

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

1. BACKGROUND INFORMATION

(a) **Issuer**

- (i) *Name* : Northport (Malaysia) Bhd. ("**Northport**")
- (ii) *Address* : Jalan Pelabuhan
Pelabuhan Utara
42000 Pelabuhan Klang
Selangor Darul Ehsan
- (iii) *Business Registration No.* : 146850-A
- (iv) *Date and Place of Incorporation* : 30th October 1985 in Malaysia
- (v) *Date of Listing* : Not applicable
- (vi) *Status of Residence* : Resident controlled company
- (vii) *Principal Activities* : The principal activity of the Issuer is the management of port activities which comprises services rendered to ships, cargo and container handling, rental of port premises, dockyard operations and other ancillary services.
- (viii) *Board of Directors as at 1 October 2014* :
 1. Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Hj Wan Yaacob
 2. Datin Paduka Juma'ah binti Moktar
 3. Datuk Wan Awang bin Wan Yaacob
 4. Dato' Zuraidah binti Atan
 5. Dato' Kumaran a/l Santhivaloo
 6. Dato' Halipah binti Esa
 7. Pn. Hjh. Armi binti Zainudin
 8. Dato' Idris bin Kechot
 9. Tuan Hj. Abi Sofian bin Abdul Hamid
- (ix) *Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders as at 1 October 2014* :
- | Name | No. of Shares held | % of shareholding |
|------------------------------------|-----------------------------|--------------------------|
| NCB Holdings Bhd | 308,530,432 ordinary shares | 100 |
| Minister of Finance (Incorporated) | 1 special share | Negligible |
| Total | 308,530,433 | 100 |

- (x) *Authorised, Issued and Paid-up Share Capital as at 1 October 2014* : **Authorised Share Capital as at 1 October 2014**
- RM500,000,000 divided into 499,999,999 units of ordinary shares of RM1 each and 1 unit of Special Share* of RM1 each.

Issued and Paid-up Share Capital as at 1 October 2014

RM308,530,433 divided into 308,530,432 units of ordinary shares of RM1 each and 1 unit of Special Share* of RM1 each.

** The Special Share, which may only be held by the Minister of Finance (Incorporated) or its successors or any Minister, representative, or any person acting on behalf of the Government of Malaysia, carries certain special rights as provided by Article 6B of Northport's Articles of Association.*

- (xi) *Disclosure of the following:*

- *if the Issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five (5) years prior to the date of application; and* : Nil.
- *if the Issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for* : Nil.

*the past five
(5) years prior
to the date of
application*

2. PRINCIPAL TERMS AND CONDITIONS

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

- (i) *Joint Principal Advisers* : Affin Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad) ("**Affin Hwang IB**") and Maybank Investment Bank Berhad ("**Maybank IB**").
- (ii) *Joint Lead Arrangers* : Affin Hwang IB and Maybank IB (collectively, the "**JLAs**").
- (iii) *Co-arranger* : Not applicable.
- (iv) *Solicitor* : Kadir, Andri & Partners, the solicitors to the JLAs.
- (v) *Financial Adviser* : Not applicable.
- (vi) *Technical Adviser* : Not applicable.
- (vii) *Sukuk Trustee* : Maybank Trustees Berhad.
- (viii) *Shariah Adviser* : Maybank Islamic Berhad ("**Maybank Islamic**").
- (ix) *Guarantor* : Not applicable.
- (x) *Valuer* : Not applicable.
- (xi) *Facility Agent* : Maybank IB.
- (xii) *Primary Subscriber (under a bought-deal arrangement) and amount subscribed* : To be determined prior to each issuance (in the event of a bought deal arrangement).
- (xiii) *Underwriter and amount underwritten* : Not applicable.
- (xiv) *Central Depository* : Bank Negara Malaysia ("**BNM**").
- (xv) *Paying Agent* : BNM.
- (xvi) *Reporting* : Nil.

Accountant

(xvii) *Calculation Agent* : Not applicable.

(xviii) *Others (please specify)* : Joint Lead Managers ("JLMs")
Affin Hwang IB and Maybank IB.

Tender Panel Members ("TPMs")

To be appointed and to whom an issue of or offer or invitation to subscribe the ICPs (as defined in item 2(c) below) would fall within the Selling Restrictions (as set out in item 2(q) below).

Independent Auditor ("IA")

Ernst & Young.

(b) ***Islamic Principles Used*** : Musharakah.

(c) ***Facility Description*** : Sukuk issuance programmes under the Islamic principle of Musharakah which comprises two programmes, which are the following:

(i) Islamic Commercial Papers Programme of up to RM500 Million in nominal value ("**ICP Programme**"); and

(ii) Islamic Medium Term Notes Programme of up to RM1.5 Billion in nominal value ("**IMTN Programme**");

subject to a joint limit of RM1.5 billion in nominal value.

The Islamic commercial papers ("**ICPs**") and the Islamic medium term notes ("**IMTNs**") are collectively referred to as "**Sukuk Musharakah**". The ICP Programme and IMTN Programme are collectively referred to as "**Sukuk Musharakah Programmes**".

The tenure of the ICP Programme shall be seven (7) years from the date of the first issue under the ICP Programme, and the tenure of the IMTN Programme shall be eighteen (18) years from the date of the first issue under the IMTN Programme.

The first issuance of the Sukuk Musharakah shall be within two (2) years from the date of the SC's authorisation. The issuance under the ICP Programme and the IMTN Programme are not conditional on the issuance of both.

Underlying transaction

In respect of the issuance of the Sukuk Musharakah, the investor(s) ("**Sukukholder(s)**") shall from time to time, via the Sukuk Trustee, form a Musharakah partnership by entering into a Musharakah agreement as partners with

Northport (each a "**Partner**" and collectively the "**Musharakah Partners**") for the purpose of undertaking a venture ("**Musharakah Venture**") to invest directly in an identified portion of the Shariah compliant general business of Northport ("**Business**") which involves the management of port activities, provided that the value of the Business identified under each issuance of the Sukuk Musharakah shall not exceed the proceeds for that particular issuance.

The Sukuk Trustee (acting on behalf of the Sukukholders) shall appoint Northport as its manager to manage the Business for the Musharakah Venture (the "**Manager**") pursuant to a management agreement to be entered into between the Sukuk Trustee (on behalf of the Sukukholders) and Northport.

The Sukukholder(s) shall subscribe to the Sukuk Musharakah issued by Northport. Each Sukuk Musharakah shall represent the respective Sukukholder's undivided proportionate interest in the relevant Musharakah Venture. Proceeds raised from the Sukuk Musharakah shall be the capital contribution of the Sukukholders to the Musharakah Venture. Meanwhile the Issuer will contribute the Business as capital contribution into the Musharakah Venture.

Simultaneously, Northport shall make a declaration that it holds in trust over all its interest in the Business (the "**Trust Assets**") for the benefit of the Sukukholders and itself ("**Declaration of Trust**").

Income from the Musharakah Venture shall be distributed to each Partner based on a profit sharing ratio which will be determined prior to the issuance of the Sukuk Musharakah. Any losses incurred in the Musharakah Venture shall be borne by each Partner in proportion to each Partner's respective capital contribution in the Musharakah Venture.

The expected return to the Sukukholders under the Musharakah Venture ("**Expected Return**") shall be the expected yield for the Sukuk Musharakah up to the maturity date of the Sukuk Musharakah ("**Maturity Date**"). In respect of Sukuk Musharakah with Periodic Distribution (as defined below), the income from the Musharakah Venture (after deducting the Issuer's entitlement to the income distribution) up to an amount equivalent to the expected profit rate of the nominal value of the Sukuk Musharakah for the relevant period ("**Periodic Distribution Amount**") shall be distributed semi-annually (or such other period of frequency as the Issuer and the JLMs/relevant investors may agree prior to each issuance of the Sukuk Musharakah) in each year to the Sukukholders in the form of periodic distribution ("**Periodic Distribution**"). In the event that the Sukukholders' entitlement to distributable income generated from the Musharakah Venture is over and above the Periodic Distribution Amount, such excess shall be retained

by the Manager as incentive fee. Any shortfall between the Periodic Distribution Amount and the Sukukholders' entitlement to distributable income generated from the Musharakah Venture shall be paid by Northport as a top up payment ("**Top up Payment**"). The Top up Payment will be set-off against the Exercise Price (as defined below) payable by the Obligor (as defined below) under the Sale Agreement (as defined below) following the exercise of the Purchase Undertaking (as defined below).

In respect of Sukuk Musharakah without Periodic Distribution, income from the Musharakah Venture of up to the Expected Return shall be distributed on a one-off basis ("**One-off Distribution**") on the Maturity Date or the date of declaration of a Dissolution Event (as set out in item 2(v) below), being an event which dissolves the Musharakah Venture ("**Dissolution Date**"), whichever is applicable. In the event that the Sukukholders' entitlement to distributable income generated from the Musharakah Venture is over and above the One-off Distribution, such excess shall be retained by the Manager as incentive fee. Any shortfall between the One-off Distribution and the Sukukholders' entitlement to distributable income generated from the Musharakah Venture for such relevant period shall be paid by Northport as Top up Payment of the Exercise Price. The Top up Payment will be set off from the Exercise Price payable by the Obligor under the Sale Agreement following the exercise of the Purchase Undertaking.

The Issuer as Obligor (the "**Obligor**") shall also grant to the Sukuk Trustee (for and on behalf of the Sukukholders) a purchase undertaking ("**Purchase Undertaking**") whereby the Obligor shall undertake to purchase the Sukukholders' undivided proportionate interest in the Musharakah Venture at the Exercise Price on the Maturity Date or the Dissolution Date, whichever is earlier, by executing a sale agreement ("**Sale Agreement**").

On the Maturity Date or the Dissolution Date, whichever is earlier, the Musharakah Venture and the trust in relation to the Declaration of Trust will be immediately dissolved.

Exercise Price

The Exercise Price shall be determined based on the following formula, upon the Maturity Date or the Dissolution Date:

(a) On Maturity Date

- (i) In the case of Sukuk Musharakah with Periodic Distribution

Exercise Price = Musharakah Capital plus Expected Return less total Periodic Distributions made and

received from the Musharakah Venture;

(ii) In the case of Sukuk Musharakah without Periodic Distribution

Exercise Price = Musharakah Capital plus Expected Return less One-off Distribution made and received from the Musharakah Venture

(b) On Dissolution Date

(i) In the case of Sukuk Musharakah with Periodic Distribution

Exercise Price = Musharakah Capital plus Expected Return less total Periodic Distributions made and received from the Musharakah Venture;

(ii) In the case of Sukuk Musharakah without Periodic Distribution

Exercise Price = Musharakah Capital plus Expected Return less One-off Distribution made and received from the Musharakah Venture

For purposes of this sub-paragraph (b), Expected Return shall be calculated up to the Dissolution Date.

"Musharakah Capital" shall mean an amount equal to the actual proceeds received from the Sukukholders upon issuance of the Sukuk Musharakah.

Top up Payment will be set off against the Exercise Price payable by the Obligor under the Sale Agreement following the exercise of the Purchase Undertaking.

A diagrammatical illustration of the transaction and the other terms and conditions are set out in **Appendix 1**.

(d) **Identified Assets** : The identified assets for each issue of Sukuk Musharakah under the Sukuk Musharakah Programmes will be Shariah-compliant Business provided by the Issuer.

The Business shall be endorsed by the Shariah Adviser.

(e) **Purchase and selling price/rental (where applicable)** : Not applicable.

(f) **Issue/Programme Size** ICP Programme

Up to RM500 million nominal value.

IMTN Programme

Up to RM1.5 billion nominal value.

The joint outstanding nominal value of the Sukuk Musharakah issued under the Sukuk Musharakah Programmes shall not exceed RM1.5 billion at any point in time.

The joint limit for the Sukuk Musharakah Programmes shall be reduced according to a reduction schedule ("**Reduction Schedule**") as set out below:

Reduction Date (Anniversary from the date of first issue)	Reduction/ Repayment (RM' mil)	Available Limit (RM' mil)
Issue date	-	1,500
16	250	1,250
17	250	1,000
18	1,000	0

**(g) Tenure of
Issue/Sukuk
Programme**

: ICP Programme

Seven (7) years from the date of the first issue under the ICP Programme provided the first issue of the ICP under the ICP Programme shall be made within two (2) years from the date of authorisation by the SC.

ICPs

Each ICP shall have a tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months, provided that the ICPs mature on or prior to the expiry of the ICP Programme.

IMTN Programme

Eighteen (18) years from the date of the first issue under the IMTN Programme provided the first issue of the IMTN under the IMTN Programme shall be made within two (2) years from the date of authorisation by the SC.

IMTNs

Each IMTN shall have a tenure of more than one (1) year and up to eighteen (18) years, provided that the IMTNs mature on or prior to the expiry of the IMTN Programme.

The tenure of each ICP and IMTN to be issued under the ICP Programme and IMTN Programme will be determined prior to the issue date.

**(h) Availability period
of Sukuk
Programme**

: ICP Programme

The period commencing from the date the conditions precedent of the Sukuk Musharakah Programmes are

fulfilled or waived (as the case may be) and ending on the date falling six (6) years and eleven (11) months after the date of the first (1st) issuance of the ICPs under the ICP Programme.

IMTN Programme

The period commencing from the date the conditions precedent of the Sukuk Musharakah Programmes are fulfilled or waived (as the case may be) and ending on the date falling seventeen (17) years after the date of the first (1st) issuance of the IMTNs under the IMTN Programme.

- (i) ***Profit/Coupon/
Rental Rate*** : Sukuk Musharakah without Periodic Distribution

Not applicable.

Sukuk Musharakah with Periodic Distribution

To be determined prior to each issuance of the Sukuk Musharakah.

- (j) ***Profit/Coupon/
Rental Payment
frequency*** : Sukuk Musharakah without Periodic Distribution

Not applicable.

Sukuk Musharakah with Periodic Distribution

Semi-annual or such other period of frequency as the Issuer and the JLMs/relevant investors may agree prior to each issuance of the Sukuk Musharakah.

- (k) ***Profit/Coupon/
Rental Payment
Basis*** : Sukuk Musharakah without Periodic Distribution

Not applicable.

Sukuk Musharakah with Periodic Distribution

The Periodic Distribution shall be calculated on the basis of actual/actual days.

- (l) ***Security/Collateral
(where applicable)*** : None.

- (m) ***Details on
utilisation of
proceeds by Issuer*** : The proceeds raised under the Sukuk Musharakah Programmes shall be utilised by Northport and/or any of its subsidiaries ("**Group**") for the following Shariah-compliant purposes:-

Purpose	Amount Up To (RM 'mil)
(i) For financing of capital expenditure ⁽¹⁾	1,000
(ii) Refinance existing financing ⁽²⁾	200

(iii) General working capital ⁽³⁾	300
TOTAL	1,500

Note:

1. Capital expenditure for port infrastructures covering both static and moveable assets and related expenditures to these assets for the operation of port terminal.
2. Bridging Financing of up to RM200.0 million provided by Affin Islamic Bank Berhad ("**Bridging Financing**").
3. Any undrawn amount under (ii) and (iii) may be utilised for item (i) above.

(n) Sinking Fund and Designated Accounts (where applicable)

: Finance Service Reserve Accounts ("FSRAs")

The Issuer shall be required to open the Shariah-compliant FSRAs with Maybank Islamic and the FSRAs shall be operated solely by the Facility Agent. The Issuer shall maintain the following minimum balance in the FSRAs in the following manner:

- (a) FSRA 1 - a minimum balance equivalent to the aggregate of the Periodic Distributions due and payable under the Sukuk Musharakah during the next six (6) months ("**Minimum FSRA Balance 1**"); and
- (b) FSRA 2 - a minimum balance equivalent to the Sukuk Musharakah due on the scheduled Reduction Date as per the Reduction Schedule under item 2(f) above ("**Minimum FSRA Balance 2**"), which amount shall be progressively built up by the Issuer in the following manner:

Minimum Required Balance	Month(s) to due date
50%	3
100%	1

For the avoidance of doubt, if the outstanding amount of the Sukuk Musharakah prior to build up of Minimum FSRA Balance 2 is less than the Available Limit (as detailed in item 2(f) above) of the Sukuk Musharakah after the relevant mandatory reduction, the Issuer does not have to build up the Minimum FSRA Balance 2.

Funds standing to the credit of the FSRA 1 may be utilised for making any Periodic Distribution and when withdrawals from the FSRA 1 result in a shortfall in the Minimum FSRA Balance 1, the Issuer shall, within thirty (30) days from the date of withdrawal is made, deposit into the FSRA 1 such amount of monies necessary to maintain the Minimum

FSRA Balance 1. Failure to meet the Minimum FSRA Balance 1 within thirty (30) days as stipulated above will result in a Dissolution Event followed by obligations of the Obligor pursuant to the Purchase Undertaking.

In addition, failure to meet the Minimum FSRA Balance 2 required under FSRA 2, within the relevant due dates will result in a Dissolution Event.

Upon the declaration of a Dissolution Event, monies standing to the credit of the FSRAs shall be distributed to the Sukukholders as the FSRAs forms part of the Trust Assets.

Escrow Account

The Issuer will open a Shariah-compliant bank account called the Escrow Account ("**Escrow Account**") for the purposes of remitting and/or depositing all issuance proceeds under the Sukuk Musharakah. The Escrow Account will be solely operated by the Facility Agent.

In respect of proceeds derived from the Sukuk Musharakah, the Issuer may only withdraw sums from the Escrow Account in accordance with the application of issue proceeds as set out under item 2(m).

Drawing from Escrow Account however may be only made by the Issuer in accordance with the following provisions:

- (a) in respect of the first issuance of the Sukuk Musharakah, withdrawal for capital expenditure based on documentary evidence which shall be dated no more than eighteen (18) months before the date of the issue request;
- (b) in respect of subsequent issuances of the Sukuk Musharakah, withdrawal for capital expenditure based on documentary evidence which shall be dated no more than six (6) months before the date of the issue request;
- (c) withdrawal for refinancing of existing financing (i.e. bridging financing) based on redemption statement from the existing financier; and
- (d) withdrawal is for the purpose of general working capital.

(o) Rating

- **Credit Rating Assigned and whether the rating is final or** : ICP Programme
Preliminary rating of MARC-1_{IS}.
IMTN Programme

- indicative* Preliminary rating of AA-_{IS}.
- **Name of Rating Agency** : Malaysian Rating Corporation Berhad ("**MARC**").
- (p) **Mode of Issue** : ICPs
- Via tender by the TPMs, private placement on a best efforts basis or bookrunning on a best efforts basis or bought deal basis.
- IMTNs
- Via private placement on a best efforts basis or bookrunning on a best efforts basis or bought deal basis.
- Issuance of the Sukuk Musharakah shall be computed in accordance with (1) the "Participation and Operation Rules for Payments and Securities Services" issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**" or its successors-in-title or successor in such capacity) ("**MyClear Rules**" as may be amended or substituted from time to time) and (2) the "Operational Procedures for Securities Services issued by MyClear ("**MyClear Procedures**" as may be amended and/or substituted from time to time), (collectively, "**MyClear Rules and Procedures**"; and (3) any other procedures/guidelines/rules issued by the relevant authorities from time to time (as the same may be amended and/or substituted from time to time).
- (q) **Selling Restriction, including tradability, i.e. whether tradable or non-tradable** : The Sukuk Musharakah are tradable and transferable subject to the Selling Restriction described below.
- Selling Restriction
- The Sukuk Musharakah may only be issued, offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to subscribe to the Sukuk Musharakah and to whom the Sukuk Musharakah are issued would:
- 1) at the point of issuance of the Sukuk Musharakah fall within:
 - (i) Schedule 6 (or Section 229(1)(b)) of the Capital Markets & Services Act 2007 ("**CMSA**") or Schedule 7 (or Section 230(1)(b)) of the CMSA; read together with
 - (ii) Schedule 9 (or Section 257(3)) of the CMSA.
 - 2) after the issuance of the Sukuk Musharakah fall within:
 - (i) Schedule 6 (or Section 229(1)) of the CMSA; read together with
 - (ii) Schedule 9 (or Section 257(3)) of the CMSA.

- (r) ***Listing Status and types of Listing (where applicable)*** : The Sukuk Musharakah may in the future be listed on Bursa Malaysia Securities Berhad under the Exempt Regime.
- (s) ***Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase Sukuk, and whether or not obtained*** : None.
- (t) ***Conditions Precedent*** : The conditions precedent to establish the Sukuk Musharakah Programmes shall be as set out below (unless waived by the JLAs):

Conditions Precedent for First Issuance

- (i) The issue documents and other relevant documents pertaining to the Sukuk Musharakah (collectively referred to hereafter as the "**Issue Documents**") have been signed and where applicable stamped and presented for registration with the relevant registries;
- (ii) A certified true copy of the board of directors' resolution of the Issuer authorising, inter alia, the execution of the Issue Documents and the performance and carrying out of the transactions contemplated therein;
- (iii) A certified true copy each of the Certificate of Incorporation, Memorandum and Articles of Association and the latest Forms 24 and 49 of the Issuer;
- (iv) A list of the Issuer's authorised signatories and their respective specimen signatures;
- (v) Certification issued by the Issuer in the form prescribed by the JLAs confirming the accuracy of the representations and warranties contained in the Issue Documents in all respect;
- (vi) Confirmation from the Issuer that no Dissolution Event has occurred and is continuing or shall occur if the relevant issuance is made;
- (vii) Receipt of due diligence reports on the Issuer;
- (viii) Written approval from the Securities Commission ("**SC**") and any other relevant authorities pursuant to any relevant guidelines issued and to be issued from

time to time by the SC or any other authorities having jurisdiction over matters pertaining to the Sukuk Musharakah Programmes;

- (ix) The endorsement from the Shariah Adviser that the Sukuk Musharakah Programmes and the Issue Documents are in compliance with Shariah principles;
- (x) A report of the relevant company search and winding up search on the Issuer stating that there are no winding-up orders made against the Issuer;
- (xi) Documentary evidence that the FSRA 1 and FSRA 2 has been opened with Maybank Islamic in accordance with the provisions of the Issue Documents and documentary evidence evidencing that the relevant Minimum FSRA Balance 1 will be deposited into the FSRA 1 upon first issue of the Sukuk Musharakah;
- (xii) A written legal opinion from the Solicitors addressed to the Joint Lead Arrangers, confirming with respect to, amongst others, that:
 - The Issue Documents are legal, valid, binding and enforceable and all the conditions precedent have been fulfilled or waived; and
 - All approvals/consents (both regulatory or contractual) which are required shall have been duly obtained for the Sukuk Musharakah and for the execution of the Issue Documents;
- (xiii) The Sukuk Musharakah Programmes shall have received a minimum short term rating of MARC-1_{IS} and a minimum long term rating of AA-_{IS} from MARC;
- (xiv) Evidence that all transaction fees, costs and expenses due from the Issuer have been or shall be paid in full;
- (xv) The certified true copies of the duly executed and stamped (a) interim privatisation agreement between the Government of Malaysia, Port Kelang Authority ("**PKA**") and Northport ("**Interim Privatisation Agreement**"); and (b) licence granted by PKA to Northport pursuant thereto;
- (xvi) Documentary evidence for financing of capital expenditure to be funded under the Sukuk Musharakah Programmes, which shall be dated no more than eighteen (18) months before the date of the issue request;
- (xvii) Receipt of the redemption statement and consent, if necessary, from the existing financier of the Bridging Financing to redeem the Bridging Financing utilising

the proceeds raised under the Sukuk Musharakah Programmes;

(xviii) Documentary evidence that the Escrow Account has been opened in accordance with the provisions of the Issue Documents; and

(xix) Such other conditions precedent as may be advised by the Solicitors and agreed by the Issuer.

Conditions Precedent for Subsequent Issuance

(i) Confirmation from the Issuer that the representation and warranties still remain true and correct in all respect;

(ii) Confirmation from the Issuer that no Dissolution Event has occurred and is continuing or shall occur if the relevant issuance is made;

(iii) Documentary evidence evidencing that the relevant Minimum FSRA Balance 1 will be deposited into the FSRA 1 or there is sufficient funds in the FSRA 1 to meet the relevant Minimum FSRA Balance 1;

(iv) Documentary evidence for financing of capital expenditure to be funded under the Sukuk Musharakah Programmes, where applicable, which shall be dated no more than six (6) months before the date of the issue request; and

(v) Such other conditions precedent as may be advised by the Solicitors and agreed by the Issuer.

(u) Representations and Warranties

: The representations and warranties by the Issuer to the Sukuk Trustee and the Sukukholders shall include but not be limited to the following:

(i) that it is a company duly incorporated and validly existing under the laws of Malaysia and has the power and authority to own its assets and to conduct the business which it conducts;

(ii) (a) its Memorandum and Articles of Association incorporate provisions which authorise; (b) all necessary corporate action have been taken to authorise; and (c) all authorisations of any government or other authority have been duly obtained and are in full force and effect which are required to authorise the Issuer, to own its assets, carry on its business as it is being conducted, and sign and deliver, and perform the transactions contemplated in the Issue Documents, and for the Issuer to issue the Sukuk Musharakah and to perform its obligations specified therein and under the Sukuk Musharakah in accordance with its terms;

- (iii) there are no litigation or arbitration which would have a material adverse effect on the Issuer's financial ability to discharge its obligations in connection with the issuance of the Sukuk Musharakah;
 - (iv) it has the power to enter into, exercise its rights and perform and comply with its obligations under the Trust Deed and for it to issue and perform and comply with its obligations under the Issue Documents; and
 - (v) such other representations and warranties typical and customary for a facility of this nature as may be advised by the Solicitors and agreed by the Issuer which shall include without limitation to those in compliance with the SC's Trust Deeds Guidelines;
- (v) ***Events of Default, Dissolution Event and Enforcement Event (where applicable)*** : Dissolution Events for a facility of this nature shall include but not limited to the following:
- (i) where the Issuer is unable to distribute any amount that is payable from it under any of the Issue Documents on the due date; or
 - (ii) where the Issuer fails to observe or perform any of its obligations under the terms and conditions or provisions under the Issue Documents or any other related documents or under any undertaking arrangement entered into in connection therewith and the Issuer fails to remedy such failure to observe or perform any of its obligations within thirty (30) days of such failure; or
 - (iii) where any step or action is taken for the winding-up, dissolution or liquidation of the Issuer or a resolution to wind-up the Issuer has been passed and no action is taken in good faith to set aside or dispute such step or action in court within thirty (30) days from the date of service of such winding-up petition or the making of any order or the passing of any resolution for the winding-up, dissolution or liquidation of the Issuer; or
 - (iv) where an encumbrancer takes possession of, or a trustee, liquidator, receiver or similar officer is appointed in respect of, all or any part of the business or assets of the Issuer and such appointment is not withdrawn or discharged within forty-five (45) days of such appointment; or
 - (v) where any of the indebtedness (for moneys borrowed/ financed from financial institutions) of the Issuer (1) becomes due and payable; or (2) capable of being declared due or payable before its stated maturity arising from the occurrence of an event of default; or (3) if any security created to secure any such

indebtedness becomes enforceable; or

- (vi) where the Issuer defaults in the payment of any money owing in respect of the Sale Agreement pursuant to the Purchase Undertaking when the same shall become due and payable in accordance with the terms and conditions of the Trust Deed and the Purchase Undertaking; or
- (vii) where the Issuer convenes a meeting of its creditors or proposes or makes any arrangement or composition with, or any assignment for the benefit of, its creditors under Section 176 of the Companies Act, 1965; or
- (viii) where there is an expiry, cessation, withdrawal, invalidation, termination, revocation, withholding or modification of the Interim Privatisation Agreement or the new concession agreement, any license, permit, authorisation, approval, or consent (whichever is applicable) which in the reasonable opinion of the Sukuk Trustee may materially and adversely impair or prejudice the Issuer's ability to comply with the terms and conditions or the provisions of the Issue Documents or any other related documents; or
- (ix) where the Issuer fails to maintain the Minimum FSRA Balance 1 or the Minimum FSRA Balance 2 in accordance with the manner set out in item (n) above; or
- (x) such other events which are customary to a facility of this nature as may be advised by the Solicitors and agreed by the Issuer which shall include without limitation to those in compliance with the SC's Trust Deeds Guidelines.

Upon the occurrence of a Dissolution Event, or if a Dissolution Event has occurred and is continuing, the Sukuk Trustee may at its discretion and shall upon receipt of the relevant instructions from the Sukukholders as required under the Trust Deed, declare that a Dissolution Event has occurred whereupon the Sukuk Trustee shall exercise its rights under the Purchase Undertaking for the benefit of the Sukukholders:

- (i) to require the Obligor to immediately acquire the Sukukholders' undivided proportionate interest in the Musharakah Venture from the Sukuk Trustee by entering into a Sale Agreement; and
- (ii) the Exercise Price shall become immediately due and payable by the Obligor to the Sukukholders and the Sukuk Trustee shall have recourse to all remedies made available under the relevant Issue

Documents.

The Musharakah Venture and the Declaration of Trust will be immediately dissolved and neither the Issuer nor the Sukukholders shall thereafter have further rights over the Musharakah Venture.

(w) Covenants

- (i) *Positive Covenants* : The Issuer covenants and undertakes, inter alia, with the Sukuk Trustee and the Sukukholders that until all its liabilities and obligations under the Sukuk Musharakah have been discharged, it shall, amongst others:
- (a) maintain the Financial Covenants as set out in item (w)(iii) below;
 - (b) use its reasonable diligence to carry on and conduct its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;
 - (c) make available to the Facility Agent, Sukuk Trustee and/or an auditor appointed by the Sukuk Trustee the access of the books, accounts or other records relating to the accounts of the Issuer to the extent permitted by law;
 - (d) provide to the Facility Agent and Sukuk Trustee annually at the end of its financial year, a certificate confirming that the Issuer has complied with its obligations under the Issue Documents and the terms and conditions of the Sukuk Musharakah and that there did not exist or had existed, from the date of the first issuance of the Sukuk Musharakah or the date of the previous certificate as the case may be, any Dissolution Event and if such is not the case, to specify the same;
 - (e) obtain, preserve and keep in full force and effect all necessary licences, approvals, authorisations, consents, rights and permits (governmental and otherwise) and promptly obtain any further licenses, approvals, authorisations, consents, rights and permits (governmental and otherwise) which is or may become necessary to enable it to own its assets, to carry on its business or for the Issuer to enter into or perform its obligations under the Issue Documents or to ensure validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the Sukukholders under the Issue Documents and the Issuer shall comply with the same;
 - (f) maintain or cause to be maintained such takaful contracts/ insurance policies in respect of its assets

and its business against all risks in accordance with industry practice and it shall not do or omit to do or suffer anything to be done which might render such takaful contracts/ insurance policies to be void or voidable;

- (g) cause all advances made or to be made hereafter by its shareholders and directors to be subordinated to its liabilities under the Sukuk Musharakah; and
- (h) such other covenants which are customary to a facility of this nature and as may be advised by the Solicitors and agreed by Issuer which shall include without limitation to those in compliance with the SC's Trust Deeds Guidelines.

(ii) *Negative Covenants*

: The Issuer covenants and undertakes, inter alia, with the Sukuk Trustee and the Sukukholders that until all its liabilities and obligations under the Sukuk Musharakah have been discharged, the Issuer shall not, without the prior written consent of the Sukuk Trustee and Sukukholders (which consent shall not be unreasonably withheld, provided in their opinion, it is not materially prejudicial to their interests to give such consent):

- (a) amend its Memorandum and Articles of Association in a manner that is inconsistent with the provision of the Issue Documents, save and except to comply with the rules, regulations or guidelines of the relevant authorities or where such amendments are, in the opinion of the Sukuk Trustee, not prejudicial to the interests of the Sukukholders;
- (b) substantially change the nature of its present business and shall not enter into activities which would render the business to be non-Shariah compliant as prescribed by the SC's Shariah Advisory Council;
- (c) reduce the nominal value and the total amount of its authorised, issued and paid-up share capital;
- (d) dispose of major assets that contribute substantially to its revenue (assets which values are in excess of 5% of the net tangible assets of the Issuer) unless in the ordinary course of business and on arm's length basis or the assets to be disposed of are either obsolete or worn out or if such assets do not meet the operational requirements of the Issuer;
- (e) make any advances or loans to any persons or provide guarantees to secure advances or loans for the benefit of any shareholders, affiliates, or related corporations of the Issuer (other than normal trade credits or steps to ensure efficient Group cash management such as centralising treasury operations or temporary loans to

staff, customers, contractors, suppliers in the ordinary course of business);

- (f) create or permit to subsist any other security interests other than (i) those disclosed to the Facility Agent prior to the execution of the Issue Documents; and (ii) Permitted Security Interests;

"Permitted Security Interest" means (a) security interests granted to secure hedging obligations that are permitted to be incurred; (b) security interests granted to secure certain obligations arising in the ordinary course of the business of the Issuer created under the hire purchase facility and equipment financing;

- (g) declare any dividend on share capital if any of the following conditions occur or would occur (i) the FSCR (as defined in item 2(w)(iii)) is less than 1.5 times immediately after the payment of dividend; (ii) the Finance to Equity Ratio (as defined in item 2(w)(iii)) is more than 1.75 times immediately after the payment of dividend; (iii) a Dissolution Event has occurred, or if following such declaration, a Dissolution Event would occur; or (iv) funds in the FSRAs do not meet the required Minimum FSRA Balance 1 and the Minimum FSRA Balance 2 (if applicable);
- (h) enter into a transaction, whether directly or indirectly with interested persons (including a director, major shareholder, chief executive or persons connected with them) unless:
 - (1) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and
 - (2) with respect to transactions involving an aggregate payment or value equal to or greater than RM300 million, the Issuer obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms;

PROVIDED THAT the Issuer certifies to the Sukuk Trustee in writing that the transaction complies with paragraph (h)(1) above, that, where applicable, the Issuer has received the certification referred to in paragraph (h)(2) above and that the transaction has been approved by its board of directors and, where applicable, its shareholders at a general meeting;

- (i) lend any money to any party other than to its directors, officers or employees as part of their terms of

employment or to its subsidiaries on commercial terms;
and

- (j) such other covenants which are customary to a facility of this nature and as may be advised by the Solicitors and agreed by the Issuer which shall include without limitation to those in compliance with SC's Trust Deeds Guidelines.

(iii) *Financial
Covenants*

: **Finance Service Cover Ratio ("FSCR")**

During the tenure of the Sukuk Musharakah Programmes, the Issuer shall maintain a FSCR of not less than 1.5 times at all times. In the event that the FSCR falls below 1.5 times, the Issuer shall remedy the breach within thirty (30) days from the date of receipt of a written notice from the Sukuk Trustee on the said breach.

FSCR is the ratio of Net Available Cash to the Total Finance Service (as defined below), where:

"Net Available Cash" is the aggregate of all cash and bank balances at the beginning of the financial period stated below and net cash flow (excluding the Total Finance Service) in any preceding one (1) year period.

"Total Finance Service" is the aggregate of the following:

- all amounts paid in respect of the Sukuk Musharakah Programmes;
- net repayment/payment of short term banking facilities, both conventional and Islamic; and
- all other principal, profit and related costs paid for external borrowings and redeemable loan stocks.

The FSCR shall be calculated for each financial year during the tenure of the Sukuk Musharakah Programmes based on the latest audited financial statements of the Issuer and duly confirmed by the Issuer's external auditor. The Issuer shall arrange for the confirmation to be forwarded to the Sukuk Trustee. For the avoidance of doubt, any double counting shall be disregarded.

Finance to Equity Ratio

During the tenure of the Sukuk Musharakah Programmes, the Issuer shall maintain Finance to Equity Ratio of not more than 1.75 times at all times. In the event that the Finance to Equity Ratio is above 1.75 times, the Issuer shall remedy the breach within thirty (30) days from the date of receipt of a written notice from the Sukuk Trustee on the said breach.

Finance to Equity Ratio is the ratio of Indebtedness to Equity, where:

"Indebtedness" means the aggregate of the amount

outstanding under the Sukuk Musharakah Programmes, all other outstanding external borrowings/financings including hire purchase and equipment financing (both conventional and Islamic, secured and unsecured) and outstanding redeemable loan stocks (secured and unsecured) but excluding contingent liabilities.

"**Equity**" includes shareholders' funds of the Issuer, irredeemable loan stocks and loans/advances from shareholders/directors that are subordinated to the Sukuk Musharakah Programmes, all as shown in the then latest audited financial statements of the Issuer.

The Finance to Equity Ratio shall be calculated for each financial year during the tenure of the Sukuk Musharakah Programmes based on the latest audited financial statements of the Issuer. The calculation of the Finance to Equity Ratio shall be duly confirmed by the Issuer's external auditors on an annual basis. The Issuer shall arrange for the external auditor's confirmation to be forwarded to the Sukuk Trustee. For avoidance of doubt, any double counting shall be disregarded.

- (x) **Provisions on Buy-Back and Early Redemption of Sukuk** : Buy Back
Please refer to item 2(y)(ii).

Early redemption
The Issuer may only early redeem the Sukuk Musharakah subject to Sukukholders approval.
- (y) **Other Principal Terms and Conditions for the Proposal**
- (i) **Compensation ("Ta'widh")** : In the event of any delay in payments of any amounts due and payable under the Sale Agreement pursuant to the Purchase Undertaking, the Obligor shall pay to the Sukuk Trustee, for the benefit of the Sukukholders, compensation ("**Ta'widh**") on such overdue amounts at the rate and manner prescribed by the Shariah Advisory Council of the SC from time to time.
- (ii) **Open Market and Acquisition and Cancellation** : The Issuer or any of its subsidiaries or its agent(s) who is/are acting for the redemption or purchase, may at any time acquire the Sukuk Musharakah at any price in the open market or by private treaty. The Sukuk Musharakah so acquired by the Issuer or any of its subsidiaries or its agent(s) must be surrendered for cancellation and shall not be reissued or resold.
- (iii) **Voting condition** : Any Sukuk Musharakah held by the Issuer or any interested person (includes directors, major shareholders and chief executive) of the Issuer shall not be counted for the purpose of voting, nor entitle them to participate in the voting of any

Sukukholders' resolutions, nor form part of the quorum of any meeting.

- (iv) *Redemption* : Unless previously purchased and cancelled, the Sukuk Musharakah shall be redeemed by the Issuer at 100% of their nominal amount on their respective Maturity Dates or upon declaration of a Dissolution Event, whichever is earlier.
- (v) *Status* : The Sukuk Musharakah will constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, except those preferred by law and the Issue Documents.
- (vi) *Trustees' Reimbursement Account for Sukukholders' Actions* : The Issuer shall set up a Shariah-compliant "Trustees' Reimbursement Account for Sukukholders' Actions" ("**Account**") with a sum of RM30,000 (which shall be maintained at all times throughout the tenure of the Sukuk Musharakah Programmes). The Account shall be operated by the Sukuk Trustee and the money shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of a Dissolution Event which are to be provided in the relevant Issue Documents.
- (vii) *Transaction Expenses* : All legal and professional fees, Shariah Adviser fees, the cost of due diligence exercises, stamp duties, taxes and any other reasonable out-of-pocket expenses incurred on the Sukuk Musharakah shall be borne by the Issuer.
- (viii) *Adverse Market* : The JLAs/JLMs/investor(s) reserve the right to withdraw or terminate their participation in the arrangement/subscription of the Sukuk Musharakah, if there occurs any change in the international and domestic financial conditions, including but not limited to adversities in the domestic capital or syndicated loan markets, the Issuer's business activities and financial position which in the reasonable opinion of the JLAs/JLMs/Sukukholder(s) will materially and adversely affect the offering and distribution of or dealings in the Sukuk Musharakah in the secondary market and/or the successful completion of the Sukuk Musharakah.
- (ix) *Changes in Circumstances* : If, as a result of any change in applicable law, regulation or regulatory requirement or in the interpretation or application thereof or if compliance by the Transaction Parties with the applicable direction, request or requirement (whether or not having the force of law) will impose on the Transaction Parties any condition, burden or obligation, and upon notice to the Issuer after becoming aware of such occurrence or within such reasonable period as may be permitted by law or the authorities:
 - (i) where the change, interpretation or application

makes it unlawful for the Transaction Parties to make available the Sukuk Musharakah, without breaching such law or regulation, the Transaction Parties shall terminate their obligations in respect of the Sukuk Musharakah; and

- (ii) where the change, interpretation or application causes the Transaction Parties to incur additional costs or be required to make further payments then the Issuer shall compensate the Transaction Parties for the additional cost incurred or payments made.

(x) *Issue Documents* : Completion, execution and delivery of all documentation in connection with the Sukuk Musharakah which include inter alia the following Issue Documents:

- (a) Sukuk Musharakah Programmes Agreement;
- (b) Musharakah Agreement;
- (c) Trust Deed;
- (d) Securities Lodgement Form for the Central Depository and Paying Agency Services;
- (e) Management Agreement;
- (f) Purchase Undertaking (including the Sale Agreement pursuant thereto); and
- (g) all other documents of whatsoever nature executed or to be executed in connection with or pursuant to any of the above documents or otherwise in connection with the Sukuk Musharakah Programmes, and references to a "**Issue Document**" shall mean each or any one of them.

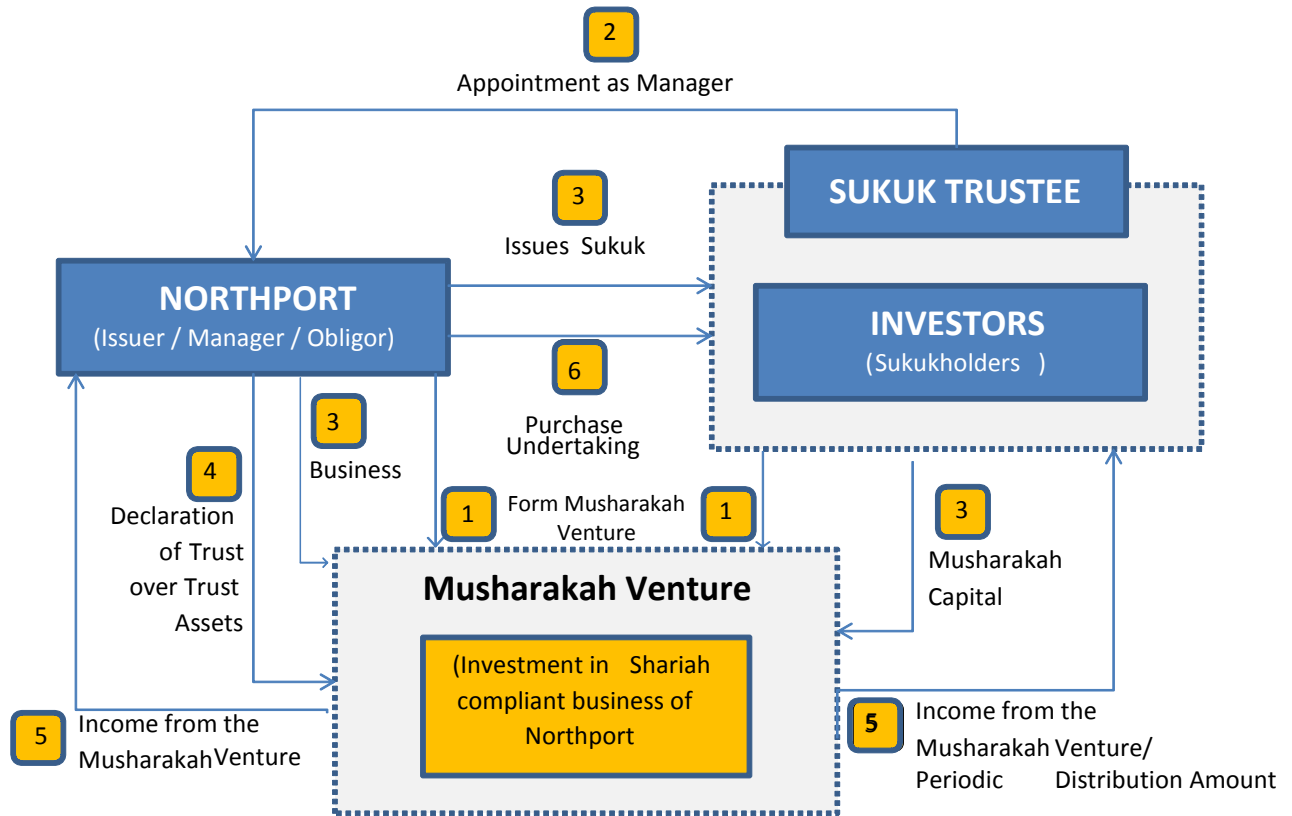
(xi) *Taxation* : All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law (in which event the Issuer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions were made).

(xii) *No payment of interest* : For the avoidance of doubt and notwithstanding any other provision to the contrary herein contained, it is hereby agreed and declared that nothing under the Sukuk Musharakah Programmes shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions or the Issue Documents and

the parties hereby expressly waive and reject any entitlement to recover such interest under the Sukuk Musharakah Programmes.

- (xiii) *Governing Law* : Laws of Malaysia.
- (xiv) *Jurisdiction* : The Issuer submits to the exclusive jurisdictions of the courts of Malaysia.
- (xv) *Currency* : Ringgit Malaysia ("**RM**").
- (xvi) *Other Terms and Conditions* :
 - (i) Such other terms and conditions typical and customary for a facility of this nature, as advised by the Rating Agency, the Solicitors and/or the Shariah Adviser, as the case may be, so as to achieve the desired rating, as a result of due diligence findings and/or to meet Shariah requirements.
 - (ii) The Sukuk Musharakah shall at all times comply with the guidelines issued and to be issued from time to time by the SC, BNM and/or MyClear having jurisdiction over matters pertaining to the Sukuk Musharakah.

APPENDIX 1



Step	Details
1	In respect of the issuance of the Sukuk Musharakah, the investor(s) (" Sukukholder(s) ") shall from time to time, via the Sukuk Trustee, form a Musharakah partnership by entering into a Musharakah agreement as partners with Northport (each a " Partner " and collectively the " Musharakah Partners ") for the purpose of undertaking a venture (" Musharakah Venture ") to invest directly in an identified portion of the Shariah compliant general business of Northport (" Business ") which involves the management of port activities, provided that the value of the Business identified under each issuance of the Sukuk Musharakah shall not exceed the proceeds for that particular issuance.
2	The Sukuk Trustee (acting on behalf of the Sukukholders) shall appoint Northport as its manager to manage the Business for the Musharakah Venture (the " Manager ") pursuant to a management agreement to be entered into between the Sukuk Trustee (on behalf of the Sukukholders) and Northport.
3	The Sukukholder(s) shall subscribe to the Sukuk Musharakah issued by Northport. Each Sukuk Musharakah shall represent the respective Sukukholder's undivided proportionate interest in the relevant Musharakah Venture. Proceeds raised from the Sukuk Musharakah shall be the capital contribution of the Sukukholders to the Musharakah Venture. Meanwhile the Issuer will contribute the Business as capital contribution into the Musharakah Venture.

Step	Details
4	<p>Simultaneously, Northport shall make a declaration that it holds in trust over all its interest in the Business (the "Trust Assets") for the benefit of the Sukukholders and itself ("Declaration of Trust").</p>
5	<p>Income from the Musharakah Venture shall be distributed to each Partner based on a profit sharing ratio which will be determined prior to the issuance of the Sukuk Musharakah. Any losses incurred in the Musharakah Venture shall be borne by each Partner in proportion to each Partner's respective capital contribution in the Musharakah Venture.</p> <p>The expected return to the Sukukholders under the Musharakah Venture ("Expected Return") shall be the expected yield for the Sukuk Musharakah up to the maturity date of the Sukuk Musharakah ("Maturity Date"). In respect of Sukuk Musharakah with Periodic Distribution (as defined below), the income from the Musharakah Venture (after deducting the Issuer's entitlement to the income distribution) up to an amount equivalent to the expected profit rate of the nominal value of the Sukuk Musharakah for the relevant period ("Periodic Distribution Amount") shall be distributed semi-annually (or such other period of frequency as the Issuer and the JLMs/relevant investors may agree prior to each issuance of the Sukuk Musharakah) in each year to the Sukukholders in the form of periodic distribution ("Periodic Distribution"). In the event that the Sukukholders' entitlement to distributable income generated from the Musharakah Venture is over and above the Periodic Distribution Amount, such excess shall be retained by the Manager as incentive fee. Any shortfall between the Periodic Distribution Amount and the Sukukholders' entitlement to distributable income generated from the Musharakah Venture shall be paid by Northport as a top up payment ("Top up Payment"). The Top up Payment will be set-off against the Exercise Price (as defined in item 2(c) of the PTC) payable by the Obligor (as defined below) under the Sale Agreement (as defined below) following the exercise of the Purchase Undertaking (as defined below).</p> <p>In respect of Sukuk Musharakah without Periodic Distribution, income from the Musharakah Venture of up to the Expected Return shall be distributed on a one-off basis ("One-off Distribution") on the Maturity Date or the date of declaration of a Dissolution Event (as set out in item 2(v) of the principal terms and conditions ("PTC")), being an event which dissolves the Musharakah Venture ("Dissolution Date"), whichever is applicable. In the event that the Sukukholders' entitlement to distributable income generated from the Musharakah Venture is over and above the One-off Distribution, such excess shall be retained by the Manager as incentive fee. Any shortfall between the One-off Distribution and the Sukukholders' entitlement to distributable income generated from the Musharakah Venture for such relevant period shall be paid by Northport as Top up Payment of the Exercise Price. The Top up Payment will be set off from the Exercise Price payable by the Obligor under the Sale Agreement following the exercise of the Purchase Undertaking.</p>
6	<p>The Issuer as Obligor (the "Obligor") shall also grant to the Sukuk Trustee (for and on behalf of the Sukukholders) a purchase undertaking ("Purchase Undertaking") whereby the Obligor shall undertake to purchase the Sukukholders' undivided proportionate interest in the Musharakah Venture at the Exercise Price on the Maturity Date or the Dissolution Date, whichever is earlier, by executing a sale agreement ("Sale Agreement").</p>

Step	Details
	<p>On the Maturity Date or the Dissolution Date, whichever is earlier, the Musharakah Venture and the trust in relation to the Declaration of Trust will be immediately dissolved.</p>