carry on its business and to own its property and assets and has complied in all material respects with

- all legal and regulatory requirements related to its business;
- (ii) the execution, delivery and performance by the Issuer of the Issue Documents, the Transaction Documents and the Musyarakah Declaration of Trust are properly authorised;
 - (iii) the execution, delivery and performance by the Issuer of the Issue Documents, the Transaction Documents and the Musyarakah Declaration of Trust are in compliance with the law;
 - (iv) the Issue Documents, the Transaction Documents and the Musyarakah Declaration of Trust constitute legal, valid, binding and enforceable obligations of the Issuer;
 - (v) no litigation or other proceedings is in progress or pending against the Issuer;
 - (vi) no steps for the winding-up of the Issuer have been taken;
 - (vii) no default having occurred which might have a material adverse effect on the Issuer or its ability to perform any of its obligations under the Issue Documents, the Transaction Documents and the Musyarakah Declaration of Trust;
 - (viii) the Issuer has complied with all undertakings, covenants and other obligations under the Issue Documents, the Transaction Documents and the Musyarakah Declaration of Trust;
 - (ix) all information furnished by the Issuer is true and correct and not misleading and does not contain any material omission and all expressions of expectation, intention, belief and opinion and all projections contained therein were honestly made on reasonable grounds after due and careful enquiry by the Issuer and its advisers;
 - (x) no adverse change in condition of the Issuer which may affect the success of the issue and offering of the Sukuk Musyarakah;
 - (xi) the Issuer has not engaged in any activities since its incorporation other than those contemplated by its constituent documents;
 - (xii) no information or documents have been withheld from the Joint Lead Arrangers and the Joint Lead Managers which may in any way materially affect their decision to perform their obligations under the Issue Documents, nor has the Issuer withheld from the Joint Lead Arrangers or the Joint Lead Managers any information which is material

in the context of the issue and offering of the Sukuk Musyarakah; and

- (xiii) the Sukuk Musyarakah constitutes beneficial ownership over Portfolio 2005-1.

Note: The foregoing representations and warranties will only be in the Sukuk Musyarakah Issuance Agreement 2005-1 and valid only up to the date of issue of the Sukuk Musyarakah. They will not be repeated in any other Issue Documents save for the Trust Deed where they will be relevant for dissolution events - see paragraph (ii) under "Dissolution Events."

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| 26. | <i>Events of Default</i> | : | Please see (xi) DISSOLUTION EVENTS of SECTION A GENERAL TERMS in ITEM 28 OTHER PRINCIPAL TERMS AND CONDITIONS FOR THE ISSUE. |
| 27. | <i>Principal terms and conditions for warrants (where applicable)</i> | : | Not applicable. |
| 28. | <i>Other principal terms and conditions for the issue:</i> | | |
| | <i>A General Terms</i> | | |
| | (i) <i>Closing Date</i> | | Subject to the fulfilment of the Conditions Precedent, the targeted date of the issue of the Sukuk Musyarakah is by August 2005 but in any event the date of issuance of the Sukuk Musyarakah shall not be later than six (6) months from the date of the Securities Commission's approval. |
| | (ii) <i>Final Return of Capital</i> | | Unless previously cancelled and the capital invested returned (as represented by the nominal value of the Sukuk Musyarakah), the Sukuk Musyarakah will be cancelled and the capital invested returned by the Issuer at one hundred percent (100%) of their nominal value together with profit accrued on their respective maturity dates. |
| | (iii) <i>Purchase and Cancellation</i> | | Except as may otherwise be prohibited by any law, regulations or guidelines, the Issuer or its related corporations may at any time purchase the Sukuk Musyarakah in the open market and if it does so it may hold such Sukuk Musyarakah, sell such Sukuk Musyarakah or cancel such Sukuk Musyarakah at its discretion. Such Sukuk Musyarakah while held by or on behalf of the Issuer or its related corporations shall not entitle the holder(s) to vote at any meeting of the holders of the Sukuk Musyarakah but shall be included for the purposes of calculating the required quorum at meetings of holders of the Sukuk Musyarakah. |
| | (iv) <i>Optional Return of Capital in Full</i> | | On giving not less than thirty (30) nor more than sixty (60) days notice to the Trustee and the holders of the Sukuk Musyarakah (which notice shall be irrevocable) the Issuer may cancel and return all of the capital invested in all (but not some only) of the outstanding Sukuk Musyarakah on any profit distribution date falling after the date on which the amount of the principal outstanding on the Portfolio 2005-1 is equal |

to or less than ten percent (10%) of the amount of the principal outstanding on the Issue Date.

Such cancellation for return of the capital invested shall be for the purpose of, and shall only be effective upon, distribution to the holders of the Sukuk Musyarakah, out of the assets of the Musyarakah venture, of the amount given by the formula set forth in Annexure A.

(v) *Mandatory Return of Capital in Full*

The Issuer shall cancel and return all of the capital invested in all (but not some only) of the outstanding Sukuk Musyarakah on the profit distribution date falling after the date on which the Originator repurchases the entire Portfolio 2005-1. Under the terms of the Deed of Warranties 2005-1 the occurrence of any of the following events which in the opinion of the Issuer affects the entire Portfolio 2005-1 will, by written notice from the Issuer, oblige such repurchase by the Originator:

- (i) the failure by the Originator to comply with any applicable law with respect to the Mortgage Assets;
- (ii) the failure to vest and maintain vested in the Issuer a perfected ownership interest in the Mortgage Assets, free and clear of any encumbrances;
- (iii) any successful dispute, claim or defence of the obligor to the legality and enforceability of any Mortgage Assets and such dispute, claim or defence would be applicable to all Mortgage Assets; and
- (iv) any successful attempt by any person to avoid, rescind or set-aside any transfer by the Originator to the Issuer of the Mortgage Assets under any law, including any bankruptcy law or other insolvency law, and such avoidance, rescission or setting aside would be applicable to all Mortgage Assets.

Such cancellation for return of the capital invested shall be for the purpose of, and shall only be effective upon, distribution to the holders of the Sukuk Musyarakah, out of the assets of the Musyarakah venture, of the amount given by the formula set forth in Annexure A.

(vi) *Partial Early Return of Capital Option*

In the event of prepayments on the Mortgage Transactions resulting in Collections (as hereinafter defined) being in excess of forecast cashflows, the Issuer may on giving not less than thirty (30) nor more than sixty (60) days notice to the Trustee and the holders of the Sukuk Musyarakah (which notice shall be irrevocable) and by using the Collections, on any Sukuk Musyarakah maturity date, cancel and return on a pari passu and rateable basis the capital invested by the holders of the last tranche of the Sukuk Musyarakah. Each such cancellation for return of the

capital invested shall be for a par value of Sukuk Musyarakah in multiples of RM1,000 and on condition that after such cancellation and return of the capital invested there will remain credited to the Collections Account 2005-1 an amount of not less than RM66 million.

(vii) *Collections Account
and Operating
Account*

The Issuer will, in respect of the Sukuk Musyarakah, open and maintain a collections account (“Collections Account 2005-1”) into which the proceeds of the issue of the Sukuk Musyarakah in excess of the purchase consideration to be paid to the Originator for the purchase of Portfolio 2005-1, all amounts collected or received in respect of Portfolio 2005-1, all dividend, income and accretions arising from Permitted Investments and all proceeds, if any, of realisation of Portfolio 2005-1 shall be credited.

In the absence of a Dissolution Event, all monies standing to the credit of Collections Account 2005-1 will be applied in the following payments and order of priority:

- (a) to the payment of its existing Operating Account (hereinafter referred to) as and when due of such amount as is computed by the Transaction Administrator as the amount of the tax liability of the Issuer in respect of Portfolio 2005-1 (such computation to take into account amounts previously paid to the credit of the existing Operating Account);
- (b) to the payment of all fees and expenses of the Trustee, the Facility Agent, the Paying Agent, the Central Depository and the rating agencies to the extent such fees and expenses having fallen due have not been paid by the Transaction Administrator;
- (c) to the payment on each profit distribution date of the Servicer Fee on Portfolio 2005-1 and the payment as and when due of any amounts required for the perfection or enforcement of any rights under or in connection with any Mortgage Assets of Portfolio 2005-1;
- (d) to the payment on each profit distribution date of the fees due and payable to the Transaction Administrator and the Administrator;
- (e) to the distribution of profit due and payable on the Sukuk Musyarakah;
- (f) to return of the capital invested in the Sukuk Musyarakah according to their Maturity Dates until all the Sukuk Musyarakah are cancelled and all the capital invested has been returned; and

- (g) prior to the respective Maturity Dates of the Sukuk Musyarakah, to early cancellation and return of the capital invested pursuant to the options for early return of the capital invested.

Where payment or distribution in respect of any amounts are due to be made on the same day, payment or distribution of any such amount may be withheld until any amount having priority to that first mentioned amount shall have been satisfied.

Collections Account 2005-1 will be a Syariah-compliant account opened and maintained with a bank acceptable to the Trustee and rating agencies and shall be operated solely by the Trustee. Any amount standing to the credit of Collections Account 2005-1 which is not utilised in payment, as provided above, shall be retained in Collections Account 2005-1 and invested in Permitted Investments. Save in respect of the payment to be made under (a) above, no payment shall be made from Collections Account 2005-1 to the existing Operating Account until all the Sukuk Musyarakah are fully cancelled and the capital invested has been returned. The Issuer shall be permitted to maintain and operate its existing Operating Account for receipt of amounts which are not required to be paid into Collections Account 2005-1 or which are required to be paid from Collections Account 2005-1 to the existing Operating Account. Monies standing to the credit of the existing Operating Account shall be utilised in meeting in priority any tax liability of the Issuer (and, until so utilised, amounts paid to the credit of the existing Operating Account in respect of Portfolio 2005-1 shall be held on trust for the holders of the Sukuk Musyarakah) and the payment of any cost and expense which will not be paid out of Collections Account 2005-1 and any surplus thereafter may be applied in payment of dividend or any other distribution to shareholders. An independent director of the Issuer shall be a signatory (either singly or jointly) for the operation of the existing Operating Account and the existing Operating Account shall not be encumbered in favour of any person.

(viii) *Permitted Investments*

Permitted investments in any one of the following may be made by the Trustee in the name of the Issuer (in consultation with the Transaction Administrator) out of the funds standing to the credit of Collections Account 2005-1 for the credit back to Collections Account 2005-1 of the proceeds of realisation and income from such investments:

- (a) securities (not being the Sukuk Musyarakah) with a minimum rating of AA1/AA+ or P1/MARC-1 by RAM/MARC;
- (b) securities issued or guaranteed by the Government of Malaysia or BNM;
- (c) accounts maintained with a financial institution with a minimum rating of

AA1/AA+ or P1/MARC-1 by RAM/MARC;
or

- (d) money market instruments of a financial institution with a minimum rating of AA1/AA+ or P1/MARC-1 by RAM/MARC.

PROVIDED THAT

- (a) the maturity of the Permitted Investment shall fall on a date, which is at least five (5) business days before the next profit distribution date or the Maturity Date, whichever is the earlier;
- (b) the Permitted Investment is denominated in Ringgit Malaysia;
- (c) the Permitted Investment is Syariah-compliant; and
- (d) no Permitted Investment shall be made if a Dissolution Event has occurred or would occur following the making of such Permitted Investment.

(ix) *Positive Covenants*

Covenants usual and customary to the Issuer, and such other covenants as may be advised by legal counsel for the Joint Lead Arrangers and Joint Lead Managers for a transaction of such nature shall apply including but not limited to covenants that the Issuer shall:

- (a) Perform all its obligations under the Transaction Documents, the Issue Documents and the Musyarakah Declaration of Trust;
- (b) Ensure continuous compliance with the SC's requirements and conditions for the Sukuk Musyarakah;
- (c) Maintain Collections Account 2005-1 and pay and/or cause to be paid all amounts into such account and make payments and distributions from such account, only as permitted under the Issue Documents;
- (d) Maintain its corporate existence and its right to carry on operations;
- (e) Preserve and keep in force and effect all consents, licences and rights necessary for the conduct of its business and comply in all material respects with all legal and regulatory requirements relative to its business;
- (f) Obtain and promptly renew from time to time and comply with the terms and conditions of all consents and authorisations which may be required under any applicable law or regulation;
- (g) Prepare accounts in accordance with all relevant laws and applicable approved accounting standards and practices generally accepted in Malaysia;

- (h) Inform the Trustee of any change in its directors or shareholders and any other changes that may materially and adversely affect its business condition (financial or otherwise) or operating results;
- (i) Upon request and adequate prior notice from the Trustee:
 - (i) make available for their inspection the whole of the accounting or other records of the Issuer as the Trustee may reasonably require; and
 - (ii) give to the Trustee such information as it may reasonably require with respect to the Issuer's affairs to enable the Trustee to discharge its duties and obligations as trustee under the Trust Deed or imposed on the Trustee by the operation of law;
- (j) Give notice to the Trustee and the rating agencies promptly on becoming aware of any of the following:
 - (i) directive, ruling or condition imposed by the relevant authorities on the Issuer which would materially and adversely affect its business condition (financial or otherwise) or operating results;
 - (ii) default or event of default (actual or imminent) under any contractual obligation of the Issuer which would materially and adversely affect its business condition (financial or otherwise), or operating results;
 - (iii) litigation, dispute, action, investigation or proceeding which may exist at any time before the court or any governmental regulatory agency which would materially and adversely affect its business condition (financial or otherwise), or operating results or its ability to carry on its business as is now conducted or its ability to perform its obligations under the Issue Documents, the Musyarakah Declaration of Trust or the Transaction Documents and will defend itself against such litigation, dispute, action or proceeding and will not settle such litigation, action or proceeding except with the prior consent of the Trustee; and
 - (iv) claims against the Issuer which would have a material adverse effect

upon the ability of the Issuer to perform its obligations under the Issue Documents, the Musyarakah Declaration of Trust or the Transaction Documents, will defend itself against such claims and will not settle such claims except with the prior consent of the Trustee;

- (k) Take such steps as may have been notified by the Trustee following the occurrence of a Dissolution Event to remedy or mitigate the effect of the Dissolution Event or any other step as the Trustee may reasonably request;
- (l) Make available for inspection by the Trustee, the rating agencies and any holder of the Sukuk Musyarakah all reports received by the Issuer from the Servicer or the Transaction Administrator and provide to the Trustee and, at the request of the rating agencies, to the rating agencies copies of all reports received by the Issuer from the Servicer or Transaction Administrator;
- (m) Take all action necessary or desirable to ensure that its performance of the Issue Documents, the Musyarakah Declaration of Trust and the Transaction Documents are in compliance with the law and continue to be its valid, binding and enforceable obligations;
- (n) Ensure that all information furnished by or on behalf of the Issuer from time to time to the Trustee or the rating agencies are true and correct and not misleading and does not contain any material omission; and
- (o) Exercise its rights under the Transaction Documents to require repurchase or replacement by the Originator of any Mortgage Assets or Portfolio 2005-1 in accordance with the instructions of the Trustee.

(x) *Negative Covenants*

Covenants usual and customary to the Issuer, and such other covenants as may be advised by legal counsel for the Joint Lead Arrangers and the Joint Lead Managers for a transaction of such nature shall apply including but not limited to covenants that the Issuer shall not, without the prior written consent of the Trustee:

- (a) Reduce its authorised and/or issued shares;
- (b) Add to, delete, vary or amend its Memorandum and/or Articles of Association in any manner which may be prejudicial to the interest of holders of the Sukuk Musyarakah or may affect its ability to perform its obligations under the Issue Documents, the Musyarakah Declaration of Trust or the Transaction Documents;

- (c) Create or permit to exist over all or any part of Portfolio 2005-1 any security interest;
- (d) Change the nature of its business nor carry on any business or engage in any activities not specifically authorised under its Memorandum of Association nor have any subsidiary;
- (e) Amalgamate, consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person;
- (f) Enter into any scheme of arrangement or reconstruction or apply for any restraining order pursuant to section 176 of the Companies Act, 1965;
- (g) Propose any resolution for its winding up or liquidation or take any action towards its winding up or liquidation;
- (h) Agree to any change to the terms and conditions of the documentation relating to any Mortgage Assets or agree to the exercise by the Originator of any rights thereunder which may be prejudicial to the interest of holders of the Sukuk Musyarakah or may affect its ability to perform its obligations under the Issue Documents, the Musyarakah Declaration of Trust or the Transaction Documents;
- (i) Terminate, revoke, replace or suspend the Transaction Documents, the Administration Agreement 2005-1 or the Transaction Administration Agreement 2005-1;
- (j) Vary or waive any terms or conditions of any of the Transaction Documents, the Administration Agreement 2005-1 or the Transaction Administration Agreement 2005-1 or grant any time or indulgence to or release or vary the liability of any person from time to time liable there under in any manner which may be prejudicial to the interest of holders of the Sukuk Musyarakah or may affect its ability to perform its obligations under the Issue Documents, the Musyarakah Declaration of Trust or the Transaction Documents; or
- (k) Transfer, assign, relinquish or otherwise dispose of any of its rights and interest under the Transaction Documents or the Administration Agreement 2005-1 or the Transaction Administration Agreement 2005-1.

(xi) *Dissolution Events*

Dissolution Events (each a “Dissolution Event”) under the Sukuk Musyarakah include:

- (i) the Issuer fails to pay or distribute any amount due under the Sukuk Musyarakah or any of

- the Issue Documents or the Musyarakah Declaration of Trust (if any payment is due under that agreement) on the due date, or if so payable, on demand;
- (ii) breach of the representations and warranties in the Sukuk Musyarakah Issuance Agreement 2005-1 set forth under SECTION A GENERAL TERMS ITEM 25. REPRESENTATIONS AND WARRANTIES above (save for the matters dealt with under paragraphs (x) and (xii) of such representations and warranties) and in the reasonable opinion of the Trustee such event has a material adverse effect on the Sukuk Musyarakah or the ability of the Issuer to perform its obligations under the Issue Documents, the Musyarakah Declaration of Trust and/or the Transaction Documents;
 - (iii) the Issuer breaches its obligations and undertakings under the Sukuk Musyarakah or any of the Transaction Documents, the Musyarakah Declaration of Trust and/or Issue Documents (other than that stated in (i) above) which in the opinion of the Trustee, is capable of remedy, is not remedied to the satisfaction of the Trustee within thirty (30) days from the date the Issuer becomes aware of such breach or is notified of such breach;
 - (iv) it becomes unlawful for the Issuer and/or the Originator to perform its obligations under the Sukuk Musyarakah and/or any of the Transaction Documents, the Musyarakah Declaration of Trust and/or Issue Documents;
 - (v) the Issuer changes the nature or scope of its business, suspends, ceases or threatens to suspend or cease a substantial part of its business operations;
 - (vi) proceedings or steps taken for the winding-up of the Issuer and in the reasonable opinion of the Trustee such event has a material adverse effect on the Issuer;
 - (vii) the Issuer becomes insolvent;
 - (viii) the Issuer fails to satisfy any judgment obtained against it and in the reasonable opinion of the Trustee such event has a material adverse effect on the Sukuk Musyarakah or the ability of the Issuer to perform its obligations under the Issue Documents, the Musyarakah Declaration of Trust and/or Transaction Documents;
 - (ix) the Issuer repudiates any of the Transaction Documents, the Musyarakah Declaration of Trust and/or Issue Documents;
 - (x) revocation, withholding or modification of any relevant licence, consent, authorisation or

approval which materially and adversely impairs the Issuer's ability to comply with the terms and conditions of the Sukuk Musyarakah and/or any of the Transaction Documents and/or the Musyarakah Declaration of Trust and/or the Issue Documents;

- (xi) any of the provisions in the Transaction Documents and/or Issue Documents and/or the Musyarakah Declaration of Trust become ineffective, invalid or unenforceable and in the opinion of the Trustee such event is materially prejudicial to the interests of the holders of the Sukuk Musyarakah;
- (xii) the Originator repudiates or purports to repudiate any of the Transaction Documents;
- (xiii) any party to the Transaction Documents and/or the Issue Documents (other than the Issuer, the Trustee, the Facility Agent, the Central Depository and/or the Paying Agent) breaches its representations or warranties, obligations and undertakings under such documents and if capable of remedy, is not remedied to the satisfaction of the Trustee within thirty (30) days from the date such party becomes aware or is notified of such breach and such unremedied breach has a material adverse effect for the holders of the Sukuk Musyarakah;
- (xiv) the Issuer ceases to be a subsidiary of Cagamas;
- (xv) the tax liability of the Issuer in relation to Portfolio 2005-1 is determined (after all appeals, if any, available to the Issuer) to be different to that originally advised by the Tax Adviser and such difference has a material adverse effect on the Issuer;
- (xvi) the Servicer breaches any of its representations, warranties, obligations or undertakings under the Servicing Agreement 2005-1 and such breach is not remedied to the satisfaction of the Trustee within thirty (30) days of notice to the Servicer and, in the view of the Trustee, such breach would have a material adverse effect for the holders of the Sukuk Musyarakah;
- (xvii) any other securities of the Issuer (other than in respect of securities issued in relation to the securitisation of staff housing loans/home financing from the Government) becomes due and payable prior to its stated maturity or where the security (if any) for such securities becomes enforceable;

- (xviii) a scheme of arrangement under section 176 of the Companies Act 1965 has been instituted against the Issuer;
- (xix) a receiver has been appointed over the whole or a substantial part of the assets of the Issuer;
- (xx) otherwise than in accordance with the terms of the Musyarakah Declaration of Trust, the trust constituted pursuant to the Musyarakah Declaration of Trust is terminated or fails, or the Issuer ceases or fails to be the legal owner and trustee of Portfolio 2005-1 for the benefit of the holders of the Sukuk Musyarakah, where such termination, failure or cessation in the opinion of the Trustee, has or could have a material adverse effect on the ability of the Issuer to perform all or any of its obligations or otherwise comply with the terms of the Sukuk Musyarakah and/or any of the Issue Documents and/or the Musyarakah Declaration of Trust and/or Transaction Documents;
- (xxi) any other Dissolution Events as may be advised by the legal counsel to the Joint Lead Arrangers and Joint Lead Managers.

If following the occurrence of a Dissolution Event the Sukuk Musyarakah holders agree, by a Special Resolution of 75% of those present and voting at a meeting, the trust constituted by the Musyarakah Declaration of Trust shall be dissolved by notice to the Issuer and the Sukuk Musyarakah holders shall be entitled to the return of their capital from the date of such notice of dissolution and absolutely entitled to have the Trustee take possession (or appoint a receiver and manager to take possession) of all rights title interest in and to the Portfolio 2005-1 and all Collections and other amounts arising from realisation thereof, including the Collections Account 2005-1 and the benefit of the Administration Services Documents 2005-1 and the Transaction Documents.

Note: There is no cross default provision among the Dissolution Events except for the Issuer's other indebtedness as reflected in Clause (xvii) above. In the event of any future issue of securities by the Issuer, a default on or in respect of such future securities or any existing securities will not, by reason solely of such default entitle holders of the Sukuk Musyarakah to declare a Dissolution Event on or in respect of the Sukuk Musyarakah. The event or events giving rise to such default on such future or existing securities may, however, constitute events falling within any of the Dissolution Events above, in which case, a Dissolution Event can be declared on the Sukuk Musyarakah.

(xii) *Application of
Proceeds –
Dissolution Events*

Upon the declaration of a Dissolution Event by the Trustee, all monies standing to Collections Account 2005-1 shall be applied in the following order and priority:

- (a) to the payment to its existing Operating Account of such amount as is computed by the Transaction Administrator as the amount of the tax liability of the Issuer in respect of Portfolio 2005-1 (such computation to take into account amounts previously paid to the credit of its existing Operating Account);
- (b) towards payment of all fees and expenses of the Trustee, the Facility Agent, the Paying Agent, the Central Depository and the rating agencies to the extent such fees and expenses having fallen due have not been paid by the Transaction Administrator;
- (c) towards payment of all fees, costs and expenses incurred or to be incurred in connection with or incidental to the disposal or winding up of Portfolio 2005-1;
- (d) towards the payment to the Servicer of its accrued and unpaid fees, costs and expenses;
- (e) pro-rata distribution of profit on the Sukuk Musyarakah, if available, up to the agreed amount;
- (f) pro-rata return of capital invested in the Sukuk Musyarakah until cancellation and return of the capital invested on all of the Sukuk Musyarakah and all other amounts payable to the holders of the Sukuk Musyarakah have been paid in full;
- (g) towards payment to the Transaction Administrator and the Administrator of their accrued and unpaid fees; and
- (h) payment of any surplus to the Issuer.

Payment in respect of any tax liability or any liability in respect of fees and expenses of the Trustee, the Facility Agent, the Paying Agent, the Central Depository and the rating agencies may be made at any time as and when such liabilities become due and payable but payment of all other amounts may be withheld until any amount having priority to that first mentioned amount shall have been satisfied.

(xiii) *Taxation*

All payments or distributions by the Issuer in respect of the Sukuk Musyarakah shall be made subject to any withholding or deductions for or on account of any present and future tax, duty, or charge of whatsoever nature imposed or levied by law or on behalf of any authority having power to tax, and the Issuer shall not be required to gross up in connection with such withholding or deduction on these payments or distributions.

(xiv) *Transaction Administrator and Administrator*

The Transaction Administrator shall provide the following services to the Issuer in respect of Portfolio 2005-1:

- (a) receiving reports of the Servicer and providing their analysis thereof on Collections 2005-1, defaults, delinquencies and prepayments;
- (b) receiving the data from the Servicer for, and preparing reconciliation of Collections 2005-1;
- (c) verification of amounts due to the parties entitled thereto under the Issue Documents;
- (d) providing a quarterly report in relation to the foregoing;
- (e) appointing the advisors in connection with and for the purposes of the issue of the Sukuk Musyarakah; and
- (f) such other services as may be agreed between the parties.

The Administrator shall provide the following services to the Issuer:

- (a) to prepare and maintain such books and records of the Issuer, including but not limited to the necessary registers prescribed by law in Malaysia as may be required in the normal course of the business in order to comply with any laws or regulations of Malaysia and in such form and manner as may be agreed upon from time to time;
- (b) to provide corporate secretarial services to the Issuer including, but not limited, to the filing of all necessary forms and statutory returns to comply with the Companies Act, 1965 and the regulations made thereunder, the preparation of notices to and resolutions of shareholders and directors and the preparation of minutes of meetings of shareholders and directors;
- (c) to prepare and maintain such accounting records in accordance with applicable approved accounting standards in Malaysia as may be required in the normal course of the

Issuer's business and to ensure the due and proper preparation and filing of all tax returns, computations and forms of the Issuer; and

- (d) such other services as may be agreed between the parties.

The Transaction Administrator and the Administrator will receive as consideration for their services fees of zero point zero four six percent (0.046%) per annum and zero point zero zero one percent (0.001%) per annum respectively of the amount of the principal outstanding on Portfolio 2005-1 at the beginning of the quarter, such fees to be paid only in arrears on a profit distribution date. The agreement between the Transaction Administrator and the Issuer is referred to as the "Transaction Administration Agreement 2005-1", the agreement between the Administrator and the Issuer is referred to as the "Administration Agreement 2005-1" and the Transaction Administration Agreement 2005-1 and the Administration Agreement 2005-1 are collectively referred to as the "Administration Services Documents 2005-1."

- (xv) *Limited Recourse;
No Petition*

The Sukuk Musyarakah are issued on a limited recourse basis. This means that holders of the Sukuk Musyarakah will have only the benefit of the specifically identified Mortgage Assets (Portfolio 2005-1) and the collections from or proceeds of realisation thereof, including amounts standing to the credit of the Collections Account 2005-1, and all rights of the Issuer under the Administration Services Documents 2005-1 and the Transaction Documents, to satisfy their right to receive profit and repayment of the capital invested. See also "Facility Description" above. Holders of the Sukuk Musyarakah will also be deemed to have agreed (by their investment in or purchase of a Sukuk Musyarakah or the holding of a beneficial interest therein) not to petition for or join any person in petitioning for the winding up of the Issuer or otherwise institute against, or join any person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other similar proceedings under any applicable laws. Similarly, the Originator, the Servicer, the Transaction Administrator and the Administrator shall have no recourse to legal proceedings against the Issuer in respect of any amounts due or owing to them and may not petition for the winding up of the Issuer.

- (xvi) *Issue Documents*

- (a) Sukuk Musyarakah Issuance Agreement 2005-1;
 (b) Trust Deed 2005-1;
 (c) Administration Services Documents 2005-1; and
 (d) Depository and Paying Agency Agreement 2005-1.

(xvii)	<i>Transaction Documents</i>	(a) Purchase Contract 2005-1; (b) Deed of Assignment 2005-1; and (c) Servicing Agreement 2005-1.
(xviii)	<i>Governing Law</i>	Laws of Malaysia and non-exclusive jurisdiction of the Courts of Malaysia.
(xix)	<i>Incidental Expenses and Legal Fees</i>	Cagamas, the holding company of the Issuer, will undertake in Transaction Administration Agreement 2005-1 to bear all legal costs, consultant/professional fees, taxes and out of pocket expenses (including the fees of the Trustee, the Facility Agent, the Securities Commission, rating agencies and BNM but not the fees and expenses of the Joint Bond Co-ordinators and the Joint Lead Managers) in connection with the issue of the Sukuk Musyarakah and for the duration of the tenor of the Sukuk Musyarakah.
B	<i>Securitisation Transaction Overview</i>	<p>The Originator intends to sell Mortgage Assets from time to time to raise funds for purposes as it may determine.</p> <p>The Issuer has been incorporated for the purposes, inter alia, of purchasing Mortgage Assets from the Originator and to fund such purchases by the issue of securities. Any such securities shall be governed by, among others, the SC's GUIDELINES ON THE OFFERING OF ISLAMIC SECURITIES or the SC's GUIDELINES ON THE OFFERING OF PRIVATE DEBT SECURITIES and structured to comply with the SC's GUIDELINES ON THE OFFERING OF ASSET-BACKED SECURITIES, subject to such exemptions granted by the SC from time to time.</p> <p>Securities which may be issued by the Issuer may be conventional securities or Islamic securities.</p> <p>The proposed issue of Sukuk Musyarakah contemplated in this term sheet relates to and is solely for the purpose of the issue of Islamic Sukuk Musyarakah pursuant to the securitisation of Portfolio 2005-1.</p>
C	<i>The Mortgage Assets</i>	
(i)	<i>Mortgage Assets</i>	<p>Each purchase of Mortgage Assets from the Originator will be of a specifically identified pool of Mortgage Assets which were originated by and currently serviced by the Originator.</p> <p>A purchase will include, where the context so permits, the Originator's rights, benefit, title and interest in and to the relevant mortgages pursuant to which receivables arise and all amounts to be collected under the mortgages and all charges, guarantees and insurances and other rights in connection thereto, including any proceeds from recoveries, etc thereon.</p> <p>Issuance of the Sukuk Musyarakah will be for the purposes of purchasing the specifically identified pool of Mortgage Assets referred to as Portfolio 2005-1.</p>

(ii) *Eligibility Criteria*

There are Core Eligibility Criteria for the purchase of any Mortgage Assets by the Issuer. In addition, there are portfolio-specific Eligibility Criteria applicable to each portfolio. The Portfolio Eligibility Criteria of different portfolios may, but need not, be similar. The Core Eligibility Criteria and the Portfolio Eligibility Criteria, in relation to the portfolio, must be satisfied as of the Purchase Contract Date (being the date of the Purchase Contract for the purchase of the portfolio).

The Core Eligibility Criteria, applicable to each Mortgage Transaction in the Portfolio, is that it must meet the following criteria as at the Purchase Contract Date:

- (i) it is absolutely beneficially owned by the Originator free from all encumbrances other than in favour of the Originator;
- (ii) it was created in accordance with the guidelines of the Originator for the grant of housing loans or home financing and credit standards no less stringent than those generally applied by the Originator;
- (iii) it is a Mortgage Transaction which is a legal, valid and binding obligation of the related obligor and, where, applicable, related third party security provider enforceable against such obligor and where applicable, related security provider in accordance with its terms, subject to applicable bankruptcy or insolvency related exceptions;
- (iv) to the best knowledge of the Originator, it is a Mortgage Transaction which the relevant obligor has not exercised or indicated an intention to exercise the option of early settlement/prepayment, any right of rescission, set-off, counterclaim or defence (including the defence of usury);
- (v) all amounts required to be paid for the purchase of the property, the subject of the Mortgage Transaction have been paid;
- (vi) it is not a Mortgage Transaction which the Originator is prohibited or restricted by law, contract or otherwise from effecting a transfer of the same together with all related security thereto free from all encumbrances;
- (vii) all security created under or pursuant to the Mortgage Transaction is a first ranking security having priority to all secured and unsecured claims, has been validly created and perfected and all procedures in accordance with the Originator's usual practices have been adhered to in the creation and perfection of such security and all documents evidencing such security are in the possession and custody of the Originator;

- (viii) it was advanced and is repayable in Ringgit Malaysia;
- (ix) the amount of the financing under the Mortgage Transaction has been fully disbursed and the Originator retains no obligation to make any further advances of any nature under the Mortgage Transaction and the Originator has satisfied all obligations to be fulfilled on or prior to the time the Mortgage Transaction is sold to the Issuer;
- (x) the property the subject of the Mortgage Transaction, if a residential unit, has a certificate of fitness for occupation;
- (xi) the Mortgage Transaction provides for settlement of amounts due from the obligor by monthly instalments; and
- (xii) the Mortgage Asset must have been created more than six (6) months prior to the Purchase Date 2005-1.

In relation to Portfolio 2005-1, each Mortgage Transaction must meet the following criteria:

- (i) the Mortgage Transaction must be granted based on acceptable Islamic principles;
- (ii) the amount of the monthly salary/pension due to the obligor is equal to or greater than the amount of the monthly instalment required to be paid to the Originator;
- (iii) it has not been classified by the Originator in accordance with its usual practices as being currently in default (a default being a case where there are any arrears of instalments which are at least three (3) months overdue) nor has any payment in respect thereof been rescheduled, amended or changed to avoid or eliminate a delinquency or default or following a delinquency or default;
- (iv) each Mortgage Asset includes homeowner's insurance (covering, inter alia, loss by fire) and Mortgage Reducing Term Assurance ("MRTA") policy cover and each of such policies has had the premium thereon paid and the policies are endorsed with the interest of the Originator as "mortgagee", "financier" or "lender";
- (v) the sum assured under the MRTA policy cover for each Mortgage Transaction is equal to or greater than the amount of the principal outstanding in respect of that Mortgage Transaction;
- (vi) the MRTA policy cover for each Mortgage Transaction will remain in effect at least until the scheduled date for payment of the last

monthly instalment of the relevant Mortgage Transaction; and

- (vii) the obligor under the Mortgage Transaction is not a person identified in the records of the Originator as being or having been the subject of bankruptcy proceedings, as having been convicted of any offence capable of resulting in imprisonment or as being deceased.
- (viii) a Mortgage Transaction where the obligor must currently be in the service of the Government of Malaysia (but excluding obligors in the service of the Malaysian Armed Forces) or a pensioner;
- (ix) a Mortgage Transaction in which the salary/pension deduction for monthly instalments must have commenced no earlier than 1998 and at least six (6) months prior to Purchase Date 2005-1; and
- (x) a Mortgage Transaction which has not been already sold/transferred to the Issuer.

*D Sale of the
Mortgage Assets*

(i) Transaction

The Issuer shall enter into an agreement (the “Master Sale and Purchase Agreement 2005-1”) with the Originator for the purchase by the Issuer of Mortgage Assets which fully satisfies the Eligibility Criteria agreed. Concurrent therewith the Issuer will also enter into a deed of warranties (the “Deed of Warranties 2005-1”) with the Originator pursuant to which warranties will be given by the Originator in connection with each purchase by the Issuer and setting forth the rights of the Issuer in respect, amongst others, of any breach of such warranties.

This purchase of Portfolio 2005-1 will be pursuant to a Purchase Contract (the “Purchase Contract 2005-1”) incorporating the terms of the Master Sale and Purchase Agreement 2005-1 and the Deed of Warranties 2005-1 and specifying details relevant to the purchase of Portfolio 2005-1 and warranties given in connection with such purchase. In connection with the purchase of Portfolio 2005-1, the Originator will execute an equitable absolute assignment in respect of the Originator’s rights, interest, title and benefits in and to the Mortgage Assets and which would include the unfettered right to collect all amounts due and payable in respect of the Mortgage Assets, interest in the insurance cover undertaken by the respective obligor associated with the Mortgage Assets and any collateral security, charge and guarantees associated with the Mortgage Assets (in relation to the Sukuk Musyarakah, the “Deed of Assignment 2005-1”).

Purchase Contract 2005-1 will specify a date (the “Purchase Date 2005-1”) on and from which all Collections in respect of Portfolio 2005-1 the subject of

the Purchase Contract 2005-1 shall be accounted for and paid to the Issuer as agent and trustee for the holders of the Sukuk Musyarakah.

In relation to the Sukuk Musyarakah, the Purchase Date 2005-1 for Portfolio 2005-1 will be 31 March 2005. The purchase by the Issuer as agent and trustee for the holders of the Sukuk Musyarakah, of Portfolio 2005-1 will entitle the Issuer to receive all Collections on the Mortgage Assets of Portfolio 2005-1 on and from that date as agent and trustee for the holders of the Sukuk Musyarakah. The aggregate amount outstanding in respect of principal on Portfolio 2005-1 as at 31 March 2005 is estimated to be RM2.7 billion.

All title, risks and benefit under in and to Portfolio 2005-1 of Mortgage Assets will pass to the Issuer upon cancellation and return of all capital invested in the Sukuk Musyarakah.

(ii) *Purchase
Consideration*

The price to be paid for the Portfolio 2005-1 on the date for completion of the purchase of Portfolio 2005-1 (the "2005-1 Completion Date", being a date not more than six (6) months from the date of SC approval) will equal the fair value of the Mortgage Assets and will be settled fully in cash.

(iii) *Cancellation*

In the event the Purchase Consideration is not paid, or the Issuer fails to take delivery of Portfolio 2005-1 by the 2005-1 Completion Date the Purchase Contract 2005-1 shall be terminated unless otherwise agreed by the parties.

(iv) *Representations and
Warranties of the
Originator*

The Originator will make certain representations and warranties in the Master Sale and Purchase Agreement 2005-1 and the Deed of Warranties 2005-1 with respect to itself and the Mortgage Assets including but not limited to:

- (a) that the Originator has the power to and has taken all necessary action to ensure due authorisation by the Originator of the Transaction Documents, each of which constitute valid, binding and enforceable obligations of the Originator;
- (b) the Mortgage Assets purchased and the documentation relating thereto are in the sole and absolute beneficial ownership of the Originator and, will, when a transfer/assignment thereof is effected confer a good title on the Issuer or its nominee and or any purchaser thereof from the Issuer, and there is no impediment to the registration/completion of such transfer/assignment;
- (c) there is, in respect of each Mortgage Transaction in any portfolio, no amount owing to the obligor by the Originator and in respect of which the obligor is entitled to exercise any right of set-off in respect of any of the monthly instalments;

- (d) neither the Originator nor any of its agents has received any information in writing or written notice of any litigation, dispute, complaint or insolvency (subsisting, threatened or pending) in relation to any obligor or the property the subject of the obligor's Mortgage Transaction which may have an adverse effect on the ability of any obligor to perform her/his obligations in respect of a Mortgage Transaction;
- (e) all information given in the Master Sale and Purchase Agreement 2005-1 and in the Purchase Contract 2005-1 (including any schedule, annexure or attachment thereto and the particulars of each Mortgage Asset) is true and accurate in all material respects and is not misleading because of any omission or ambiguity or for any other reason;
- (f) that each obligor has complied with all its obligations under the documentation for their respective Mortgage Transaction up to the Purchase Date 2005-1;
- (g) that accounts, records and documentation relating to the Mortgage Assets have been properly kept and maintained and are up to date at least with transactions up to the Purchase Date 2005-1 and in the possession of the Originator or held to its order; and
- (h) the execution, delivery and performance of the Transaction Documents by the Originator are in compliance with all applicable laws.

If the Originator breaches any of its representations and warranties it shall indemnify and keep the Issuer indemnified against any loss, damage or claims suffered or incurred by the Issuer as a result of such breach.

(v) *Equitable Assignment*

The sale of Mortgage Assets by the Originator under the Master Sale and Purchase Agreement 2005-1 will be a "true sale" by way of an equitable absolute assignment for legal purposes and as such no notification will be required to be given to the obligors. Notwithstanding the above, the Issuer or the Trustee may require that notice be given by the Originator to the obligors of the sale of the Mortgage Assets once a Dissolution Event has occurred and upon such notification, an absolute and perfected legal assignment will be created.

(vi) *Compensation or replacement of Mortgage Transactions*

The Originator will represent:

- (a) that each Mortgage Transaction within Portfolio 2005-1 satisfies the Eligibility Criteria up to the 2005-1 Completion Date of the purchase of Portfolio 2005-1; and

- (b) that the information given in Purchase Contract 2005-1 in relation to the Mortgage Assets is true and accurate and is not misleading because of any omission or ambiguity or for any other reason.

In the event of a breach of any of the foregoing representations, in relation to any Mortgage Transaction or an order for sale is granted in respect of any second charge created by a obligor in breach of the terms of the Purchase Contract 2005-1, the Originator will, as provided by the Deed of Warranties 2005-1, either, at the election of the Issuer, compensate the Issuer in the Equivalent Amount (which is such amount equal to and to be paid at the same time as the outstanding instalments payable under such Mortgage Assets relative to that Mortgage Transaction) or, replace such Mortgage Asset with another Mortgage Asset acceptable to the Issuer.

*E Servicing the
 Mortgage Assets*

(i) Servicing

Pursuant to a Servicing Agreement (the “Servicing Agreement 2005-1”) entered into between the Originator and the Issuer, the servicer to the Issuer is the Originator. The Servicer will provide certain services to the Issuer in relation to the Mortgage Assets purchased by it and these include but are not limited to:

- (a) the collection of all amounts from the Mortgage Assets in Portfolio 2005-1 (“Collections 2005-1”);
- (b) the payment of Collections 2005-1 to Collections Account 2005-1;
- (c) the provision of quarterly servicer reports summarising the amount of Collections 2005-1, prepayments and any other payments received, delinquency and default information;
- (d) the keeping of records, books, accounts and data in relation to each Mortgage Asset in Portfolio 2005-1;
- (e) using its best efforts to maintain the relevant insurance policies; and
- (f) the taking of action for the realisation of any Mortgage Asset in relation to which there has been any default by the obligor thereto.

The Servicer undertakes also to designate each of the Mortgage Transactions transferred pursuant to Purchase Contract 2005-1 in its books of account, records and computer systems by reference to the agreed reference number of Purchase Contract 2005-1 and otherwise in such a manner as will identify Portfolio 2005-1 as being owned by the Issuer and will

distinguish each of such Mortgage Transactions from other loans and debt securities owned or serviced by the Servicer.

(ii) *Periodic Payment*

The Servicer will make payment of Collections 2005-1 on a quarterly basis to Collections Account 2005-1.

The first payment will be in respect of Collections 2005-1 in the months of April, May and June of 2005 with subsequent Collections 2005-1 being for every quarter thereafter. The Servicer shall, in respect of each quarter, provide to the Transaction Administrator, in agreed readable soft copy form, the data required to enable a verification of Collections 2005-1 for the relevant quarter. In the event of any errors detected by the Transaction Administrator, the Servicer and the Issuer shall take any necessary action, including the Servicer making any payments or setting off against any future Collections 2005-1, to correct such errors.

(iii) *Quarterly Report*

On a quarterly basis, the Servicer will deliver to the Issuer, the Facility Agent, the rating agencies and the Trustee a report setting forth among other things, Collections 2005-1 including prepayments, delinquencies and defaults; certain portfolio performance statistics of the Mortgage Transactions and whether certain Mortgage Transaction performance tests (e.g. relating to yield and principal coverage) have been satisfied.

(iv) *Servicing Fee*

The Servicer will receive as compensation for its services a fee which is equal to zero point zero one percent (0.01%) per annum of the amount of the principal outstanding on Portfolio 2005-1 of Mortgage Assets at the beginning of the quarter; such fee to be paid only on a profit distribution date.

(v) *Servicer Default*

If any of the following events (each, a “Servicer Event of Default”) occurs:

- (a) the Servicer fails to effect any payment, transfer or deposit as required under the Servicing Agreement 2005-1.
- (b) the Servicer fails to perform any of its obligations under the Servicing Agreement 2005-1 or breaches any of the terms of the Servicing Agreement 2005-1 (including the representations and warranties) and (except where in the opinion of the Issuer such failure is not capable of remedy) does not cure such default within ten (10) days after the earlier of (i) receipt of notice thereof from the Issuer or (ii) having actual knowledge thereof; and
- (c) any indebtedness of the Servicer to the Issuer is not paid after a period of thirty (30) days as notified by the Issuer in writing.

Then the Issuer or the Trustee may by notice in writing to the Servicer, require the Servicer effective from the date specified in the notice (not being earlier than the date of the notice) to appoint a person nominated by

the Issuer and acceptable to the Trustee and rating agencies as a sub-contractor of the Servicer (the “External Service Provider”) and to delegate to such External Service Provider the provision of such of the services and the performance of such of the obligations of the Servicer under the Servicing Agreement 2005-1 as the Servicer has defaulted in providing. The External Service Provider shall, in the name of and as agent of the Servicer, be entitled to exercise such of the rights and perform such of the obligations of the Servicer under the Servicing Agreement 2005-1 in respect of which the Servicer is in default.

ANNEXURE A

Early Return of Capital Formula:

In the event of a mandatory or optional cancellation for return of the capital invested of the Sukuk Musyarakah, the amount of the Collections (ERS) to be distributed by the Issuer in return of the capital invested of the Sukuk Musyarakah shall be given by the following formula:

$$ERS = \frac{(PB \times ERP)}{100}$$

where:

PB = aggregate nominal value of the Sukuk Musyarakah to be cancelled for return of the capital invested

ERP = amount to be returned as capital per RM100 of the nominal value of the Sukuk Musyarakah to be cancelled for return of the capital invested (rounded to the nearest 5 decimal places) subject to a minimum of RM100 calculated based on the formula set out below.

$$ERP = \left(\frac{100}{\left(1 + \frac{YTM}{4}\right)^{(N-1)}} \right) + \left(\sum_{k=1}^N \frac{\left(100 \times \frac{Coupon}{4}\right)}{\left(1 + \frac{YTM}{4}\right)^{(k-1)}} \right)$$

For the purposes of calculating the ERP, the following variables are used:

- (i) Coupon = the Profit Rate;
- (ii) YTM = the lower of (a) the Profit Rate applicable to the relevant Tranche or (b) the yield to maturity of Reference Malaysian Government Islamic Securities plus a spread of 25 basis points.

Reference Malaysian Government Islamic Securities shall be Malaysian Government Islamic Securities for tenures which are equal to the remaining tenure of the Tranche being cancelled for return of the capital invested and shall be determined from:

- (a) the latest Consolidated Government Securities Rates (Islamic) published by BNM weekly, two (2) Business Days prior to the date of issue of the notice of cancellation for return of the capital invested;

or, if that published rate is unavailable:

- (b) the arithmetic average of the mid-rates quoted by any five (5) Principal Dealers (being dealers in securities as appointed by BNM from time to time to bid at primary issues of Malaysian Government Islamic Securities), two (2) Business Days prior to the date of issue of the notice of cancellation for return of the capital invested.

In the case where the rate for a particular tenure is not available directly, then such a rate shall be extrapolated on

a linear basis using the available arithmetic average mid-rates, provided that if the tenure of the tranche is not an integer, the Reference Malaysian Government Islamic Securities shall be the arithmetic mean of the rates of the two (2) nearest tenures derived from (a) or (b) above.

- (iii) N = number of profit distributions to be made between Maturity Date and the date of cancellation for return of the capital invested, inclusive of both the Maturity Date and the date of cancellation for return of the capital invested.

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7.0 THE ISSUER**7.1 Company Background**

The Issuer is a public company limited by shares incorporated under the Companies Act, 1965 on 8 June 2004 and on 9 July 2004 became a wholly owned subsidiary of Cagamas. Its registered office is located at 19th Floor, West Wing, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

The shareholding structure of CMBS as at 30 June 2005 is as follows:

Authorised Capital	:	100,000 ordinary shares of RM1 each.
Issued and Paid up Capital	:	2 ordinary shares of RM1 each.

The Issuer has been incorporated solely for the purpose of operating a business involving the securitisation of housing loans from the GOM. It is intended to be as much as possible a bankruptcy remote vehicle and to such end has various restrictions incorporated into its memorandum and articles of association and the trust deed. It is, however, not limited in its capability to, or the manner in which it may, raise financing or undertake future securitisations. Its board of directors includes a nominee director and the Chief Executive Officer of Cagamas. At least one third of its board comprises independent directors.

The principal activities of the Issuer are:

- (a) To operate a business where the Issuer will:
 - (i) purchase from time to time from the Originator all of the right, title, interest and benefit of the Originator in, to, under and in respect of housing loans or financing granted by the Originator pursuant to the Housing Loans Fund Act 1971, as amended from time to time, on such terms and for such consideration as the Directors of the Issuer may deem fit;
 - (ii) issue asset-backed private debt securities, whether conventional or Islamic, including notes, bonds or debentures ("Asset-Backed Securities") on such terms and conditions and at such times as may be deemed fit, for the purchase of housing loans or financing from the Originator and otherwise to raise and borrow money in whatsoever manner as may be decided by the Issuer.
- (b) To secure the repayment of the Asset-Backed Securities or any borrowings of the Issuer by charge, mortgage, pledge, lien, assignment or other security interest over the whole or any part of the Issuer's assets from time to time.
- (c) To do all such other things incidental or conducive in such business operations for the attainment or in furtherance of or in connection with the objects set forth above including the investment of its surplus funds in any form of debt securities, entering into forward contracts, swaps, futures contracts, options and derivative contracts for the purpose of hedging against or minimising any loss concerning the assets or business of the Issuer.

The shareholders of CMBS as at 30 June 2005 are as follows:

	No. of Shares of RM1 each	Percentage of Issued and Paid- Up Capital (%)
Cagamas Berhad [Malaysian/Bumiputra]	2	100

7.2 Board of Directors

The Board of Directors of the Issuer as at 30 June 2005 are as follows:

Name	Nationality
Dato' Mohd Razif Abdul Kadir *	Malaysian
Mr. Kokularupan Narayanasamy *	Malaysian
Dato' Huang Sin Cheng **	Malaysian

* Directors nominated by Cagamas

** Independent director

A profile of the Board of Directors is as follows:

Dato' Mohd Razif Abdul Kadir

Dato' Mohd Razif Abdul Kadir, Malaysian, aged 52, was appointed to the Board of Directors and as Chairman of the Company on 9 July 2004. He is also a Director of Cagamas Berhad.

Dato' Mohd Razif is the Assistant Governor of Bank Negara Malaysia (BNM). He graduated with a Bachelor of Economics (Hons) degree from University of Malaya and obtained his Masters in Business Administration (majoring in Finance) from Syracuse University, New York, USA. He joined BNM in 1976 and since then, has held various senior positions in BNM including the positions of Chief Representative of BNM London Representative Office and Director of Bank Regulations Department. He was the Director-General of Labuan Offshore Financial Services Authority from 1999 to 2001.

Mr. Kokularupan Narayanasamy

Mr. Kokularupan Narayanasamy, Malaysian, aged 54, was the First Director named in the Articles of Association of the Company. He is also the Chief Executive Officer of Cagamas Berhad.

Mr. Kokularupan graduated with a Bachelor of Economics with a Second Upper Honours Degree from the University of Malaya in 1974. He joined BNM upon graduation and held various positions in the Economics Department and the Banking Department (now known as Investment Operations and Financial Markets Department). In 1982 he joined Malaysia Building Society Berhad as Manager, Special Projects and was promoted as Senior Manager in 1983. In 1987 when Cagamas was set up, he joined the Company as Deputy Manager (Mortgage Operations). Since then he was promoted to the post of Manager (Mortgage Operations), Assistant General Manager (which was re-designated as Deputy CEO) before assuming the post of CEO in 2001. He has more than 20 years of experience in the mortgage and finance industry. He was a member of the Asset-Backed Securities Committee in Securities Commission from 2000 to 2002. Mr. Kokularupan also acted as a short-term Consultant of the IFC to present papers on Cagamas' Model in Bangladesh and Pakistan in 2002.

Dato' Huang Sin Cheng

Dato' Huang Sin Cheng, Malaysian, aged 61, was the First Director named in the Articles of Association and also an independent Director of the Company.

Dato' Huang Sin Cheng graduated with a Bachelor of Arts (Hons) degree from University of Malaya and is a Fellow of the Institute of Bankers Malaysia. He joined BNM in 1967 and has held various senior positions in BNM. In 1992, he was seconded to Cagamas Berhad as

General Manager. He held that position until 1998, when he was recalled to BNM to take up the position of Assistant Governor. In 2000, he assumed the position of Deputy Governor of BNM until his retirement on 15 June 2002. He is also a Director of Bank Industri dan Teknologi Malaysia Berhad, Malaysia Export Credit Insurance Berhad, BI Credit & Leasing Berhad and Global Carriers Berhad.

7.3 Borrowings

In October 2004, the Issuer completed the first securitisation of a portfolio of Mortgage Transactions, involving the issuance of RM1.555 billion of asset-backed fixed rate bonds (CMBS 2004-1) and the purchase of Mortgage Transactions with approximately RM1.9 billion in Outstanding Principal Amount. The issuance of CMBS 2004-1 bonds was secured against cash flows from the Mortgage Transactions which was calculated to be sufficient to meet the interest payments and redemption obligations of the Issuer.

7.4 Material Commitments and Contingencies

Apart from the first issuance of asset-backed securities in October 2004, as at 30 June 2005, the directors of the Issuer are not aware of any material commitments and contingent liabilities, which upon becoming enforceable may have substantial impact on the financial position and the business of the Issuer.

7.5 Material Contracts

The Issuer has not entered into any contracts which is outside its ordinary course of business which only involves the securitisation of housing loans from the GOM. The first securitisation was completed in October 2004.

7.6 Material Litigation

As at 30 June 2005, the Issuer is not engaged in any litigation, either as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence. The directors of the Issuer do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings, which may materially and adversely affect the position or the business of the Issuer.

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8.0 CAGAMAS BERHAD

8.1 Company Background

Cagamas, the National Mortgage Corporation, is a public limited company incorporated under the Companies Act, 1965 on 2 December 1986. Its registered office is located at 19th Floor, West Wing, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

Cagamas, was established to promote home ownership among Malaysians. It provides alternative financial products to primary lenders, making housing loans more affordable to house buyers.

Its principal activities consist of the purchase of mortgage loans, hire purchase and leasing debts from primary lenders and the issue of bonds and notes (both conventional and Islamic) to finance these purchases. Cagamas also purchases Islamic house financing debts and Islamic hire purchase debts and issues bonds under Islamic principles.

As at 31 December 2004, Cagamas' outstanding bonds (both conventional and Islamic) amounted to RM26,752 million representing 14.9% of the outstanding private debt securities in the market.

8.2 Board of Directors

The Board of Directors of Cagamas as at 30 June 2005 are as follows:

Name	Nationality
Dato' Ooi Sang Kuang	Malaysian
Tan Sri Dato' Azman Hashim	Malaysian
Datuk Tay Ah Lek	Malaysian
Tan Sri Dato' Tan Teong Hean	Malaysian
Datuk Amirsham A. Aziz	Malaysian
Mr. Mohamed Azmi Mahmood	Malaysian
Dato' Mohd Razif Abdul Kadir	Malaysian
Dato' Albert Yeoh Beow Tit	Malaysian
Mr. Zarir Jal Cama	British
Mr. Shayne Keith Nelson	Australian
Madam Yvonne Chia	Malaysian
YM Tunku Afwida Tunku A. Malek	Malaysian
Mr. Abdul Karim Md Lassim	Malaysian

Profile of Board of Directors

As at 30 June 2005, the profiles of the Board of Directors are as follows:

Dato' Ooi Sang Kuang, Malaysian, aged 57, was appointed to the Board of Directors on 4 July 2002 as a Non-Executive Director. In October 2002, he assumed the position as Chairman of Cagamas and its Board Executive Committee. Dato' Ooi held a number of senior positions across the financial services sector. Dato' Ooi is the Deputy Governor of BNM.

Tan Sri Dato' Azman Hashim, Malaysian, aged 65, was appointed to the Board of Directors on 28 February 1987 as a Non-Executive Director. He is also Chairman of Cagamas' Board Staff Compensation and Organisation Committee.

Tan Sri Dato' Azman Hashim is Chairman of AmBank Group and Executive Chairman of Arab Malaysian Corporation Berhad. He is also the Chairman of the Association of Merchant Banks in Malaysia.

Datuk Tay Ah Lek, Malaysian, aged 62, was appointed to the Board of Directors on 28 February 1987 as a Non-Executive Director. He is also a member of Cagamas' Board Executive Committee and Board Finance Committee.

Datuk Tay is the Managing Director of Public Bank Berhad.

Tan Sri Dato' Tan Teong Hean, Malaysian, aged 61, was appointed to the Board of Directors on 28 February 1987 as a Non-Executive Director. He is also the Chairman of Cagamas' Board Audit Committee.

Tan Sri Dato' Tan is the Chief Executive Director of Southern Bank Berhad and sits on the Board of the Malaysian Institute of Economic Research.

Datuk Amirsham A. Aziz, Malaysian, aged 54, was appointed to the Board of Directors on 12 July 1994 as a Non-Executive Director. He is also the Chairman of Cagamas' Board Finance Committee.

Datuk Amirsham is the President and Chief Executive Officer of Malayan Banking Berhad.

Mr. Mohamed Azmi Mahmood, Malaysian, aged 50, was appointed to the Board of Directors on 7 July 1999 as a Non-Executive Director. He is also a member of Cagamas' Board Executive Committee and Board Finance Committee.

Mr. Mohamed Azmi is the Managing Director, Retail Banking of AmBank (M) Berhad (Formerly known as AmFinance Berhad).

Dato' Mohd Razif Abdul Kadir, Malaysian, aged 52, was appointed to the Board of Directors on 27 February 2001 as a Non-Executive Director. He is also a member of Cagamas' Board Finance Committee.

Dato' Mohd Razif is the Assistant Governor of BNM.

Dato' Albert Yeoh Beow Tit, Malaysian, aged 55, was appointed to the Board of Directors on 16 September 2003 as a Non-Executive Director. He is also a member of Cagamas' Board Finance Committee.

Dato' Albert Yeoh is the Chief Executive Officer and a Director of OCBC Bank (Malaysia) Berhad.

Mr. Zarir Jal Cama, British, aged 58, was appointed to the Board of Directors on 16 September 2003 as a Non-Executive Director. He is also a member of Cagamas' Board Audit Committee and the Board Staff Compensation and Organisation Committee.

Mr. Cama is the Deputy Chairman and Chief Executive Officer of HSBC Bank Malaysia Berhad.

Mr. Shayne Keith Nelson, Australian, aged 45, was appointed to the Board of Directors on 29 October 2003 as a Non-Executive Director. He is the Chairman of Cagamas' Board Risk Committee.

Mr. Nelson is the Chief Executive Officer and Managing Director of Standard Chartered Bank Malaysia Berhad.

Madam Yvonne Chia, Malaysian, aged 51, was appointed to the Board of Directors on 21 May 2004 as a Non-Executive Director. She is also a member of Cagamas' Board Risk Committee.

Madam Chia is the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad.

YM Tunku Afwida Tunku A. Malek, Malaysian, aged 39, was appointed to the Board of Directors on 4 January 2005 as a Non-Executive Director. She is also a member of Cagamas' Board Audit Committee.

YM Tunku Afwida is the Chief Executive Officer / Executive Director of Malaysian International Merchant Bankers Berhad.

Mr. Abdul Karim Md Lassim, Malaysian, aged 44, was appointed to the Board of Directors on 14 February 2005 as a Non-Executive Director. He is also a member of Cagamas' Board Staff Compensation and Organisation Committee and Board Risk Committee.

Mr. Abdul Karim is the Chief Executive Officer and Director of Southern Finance Berhad.

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8.3 Shareholding and Capital Structure

The shareholding structure of Cagamas as at 30 June 2005 is as follows:

Authorised Capital : 500,000,000 ordinary shares of RM1 each

Issued and Paid-up Capital : 150,000,000 ordinary shares of RM1 each.

Cagamas is a resident controlled company. Its shareholders as at 30 June 2005 are:

Name	Nationality	No. of Shares of RM1 each	Percentage of Issued and Paid-up Capital (%)
Bank Negara Malaysia	Not applicable	30,000,000	20.0
Maybank Group	Not applicable	18,861,000	12.5
Commerce Group	Not applicable	17,406,000	11.6
RHB Bank Group	Not applicable	13,532,400	9.1
AmBank Group	Not applicable	12,066,000	8.1
Public Bank Group	Not applicable	10,485,600	7.0
Southern Bank Group	Not applicable	7,728,000	5.2
Hong Leong Bank Berhad	Not applicable	6,486,000	4.3
HSBC Bank Malaysia Bhd	Not applicable	6,201,000	4.1
Alliance Bank Group	Not applicable	5,583,000	3.7
Affin Bank Group	Not applicable	4,410,000	2.9
EON Bank Group	Not applicable	2,472,000	1.6
Standard Chartered Bank Malaysia Berhad	Not applicable	4,590,000	3.1
United Overseas Bank (Malaysia) Berhad	Not applicable	3,330,000	2.2
OCBC Bank (Malaysia) Berhad	Not applicable	2,997,000	2.0
Kewangan Bersatu Berhad	Not applicable	1,818,000	1.2
Bank of Tokyo-Mitsubishi (Malaysia) Berhad	Not applicable	738,000	0.5
Bangkok Bank Berhad	Not applicable	369,000	0.3
The Bank of Nova Scotia Berhad	Not applicable	327,000	0.2
ABN AMRO Bank Berhad	Not applicable	300,000	0.2
Deutsche Bank (Malaysia) Berhad	Not applicable	300,000	0.2
Total		150,000,000	100

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8.4 Financial Highlights of Cagamas

	2002	2003	2004
Revenue (RM million)			
Gross Operating Revenue	1,181.8	1,117.0	1,197.1
Profit Before Tax and Zakat	207.5	192.5	183.3
Profit After Tax and Zakat	150.1	138.3	131.3
Dividend After Tax	166.5	16.2	16.2
Balance Sheet (RM million)			
Mortgage Loans	14,816.8	15,195.6	13,565.0
Hire Purchase and Leasing Debts	10,513.3	11,235.8	11,732.2
Islamic Financing Debts	703.4	907.7	2,211.2
Total Assets	26,383.1	27,853.1	28,283.3
Debt Securities	24,940.2	26,433.2	26,737.4
Paid-up Capital	150.0	150.0	150.0
Reserves	1,014.3	986.1	1,106.5
Shareholders' Funds	1,164.3	1,136.1	1,256.5
Per Share (sen)			
Earnings*	100.0	92.2	87.5
Net Tangible Assets*	776.2	757.4	837.7
Gross Dividend	118.0	15.0	15.0
Financial Ratios			
Pre-tax Return on Average Shareholders' Funds (%)	18.9	17.4	15.3
After-tax Return on Average Shareholders' Funds (%)	13.6	12.0	11.0
Pre-tax Return on Average Total Assets (%)	0.8	0.7	0.7
After-tax Return on Average Total Assets (%)	0.6	0.5	0.5
Dividend Cover (times)	0.9	8.5	8.1
<i>*Based on 150 million ordinary shares of RM1.00 each</i>			

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9.0 PARTIES TO THE TRANSACTION**9.1 The Originator**

The Originator for Portfolio 2005-1 is the GOM. The Mortgage Transactions to be securitised are Housing Loans and Home Financing originating from the BPP, a division established within the Ministry of Finance of Malaysia in 1970. The BPP is located at Perbendaharaan Malaysia, Blok 8, Kompleks Pejabat-Pejabat Kerajaan, Jalan Duta, 50592 Kuala Lumpur.

The BPP was established to provide and manage Housing Loans and Home Financing to members of the public services, members of the federal and state administration, Members of Parliament, Members of the State Legislative Assembly and Judges. It obtains funding from the "Loan Revolving Fund" created under the HLF Act. Whilst some of the allocations of the fund are from the GOM, other sources of the fund include loans from financial institutions and other trust funds.

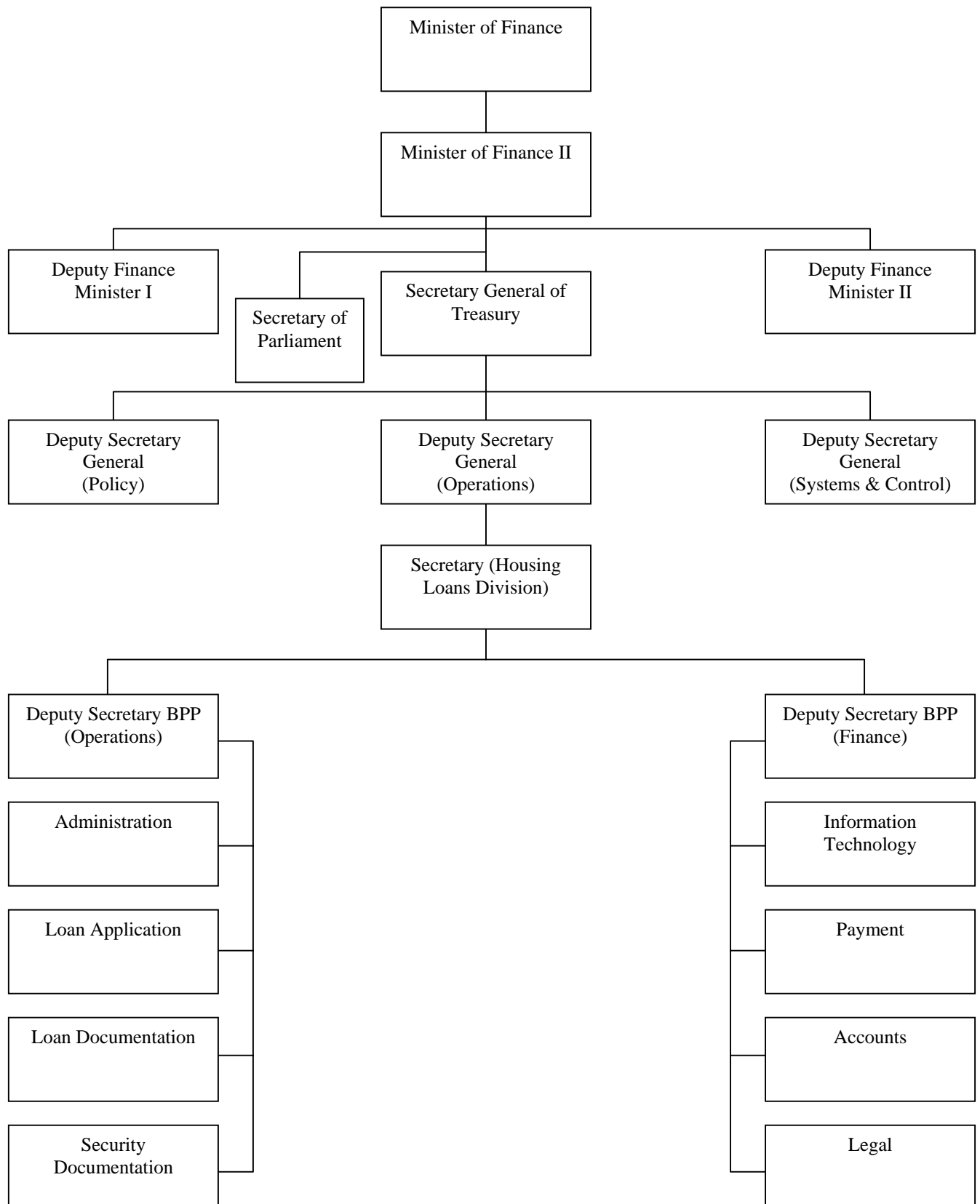
Financing disbursed by BPP is either conventional loans or Islamic financing. The Housing Loans or Home Financing are disbursed for the following purposes:

- (a) purchase of completed house;
- (b) financing of house built on own land;
- (c) purchase of house under construction;
- (d) purchase of land;
- (e) refinancing of existing housing loans from banks;
- (f) renovation of own house acquired through housing loan from BPP; and
- (g) purchase of second property.

As at 31 March 2005, approximately RM23.69 billion of Housing Loans and Home Financing (in Outstanding Principal Amount) remain outstanding (excluding Housing Loans and Home Financing sold pursuant to the inaugural securitisation of Housing Loans and Home Financing by CMBS in October 2004 and those earmarked for Portfolio 2005-1).

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ORGANISATIONAL STRUCTURE OF THE BPP



9.1.1 Housing Loan/Home Financing Scheme

The GOM offers two different schemes of housing loans and home financing, the Skim Pinjaman Perumahan Perbendaharaan and Skim Pembiayaan Perumahan Secara Islam or the Islamic home financing. Housing Loans and Home Financing are given to civil servants who meet the following criteria:

- (a) Malaysian citizens serving the GOM full time;
- (b) A confirmed staff having served the GOM at least one year;
- (c) Not a bankrupt, convict or under any disciplinary action; and
- (d) Earning a Monthly Salary sufficient to meet the Monthly Instalments.

All applications must be made at least six (6) months prior to retirement age and financing approved is subject to the applicant's maximum entitlement. The maximum entitlement of each civil servant is dependent upon the Monthly Salary when applying for the Housing Loan/Home Financing. The Obligor is allowed to apply for financing for 100% of the value of the Mortgaged Property provided that the amount applied does not exceed the Obligor's maximum Housing Loan/Home Financing entitlement.

Housing Loans/Home Financing are charged a fixed interest/profit rate of 4% annually, computed on a monthly-rest basis. Should the Obligor leave civil service, the interest/profit rate shall be commercialised at 7% and 9% annually for loans that are less than and greater than RM100,000 respectively.

Residential Unit Policies (except for purchase of land) and MRTA Policies (made compulsory since 1994) are compulsory throughout the Tenure. Payment of the premium on the Insurance Policies can also be financed by the Housing Loans/Home Financing. Malaysia National Insurance Berhad and Takaful Nasional Sdn Bhd, are the exclusive writers of all Insurance Policies with Takaful Nasional Sdn Bhd providing exclusively coverage for all Home Financing.

Security created over the Mortgaged Property consists of:

- (a) A first legal charge on the title of the property or an assignment of the rights of the Obligor under the agreement for the purchase of the Mortgaged Property providing the GOM a first ranking right over the property charged; and
- (b) Insurance coverage.

Loan Repayment and Collections

The repayment period for first Housing Loans/Home Financing is up to 25 years for pensionable Government Employees and up to age 56 for Government Employees under the Employee Provident Fund ("EPF") scheme. Second Housing Loans/Home Financing carry a maximum repayment period of 20 years for pensionable Government Employees and 20 years limited to the number of years left in service for Government Employees under the EPF scheme.

Housing Loan/Home Financing deductions for Obligor in service are made directly from their Monthly Salary while deductions for Pensioners are made from their Monthly Pension. Housing Loan/Home Financing deduction instructions are usually issued upon the property being financed achieving 95% completion or 18 months after the first disbursement, whichever falling earlier.

Jabatan Perkhidmatan Awam ("JPA") or the Public Service Department - Pensions Division manages pension payments of public sector retirees while the Veteran Affairs Division in the Ministry of Defence ("MINDEF") administers pension payments of retired army officers. Once an Obligor is pensioned, BPP issues payment deduction instructions to JPA or MINDEF accordingly. Upon receipt of

these instructions, JPA or MINDEF deduct the amount of the Monthly Instalments from the amount of the Monthly Pension due to the Obligors before crediting the balance into the Obligors' bank accounts. The instalments deducted are then remitted to BPP.

Non-performing Housing Loans/Home Financing

Where an account is in arrears for more than three (3) months, BPP serves the Obligor a notice to claim the amount overdue within 1 month from the date of the notice. Should this fail, BPP would refer the case to its legal section which will then send a second notice allowing a further one month's grace period. In the event the account remains delinquent thereafter, legal action is taken and foreclosure of the Mortgaged Property may be initiated in situations where all other options of recovery prove futile.

9.1.2 Collections 2005-1 and Sukuk Musyarakah Servicing

The first Collection Period is for the months of April, May and June 2005. The Collections 2005-1 for this period are to be paid by the Servicer to the credit of the Collections Account 2005-1 by 1 October 2005. The first Profit Distribution Date on the Sukuk Musyarakah is currently set in 8 November 2005 (subject to actual determination depending on the date of issue of the Sukuk Musyarakah).

9.1.3 Representations and Warranties by the Originator

The Originator has made certain representations and warranties in the Master Sale and Purchase Agreement 2005-1 with respect to itself and the Mortgage Assets including but not limited to:

- (a) that the Originator has the power to and has taken all necessary action to ensure due authorisation by the Originator of the Transaction Documents, each of which constitute valid, binding and enforceable obligations of the Originator;
- (b) the Mortgage Assets purchased and the documentation relating thereto are in the sole and absolute beneficial ownership of the Originator and, will, when a transfer/assignment thereof is effected confer a good title on the Issuer or its nominee and or any purchaser thereof from the Issuer, and there is no impediment to the registration/completion of such transfer/assignment;
- (c) there is, in respect of each Mortgage Transaction in any portfolio, no amount owing to the Obligor by the Originator and in respect of which the Obligor is entitled to exercise any right of set-off in respect of any of the monthly instalments;
- (d) neither the Originator nor any of its agents has received any information in writing or written notice of any litigation, dispute, complaint or insolvency (subsisting, threatened or pending) in relation to any Obligor or the Mortgaged Property the subject of the Mortgage Transaction which may have an adverse effect on the ability of any Obligor to perform her/his obligations in respect of a Mortgage Transaction;
- (e) all information given in the Master Sale and Purchase Agreement 2005-1 and in each Purchase Contract (including any schedule, annexure or attachment thereto and the particulars of each Mortgage Asset) is true and accurate in all material respects and is not misleading because of any omission or ambiguity or for any other reason;

- (f) that each Obligor has complied with all its obligations under the documentation for their respective Mortgage Transaction up to the Purchase Date;
- (g) that accounts, records and documentation relating to the Mortgage Assets have been properly kept and maintained and are up to date at least with transactions up to the Purchase Date and in the possession of the Originator or held to its order; and
- (h) the execution, delivery and performance of the Transaction Documents by the Originator are in compliance with all applicable laws.

If the Originator breaches any of its representations and warranties it shall indemnify and keep the Issuer indemnified against any loss, damage or claims suffered or incurred by the Issuer as a result of such breach.

9.1.4 Undertakings of the Originator

Under the terms of the Master Sale and Purchase Agreement 2005-1 which are incorporated into Purchase Contract 2005-1, the Originator covenants to the Issuer that, amongst others,

- (a) the Originator shall comply with all Laws to which it or its properties may be subject;
- (b) the Originator shall not, save in the capacity of Servicer and as permitted by the terms of the Servicing Agreement 2005-1, attempt to amend, modify or vary, or waive any breach of, any of the Mortgage Transactions or the Mortgage Instruments relative thereto or exercise any right under any Mortgage Instrument to vary, modify or supplement the terms of any Mortgage Transaction applicable on the Purchase Date relative to that Mortgage Transaction;
- (c) the Originator shall not take any action (i) which constitutes a defence to any Obligor or any Security Provider or which gives rise to a cause of action by the Obligor or any Security Provider under any Mortgage Transaction or Law; (ii) which infringes the right, title and interest of the Issuer in and to the Mortgage Assets or (iii) which may give rise to any liability on the part of the Issuer under any Mortgage Transaction or Law or Mortgage Instrument;
- (d) upon request by the Issuer or the Servicer, promptly deliver, and make available for inspection by the Issuer or the Servicer or their agents, during the normal business hours of the Originator, all Accounts Records including any relevant records, account books, instruments, notices and other documents relating to Portfolio 2005-1 which is in the Originator's possession;
- (e) after becoming aware of the same, notify the Issuer and the Servicer of any breach of the warranties of the Originator within three (3) Business Days of becoming aware of such breach.

The Originator has also agreed that, if it permits the creation of or has created in its favour a second charge on any Mortgaged Property which is the subject matter of a Mortgage Asset that the Originator has sold to the Issuer, it shall ensure that the second chargee acknowledges the priority of the Issuer's interest under the first charge and agrees that the Issuer shall be entitled to take action to enforce the first charge without requiring any consent or agreement of the second chargee but that the second chargee shall not take action to enforce the second charge in its favour without the consent of the Issuer. The Originator may be the second chargee.

9.1.5 Compensation or Replacement

The Originator represents in the Deed of Warranties 2005-1 which is incorporated into Purchase Contract 2005-1:

- (a) that each Mortgage Transaction within Portfolio 2005-1 satisfies the Eligibility Criteria up to the Completion Date of the purchase of Portfolio 2005-1; and
- (b) that the information given in Purchase Contract 2005-1 in relation to the Mortgage Assets is true and accurate and is not misleading because of any omission or ambiguity or for any other reason.

In the event of a breach of any of the representations, in relation to any Mortgage Transaction or an order for sale is granted in respect of any second charge created by an Obligor (which is a breach of the terms of the Purchase Contract 2005-1), the Originator will, as provided by the Deed of Warranties 2005-1, either, at the election of the Issuer, compensate the Issuer in the Equivalent Amount or, replace such Mortgage Asset with another Mortgage Asset acceptable to the Issuer.

Compensation through Equivalent Amount

The Equivalent Amount is intended to replicate the cashflows of the relevant Mortgage Transaction in relation to which the Equivalent Amount is paid and is that amount which is equivalent to and to be paid at the same time as the remaining Monthly Instalments payable under that Mortgage Transaction after the date from which the Originator is required to commence payment of the Equivalent Amount.

In the event of an election to be compensated in the Equivalent Amount, the Issuer will remain the owner of the Mortgage Transaction (in relation to which the Originator is paying the Equivalent Amount as compensation) but account to the Originator for any amounts collected or realised in relation to such Mortgage Transaction.

Replacement

Where the Issuer has elected to have a replacement of Mortgage Assets, the Originator is to supply a list of replacement Mortgage Assets (i) meeting the relevant Eligibility Criteria, (ii) having an aggregate Outstanding Principal Amount at least equivalent in value to the Outstanding Principal Amount of the Mortgage Assets to be replaced, (iii) having aggregate outstanding Monthly Instalments at least equivalent to the aggregate of the remaining Monthly Instalments of the Mortgage Assets to be replaced, and (iv) having such number of outstanding Monthly Instalments closely equivalent to the outstanding number of remaining Monthly Instalments of the Mortgage Assets to be replaced and the Issuer shall, at its discretion, determine if such replacement Mortgage Assets are acceptable in whole or in part.

To the extent that the Originator is unable to supply replacement Mortgage Assets acceptable to the Issuer, the Issuer shall be entitled to require the Originator to compensate the Issuer by paying to the Issuer the Equivalent Amount of the Mortgage Assets which are not replaced.

Where the Issuer has accepted a replacement Mortgage Asset having an Outstanding Principal Amount greater than the Outstanding Principal Amount of the Mortgage Asset replaced and the Issuer has recovered from or received through such replacement Mortgage Asset (due regard being had to differences in timing of receipt and the amount of Monthly Instalments) such amount equivalent to the amount the Issuer should (but for the replacement) have received through the Monthly Instalments of the Mortgage Asset replaced, the Issuer shall pay to the Originator or

permit to be retained by the Originator (in its capacity as Servicer) for its own account any future amounts paid on or recovered from the replacement Mortgage Asset.

9.1.6 Repurchase by the Originator

The Deed of Warranties 2005-1 which is incorporated into Purchase Contract 2005-1 provides in certain circumstances for the repurchase by the Originator of the entire outstanding Portfolio 2005-1. See section 2.2.3 for details.

9.2 The Servicer

The Servicer for the Portfolio 2005-1 is the GOM. The Issuer appoints the Servicer to service and administer Portfolio 2005-1 as a separate pool and as lawful agent of the Issuer, in the Servicer's own name, to receive, collect, bank in and pursue the Collections 2005-1 in accordance with its relevant Enforcement Procedures and exercise the rights, powers and discretions of the Issuer in respect of and under and in connection with Portfolio 2005-1.

In performing its duties, the Servicer shall use reasonable care and shall act in good faith, using a degree of skill and attention no less than that which (a) it exercises with respect to collecting, servicing of and administering a similar portfolio for itself and (b), if applicable, it exercises with respect to collecting, servicing of and administering a similar portfolio for others. To the extent not inconsistent with the foregoing, it shall perform its duties in a manner reasonably consistent with practices and procedures followed by a reasonable and prudent financier providing collection, servicing and administration services for a pool of receivables of the nature and character of the Portfolio 2005-1. In performing its obligations, it shall take into consideration, among other things, the payment obligations of the Issuer on each Profit Distribution Date.

9.2.1 Duties/Obligations of Servicer

The Servicer shall act as custodian for the Originator with respect to the Account Records and as custodian of the Issuer for the Mortgage Instruments and Title Documents. The Servicer shall, as custodian, maintain and keep the Account Records, the Mortgage Instruments and the Title Documents in a secure place as to enable the Servicer efficiently to service and administer the Portfolio 2005-1.

The Servicer shall indemnify the Issuer for any loss or damage resulting from any default by the Servicer in the performance of its obligations to maintain and keep the Account Records, the Mortgage Instruments and the Title Documents in the manner prescribed or from any negligent act or omission relating to the custody by the Servicer of the Account Records, the Mortgage Instruments and the Title Documents.

Upon termination of the Servicing Agreement 2005-1 or the resignation or termination of the appointment of the Servicer or upon the written request of the Issuer, the Servicer shall, within a reasonable time, deliver to the Issuer or its designated agents to an address as specified by the Issuer all the Mortgage Instruments and Title Documents and copies of all the Account Records.

The Servicer will, at the cost and expense of the Issuer in relation to any default by an Obligor under or in connection with a Mortgage Transaction, comply with the Enforcement Procedures or, to the extent that the Enforcement Procedures are not applicable having regard to the nature of the default in question, take such action as would a reasonably prudent financier of a housing loan or home financing in respect of such default. It is acknowledged by the Issuer that financiers of housing loans or home financings generally exercise discretion in pursuing their respective enforcement procedures and that the Servicer may exercise such discretion as would be exercised by a reasonably prudent financier of a housing loan or home financing in applying the Enforcement Procedures to any particular defaulting Obligor or taking action in enforcing any relevant Mortgage Instrument or in relation to any Insurance Policies. The Servicer shall be entitled to deduct from Collections 2005-1

direct costs and expenses reasonably incurred by the Servicer in respect of such enforcement (including without limitation legal costs incurred and repossession expenses other than the Servicer's overhead).

Representations and Warranties

The Servicer gives certain representations and warranties to the Issuer.

The representations and warranties relate to matters such as authority and capacity to enter into the Servicing Agreement 2005-1, all relevant consents, licences or approvals having been obtained for the Servicer to provide its services, due execution and delivery of agreements, the adequacy of the Servicer's operational systems and other matters.

Undertakings from the Servicer

The Servicer gives a number of undertakings in favour of the Issuer. These include:

- (a) not to attempt to pledge, assign or transfer any of the Mortgage Assets or act in any way which could impair the right, title or interest of the Issuer in and to the Portfolio 2005-1;
- (b) to furnish to the Issuer and the Trustee (i) within sixty (60) days after the end of each year, a compliance certificate signed by the Servicer stating that to the best of the Servicer's knowledge, no Servicer Event of Default or Potential Servicer Event of Default exists, or if any such event exists, stating the nature and status thereof and (ii) as soon as possible and in any event within two (2) Business Days after the occurrence of any Servicer Event of Default or Potential Servicer Event of Default, a statement of the Servicer setting forth details of such event and the action which the Servicer proposes to take with respect thereto;
- (c) to prepare and submit in a timely manner (where appropriate, on behalf of the Issuer) all applications and filings necessary to perfect or secure the benefit of any Mortgage Instrument or Insurance Policy;
- (d) that it shall not agree to any variation, modification or supplement in the terms of any Mortgage Transaction comprised in the Portfolio 2005-1 or exercise any right under any Mortgage Instrument to vary, modify or supplement the terms of the Mortgage Transaction applicable on the Purchase Date relative to that Mortgage Transaction, unless such variation, modification or supplement is:
 - (i) more favourable and is not prejudicial to the interest of the Issuer, the Trustee or the Sukukholders; or
 - (ii) required by Law
- (e) to provide a quarterly Servicer Report to the Issuer, the Transaction Administrator and the Trustee; and
- (f) to comply with all Laws in the performance of its obligations and duties hereunder and any Laws affecting the creation and servicing of Mortgage Transactions.

Delegation of Duties

The Servicer may not, other than as expressly provided, novate, transfer, sub-contract or delegate the performance of any of its duties or obligations under the Servicing Agreement 2005-1 to any person.

The Servicer may appoint any person as its sub-agent or sub-contractor necessary to assist it in the provision or performance of its obligations hereunder, provided that: (a) the Trustee's prior written consent has been obtained; (b) the Servicer shall use all reasonable skill and care in the selection of such sub-agent, sub-contractor or representative; (c) the Servicer shall not be relieved of its obligations under the Servicing Agreement 2005-1 by virtue of such appointment and shall be responsible for the acts of such sub-agent, sub-contractor or representative as if they were the acts of the Servicer; and (d) after such appointment, the Servicer shall retain the right to assign its rights against such sub-agent, sub-contractor or representative to the Issuer. The Issuer may require the Servicer to enforce any rights which the Servicer may have against any such sub-agent, sub-contractor or representative arising from the performance by such person of the Servicer's duties.

Any compensation payable to any person who has assumed obligations of the Servicer under the Servicing Agreement 2005-1 shall be paid by the Servicer from its own funds and the Issuer shall have no liability to such person with respect thereto. Any agreement that may be entered into by the Servicer and any person that provides for any delegation of the duties of the Servicer to such person shall be deemed to be between the Servicer and such person alone, and the Issuer shall not be deemed a party thereto and shall have no claims, rights, obligations, duties or liabilities with respect thereto.

9.2.2 Fees

The Issuer shall pay to the Servicer quarterly in arrears, in respect of the Portfolio 2005-1, a Servicer Fee of zero point zero one percent (0.01%) per annum of the Outstanding Principal Amount at the commencement of that quarter (with the first quarter commencing from the Purchase Date) subject to and in accordance with the priority for payment thereof under the Trust Deed 2005-1. The Servicer Fee shall be payable in arrears only on each Profit Distribution Date. All fees payable hereunder to the Servicer shall be deemed to include any service tax payable thereon and the Issuer shall pay any service tax applicable to the services provided by the Servicer hereunder. No such fee shall be payable by the Issuer in respect of the period following the termination of the Servicing Agreement 2005-1. Except for the abovementioned fee paid to the Servicer, there shall be no other fees payable to the Servicer.

The Issuer also agrees to pay the Servicer a discretionary bonus fee of such amount as shall be determined by the Issuer in respect of the services provided by the Servicer subject to and after the Sukuk Musyarakah have been fully redeemed and all obligations and liabilities of the Issuer in respect of the Sukuk Musyarakah has been discharged.

9.2.3 Resignation/Termination of the Servicer

If any of the following events (each, a "Servicer Event of Default") occurs:

- (a) the Servicer fails to effect any payment, transfer or deposit as required under the Servicing Agreement 2005-1;
- (b) the Servicer fails to perform any of its obligations under the Servicing Agreement 2005-1 or breaches any of the terms of the Servicing Agreement 2005-1 (including the representations and warranties) and (except where in the opinion of the Issuer such failure is not capable of remedy) does not cure

such default within ten (10) days after the earlier of (i) receipt of notice thereof from the Issuer or (ii) having actual knowledge thereof; or

- (c) any indebtedness of the Servicer to the Issuer is not paid after a period of thirty (30) days as notified by the Issuer in writing,

Then the Issuer or the Trustee may by notice in writing to the Servicer, require the Servicer effective from the date specified in the notice (not being earlier than the date of the notice) to appoint a person nominated by the Issuer and acceptable to the Trustee and rating agencies as a sub-contractor of the Servicer (the “External Service Provider”) and to delegate to such External Service Provider the provision of such of the services and the performance of such of the obligations of the Servicer under the Servicing Agreement 2005-1 as the Servicer has defaulted in providing. The External Service Provider shall, in the name of and as agent of the Servicer, be entitled to exercise such of the rights and perform such of the obligations of the Servicer under the Servicing Agreement 2005-1 in respect of which the Servicer is in default.

9.3 Trustee

Details of the Trustee are as follows:

Name	Malaysian Trustees Berhad (Company No. 21666-V)
Registered Office	Level 18, Menara Prudential, No 10 Jalan Sultan Ismail, 50250 Kuala Lumpur
Business Office	Level 3, Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur
Share Capital (as at 31 March 2005)	Authorised: 500,000 ordinary shares of RM10 each Issued and fully paid: 55,000 ordinary shares of RM10 each
Shareholders	PacificMas Berhad OCBC Bank (Malaysia) Berhad United Malacca Berhad RAM Consultancy Services Sdn Bhd Estate of Tan Hoon Siang Nongchik Sdn Bhd Estate of Syed Omar bin Abdul Rahman Taha Alsagoff
Directors	Choi Siew Hong Chua Ngoh Chuan Lai Wan Oon Chu Khim Ng Hon Soon

Roles of Trustee

The Trustee will among others, represent and protect the interest and rights of the Sukukholders in accordance with the Trust Deed 2005-1. The Trustee will also notify the Sukukholders of the occurrence of any Dissolution Event as soon as the Trustee becomes aware of such event occurring. The Trustee will also operate the Collections Account 2005-1 as sole signatory and, make regular payments and disbursements as per “waterfall” calculations, and make authorised investments according to the terms of the Trust Deed 2005-1.

Roles of Issuer as wakeel to the Trustee

The Issuer will hold on trust Portfolio 2005-1 for the Sukukholders as an agent of the Trustee. Upon a Dissolution Event, the Trustee will have the right and power to assume possession of Portfolio 2005-1 and to take such steps to dispose of Portfolio 2005-1 and distribute monies in accordance with the application of proceeds upon realisation of the relevant Mortgage Assets.

9.4 Transaction Administrator and Administrator**9.4.1 Transaction Administrator**

The Transaction Administrator agrees to perform and provide the services necessary and appropriate to the purchase of the Portfolio 2005-1, the issue of the Sukuk Musyarakah, the assessment and reconciliation of data in relation to the Mortgage Assets and the management of the Issuer's relationship with the Servicer.

The Transaction Administrator must appoint the advisers as may be required by the Issuer in connection with or for the purposes of the purchase of the Portfolio 2005-1 and the issue of the Sukuk Musyarakah, including a principal adviser, financial adviser, accounting adviser, tax adviser and legal adviser, and at its cost and expense pay and discharge all fees, costs and expenses of such advisers for any services provided by them to the Issuer for the term of the Transaction Administration Agreement 2005-1.

The Transaction Administrator must also appoint arrangers, managers, agents and other service providers as may be required in connection with or for the purposes of the issue of the Sukuk Musyarakah, including lead arrangers, joint lead managers, trustee, Central Depository, facility agent, Paying Agent and rating agencies, and, save where the same is to be paid out of the proceeds of issue of the Sukuk Musyarakah, at its cost and expense pay and discharge all fees, costs and expenses of such persons for any services provided by them to the Issuer for the term of the Transaction Administration Agreement 2005-1.

The Transaction Administrator must ensure the due and diligent performance by the advisers and service providers of their respective duties and functions and in default thereof to take such action, including legal proceedings, to enforce such obligations and liabilities of such persons and, if any damages are recovered against any such persons, to account to the Issuer for the same.

The Transaction Administrator must liaise with and deal with the Servicer in all matters regarding Portfolio 2005-1 and the Collections 2005-1 including but not limited to requesting for and receiving data from the Servicer, whether in the form of its Servicer report or otherwise, in relation to Portfolio 2005-1 or the Collections 2005-1 which are relevant to the discharge by the Issuer of its obligations under the Trust Deed 2005-1. In this respect, The Transaction Administrator must also review and consult with the Servicer with regard to action taken or proposed to be taken by the Servicer in relation to any Mortgage Transactions in default, dealing with issues arising on the Insurance Policies and auditing Portfolio 2005-1 and the services of the Servicer according to such criteria and procedures as the Transaction Administrator determines to be reasonable.

The Transaction Administrator must review and analyse the data received from the Servicer and provide its report thereon to the Issuer, the Trustee and the rating agencies indicating the amounts of Collections 2005-1, the reconciliation of Collections 2005-1 with amounts paid into the Collections Account 2005-1 and against expected performance of the Portfolio 2005-1 and indicating levels of default, delinquencies and prepayments and, as appropriate, any action taken or proposed in relation to any of the foregoing.

The Transaction Administrator must also compute the tax liability of the Issuer arising in respect of the Portfolio 2005-1 and certify such amount to be paid out of the Collections Account 2005-1 and otherwise verify the accuracy of all amounts to be paid out of the Collections Account 2005-1.

The Transaction Administrator also consults with the Trustee with regard to the making of investment of the Collections 2005-1 and to provide such other services as may be agreed with the Issuer.

Representations and Warranties

The Transaction Administrator represents and warrants to the Issuer that it has duly authorised the Transaction Administration Agreement 2005-1 by all necessary action, and the Transaction Administration Agreement 2005-1 is a legal, valid and binding obligation enforceable against the Transaction Administrator in accordance with its terms and that all consents, licences or approvals required to be obtained, and all filings, registrations or notifications required to be made, by the Transaction Administrator in connection with the execution and delivery of the Transaction Administration Agreement 2005-1 and the performance of its obligations hereunder have been duly obtained or made.

The Transaction Administrator also represents and warrants that the execution, delivery and performance of the terms of the Agreement will not violate or contravene any provision of any laws, conflict with or result in the breach of any provision of any agreement or instrument to which it is a party or by which it or any of its assets are bound. It will also not result in or require the creation or imposition of any mortgage, lien, pledge or charge on any of its assets.

The Transaction Administrator warrants that it has the skill, competence, qualification, expertise and resources required for the provision of the services contemplated by the Transaction Administration Agreement 2005-1.

Fees and Expenses

The Issuer shall pay to the Transaction Administrator by way of remuneration a fee in an amount equal to zero point zero four six percent (0.046%) per annum of the Outstanding Principal Amount on the Mortgage Transactions at the beginning of each quarter with the amount for the first quarter being the Outstanding Principal Amount on the Purchase Date. Except for the abovementioned fee paid to the Transaction Administrator, there shall be no other fees payable to the Transaction Administrator. Such fee shall be paid quarterly in arrears on each Profit Distribution Date.

If on any Profit Distribution Date, there is insufficient moneys in the Collections Account 2005-1 to fully pay such fee payable on that day, the unpaid portion of such fee shall accrue and be paid on the next Profit Distribution Date subject to the availability of funds in the Collections Account 2005-1 and the cashflow priorities set out in the Trust Deed 2005-1. Any non-payment of such fee payable on any Profit Distribution Date due to the insufficiency of funds in the Collections Account 2005-1 in accordance with the Trust Deed 2005-1 will not constitute a default on the part of the Issuer to pay such fee to the Transaction Administrator.

The Transaction Administrator shall solely be responsible for any cost and expense incurred by it in connection with or pursuant to the Transaction Administration Agreement 2005-1 or the performance of its obligations under the Transaction Administration Agreement 2005-1 and shall not be entitled to seek reimbursement of the same from the Issuer or out of any Collections 2005-1.

9.4.2 Administrator

The Administrator agrees to attend to the opening and maintenance of the Operating Account and ensure that all payments out of such account are in accordance with the provision of the Trust Deed 2005-1. The Administrator must also prepare and maintain such books and records in Malaysia as may be required in the normal course of the business of the Issuer in order to comply with any laws or regulations of Malaysia.

The Administrator must also provide corporate secretarial services to the Issuer which include the filing of all necessary forms and statutory returns to comply with the Companies Act, 1965 and the regulations made thereunder, the preparation of notices of and proposed resolutions of shareholders and directors meetings and the preparation of minutes of meetings of shareholders and directors.

The Administrator must prepare and maintain the accounting records of the Issuer in accordance with approved accounting standards in Malaysia and deal with any correspondence relating to the business of the Issuer. The Administrator must deliver all information or documents of the Issuer in their possession to any persons entitled such information or documents when required under the Trust Deed 2005-1 or under related laws and regulations.

The Administrator must arrange, in conjunction with the Issuer's tax agents, the timely completion and submission of tax returns and ensure that the necessary tax is paid on behalf of the Issuer out of the Operating Account. The Administrator must also arrange, in conjunction with the Issuer's auditors, the preparation and auditing of annual accounts of the Issuer. A company secretary must be provided for by the Administrator. Other corporate administration services may be provided by mutual agreement with the Issuer.

Future Portfolios

The Administrator may in future provide the same services contemplated by the Administration Agreement 2005-1 in connection with or for the purposes of other portfolios or pools of assets purchased by the Issuer and thus may enter into an agreement(s) on similar terms as the Administration Agreement 2005-1. In such cases, the liability, if any, of the Administrator, in connection with or arising out of any default or neglect in the provision of a service or an obligation to be discharged or performed under two or more agreements, shall be a single liability and any amount recoverable against the Administrator in respect of such liability shall be held *pari passu* and rateably for the persons entitled thereto.

Representations and Warranties

The Administrator gives certain representations and warranties to the Issuer.

The representations and warranties relate to matters such as that all necessary consents, licenses, registrations and approvals have been made or obtained and that the execution, delivery and performance of the terms of the Administration Agreement 2005-1 will not violate or contravene any provision of any laws, will not conflict with or result in the breach of any provision of any agreement and will not result in or require the creation or imposition of any mortgage, lien, pledge or charge on any of its assets.

The Administrator represents and warrants that all material fact and information in connection with the Administration Agreement 2005-1 is true, complete and accurate in every material respect. The Administrator also represents and warrants that it has the skill, competence, qualification, expertise and resources required for the provision of the services contemplated by the Administration Agreement 2005-1.

Fees and Expenses

The Issuer shall pay to the Administrator by way of remuneration a fee in an amount equal to zero point zero zero one percent (0.001%) per annum of the Outstanding Principal Amount on the Mortgage Transactions at the beginning of each quarter with the first quarter being the Outstanding Principal Amount on the Purchase Date. Except for the abovementioned fee paid to the Administrator, there shall be no other fees payable to the Administrator. Such fee shall be paid quarterly in arrears on each Profit Distribution Date.

If on any Profit Distribution Date, there is insufficient moneys in the Collections Account 2005-1 to fully pay such fee payable on that day, the unpaid portion of such fee shall accrue and be paid on the next Profit Distribution Date subject to the availability of funds in the Collections Account 2005-1 and the cashflow priorities set out in the Trust Deed 2005-1. Any non-payment of such fee payable on any Profit Distribution Date due to the insufficiency of funds in the Collections Account 2005-1 in accordance with the Trust Deed 2005-1 will not constitute a default on the part of the Issuer to pay such fee to the Administrator.

The Administrator shall solely be responsible for any cost and expense incurred by it in connection with or pursuant to the Administration Agreement 2005-1 or the performance of its obligations under the Administration Agreement 2005-1 and shall not be entitled to seek reimbursement of the same from the Issuer or out of any Collections 2005-1.

9.4.3 Other Common Terms for the Transaction Administrator and Administrator

No Warranty or Indemnity

The Transaction Administrator and/or Administrator accept responsibility for loss or damage to the Issuer and the Trustee to the extent that such loss or damage is due solely to the negligence, wilful default or bad faith of the Transaction Administrator and/or Administrator or that of its employees or agents provided always that the Transaction Administrator and/or Administrator's liability for any loss or damage arising out of any action or proceedings pursuant to the Administration Services Documents 2005-1 for any negligence of the Transaction Administrator and/or Administrator shall in no event exceed the amount of the fee paid by the Issuer.

No warranty is given by the Transaction Administrator and/or Administrator as to the performance or profitability of the Portfolio 2005-1 or as to the achievement by the Issuer of its objectives or of any forecast or projection made in respect of the Sukuk Musyarakah issued by it. The Transaction Administrator and/or Administrator shall also indemnify and hold harmless the Issuer against any liability, action, proceedings, claim, demand, costs (including legal costs on a solicitor and client basis), damages or expenses whatsoever which it may incur or suffer as a consequence of a breach by the them of any of the terms of the Administration Services Documents 2005-1.

Terms and Termination of the Administration Services Documents 2005-1

The term of the Administration Services Documents 2005-1 shall be from the date it is signed until the date on which the Collections 2005-1 due on the Portfolio 2005-1 is reduced to zero or such other date as may be agreed by the Issuer, the Trustee and the Transaction Administrator and/or Administrator.

The relevant Administration Services Documents 2005-1 will be terminated if the Transaction Administrator and/or Administrator fails to perform any of its obligations under it or breaches any of the terms of the relevant Administration Services Documents 2005-1 (including the representations and warranties) and (except where in the opinion of the Issuer such failure is not capable of remedy) does

not cure such default within ten (10) days after the receipt of notice thereof from the Issuer or having actual knowledge thereof.

It will also be terminated if the Transaction Administrator and/or Administrator is unable to pay its debts as they fall due, goes into liquidation or has any winding up proceedings commenced against it.

The Issuer may then by notice in writing to the Transaction Administrator and/or Administrator, terminate the relevant Administration Services Documents 2005-1 and appoint another person to provide the services and perform the obligations of the Transaction Administrator and/or Administrator under the relevant Administration Services Documents 2005-1 (the "Substitute Transaction Administrator and/or Administrator").

The Transaction Administrator and/or Administrator shall co-operate and assist the Issuer and the Substitute Transaction Administrator and/or Administrator to take all reasonable steps required for the transfer of the duties and responsibilities of the Transaction Administrator and/or Administrator. The Transaction Administrator and/or Administrator must make available to the Substitute Transaction Administrator and/or Administrator, or such other person nominated in writing by the Issuer, all the Account Records, instruments, documents and any moneys then held by the Transaction Administrator and/or Administrator on behalf of the Issuer.

Resignation

The Transaction Administrator and/or Administrator may resign by giving not less than fifteen (15) days' written notice to the Issuer and the Trustee without giving any reason and without being responsible for any liabilities incurred by reason of such resignation and may be removed by the Issuer giving notice to that effect to the Transaction Administrator and/or Administrator, the Sukukholders and the Trustee but no such resignation or removal shall take effect until a successor transaction administrator and/or administrator has been appointed. The Issuer may appoint a successor transaction administrator and/or administrator.

However, if within sixty (60) days after such notice of resignation or removal being given, no successor transaction administrator and/or administrator shall have been appointed by the Issuer and has accepted such appointment, the retiring Transaction Administrator and/or Administrator shall have the right to appoint a successor transaction administrator.

The resignation or removal of the retiring transaction administrator and/or administrator and the appointment of any successor transaction administrator and/or administrator shall both become effective upon the successor transaction administrator notifying the Issuer in writing that it accepts such appointment and executing and delivering to the Issuer a duly completed deed of accession, whereupon the successor transaction administrator and/or administrator shall succeed to the position of the retiring Transaction Administrator and/or Administrator and the term "Transaction Administrator" or "Administrator" in the relevant Administration Services Documents 2005-1, the Servicing Agreement 2005-1 and the Trust Deed 2005-1 shall include such successor Transaction Administrator and/or Administrator where appropriate.

General

The Transaction Administrator and/or Administrator shall not have any obligations towards or relationship of agency or trust with any person not a party to the Administration Services Documents 2005-1 and the Transaction Administrator and/or Administrator shall only be obliged to perform the duties set out specifically in the Agreement. Whether acting for itself or in any other capacity, it will not be precluded from becoming the owner of, or acquiring any interest in, holding or

disposing of any of the Sukuk Musyarakah or any shares or securities of the Issuer with the same rights as it would have had if it were not acting as the Transaction Administrator and/or Administrator or from entering into or being interested in any contracts or transactions with the Issuer or from acting in, or as depository, trustee or agent for, any committee or body of holders of any securities of the Issuer and will not be liable to account for any profit.

The Transaction Administrator and/or Administrator's responsibilities under the Administration Services Documents 2005-1 shall be with respect only to the Portfolio 2005-1 but nothing herein shall preclude the Transaction Administration acting in any other capacity in relation to the Portfolio 2005-1 or any other pool of assets which may be purchased by the Issuer. The Transaction Administrator and/or Administrator should act reasonably and at its own cost, may consult any legal or other adviser with regard to its rights, duties, powers and obligations under the Administration Services Documents 2005-1 and shall be protected and shall incur no liability for any act or omission on its part if it is done or omitted in reliance on the opinion or advice of such legal or other adviser.

The Transaction Administrator and/or Administrator agrees to keep confidential all documents, materials and other information relating to Issuer's business or information acquired by it in the course of or in connection with the performance of its duties under the Administration Services Documents 2005-1 and not to disclose any information without the prior consent of the Issuer unless required for the performance of its obligations under the Administration Services Documents 2005-1 or by law.

No Petition

Until six (6) months plus one day after the Sukuk Musyarakah have been fully repaid, the Transaction Administrator and/or Administrator shall not apply for a judgment or take any proceedings for the obtaining of a judgment or any payment, money or damages by the Issuer. The Transaction Administrator and/or Administrator must not apply to wind-up or take any proceedings for the winding-up of the Issuer, levy or enforce any distress or other execution or take any proceedings for the levying or enforcement of any distress or other execution upon or against any property of the Issuer, apply to have a receiver appointed by any court or take any proceedings for the appointment of a receiver by a court to any of the assets of the Issuer or exercise or seek to exercise or take any proceedings for the exercise of any right of counter-claim against the Issuer.

However, the Transaction Administrator and/or Administrator can obtain or take any proceedings to obtain an injunction or other order to restrain any breach of the relevant Administration Services Documents 2005-1 by the Issuer or in obtaining or taking any proceedings to obtain declaratory relief in relation to any provision of the Administration Services Documents 2005-1.

Assignment

Neither party may assign, transfer or grant or create any encumbrance over any of its rights and benefits in or under the Administration Services Documents 2005-1 save and except that the Transaction Administrator and/or Administrator acknowledges and agrees that pursuant to the Musyarakah Declaration of Trust, the Issuer holds all its rights under the Administration Services Documents 2005-1 for the benefit of the Sukukholders.

**10.0 TRANSACTION DOCUMENTS, ISSUE DOCUMENTS AND
MUSYARAKAH DECLARATION OF TRUST**

The following section summarises the material terms of the Transaction Documents, the Issue Documents and the Musyarakah Declaration of Trust. This summary does not purport to be complete and is subject to the detailed terms of the Transaction Documents, the Issue Documents and the Musyarakah Declaration of Trust.

10.1 Master Sale and Purchase Agreement 2005-1

The Issuer will at the request of the Originator from time to time consider, and if the Issuer thinks fit, purchase from the Originator portfolios of Mortgage Assets where each underlying Mortgage Transaction meets the applicable Eligibility Criteria.

Each sale and purchase of a portfolio of Mortgage Assets shall be by way of a separate Purchase Contract 2005-1 and conveyed by way of equitable absolute assignment of all the Originator's rights, title, interest and benefits in and to the underlying Mortgage Transactions with the full risks and benefits of the ownership of the relevant portfolio being borne and enjoyed by the Issuer.

Title to each portfolio of Mortgage Assets shall pass from Originator to the Issuer on the relevant Completion Date upon payment of the relevant Purchase Consideration. Concurrent with the execution of each Purchase Contract, the parties shall execute a deed of assignment of the conveyance of the Originator's rights, title, interest and benefits to be effective on the relevant Completion Date.

Notwithstanding that the sale and purchase of a portfolio of Mortgage Assets is intended as a sale by way of equitable absolute assignment, if in accordance with the Master Sale and Purchase Agreement 2005-1 the Issuer requires or directs a transfer of the Mortgage Assets, the Originator shall give notice in the form prescribed by the deed of assignment to each Obligor and any relevant Security Provider under any liability or obligation in relation to a Mortgage Transaction of a transfer of the relevant portfolio.

Pursuant to the Master Sale and Purchase Agreement 2005-1, the Originator and the Issuer will execute Purchase Contract 2005-1 to sell, convey, assign and transfer to the Issuer all the Mortgage Assets of Portfolio 2005-1. Portfolio 2005-1 will be more particularly identified in a summary of the relevant Mortgage Transactions. The sale and purchase will be of all the rights, title, interest and benefits of the Originator in the Mortgage Assets on and as of the Purchase Date 2005-1 and in consideration of the Issuer paying to the Originator the Purchase Consideration on the Completion Date.

The Originator also agrees to service and administer all Mortgage Assets sold in accordance with the terms of the Servicing Agreement 2005-1.

10.2 Deed of Warranties 2005-1

Under the terms of the Deed of Warranties 2005-1 (which are incorporated into Purchase Contract 2005-1), the Originator makes certain representations and warranties including:

- (a) that each Mortgage Transaction within Portfolio 2005-1 satisfies the Eligibility Criteria up to the Completion Date of the purchase of Portfolio 2005-1; and
- (b) that the information given in Purchase Contract 2005-1 in relation to the Mortgage Assets is true and accurate and is not misleading because of any omission or ambiguity or for any other reason.

In the event of a breach of any of the representations, in relation to any Mortgage Transaction or an order for sale is granted in respect of any second charge created by an Obligor (which is a breach of the terms of the Purchase Contract 2005-1), the Originator will, as provided by the Deed of Warranties 2005-1, either, at the election of the Issuer, compensate the Issuer in the Equivalent Amount or, replace such Mortgage Asset with another Mortgage Asset acceptable to the Issuer.

See Section 9.1.5 of Chapter 9 for further details on the compensation and replacement.

It is also provided under the terms of the Deed of Warranties 2005-1 for the Originator to repurchase the entire outstanding Portfolio 2005-1 upon the occurrence of certain events which in the opinion of the Issuer affects the entire Portfolio 2005-1 - *See Section 2.2.3 of Chapter 2 for further details of these events.*

The repurchase will be for a consideration which is the lower of the Purchase Consideration or the Outstanding Principal Amount at the relevant date for the repurchase of the entire portfolio.

10.3 Deed of Assignment 2005-1

Upon the date of execution of the Purchase Contract 2005-1 the Originator shall execute the Deed of Assignment 2005-1. Under the Deed of Assignment 2005-1, the Originator as the sole unencumbered legal and beneficial owner of all the rights, interest, title and benefit in and under the Mortgage Assets, assigns absolutely to the Issuer by way of conveyance all the Originator's rights, interest, title and benefit into and under the Mortgage Assets free from encumbrances.

The Originator shall, in accordance with the Master Sale and Purchase Agreement 2005-1, upon request of the Issuer give notice to each Obligor of the Mortgage Assets and any relevant Security Provider of the assignment in a prescribed form of a Notice of Assignment and shall, following the giving of such notice and if so required by the Issuer, take all such steps and execute all such documents including the delivery to the Issuer or its nominee of all Mortgage Instruments and the execution of all transfers and assignments, so as to effect a transfer of legal title to the Mortgage Assets to the Issuer or its nominee.

10.4 Servicing Agreement 2005-1

The Issuer appoints the Servicer to service and administer Portfolio 2005-1 as a separate pool and as lawful agent of the Issuer, in the Servicer's own name, to receive, collect, bank in and pursue the Collections 2005-1 in accordance with its relevant Enforcement Procedures and exercise the rights, powers and discretions of the Issuer in respect of and under and in connection with the Portfolio 2005-1.

In performing its duties, the Servicer shall use reasonable care and shall act in good faith, using a degree of skill and attention no less than that which it exercises with respect to collecting, servicing of and administering a similar portfolio for itself and, if applicable, it exercises with respect to collecting, servicing of and administering a similar portfolio for others. To the extent not inconsistent with the foregoing, it shall perform its duties in a manner reasonably consistent with practices and procedures followed by a reasonable and prudent financier providing collection, servicing and administration services for a pool of receivables of the nature and character of Portfolio 2005-1. In performing its obligations, it shall take into consideration, among other things, the payment obligations of the Issuer on each Profit Distribution Date.

The Servicer shall indemnify the Issuer for any loss or damage resulting from any default by the Servicer in the performance of its obligations to maintain and keep the Account Records, the Mortgage Instruments and the Title Documents in the manner prescribed or from any negligent act or omission relating to the custody by the Servicer of the Account Records, the Mortgage Instruments and the Title Documents. The liability of the Servicer with regard to its

indemnity in any case of negligence is, however, limited to the Servicer Fee paid to date to the Servicer.

Upon the termination of the Servicing Agreement 2005-1 or the resignation or termination of the appointment of the Servicer or upon the written request of the Issuer, the Servicer shall, within a reasonable time, deliver to the Issuer or its designated agents to an address as specified by the Issuer all the Mortgage Instruments and Title Documents and copies of all the Account Records.

10.5 Sukuk Musyarakah Issuance Agreement 2005-1

This agreement sets out the terms and mechanics for the issue of the Sukuk Musyarakah. It further stipulates the conditions precedent required to be fulfilled prior to the issuance of the Sukuk Musyarakah. The Issuer gives various undertakings as well as makes certain representations and warranties in this agreement. The agreement also provides for utilisation of the proceeds of the issue in payment to the Originator of the Purchase Consideration and towards meeting the fees payable to the Joint Lead Managers and reimburse all service tax, out of pocket expenses and other expenses incurred in connection with the appointment of the Joint Lead Managers.

10.6 Trust Deed 2005-1

The Trust Deed 2005-1 is the principal document governing the Sukuk Musyarakah. It sets out the form of the certificates for the Sukuk Musyarakah and sets out the detailed terms of the Sukuk Musyarakah which are deemed incorporated into the certificates and binds all Sukukholders. Malaysian Trustees Berhad has been appointed the Trustee for the Sukukholders.

Only the Trustee may pursue the rights and remedies available under the general law or under the Trust Deed 2005-1 to enforce the rights and remedies of the Sukukholders. No Sukukholder shall be entitled to pursue such rights and remedies against the Issuer or under the Trust Deed 2005-1 unless the Trustee, having become bound to do so in accordance with the Trust Deed 2005-1, fails to do so within thirty (30) days from the date it is bound to pursue such rights and remedies and such failure shall be continuing.

The Trustee shall not be bound to take any step to enforce the performance of any of the provisions of the Issue Documents unless directed to do so (a) by a Special Resolution or (b) in writing by Sukukholders of not less than twenty five percent (25%) of the Sukuk Musyarakah then outstanding and then in either case only if it shall be indemnified by the Sukukholders to its satisfaction against all actions, proceedings and claims to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

Covenants

The Issuer has in the Trust Deed 2005-1 undertaken in the terms of various positive and negative covenants, the waiver or variation of the obligation to comply with which would, so long as any of the Sukuk Musyarakah remains outstanding, require the approval of the Sukukholders by way of a Special Resolution or the prior written approval of the Trustee (which approval may, in accordance with the terms of the Trust Deed 2005-1, be given where, in the opinion of the Trustee, it is not materially prejudicial to the interest of the Sukukholders to give such approval). *See Chapter 6 - Terms and Conditions of the Sukuk Musyarakah for details on some of the positive covenants.*

Among the negative covenants by the Issuer are the following:

- (a) not have any subsidiary;
- (b) not (i) take any corporate action or other voluntary, steps with a view to its winding-up, dissolution, liquidation, administration or re-organisation or for the appointment of a liquidator, receiver, administrator, custodian, trustee or similar officer of it or of

- any or all of its revenues and assets; or (ii) enter into or effect any amalgamation, merger, re-organisation or consolidation with any other person or convey or transfer its properties or assets substantially as an entirety to any person;
- (c) not redeem any of its issued ordinary shares or otherwise reduce or repay any of its authorised capital and/or issued ordinary shares;
 - (d) not enter into any scheme of arrangement, composition or reconstruction or apply for any restraining order pursuant to section 176 of the Companies Act 1965;
 - (e) not take any action that would result in any change in the withholding tax position or taxing jurisdiction of the Issuer but in the event of any such change to promptly notify the Trustee of such change;
 - (f) not utilise the proceeds of the Sukuk Musyarakah in any manner other than as set out in this Preliminary Information Memorandum;
 - (g) not:
 - (i) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any persons; or
 - (ii) otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligations of any other person,

other than in the form of a Permitted Investment or pursuant to the Transaction Documents;
 - (h) not affect any change in the business of the Issuer nor carry on any business or engage in any activities not specifically provided for in the Memorandum of Association of the Issuer;
 - (i) not dispose of or create any Encumbrance upon or otherwise deal in any way with any of the Mortgage Assets except in such manner as may be permitted under the Trust Deed 2005-1 or the Musyarakah Declaration of Trust, or as agreed between the Issuer and the Trustee;
 - (j) not do anything which would result in any other creditors of the Issuer having any claims over the Mortgage Assets and at the request of the Trustee, take such steps as may be available to it to ensure that at all times there are no competing claims of any other creditors apart from the claims of the Sukukholders to the Mortgage Assets;
 - (k) not sell, lease, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets other than:
 - (i) in the ordinary course of business on arms length terms; or
 - (ii) pursuant to the Deed of Warranties 2005-1;
 - (l) not permit any deletion, amendment, supplement or variation to the Memorandum and Articles of Association of the Issuer as at the date hereof in any manner which may be materially prejudicial to the interests of the Sukukholders;
 - (m) not agree to any change to the terms and conditions of the documentation relating to any Mortgage Transactions of the Portfolio 2005-1 or any Mortgage Instrument or Insurance Policies or agree to the exercise by the Originator or the Servicer of any rights thereunder which may be materially prejudicial to the interests of the Sukukholders;

- (n) not acquire any Mortgage Transactions unless they satisfy the Eligibility Criteria;
- (o) not terminate, replace, revoke or suspend the Transaction Documents or any of the Administration Services Documents 2005-1;
- (p) not vary or waive any terms or conditions of any of the Transaction Documents or any of the Administration Services Documents 2005-1 or replace any of the Transaction Documents or the Administration Services Documents 2005-1 or grant any time or indulgence to or release or vary the liability of any person from time to time liable thereunder or change the Administrator or the Transaction Administrator if any such termination, revocation, suspension, variation, waiver, replacement, grant or release would be materially prejudicial to the interest of the Sukukholders; and
- (q) not transfer, assign, relinquish or otherwise dispose of any of its rights and interest under the Transaction Documents or the Administration Services Documents 2005-1.

No Cross Default

An exemption has been obtained from the requirement under the “Minimum Contents Requirements for Trust Deed” issued by the Securities Commission in relation to the requirement for a cross default to apply across securities issued by the Issuer. The exemption means that a default on any other securities issued by the Issuer is not a Dissolution Event.

For a list of the Dissolution Events, please refer to the “Terms and Conditions of the Sukuk Musyarakah” in Chapter 6. If a Dissolution Event occurs, the Trustee may, and if so directed in writing by the holders of at least twenty-five percent (25%) of the outstanding Sukuk Musyarakah, shall declare the Sukuk Musyarakah to be immediately due and payable whereupon they shall be so due and payable. Following such declaration, the Trustee may require that the title of the Issuer to the Mortgage Assets be perfected and take action for the realisation of the value of the Mortgage Assets.

Limited Recourse; No Petition

Under the Trust Deed 2005-1, the Trustee (on its own behalf and on behalf of each Sukukholder) and each Sukukholder (who shall be deemed to have agreed by its investment in or purchase of the Sukuk Musyarakah or a beneficial interest therein) covenant and agree that it will not petition for or join any person in petitioning for the winding up of the Issuer or otherwise institute against, or join any person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other similar proceedings under any applicable laws.

The Trust Deed 2005-1 also provides that the sole remedy of the Trustee and each Sukukholder in respect of any obligation, covenant, representation, warranty or agreement of the Issuer under or related to the Trust Deed 2005-1 or any other Issue Document shall be against and limited to the portfolio of Mortgage Assets. Neither the Trustee nor the Sukukholders shall have any claim against the Issuer or any of its other assets in the event the portfolio of Mortgage Assets (or any Collections 2005-1 pursuant thereto or any realisation thereof) is insufficient to meet any such obligation, covenant, representation, warranty or agreement (the difference being referred to herein as the “shortfall”) and all claims in respect of the shortfall are and shall be extinguished or waived and no cause of action shall lie against the Issuer in respect of such shortfall.

10.7 Depository and Paying Agency Agreement 2005-1

This agreement sets out the terms and conditions of BNM’s appointment as the Central Depository and Paying Agent for the Sukuk Musyarakah. It prescribes the mechanics of distributing profits and return of capital invested in the Sukuk Musyarakah by the Issuer. It further sets out the obligations of the Lead Arranger as the intermediary in distribution of profits and return of the capital invested.

10.8 Musyarakah Declaration of Trust

Under the Musyarakah Declaration of Trust, the Trustee appoints the Issuer as the trustee or *wakeel* in the Musyarakah Venture to, *inter alia*, carry out the transactions contemplated under the Master Sale and Purchase Agreement 2005-1, the Purchase Contract 2005-1 and the Deed of Assignment 2005-1, in relation to the acquisition of the Mortgage Assets by the Issuer from the Originator pursuant to the terms thereof. The Issuer will hold the Mortgage Assets on trust for the Trustee (on behalf of the Sukukholders) until the occurrence of a Dissolution Event.

Upon the occurrence of a Dissolution Event, the Trustee shall be entitled to give notice dissolving the Musyarakah Venture, and all rights title benefit and interest in and to the Mortgage Assets shall vest absolutely in the Trustee, who shall have the power and authority to assume control and possession or appoint a receiver and manager to assume control and possession of the Mortgage Assets comprising Portfolio 2005-1 and all rights title benefit and interest thereto.

10.9 Administration Agreement 2005-1

Please refer to *Section 9.4.2* for details on the above agreement.

10.10 Transaction Administration Agreement 2005-1

Please refer to *Section 9.4.1* for details on the above agreement.

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11.0 CONFLICT OF INTEREST

- (a) Cagamas is owned by various financial institutions. As the Issuer is a wholly owned subsidiary of Cagamas, the Issuer is indirectly owned by these financial institutions. Among these financial institutions are CIMB (0.5%), HSBC (4.1%), AmMerchant (3.9%) and ABN (0.2%).
- (b) Cagamas as the holding company of the Issuer is also the Transaction Administrator and the Administrator in this transaction. Cagamas is run by professionals who are competent and skilled to carry out the functions of a Transaction Administrator and Administrator. The roles of the Transaction Administrator and the Administrator are set out in Chapter 9. The appointment of Cagamas as Transaction Administrator and Administrator was made on an arm's length basis evidenced by a valid and enforceable Transaction Administration Agreement 2005-1 and Administration Agreement 2005-1.
- (c) One of the directors of the Issuer is also a director of Cagamas while another director of the Issuer is the Chief Executive Officer of Cagamas. However, the Administration Agreement 2005-1 and the Transaction Administration Agreement 2005-1 (the "Administration Services Documents 2005-1") entered into between the Administrator and the Transaction Administrator (the "Administrators") and the Issuer pursuant to which the Administrators will be providing professional services to the Issuer are based on arm's length terms. There may be a potential conflict of interest, inter alia, in the event the Administrators default in their duties as Administrators, as the directors of the Issuer may be reluctant to commence action against the Administrators since the Issuer and the Administrators share the same directors. However, this potential conflict of interest is mitigated as the Administration Services Documents 2005-1 which will govern the terms and conditions of the appointment of the Administrators will be entered into between the Issuer, the Administrators and the Trustee. The duties of the Administrators are clearly set out in the Administration Services Documents 2005-1 and include the Administrators ensuring that the directors of the Issuer carry out their fiduciary duties properly and execute the relevant documents and/or agreements relating to the Sukuk Musyarakah. In the event the Administrators fail to carry out their duties in accordance with the Administration Services Documents 2005-1, the Trustee is entitled to enforce the Administration Services Documents 2005-1 and, inter alia, require the Administrators to retire from their appointments at any time.
- (d) RAM Consultancy Services Sdn Bhd ("RAM CSSB") is one of the shareholders of Malaysian Trustees Berhad, the Trustee for the Sukuk Musyarakah. Notwithstanding that RAM CSSB is a wholly owned subsidiary of RAM, RAM's independence in rating the Sukuk Musyarakah is not compromised as RAM CSSB's shareholding in Malaysian Trustees Berhad is restricted to 19.09%. Further, the Sukuk Musyarakah are also being rated by MARC.
- (e) Government related bodies and statutory corporations may subscribe for or invest in the Sukuk Musyarakah. There is no limit to the amount of Sukuk Musyarakah which may be held by them.

The Board of Directors of the Issuer have been informed and are aware of the 'conflict of interest' situations as described above. However, notwithstanding the above 'conflict of interest' situations, the Board of Directors are satisfied that there are grounds for the view that independent judgments will be exercised by the relevant parties and have resolved to proceed with the issuance of the Sukuk Musyarakah based on the present arrangements.

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APPENDICES

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APPENDIX I

OVERVIEW OF MALAYSIA

The following information regarding Malaysia is included for information purposes only and has not been independently verified by the Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers. All of the data and information contained below has been obtained from publicly available official sources of Malaysia.

General

Malaysia is located in Southeast Asia, just north of the equator, and consists of two major land masses, Peninsular Malaysia and the states of Sabah and Sarawak, which are located on the island of Borneo. Peninsular Malaysia is separated from the states of Sabah and Sarawak by the South China Sea. The total land area of Malaysia is approximately 330,000 square kilometres.

Malaysia has a population of approximately 26.13 million. As of 2004, Malays and other indigenous peoples (together referred to as “Bumiputra”) make up approximately 61.4% of Malaysia’s population. Chinese make up approximately 23.73%, and Indians and other races make up the remaining 8.2%, of the population¹.

The official language of Malaysia is Bahasa Melayu, but English is widely spoken.

Government

The Federation of Malaysia is a constitutional monarchy, consisting of 13 states and 3 federal territories (Kuala Lumpur, Labuan and Putrajaya). The King is elected for a five-year term among the nine hereditary sultans of the traditional Malay states. Each of the 13 states has an Executive Council dealing with non-federal matter, such as land, inheritance and family matters, under a chief minister (menteri besar). The federal parliament has an upper chamber (Senate) with 70 members and a lower chamber (House of Representatives) with 219 members. States have also their individual assemblies. States have no legal capacity to raise taxes. National elections are held every five years. The latest election was held in March 2004.

Economic Policy and Planning

Since 1966, the Government has formulated and implemented a series of five-year plans for the development of the Malaysian economy. These plans have been guided by the development policies set out in (i) the New Economy Policy (“NEP”) introduced in 1970, (ii) the National Development Policy (“NDP”), which succeeded the NEP in 1991, and (iii), in a working paper presented by Tun Dr. Mahathir in February 1991 entitled “Malaysia: The Way Forward” (known as “Vision 2020”). The goals of the NEP and the NDP include eradication of poverty and redistribution of wealth through growth. In particular, they are aimed at promoting social stability through enhancing the participation of Bumiputra in the economy. The Government’s implementation of these five-year plans and development policies has had a major influence on the Malaysian economy. In response to the economic crisis in 1997, the Government established the National Economic Action Council to assist in policy formulation and the implementation of short- and medium-term economic recovery strategies².

Economic Overview

Malaysia has a diversified economy, the principal sectors of which are services, manufacturing, agriculture, mining and construction. Malaysia’s industrial base has strengthened as industries have progressed beyond simple assembly to focus on the manufacture of high value-added capital and technology-intensive products. Malaysia produces and exports a wide range of manufactured goods,

¹ Source: www.gov.my

² Source: www.epu.jpm.my

including electronic components and equipment, electrical machinery and appliances chemicals, plastics, textiles and apparels, wood products and rubber products, and also exports petroleum, liquefied natural gas, sawn timber, sawn logs and tin. The Malaysian economy remained resilient in the first quarter of 2005, expanding by 5.7%. Growth was driven by the major sectors of the economy, namely services, manufacturing and the primary commodity sectors. The services sector growth remained firm supported by consumption, tourism and telecommunication activities, while the primary commodity sector grew further mainly on account of higher production of crude palm oil and natural gas. Although the manufacturing sector was affected by the ongoing global semiconductor downcycle, the diversified industrial structure provided support to moderate the impact. Of significance, resource-based industries continued to perform strongly. Meanwhile, the construction sector remained weak due mainly to slower activity in the civil engineering segment³.

The key economic statistics for Malaysia for the past four (4) years are shown in the table below:

	Year ended 31 December			
	2002	2003	2004 (p)	2005 (f)
GDP (RM billion)	220.0	231.7	248.0	260.3
Real GDP (% Change)	4.1	5.3	7.1	5.0 ~ 6.0
Nominal GNP (RM billion)	336.6	371.7	423.1	443.9
Nominal GNP (% Change)	9.0	10.4	13.8	4.9
Real GNP (RM billion)	202.7	216.5	232.2	242.8
Real GNP (% Change)	4.7	6.8	7.2	4.6
Per Capita Income (RM)	13,722	14,838	16,538	16,987
Consumer Price Index (2000 = 100) (% Change)	1.8	1.2	1.4	2.5
Producer Price Index (1989 = 100) (% Change)	4.4	5.7	8.9	-
Imports (RM billions)	286.4	301.3	376.8	400.1
Exports (RM billions)	358.5	399.0	481.2	514.9
Exchange rate (RM per U.S.\$)	3.8	3.8	3.8	3.8

Note:

p Preliminary

f Forecast

Source: Bank Negara Malaysia Annual Report 2003 and 2004

During the past three (3) decades, through the implementation of strategic policies, Malaysia made significant progress toward the transformation of its economy from one characterised by agricultural production and mining to one characterised by manufacturing and services. Value added in the manufacturing sector expanded by 5.6% in the first quarter of 2005 (4Q 2004: 5.5%). In the export-oriented industries, output growth moderated slightly to 5.3% in the first quarter (4Q 2004: 7.8%), as the moderation in output of electronics was cushioned by higher output of the resource-based industries. Domestic manufacturers in the electronics and electrical products segment continued with their inventory adjustment exercise and rationalised production during the quarter under review. Nevertheless, resource-based industries such as chemicals, rubber products and off-estate processing industries, which account for about one-fourth of the manufacturing production index expanded at a rapid pace during the quarter. Output of chemical products expanded by 15.6% (4Q 2004: 13.3%), strong increase in the industrial gases and off-estate processing (24.6%; 4Q 2004: 17.98%) and enhanced increase in the rubber products industry (11.4%; 4Q 2004: 9.1%). Overall capacity utilisation for the manufacturing sector in the first quarter of 2005 was sustained (75%; 4Q 2004: 76%), with the export-oriented and domestic-oriented industries operating at 75% and 74% respectively (4Q 2004: 78% and 73%)⁴

Growth in the services sector was sustained at 6% (4Q 2004: 6.5%) as all sub-sectors continued to expand in line with higher consumption, tourism and telecommunication activities. Growth in the wholesale and retail trade hotels and restaurants sub-sector strengthened to 7.7% (4Q 2004: 6.9%) underpinned by strong growth in domestic consumption as reflected by the high growth in sales of motor vehicles and credit card spending. Higher retail spending by consumer in aid of the Tsunami

³ Source: Bank Negara Malaysia First Quarter 2005 Bulletin

⁴ Source: Bank Negara Malaysia First Quarter 2005 Bulletin

victims also contributed to the growth. The sub-sector was further supported by increased tourism and travel activities during the quarter with tourist arrivals exceeding 4.1 million⁵.

The banking system remained sound with a strong capitalisation level and improved profitability in the first quarter of 2005. The risk-weighted capital ratio of the banking system remained strong at 13.7%, while the pre-tax profits of the banking system improved by 12.2% to RM3 billion due mainly to lower loan loss provisions and operating expenses during the quarter. Banks' balance sheets were also healthier with the continued decline in non-performing loans ("NPLs"). The net NPL ratio based on 6-month classification continued to trend downwards to account for 5.4% of total net loans at end-March 2005. The 4.7% decline in net NPLs was due primarily to lower new loans classified as non-performing as well as higher restructuring and rescheduling of credit facilities during the quarter⁶.

Public and Private Consumption and Investment

Domestic demand remained resilient in the first quarter of 2005. Private sector continued to provide the main impetus to growth while the Government remained on track with its fiscal consolidation programme. Expansion in private sector expenditure was mainly supported by robust consumer spending activities.

Public consumption declined by 2.3% during the quarter (Q4 2004: +4.2%) mainly on account of lower expenditure on supplies and services as well as defence. Private consumption remained strong in the first quarter, rising by 10.1% (4Q 2004: 10.2%). Consumers' willingness to spend was buoyed by rising disposable incomes and the stable employment market. Sustained high export earnings and favourable commodity prices ensured that wage growth remained positive. At the same time, employment prospects remained stable as job vacancies increased strongly while retrenchments remained low. Attractive sales promotions held for festive celebrations and school holidays during the quarter provided further stimulus to consumption⁷.

Public investment declined by 3.5% in 2004 (2003:3.9%) on the back of the notable decline in Federal Government's development expenditure. However, capital expenditure for the Government remained supportive of growth, with bias towards economic and social sectors, and spread over larger number of smaller-scale projects. In the economic sector, expenditures were mainly for modernising the non-plantation agriculture, improving the living standard in rural areas and the transportation system in the country, while social projects focused on essential services provided by the Government such as education, health and housing. Private investment in 2004 was robust, with a 15.8% growth (2003:0.4%) as business gained confidence in the strength of economic expansion and in the prospective payoffs of capital investment. Additional production capacities were put in place in response to strong demand, while replacement of obsolete machinery was at a brisk pace as companies were keener to invest in an expanding economy. At the same time, favourable financing conditions were supportive of business investment activities. Loans disbursed to businesses increased further by 10.5% (2003:7.6%). The strengthened financial position of companies in terms of profitability and debt-servicing capacity also encouraged companies to expand their productive capacities⁸.

The Financial System

The Malaysian financial system consists of the Central Bank (Bank Negara Malaysia), banking institutions and non-bank financial institutions. Banking institutions comprise commercial banks, finance companies and merchant banks. The Government established an international offshore financial centre in the Federal Territory of Labuan in 1990 and is also committed to promoting and developing the Islamic banking sector. Non-bank financial institutions include provident, pension and insurance funds, development finance institutions, savings institutions and other financial intermediaries.

⁵ Source: Bank Negara Malaysia First Quarter 2005 Bulletin

⁶ Source: Bank Negara Malaysia First Quarter 2005 Bulletin

⁷ Source: Bank Negara Malaysia First Quarter 2005 Bulletin

⁸ Source: Bank Negara Malaysia Annual Report 2003 and 2004

Monetary and fiscal policies

In the first quarter, monetary and financial indicators continued to reflect a sustained expansion in underlying economic activity with monetary policy continuing its growth supportive stance. The Overnight Policy Rate (“OPR”) was maintained at 2.70%. The daily weighted average of the overnight interbank rate moved within a narrow range of 2.67% - 2.73%, averaging 2.70% in the period 1 January – 30 April 2005. Low interest rates and ample liquidity in the banking system continued to support the financing of economic activity through the banking system and the capital market. As at end-March 2005, the average BLR of commercial banks (“CBs”) and finance companies (“FCs”) remained unchanged at 5.98% and 6.90% respectively, while the ALR of CBs and FCs declined to 5.90% and 8.63%⁹.

Fiscal policy in 2004 was aimed at improving the financial position of the Government, as well as facilitating the private sector in enhancing its role as the main engine of growth. This objective was in line with the overall macroeconomic strategy to stimulate and accelerate domestic sources of growth.

External debt

The international reserves of Bank Negara Malaysia increased further in the first quarter of 2005. As at 31 March 2005, the net international reserves stood at RM275.2 billion or USD72.4 billion, an increase of RM21.6 billion or USD5.7 billion since end-2004. The increase in reserves during the quarter was supported mainly by sustained repatriation of export earnings, inflows of FDI and portfolio funds. Meanwhile, outflows reflected mainly payments for imports of goods and services repatriation of profits and dividends, and repayments of external loans. The reserves level has also taken into account the quarterly adjustment of the foreign exchange revaluation loss amounting to USD1.2 billion. The reserves increased further to RM284.4 billion or USD74.8 billion as at 14 May 2005, reflecting continued repatriation of export earnings and inflows of FDI and portfolio investment. The reserves position is adequate to finance 8.7 months of retained imports and is 7.2 times the short-term external debt¹⁰.

Malaysia’s total external debt declined to RM195 billion or USD51.3 billion as at end-March 2005 (4Q 2004: RM200.5 billion or USD52.8 billion), equivalent to 43.9% of gross national product. Medium- and long-term external debt was lower at RM154.3 billion or USD41.2 billion, due largely to net repayment of external loans by both the Federal Government and the non-financial public enterprises (NFPEs). The NFPEs registered a net repayment of RM2.5 billion, reflecting significant lower drawdown while repayment was larger. The repayments, including the maturity of a US dollar-denominated bond, were effected mainly by the NFPEs in the manufacturing sector. Meanwhile, the private sector recorded a net drawdown, mainly by the companies in the agriculture and oil and gas sector. The total short-term external debt was lower at RM40.7 billion or USD10.7 billion (4Q 2004: RM44 billion), reflecting lower short-term borrowings by both the banking and non-bank private sectors. As at end-March, the short-term debt remained low, accounting for 20.9% of total external debt and is about 14.8% of the net international reserves¹¹.

Trading partners

In the first quarter of 2005, Malaysia’s trade with the regional countries (excluding Japan) continued to increase with a higher share of 47.1%. The impetus to the growth stemmed mainly from stronger growth of exports to ASEAN, PR China and Hong Kong China, particularly in exports of E&E products and chemicals. On the import side, Malaysia continued to source components from regional countries, particularly Singapore, Thailand, PR China and Chinese Taipei. The regional import share was sustained at 48.7% (4Q 2004: 48.1%), reflecting mainly imports of machinery, appliances and parts, chemicals and manufactures of metal. Meanwhile, exports to both the US and Japan registered higher growth of 12.1% and 14.7% respectively (4Q 2004: 9.8% and 9.9% respectively), driven mainly by higher demand for E&E products, optical and scientific equipment and resource-based products, namely chemicals, wood and petroleum products. A significant development during the quarter was the stronger export growth to India of 37% to account for a higher export share of 3% (4Q 2004: 2.5%),

⁹ Source: Bank Negara Malaysia First Quarter 2005 Bulletin

¹⁰ Source: Bank Negara Malaysia First Quarter 2005 Bulletin

¹¹ Source: Bank Negara Malaysia First Quarter 2005 Bulletin

reflecting mainly higher exports of chemicals, metal products, optical and scientific equipment and petroleum products¹².

Debt Capital Markets

Malaysia has one of the more developed domestic currency debt capital markets in the region underscored by the depth and resilience of the market. The amount of outstanding bonds in the primary market edged up 3.2% to RM317.4 billion in 2004, compared to RM307.6 billion in 2003. Of this Malaysian Government Securities (“MGS”) clocked up nearly 49% while private debt securities (“PDS”) accounted for 37.1% (or RM117.6 billion, down 6.8% from 2003), followed by Cagamas bonds with 8.4% and Pengurusan Danaharta Nasional Berhad (“Danaharta”) papers with another 0.3%.

Meanwhile, Islamic PDS (“IPDS”) accounted for RM55.1 billion (excluding Islamic asset-backed securities (“ABS”) transactions) of the total outstanding PDS, up almost 5% from RM52.5 billion in 2003. At the same time, outstanding ABS (including Islamic-based securitised deals) surged 34.4% to RM8.6 billion last year (2003: RM6.4 billion).

The amount of Ringgit-denominated debt securities outstanding as at 31 May 2005, 31 December 2004 and 31 December 2003 are as follows:

Debt Securities Outstanding (RM b)	31-May-05	31-Dec-04	31-Dec-03
Malaysian Government Securities	153.85	154.35	130.80
Khazanah Bonds	10.00	9.00	10.00
Danaharta Bonds	-	0.80	8.54
Cagamas Bonds	22.61	26.75	25.63
Private Debt Securities	163.53	126.47	132.59
Total	349.99	317.37	307.55

(Source: RAM Bond Newsletter January 2005 and June 2005)

Note: Excludes Khazanah's non-Government-guaranteed RM1 billion Redeemable Unsecured Bonds

Private Debt Securities Rated (FY 2004)

	MARC		RAM		Total	
	Amount (RM m)	No	Amount (RM m)	No	Amount (RM m)	No
By Industry						
Construction & Engineering	5,911	21	5,358	41	11,269	62
Consumer Products	1,500	12	4,820	30	6,320	42
Finance	5,692	18	35,838	173	41,530	191
Government	1,000	1	80	1	1,080	2
Industrial Products	9,606	37	16,711	128	26,317	165
Infrastructure & Utilities	23,132	33	104,641	130	127,773	163
Plantation	1,178	11	2,388	30	3,566	41
Property & Real Estate	22,412	55	21,754	140	44,166	195
Technology	220	2	-	-	220	2
Trading & Services	10,662	32	41,024	134	51,686	166
Asset-Backed Securities	9,874	12	9,750	66	19,624	78
Total	91,188	234	242,364	873	333,552	1,107

(Source: MARC, RAM)

¹² Source: Bank Negara Malaysia First Quarter 2005 Bulletin

Classifications	MARC		RAM		Total	
	Amount	No	Amount	No	Amount	No
As at 31 May 2005						
Conventional PDS	37,565	111	167,316	667	204,881	778
Islamic PDS	58,747	142	66,896	152	125,643	294
Conventional ABS	6,675	13	9,373	72	16,048	85
Islamic ABS	3,644	3	300	17	3,944	20
Total	106,632	269	243,884	908	350,516	1,177

(Source: MARC, RAM)

Outlook of the Malaysian Economy in 2005

Malaysian Economy in 2005

The prospects for the Malaysian economy in 2005 remain sound. Real GDP is expected to expand by 5 – 6%. The sustained global growth, the modest downturn in the global semiconductor industry as well as relatively favourable prices for primary commodities are expected to provide support to export growth⁴.

While the global electronics industry is consolidating after reaching a peak in mid-2004, the cyclical downturn is forecast to be modest in view of the strong Asian demand, the rapid inventory adjustments and relatively low inventory levels. Current indications point to an expected upturn in the global electronics cycle in the second half-year

Monetary Policy in 2005

The accommodative monetary policy stance, amidst the low and stable inflation, has positively supported the stronger expansion of domestic economy activity. The stability of the exchange rate, accorded by the pegged exchange rate, has also ensured strong external performance and reinforced the expansion in domestic economy activity. Against the prospect of sustained growth in domestic demand and the continued positive external outlook, domestic monetary conditions remain conducive for a sustained expansion in household consumption and provide support for business activity and capacity expansion. On the inflation front consumer prices are expected to edge up in the early part of the year because of the one-off effect of changes in administered prices, taxes on tobacco and alcoholic products, and possibly some pass-through from the external sector. However, these factors are expected to have a transitory effect and inflation is expected to moderate during the rest of the year. Of importance, the continued sustained growth in productivity, capacity expansion, and the lack of significant general demand pressures would mitigate any inflationary tendencies.

Fiscal Policy in 2005

With the private sector assuming the role as the main driver of growth, fiscal consolidation is on course to further strengthen the Government's financial position in 2005. The thrust of fiscal policy in 2005 will be to progress forward with a further gradual reduction of the fiscal deficit through prudent financial management, while efforts to support private sector initiatives will focus on providing a strong enabling environment to support increasing productivity and reducing the cost of doing business. As announced in the 2005 Budget, strategies were aimed at developing human capital, increasing productivity, enhancing research and development capabilities, supporting new sources of growth and improving the quality of life for all Malaysians. The Government will emphasise efficiency in its delivery system and effectiveness in its financial management. Fiscal consolidation in 2005 will move forward through revenue enhancement and expenditure reduction.

⁴ Source: Bank Negara Malaysia Annual Report 2003 and 2004

Financial Sector Policy in 2005

In an increasingly competitive and dynamic operating environment, the thrust of financial sector policy for 2005 will continue to be directed at enhancing the competitiveness of the financial sector, as well as promoting a sound and robust financial system that is able to support economic growth and development. Emphasis would also continue to be accorded to further strengthen the consumer education and protection framework. Ensuring continuous access to financing for all segments of the economy will remain as an important endeavour in 2005. There will also be further deregulation and liberalisation with progressive infusion of competition into the financial sector. This is to not disrupt the system and the overall policy objectives.

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APPENDIX II

OVERVIEW OF THE RESIDENTIAL PROPERTY MARKET

In tandem with the robust economy, the Malaysian property market backed by Government policies and measures and sustained by accommodative financial policy, continued to perform well. Budget 2004 had allocated RM13.80 billion to the economic, infrastructure and industrial sectors. The Government also continued to focus on affordable housing. RM558.80 million was allocated to Syarikat Perumahan Negara Berhad (SPNB) for the construction of low- and medium-cost houses and another RM3.40 billion for the rehabilitation of abandoned housing projects under the Low-cost Housing Revolving Fund. Full financing for low-cost houses was introduced and the Housing Tribunal was set up to settle housing disputes.¹

The monetary stance remained accommodative to the property market, as it had facilitated economic activities and sustained growth momentum. Low and stable interest rates amidst ample liquidity continued to support the financing needs of the private sector. Loan disbursements by the banking system to the private sector increased further by 2.4% in 2004 compared to 2003 to register RM514.00 billion. This amount consisted of RM208.51 billion (40.6%) loans to the property sector. Lending to the property sector increased further in 2004 compared to 2003 i.e. for purchases of residential property (9.0%), non-residential property (11.0%), construction work (11.2%) and real estate (0.9%). However housing loans sold to Cagamas showed a 17.3% decrease. Loan disbursements to low-cost houses showed a marginal decrease of 0.1% in 2004 despite the full loan given for purchases of such units under the Budget 2004 incentive.¹

The continued strong performance of the Malaysian economy coupled with the recovery in private investments and a low interest rate environment contributed to the growth in the property market in 2004. The market observed moderate sales performance and contained overhang numbers and unsold units. On the supply front, the market noted a drop in numbers of incoming supply and planned supply of property units as starts and building plan approvals in most sub-sectors softened. The total volume of transactions in 2004 was 293,212, a significant increase of 20.5% compared to 243,376 for the previous year. Sectoral performance varied and the residential sub-sector remained the major sub-sector driving the property market. The value of transactions expended by 38.1% from RM43,434.92 million in 2003 to RM59,963.52 million in 2004, exceeding even the all time high achieved in 1997 prior to the Asian Financial Crisis of RM53,217.32 million of transactions. The total worth of property transactions formed 15.2% of the Gross National Product (GNP) in 2004. The residential sub-sector contributed 66.6% (195,243) to the total volume of transactions. Next was the agricultural sub-sector accounting for 18.4% (53,906), followed by the commercial sub-sector (8.2% - 24,212), development land sub-sector (4.0% - 11,650) and industrial sub-sector (2.7% - 7,818). The ranking of these sub-sectors in their contributions to the volume of transactions has remained unchanged since 2001.¹

In terms of value, the residential sub-sector continued to lead the market with a share of 48.9% and registered a value of RM29,295.75 million. The commercial sub-sector trailed with 18.3% (RM10,950.56 million), development land sub-sector at 13.9% (RM8,305.13 million), industrial sub-sector at 9.7% (RM5,834.07 million) and agricultural sub-sector at 9.1% (RM5,474.67 million). All states showed increases in volume of transactions, led by Kelantan at 54.1%. The major states of Kuala Lumpur, Selangor, Pulau Pinang, Johor and Perak registered growths of 18.0%, 10.7%, 38.6%, 27.2% and 16.9% respectively. In summary, the Malaysian property market grew by 20.5% in volume of transactions and 38.1% in value of transactions in 2004.¹

In 2004, the residential property sub-sector continued to propel the construction sector, helping to mitigate further contraction in the sector due to lesser activity in the infrastructure and construction projects. The sub-sector remained the driver of the property market with its 66.6% and 48.9% contributions to the volume and value of market transactions. During the year, the sub-sector continued to expand due to firm demand. A total of 195,243 transactions were recorded worth RM29.30 billion, an increase of 18.5% and 27.3% respectively from 2003. This showed that favourable financing conditions, low interest rates and Government incentives including the Stamp Duty waiver under the economic stimulus package remained supportive to the property market. The waiver which covered the period from 1 June 2003 to 31 May 2004 attracted 29,399 transactions during the year.¹

Demand for residential units in the primary market moderated in 2004, despite the attractive financing packages and government initiatives. The overall sales performance of newly launched residential units fell by 4.3% to record 48.0% as the number of newly launched units increased by 14.6% to 95,339 units in 2004. Favourable sales performance in Kuala Lumpur (50.8%) and Selangor (59.5%) cushioned off further decline at the national level due to the lower take up rates in Melaka (27.3%) and Perlis (28.9%). The number of residential property overhang units from launched units in the market were contained although the overhang units increased to 15,558 units as more units were launched during the year.¹

Generally, affordable houses priced at RM180,000 and below continued to dominate the market with 153,095 transactions or 78.4% of the total volume of the sub-sector. High-end houses priced at RM500,000 and above made up 5,491 transaction or 2.8% of the total transactions during the year. On the supply side, the construction of residential properties remained brisk with higher building plan approvals in the planned supply, albeit moderate construction starts. There were 617,743 units under the incoming supply with 155,351 units started construction during the review period. On the whole, the nation's residential stock stood at more than 3.45 million units. This included 164,636 units coming on stream during the year, a reduction from 2003 (192,490 units). Prices of residential properties were largely mixed with most states recording some increases in preferred locations or schemes. In Klang Valley, prices for all types of houses were mostly on upward trends particularly conventional units in preferred areas. In the northern states similar trends were observed. Some areas in the southern states saw price houses remaining unchanged while other areas noted increases in preferred locations.¹

Residential Property Sector Outlook in 2005

The growth prospects for Malaysia are expected to remain favourable in 2005, albeit with a slight moderation early in the year, as the expansion of the global economy is expected to sustain at a steady pace. The economic impact of the Tsunami tragedy on Malaysia was insignificant and temporary. The "Malaysian Institute for Economic Research", MIER, reported that the Business Conditions Index (BCI), that tracks confidence in the business sector, decreased by 12.9 points to 97.3 points in the fourth quarter of 2004 due to the expected slowdown in the global and domestic economies, and higher energy costs and highway toll rates. The Consumer Sentiment Index (CSI), the consumption indicator, was at 109.3 points. The CSI remained above the critical 100-point mark indicating that consumer confidence remained positive. Bank Negara Malaysia had assured that the monetary policy stance would continue to be supportive of economic expansion by ensuring that interest rates remained consistent with domestic economic activities.¹

The residential property market sector looks promising, being backed by accommodative financial policy such as low interest rate regimes and easy end financing. Notwithstanding this, developers have to be cautious before embarking on new projects. Demand in the primary market is expected to slow down as indicated by the lower sales performance rates and higher overhang and unsold units. Building costs may increase due to the higher oil prices especially when government reduced subsidies on diesel and petrol prices. The build and sell concept, if materialised, will bring about a change on the property construction sector in the coming year.

A property industry survey conducted by The Real Estate & Housing Developer's Association Malaysia (REHDA) on 2005 outlook on the industry saw a total of 161 responses from developers in various states. Out of the 43,202 units scheduled to be launched by 123 developers, 40.7% are in the RM100,000 to RM250,000 price brackets. The survey findings reflect developers' confidence in the high-end market, as reflected by the number of such units to be launched – 2,749 units for those priced between RM500,000 to RM1 million and another 1,032 units for houses RM1 million and above. However, developers are expecting slower market absorption rate, with majority quoting between 6 to 24 months to market their launches.²

As for overall outlook for 2005, majority of survey respondents (47.2%) are neutral, 28.6% are optimistic while another 21.1% expressed pessimism.²

1 Source: Property Market Report 2004, Valuation and Property Services Department, Ministry of Finance Malaysia; website-<http://www.jp-ph.gov.my/>

2 Source: REHDA Bulletin May 2005 - Real Estate and Housing Developers' Association of Malaysia (REHDA) website - <http://www.rehda.com/>

APPENDIX III

PROFILE OF TAKAFUL NASIONAL SDN BHD (“TN”)

Background

Date of incorporation	7 June 1993
Shareholders	Malaysian Nasional Insurance Berhad (80%) Yayasan Pembangunan Ekonomi Islam Malaysia (YPEIM) (20%)
Principal Activities	Principally engaged in the underwriting of Family Takaful and all classes of General Takaful business.
Share Capital (as at 31 March 2005)	Authorised: 500,000,000 ordinary shares of RM1 each Issued and fully paid: 100,000,000 ordinary shares of RM1 each

Financial Performance

For the financial year ended 31 March 2005, TN recorded a higher Operating Revenue of RM703.9 million against RM660.2 million achieved in the previous year and a profit before zakat and taxation of RM51.6 million against RM44.2 million, a growth of 16.7% against previous financial year.

Family Takaful business recorded a growth of 3.8%, achieving RM400.8 million of Takaful gross contributions compared to RM386.1 million recorded previous year. The increase was due to the extensive promotional activities undertaken by the Company to promote Takaful products and services to the public, the strengthening of the agency force and enhancement of organisational and operational efficiency.

The General Takaful business has also shown an increase of 4.0% from the previous year's Takaful gross contribution of RM182.6 million to RM190.0 million for this financial year. The improvement of the business was recorded in most of the classes of business led by Fire and Motor classes which constitute more than 60% of the total General Takaful business.

The better net profit was also the outcome of better Claims management which resulted in a ratio of 49% compared to Insurance Industry of 61% for General Takaful business and 31% compared to the Insurance Industry of 36% for Family Takaful business.

With better control of the investment management during the last financial year, investment income improved from RM97.4 million to RM116.6 million, a 19.7% growth.

Following the overall improvement, TN's total asset has grown by 12.4% to RM2.91 billion compared to RM2.59 billion recorded in the previous year.

TN has also completed the capital raising exercise from RM60 million to RM100 million which is expected to improve TN's underwriting capacity and precipitate more product launches.

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