

*STRICTLY PRIVATE AND CONFIDENTIAL*

# **INFORMATION MEMORANDUM**

## **TSH SUKUK MUSYARAKAH SDN BHD**

(Company No. 921869-V)

IN RELATION TO THE PROPOSED ISSUE OF, OFFER FOR  
SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE  
FOR OR PURCHASE OF UP TO RM100.0 MILLION IN NOMINAL VALUE  
ISLAMIC MEDIUM TERM NOTES PURSUANT TO AN ISLAMIC MEDIUM  
TERM NOTES PROGRAMME, TO WHICH THE ISSUER'S OBLIGATION  
UNDER THE ISLAMIC MEDIUM TERM NOTES SHALL BE GUARANTEED  
BY DANAJAMIN NASIONAL BERHAD

**Principal Adviser, Lead Arranger and Lead Manager**



**OCBC BANK (MALAYSIA) BERHAD**  
(Company No. 295400-W)

**This Information Memorandum is dated 25 January 2011**

## IMPORTANT NOTICE

### Responsibility Statements

This Information Memorandum has been approved by the directors of TSH Resources Berhad (“**TSH**”) and TSH Sukuk Musyarakah Sdn Bhd (“**SPV**” or “**Issuer**”). TSH and the Issuer, after having made all reasonable enquiries, accept full responsibility for the accuracy of the information contained in this Information Memorandum. The Issuer, after having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to the TSH Group (as hereinafter defined) which is material in the context of the issuance of Islamic medium term notes (“**IMTNs**”) pursuant to an Islamic medium term notes programme of up to RM100 million in nominal value (“**IMTN Programme**”). The opinions and intentions expressed in this Information Memorandum in relation to the Issuer and TSH Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and there are no other facts in relation to TSH Group, the Issuer, or the IMTN Programme, the omission of which would, in the context of the issue of the IMTN, make any statement in this Information Memorandum misleading in any material respect and all reasonable enquiries have been made by TSH and the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. No representation or warranty, expressed or implied, is made such that the information remains unchanged in any respect as of any date or dates after those stated herein, with respect to any matter concerning the Issuer, TSH Group or any statement made in this Information Memorandum. TSH, the Issuer and its respective board of directors accept full responsibility for the information contained in this Information Memorandum.

### Important Notice and General Statement of Disclaimer

This Information Memorandum is being furnished on a private and confidential basis solely for the purpose of enabling prospective investors to consider the purchase of the IMTN to be issued pursuant to the IMTN Programme.

It is a condition to the first issuance of the IMTN under the IMTN Programme that the rating for the IMTN is AAA<sub>(S)(fg)</sub>. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

None of the information or data contained in this Information Memorandum has been independently verified by OCBC Bank (Malaysia) Berhad (“**OCBC**”) as the principal adviser/lead arranger/lead manager of the IMTN Programme (“**Principal Adviser/Lead Arranger/Lead Manager**”). Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Principal Adviser/Lead Arranger/Lead Manager as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum. The Principal Adviser/Lead Arranger/Lead Manager has not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the IMTN Programme and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum, except as provided by Malaysian laws.

It is to be noted that although the Issuer has sought the advice of the Shariah Adviser (as hereinafter defined) with regards to the conformity of the IMTN Programme with Shariah principles, no representation, warranty or undertaking, express or implied, is given by the Issuer as to the status of the IMTN Programme’s compliance with Shariah principles and the Issuer shall not be liable for any consequences of such reliance and/or assumption of any such compliance. Each recipient should perform and is deemed to have consulted its own professional advisers and obtained independent Shariah advice.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this 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. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or

warranty must not be relied upon as having been authorised by the Issuer, the Principal Adviser/Lead Arranger/Lead Manager or any other person.

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

This Information Memorandum is not intended to be a prospectus. Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof.

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

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that:

- (a) it will keep confidential all of such information and data;
- (b) it is lawful for the recipient to subscribe for or purchase the IMTN under all jurisdictions to which the recipient is subject;
- (c) the recipient has complied with all applicable laws in connection with such subscription for or purchase of the IMTN;
- (d) TSH Group, the Issuer, the Principal Adviser/Lead Arranger/Lead Manager 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 IMTN, and they shall not have any responsibility or liability in the event that such subscription for or purchase of the IMTN is or shall become unlawful, unenforceable, voidable or void;
- (e) it is aware that the IMTN can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;
- (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the IMTN, and is able and is prepared to bear the economic and financial risks of investing in or holding the IMTN;
- (g) it is subscribing or accepting the IMTN for its own account; and
- (h) it is a person to whom an issue, offer or invitation to subscribe for or purchase of the IMTN would constitute persons falling within any one of more of the categories of persons specified in Section 4(6) of the Companies Act, 1965, Schedule 6 or 7, and 9 of the Capital Markets and Services Act, 2007 ("CMSA") as amended from time to time. 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 Information Memorandum shall not constitute an offer or invitation to subscribe for or purchase of the IMTN in relation to any recipient who does not fall within this item (h).

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the IMTN is not, and should not be construed as, a recommendation by TSH, the Issuer and/or the Principal Adviser/Lead Arranger/Lead Manager or any other person to subscribe for or purchase the IMTN. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of TSH Group, the Issuer, the IMTN Programme and all other relevant matters, and each recipient should consult its own professional advisers. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any IMTN shall in any circumstance imply that the information contained herein concerning TSH Group, the Issuer, or any other person referred to in this Information Memorandum is correct at any time subsequent to the date hereof or that any other information supplied in connection with the IMTN Programme is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Principal Adviser/Lead Arranger/Lead Manager nor any other advisers for the IMTN Programme undertake to review the financial condition or affairs of the Issuer or TSH Group or to advise any participants of the IMTN Programme or investor in any IMTN of any information coming to their respective attention.

This Information Memorandum includes forward-looking statements and reflects future events which may or may not prove to be correct. These statements include, among other things, discussions on the Issuer's business strategy and expectation concerning its position in the Malaysian economy, future operations, growth prospects and industry prospects. All of these statements are based on estimates and assumptions made by TSH and the Issuer and although believed to be reasonable, are subject to risks and uncertainties that may cause actual events or future results to be materially different than expected or indicated by such statements and estimates, and no assurance can be given that any such statements or estimates will be realized. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by TSH and the Issuer or any other persons that the future events as anticipated by TSH and the Issuer will occur. Any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of TSH and the Issuer.

This Information Memorandum includes certain historical information, estimates or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, the material businesses which TSH Group and the Issuer operate 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, estimates and/or reports thereon derived from such sources or from other third party sources.

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### **Acknowledgement**

TSH and the Issuer hereby acknowledge that they have authorised the Principal Adviser/Lead Arranger/Lead Manager to circulate or distribute this Information Memorandum on their behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of the IMTN to prospective investors and that no further evidence of authorisation is required.

### **Statements of Disclaimer by the Securities Commission**

The approval of the SC for the IMTN Programme was granted on 25 January 2011. The issue, offer or invitation in relation to the IMTN are also subject to the fulfillment of various other conditions precedent and shall not be binding until all regulatory approvals have been obtained and these conditions have been fulfilled.

**Each recipient of this Information Memorandum acknowledges and agrees that the approval of the SC (when issued) shall not be taken to indicate that the SC recommends the subscription for or purchase of the IMTN.**

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

**EACH ISSUANCE OF IMTN UNDER THE IMTN PROGRAMME WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH ISSUANCE ON THEIR RESPECTIVE MERITS. 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 SUBSCRIBING FOR THE IMTN.**

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## GLOSSARY OF DEFINITIONS AND ABBREVIATIONS

In this Information Memorandum, the following abbreviations shall have the following meanings unless otherwise stated:

BNM	:	Bank Negara Malaysia
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CMSA	:	Capital Markets and Services Act 2007 as amended from time to time and any re-enactment thereof
Companies Act	:	Companies Act, 1965 as amended from time to time and any re-enactment thereof
Danajamin	:	Danajamin Nasional Berhad (Company No. 854686-K)
EIB	:	Ekowood International Berhad (Company No. 301735-D)
Facility Agent	:	OCBC
FAST	:	The Fully Automated System for Issuing/Tendering
FAST Rules	:	Rules on FAST issued by BNM, as amended and substituted from time to time
FFB	:	Fresh fruit bunches
Foreign Jurisdiction	:	Any jurisdiction other than Malaysia
FYE	:	Financial year ended
GDP	:	Gross domestic product
Guarantor	:	Danajamin
IMTN Programme / Transaction	:	The proposed Islamic medium term notes issuance programme of up to RM100 million in nominal value under the Shariah principle of Musyarakah
Issuer or SPV	:	TSH Sukuk Musyarakah Sdn Bhd (Company No. 921869-V)
Kafalah Facility Agreement	:	The facility agreement entered into or to be entered into between the Issuer and Danajamin in relation to the Kafalah Guarantee Facility
Kafalah Guarantee	:	The financial guarantee issued or to be issued by Danajamin in favour of the Trustee wherein Danajamin shall unconditionally and irrevocably guarantee the Issuer's payment obligations (except Ta'widh) under the IMTN Programme
Kafalah Guarantee Facility	:	The Islamic financial guarantee facility granted or to be granted by Danajamin to the Issuer in accordance with the Shariah principle of Kafalah, to guarantee the Issuer's payment obligations under the Purchase Undertaking (except for Ta'widh)
LIFFE	:	London International Financial Futures and Options Exchange

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MARC	:	Malaysian Rating Corporation Berhad (Company No. 364803-V)
Musyarakah Venture	:	Undertaking between the Issuer and investors to invest directly into the Shariah-compliant business identified by TSH, pursuant to a Musyarakah agreement to be entered into between the Issuer and investors as partners
OCBC	:	OCBC Bank (Malaysia) Berhad (Company No. 295400-W)
PMM	:	Projected Material Movement
Principal Adviser , Lead Manager and Lead Arranger	:	OCBC
Purchase Undertakings	:	Such undertakings issued from time to time by the Issuer in favour of the Trustee in or substantially in the form set out in the Transaction Documents, on or prior to each issue date of the IMTNs under which the Issuer undertakes to acquire, upon occurrence of the declaration of a Dissolution Event(s) or an Early Dissolution Event or a Scheduled Dissolution Events (as defined in the Transaction Documents), all the outstanding Sukuk of the same series from the respective Sukukholders at the relevant Exercise Price (as defined in the Transaction Documents)
RAM	:	RAM Ratings Services Berhad (Company No. 763588-T)
REPA	:	Renewable Energy Purchase Agreement
Recurrent Transactions	:	Recurrent Related Party Transactions of a Revenue or Trading Nature
Ringgit and RM	:	The lawful currency of Malaysia
SC	:	Securities Commission
SESB	:	Sabah Electricity Sdn Bhd
Shariah Adviser	:	OCBC Al-Amin Bank Berhad
SPV	:	Special purpose vehicle
Sukuk	:	The Islamic securities represented by their respective Global Certificate or Definitive Certificate and references to “ <b>Sukuk</b> ” shall where the context so admits, mean any part thereof
Sukukholders	:	The persons who are at that time being the holders of the Sukuk
Sukuk Ijarah	:	Islamic medium term notes programme of up to RM300.0 million issued by TSH Sukuk Ijarah Sdn Bhd, a wholly owned subsidiary of TSH, under the Shariah principle of Ijarah
Sukuk Musyarakah or IMTNs	:	The Islamic medium term notes issued or to be issued pursuant to the IMTN Programme
Ta'widh	:	Compensation on late payments in respect of the Purchase Undertakings

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Transaction Documents	:	Collectively, the Programme Agreement, Trust Deed, Purchase Undertaking, Sale Undertaking, Depository and Paying Agency Agreement, Musyarakah Agreement, Management Agreement, Wakalah Agreement and Agency Agreement and any other agreement entered into or to be entered into by the Issuer in relation to the IMTN Programme and references to “Transaction Document” shall mean any one of them
Trustee	:	Malaysian Trustees Berhad (Company No. 21666-V) and includes its successors in title and any other successor appointed as the trustee of the holders of the IMTNs
Trust Business	:	Shariah-compliant business identified by TSH as detailed under Appendix I herein
TSH	:	TSH Resources Berhad (Company No. 49548-D)
TSH Group	:	TSH and its subsidiaries
TSHBE	:	TSH Bio-Energy Sdn Bhd
UK	:	United Kingdom
US	:	The United States of America
USD	:	The United States dollar
Wilmar Edible Oils	:	Wilmar Edible Oils Sdn Bhd (Company No.: 28300-A)
Wilmar Group	:	Wilmar International Limited and its subsidiaries
1H 2010	:	First half of 2010
1Q	:	First quarter
2Q	:	Second quarter

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## **1.0 EXECUTIVE SUMMARY**

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

### **1.1 Introduction**

#### **1.1.1 Background Information of the Issuer**

The Issuer was incorporated in Malaysia on 12 November 2010 under the Companies Act as a private limited company. The Issuer is a wholly owned subsidiary of TSH and has been structured as a special purpose company for the sole purpose of undertaking the IMTN Programme. The Issuer's principal activity is to act as a special purpose vehicle for the purpose of undertaking the IMTN Programme. As at 12 November 2010, the authorized share capital of the Issuer is RM100,000 comprising 100,000 ordinary shares of RM1.00 each whilst the total issued and paid-up share capital of the Issuer is RM2.00 comprising 2 ordinary shares of RM1.00 each.

#### **1.1.2 Background Information of TSH**

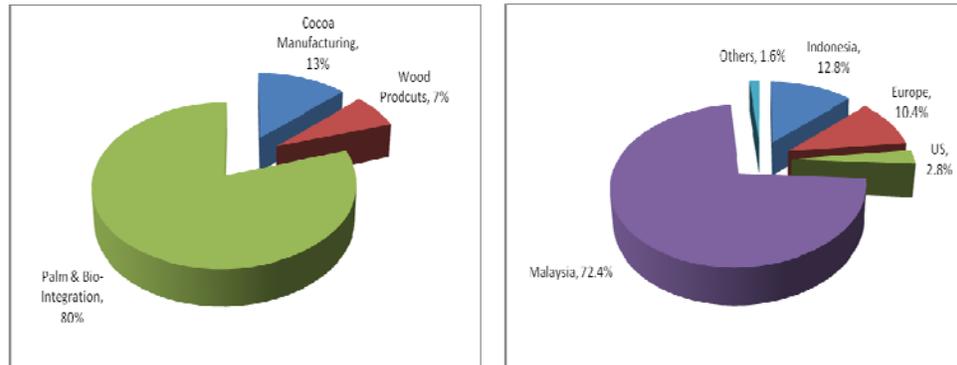
TSH was incorporated in Malaysia on 7 August 1979 under the Companies Act as a private limited company under the name of Tan Soon Hong Enterprise Sdn Bhd and subsequently changed its name to Tan Soon Hong Corporation Sdn Bhd on 18 April 1992. On 28 April 1992, TSH was converted into a public limited company and subsequently on 10 November 1993, TSH changed its name to TSH Resources Berhad. TSH was listed on the Second Board of Bursa Securities on 31 January 1994 and subsequently transferred its listing status to the Main Market of Bursa Securities on 12 June 2000. Tan Soon Hong, the founder, and his immediate family hold approximately 39.14% direct and indirect interest in TSH as at 31 October 2010.

The principal activities of TSH Group can be broadly categorized into three main divisions comprising:

- i. Palm and Bio-integration;
- ii. Wood Products; and
- iii. Cocoa Manufacturing.

The Palm and Bio-integration division is TSH Group's main revenue contributor. This division accounts for 80% of TSH Group's audited revenue for FYE 31 December 2009, followed by the Cocoa Manufacturing division, contributed about 13% of TSH Group's audited revenue for FYE 31 December 2009 whilst the Wood Products division contributed 7% of TSH Group's audited revenue for the same period, as shown in the pie chart below.

**Chart 1: Revenue contributions by different business and geographical segments for FYE 31 December 2009**



In terms of geographical segments, TSH Group operates in five principal geographical areas, Malaysia, Indonesia, Europe, US and other countries. In Malaysia, TSH Group's operations are principally plantations and palm oil milling, wood product manufacturing and cocoa processing. Meanwhile, in Spain, Luxembourg, France and US, TSH Group engages in the marketing and selling of downstream wood products. In Indonesia and Singapore, it engages in the operation of plantations and palm oil milling, investment holding and marketing and selling of dried cocoa beans.

## 1.2 Brief Description of the IMTN Programme

### 1.2.1 Introduction

OCBC has been appointed by TSH to act as the Principal Adviser, Lead Arranger and Lead Manager to arrange on its behalf the IMTN Programme.

The IMTN Programme, which has been accorded a rating of AAA<sub>IS(fg)</sub> by MARC shall have a tenor of eleven (11) years from the date of the first issuance. During the tenor of the IMTN Programme, the Issuer may issue IMTN with a tenor of more than one (1) year and up to ten (10) years, provided that the IMTN matures prior to the expiry of the IMTN Programme. The rating takes into consideration the Kafalah Guarantee Facility to be provided by Danajamin to guarantee all payment obligations of the Issuer under the Purchase Undertakings (save and except for payment obligations relating to Ta'widh) in respect of the IMTNs issued under the IMTN Programme.

### 1.2.2 Danajamin's Kafalah Guarantee Facility

Under the Musyarakah Venture, the Issuer shall execute a Purchase Undertaking in favour of the Trustee (for and on behalf of the Sukukholders) for each series/tranche of the IMTN to be issued under the IMTN Programme, wherein the Issuer undertakes to acquire upon occurrence of the declaration of a Dissolution Event(s) or an Early Dissolution Event or a Scheduled Dissolution Events (as defined in the Transaction Documents), all outstanding Sukuk of the same series, from the respective Sukukholders at the relevant exercise price determined in the manner as provided in the relevant Purchase Undertaking. The Issuer's obligation under the Purchase Undertakings (save and except for the payment obligation in respect of Ta'widh) shall in turn be guaranteed under the Kafalah Guarantee issued or to be issued by Danajamin pursuant to the Kafalah Guarantee Facility.

Under Kafalah Guarantee, Danajamin has the right at its sole discretion to accelerate Danajamin's payment under the Kafalah Guarantee by issuing a notice to the Trustee

requesting the Trustee to make a claim under the Kafalah Guarantee. Upon receiving the said accelerated payment notice from Danajamin, the Trustee shall, within five (5) business days from the date thereof (“**Accelerated Claim Period**”), make a claim to Danajamin under the relevant Kafalah Guarantee, failing which Danajamin’s liabilities and obligations under the relevant Kafalah Guarantee shall be discharged with effect from the date of expiry of the Accelerated Claim Period without any further notice to or consent of the Trustee.

Under the Kafalah Guarantee Facility, Danajamin’s prior written consent is required prior to the Issuer making any of the following amendments:

- (a) the purpose and the utilization of the proceeds of each issuance of the IMTNs; and/or
- (b) the list of dissolution events under the IMTNs which have been agreed with Danajamin.

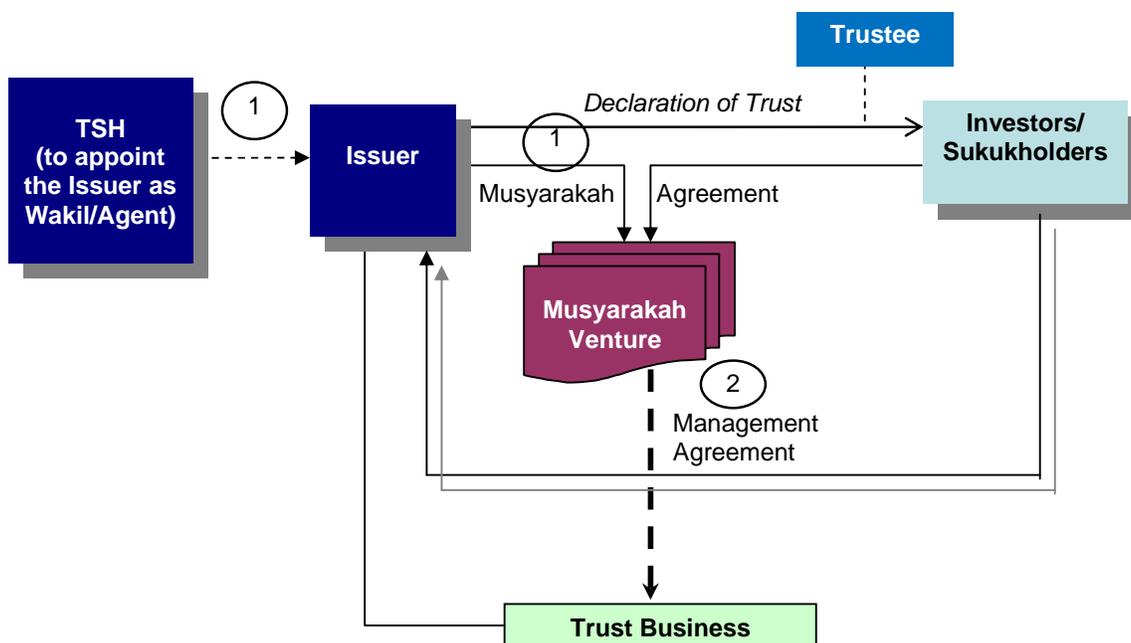
Should the Issuer fail to obtain such consent from Danajamin, the Kafalah Guarantees and Danajamin’s obligations thereunder will be terminated automatically without any further notice to or consent of the Trustee.

### 1.2.3 Islamic Principle

The IMTN to be issued under the IMTN Programme shall be based on the Islamic principle of Musyarakah.

#### Transaction Structure

##### At inception:



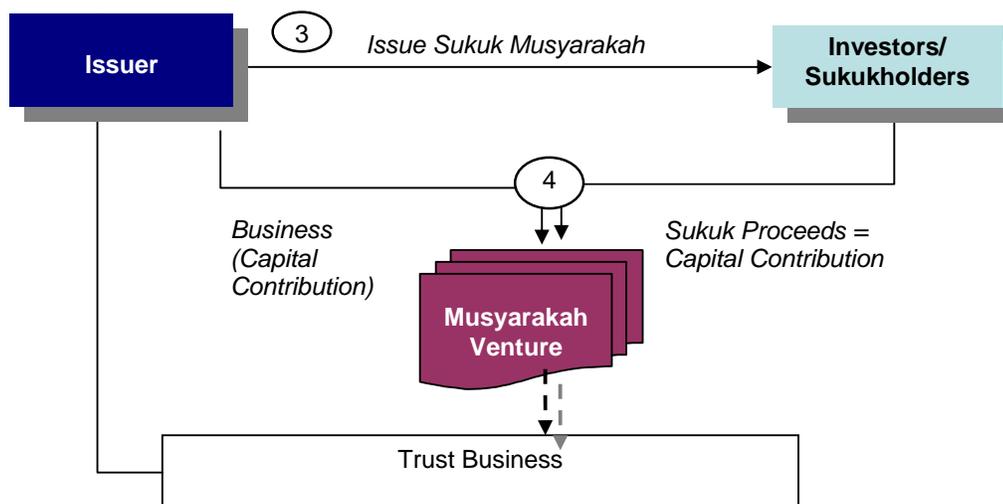
- (1) Pursuant to a Wakalah Agreement to be entered into between TSH and the Issuer, TSH shall firstly appoint the Issuer as its agent with the relevant power of attorney to undertake the Musyarakah Venture with the investors (“**Wakalah Agreement**”). Thereafter, under the Musyarakah Venture, the Issuer and the Trustee (for and on behalf of the investors) will from time to time, enter into a Musyarakah Agreement as partners (collectively the “**Musyarakah Partners**”)

for the purpose of undertaking a Musyarakah Venture to invest directly into the Shariah-compliant business (“**Trust Business**”) identified by TSH. Simultaneously, the Issuer/TSH shall make declaration that it holds on trust over all its interest in the Trust Business for the benefit of the Sukukholders.

*Note: Please refer to Appendix I for details of the Trust Business.*

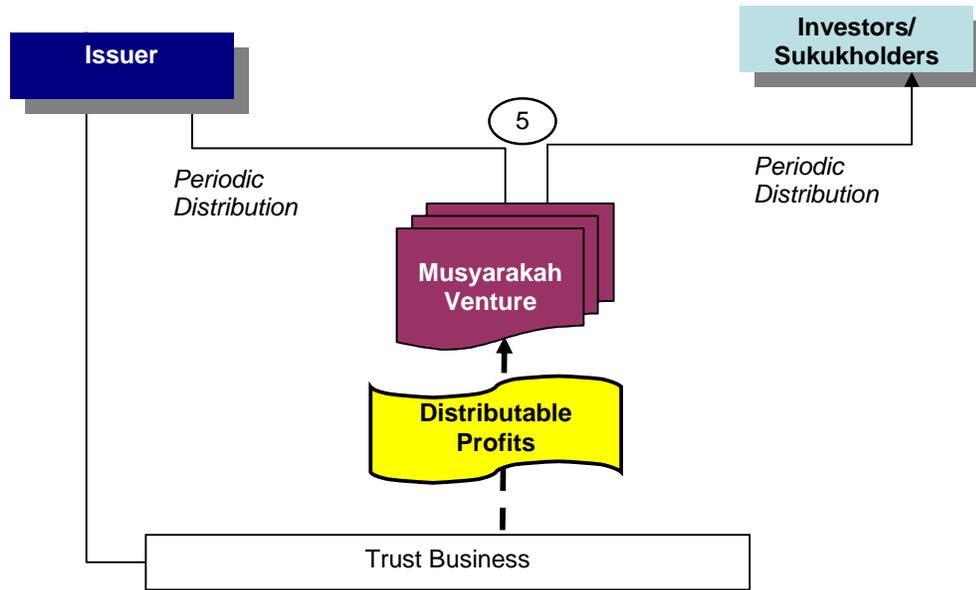
- (2) Afterwhich, the Issuer and the investors shall enter into a Management Agreement whereby the Issuer shall be appointed as manager (“**Manager**”) to provide services to the Musyarakah Venture.

**At issuance:**



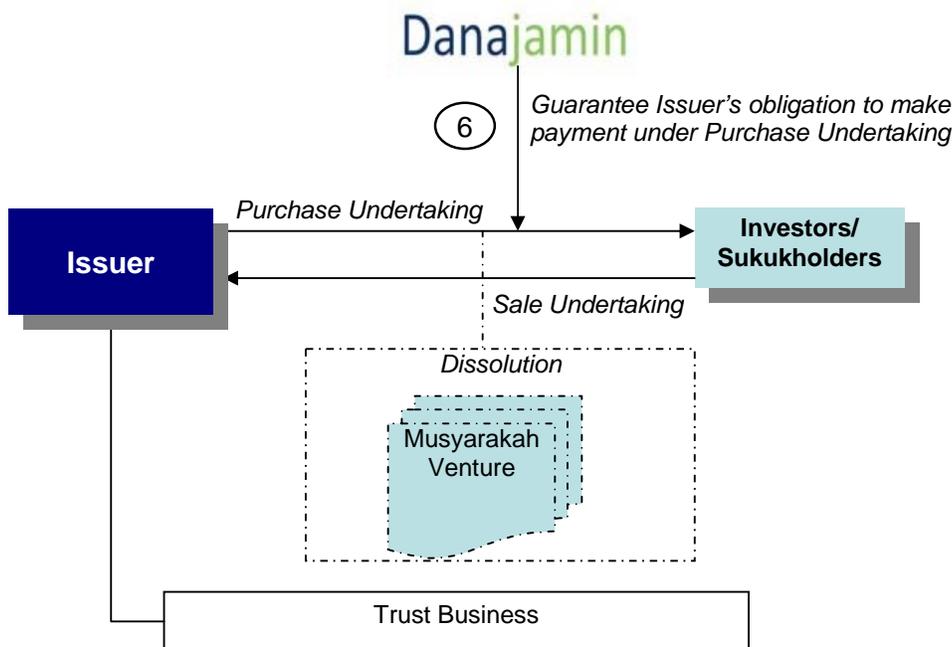
- (3) Subsequently, the Issuer shall issue IMTN under the IMTN Programme, to be subscribed by the investors (“**Sukukholders**”). The IMTN shall represent Sukukholders’ undivided proportionate interest in the Musyarakah Venture. Simultaneously, the Issuer/TSH shall make declaration that it holds on trust over all its interest in the Trust Business for the benefit of the Sukukholders, evidencing, inter alia:
  - i. the creation of the trust relationship between the Issuer/TSH and the investors under which the Issuer shall hold the Trust Business on trust for the benefit of the Sukukholders;
  - ii. the Issuer/TSH’s obligations under the Musyarakah Venture; and
  - iii. all the Issuer/TSH’s right in the Trust Business.
- (4) The proceeds raised from the IMTN shall be used as capital contribution of the Sukukholders in the Musyarakah Venture. Each IMTN shall represent Sukukholders’ undivided proportionate interest in the Musyarakah Venture. Meanwhile, TSH through the Issuer will from time to time contribute or cause its wholly owned subsidiaries to contribute identified Trust Business as capital contribution into the Musyarakah Venture.

**At Periodic Distribution Date:**



- (5) During the tenure of the IMTN, the Issuer will distribute the profits derived from the Musyarakah Venture based on a pre-agreed profit sharing ratio to be determined prior to the issuance of the respective IMTN. Income from the Musyarakah Venture shall be distributed at each profit payment date (“**Periodic Distribution Date**”). The Sukukholders shall agree that in the event that the distributable profits generated from the Musyarakah Venture are greater than the expected return in respect of the Sukuk Musyarakah (“**Expected Return**”), pursuant to “**Tanazul**” (waiver) granted from the onset, the Trustee (for and on behalf of the Sukukholders) shall undertake to waive its rights on the excess distributable profits from the Musyarakah Venture to the Issuer. In addition, pursuant to the Wakalah Agreement, TSH (through the Issuer) has the right at its sole discretion, to decide the usage of such excess distributable profits, including to utilize such excess or part thereof to pay dividends to TSH. However, should the distributable profits generated from the Musyarakah Venture fall short of the Expected Return, the Issuer at its sole discretion, is permitted to make payment to top-up the difference up to the amount equivalent to the Expected Return of the relevant Sukuk due to the Sukukholders (“**Top-up Payment**”). Where the Issuer has made the Top-up Payment, the Issuer will be entitled to deduct the aggregate of such Top-up Payment from the Exercise Price.

**At Dissolution:**



- (6) Pursuant to the Purchase Undertaking by the Issuer in favour of the Trustee for and on behalf of the Sukukholders, the Issuer shall undertake to purchase all the outstanding Sukuk at an Exercise Price equivalent to the nominal value of the IMTN plus Expected Return which are due and outstanding (if any) on the relevant Exercise Date (as defined below) upon declaration of Dissolution Event(s) (as defined below). Under a separate arrangement from the Musyarakah arrangement, the Issuer shall enter into a Kafalah Facility Agreement with Danajamin wherein Danajamin shall unconditionally and irrevocably guarantee the Issuer's obligation under the Purchase Undertaking (except payment obligation on Ta'widh upon the terms and subject to the conditions therein contained).

Concurrently, pursuant to a sale undertaking ("**Sale Undertaking**") granted by the Trustee (for and on behalf of the Sukukholders) in favour of the Issuer, the Trustee undertakes to sell all the outstanding Sukuk to the Issuer at an Exercise Price equivalent to the nominal value of the IMTN plus Expected Return which are due and outstanding (if any) on the relevant Exercise Date.

**1.2.4 Utilisation of Proceeds**

The proceeds raised under the IMTN shall be used for the following purpose:-

Utilisation of Proceeds	Amount (RM'million)
To finance the redemption of the Sukuk Ijarah and/or to reimburse shareholders' advances/loan in relation to the abovementioned redemption.	100.0
<b>Total</b>	<b>100.0</b>

The Sukuk Ijarah is rated MARC-IS and AA- by MARC. Details of the outstanding Sukuk Ijarah are as follows:-

Issue Date	Maturity Date	Principal Amount (RM'million)
12 February 2009	11 February 2011	50.0
22 October 2009	21 October 2011	50.0
<b>Total</b>		<b>100.0</b>

The Sukuk Ijarah was issued by TSH Sukuk Ijarah Sdn Bhd, a wholly owned subsidiary of TSH. The proceeds raised from the issuance of the Sukuk Ijarah was utilised by TSH Sukuk Ijarah Sdn Bhd to finance its acquisition of the beneficial title, interests and rights in 6 assets located in Sabah comprising 3 complexes, 2 estates and 1 palm oil mill.

### 1.3 Overview of TSH Group's Business Divisions

#### 1.3.1 Palm and Bio-Integration Division

This division is involved in oil palm plantations in Sabah and Indonesia, palm oil milling and refinery as well as bio-integration (i.e. energy generation via bio-mass/bio-gas method). In addition, TSH Group has also ventured into downstream activities as part of TSH Group's commitment to being an integrated entity, and is currently constructing a pulp and paper plant in Tawau, Sabah which converts solid palm oil waste into pulp and paper.

As at 30 September 2010, TSH Group has a total of 85,739 hectares oil palm plantation land bank of which 95% or 81,289 hectares are located in West Sumatra, Central Kalimantan and East Kalimantan of Indonesia. Meanwhile, total planted area amounted to 27,130 hectares of which 12,914 hectares are considered matured area. Plantations in Indonesia make up about 66% of the total matured area.

#### 1.3.2 Wood Products Division

This division is principally involved in the manufacturing of engineered solid hardwood flooring, and is undertaken by TSH's 67.5% owned subsidiary, EIB which is listed on the Main Market of Bursa Securities. Its competitive position is supported by its extensive range of hardwood flooring products and the highly integrated nature of its wood flooring operations which extends from manufacturing to retailing and after-sales services.

EIB has overseas subsidiaries and offices in countries like Spain, Luxembourg, France, US, Hong Kong and China.

#### 1.3.3 Cocoa Manufacturing Division

This division is mainly involved in the manufacturing and sales of cocoa related products. Currently, TSH has two cocoa processing factories in Port Klang to produce cocoa butter and cocoa powder mainly for the export market.

### 1.4 Summary of Key Financial Data of TSH Group

The summary of TSH Group's financials for FYE 31 December 2007, 2008, 2009 and as at 30 September 2010 is as follows:-

	Consolidated (RM'000)			
	Audited FYE 31 December 2007	Audited FYE 31 December 2008	Audited FYE 31 December 2009	Unaudited As at 30 September 2010
<b>Profit and Loss</b>				
Revenue	861,538	1,109,941	980,251	662,217
Profit Before Tax	120,562	82,273	85,923	62,746
Profit After Tax	109,832	64,057	80,034	45,271
<b>Balance Sheet</b>				
Non-current Assets	801,185	1,008,190	1,275,140	1,379,570
Current Assets	386,933	411,762	449,954	414,847
Total Assets	1,188,118	1,419,952	1,725,094	1,794,417
Current Liabilities	241,141	385,532	450,138	525,904
Long-Term Liabilities	226,129	298,616	459,726	450,557
Total Liabilities	467,270	684,148	909,864	976,461
Total Equity (including minority interest)	720,848	735,804	815,230	817,956

For FYE 31 December 2009, TSH Group's consolidated revenue dropped 12% from RM1,109.9 million in FYE 31 December 2008 to RM980.3 million, in line with the global economic crisis. However, TSH Group posted profit before tax of RM85.9 million in FYE 31 December 2009, a marginal 4% increase from RM82.3 million registered a year earlier. This was mainly attributed to improved contributions from the Palm and Bio-Integration Division due to enhanced profitability of TSH Group's Indonesian estates and mill as more plantings come into prime maturity.

Meanwhile, the Wood Products Division and Cocoa Manufacturing Division posted revenue of RM68.3 million and RM127.8 million respectively, a decline of 44% and 26% from the previous corresponding year to RM122.4 million and RM173.0 million respectively. This was mainly due to the poor market conditions as demand for the products, mainly in the European and US markets were adversely affected by the global financial crisis.

#### Financial Performance as at 30 September 2010

As at 30 September 2010, TSH Group's revenue was at RM662.2 million compared with RM696.4 million recorded in the preceding year's corresponding period. Meanwhile, the profit before tax of the TSH Group was RM62.7 million compared with RM62.1 million registered during the same period last year. TSH Group's Palm and Bio-Integration business segment's performance improved as a result of higher crude palm oil ("CPO") prices and better FFB yield per hectare whilst the Cocoa Manufacturing segment also reported a better result due to improved margin. The Wood Products segment continues to be affected by its competitive environment and given the bulk of the revenue are export oriented, it was affected by the strong Ringgit Malaysia against the foreign currencies.

## 2.0 PRINCIPAL TERMS AND CONDITIONS OF THE IMTN PROGRAMME

Words and expressions used and defined in this section shall, in the event of an inconsistency with the definition section of this Information Memorandum, only be applicable for this section.

### PRINCIPAL TERMS AND CONDITIONS

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

- (i) **Principal Arranger(s)/Lead Arranger(s)** : OCBC Bank (Malaysia) Berhad (“OCBC”) (295400-W)
- (ii) **Arranger(s)** : Not applicable
- (iii) **Valuer(s)** : Not applicable
- (iv) **Solicitor(s)** : Messrs Wong & Partners
- (v) **Financial Adviser** : Not applicable
- (vi) **Technical Adviser** : Not applicable
- (vii) **Guarantor** : Danajamin Nasional Berhad (“Danajamin”)
- (viii) **Trustee** : Malaysian Trustees Berhad
- (ix) **Facility Agent** : OCBC
- (x) **Primary Subscriber(s) and amount subscribed (where applicable)** : The Primary Subscriber(s) (if any) shall be determined prior to each issuance of the relevant IMTN
- (xi) **Underwriter(s) and amount underwritten** : Not applicable
- (xii) **Shariah Adviser** : OCBC Al-Amin Bank Berhad
- (xiii) **Central Depository** : Bank Negara Malaysia (“BNM”)
- (xiv) **Paying Agent** : BNM
- (xv) **Reporting Accountant** : Not applicable
- (xvi) **Others (please specify)** :
  - Lead Manager : OCBC
  - Calculation Agent : OCBC

(b) **Islamic principle used** : Musyarakah

(c) **Facility description** : The Islamic Medium Term Notes (“IMTN” or “Sukuk”) of up to

RM100.0 million in nominal value to be issued under an Islamic Medium Term Notes Programme ("**IMTN Programme**") under the Shariah principle of Musyarakah.

Pursuant to a Wakalah Agreement (as defined below), TSH Resources Berhad ("TSH") shall firstly appoint the Issuer as its agent with the relevant power of attorney to undertake the Musyarakah Venture with the investors.

Thereafter, under the Musyarakah structure, the Issuer and the Trustee (for and on behalf of the investors) will from time to time, enter into a Musyarakah Agreement as partners (collectively the "**Musyarakah Partners**") for the purpose of undertaking a Musyarakah Venture to invest directly into the Shariah-compliant business ("**Trust Business**") identified by TSH ("**Musyarakah Venture**").

The Issuer will from time to time, issue Sukuk under the IMTN Programme, to be subscribed by the investors ("**Sukukholders**"). Proceeds raised from the Sukuk shall be used as capital contribution of the Sukukholders in the Musyarakah Venture. Meanwhile, TSH through the Issuer will from time to time contribute or cause its wholly owned subsidiaries to contribute identified Trust Business as capital contribution into the Musyarakah Venture.

Each Sukuk shall represent the respective Sukukholders' undivided beneficial ownership in the Musyarakah Venture and will rank pari passu, without any preference, with the other Sukuk issued under the IMTN Programme. Simultaneously, the Issuer/TSH will make a declaration of trust ("**Declaration of Trust**") in favour of the Trustee (for the benefit of the investors), evidencing, inter alia:-

- a. the creation of the trust relationship between the Issuer/TSH and the Trustee (for and on behalf of the investors) under which the Issuer/TSH shall hold the Trust Business on trust for the benefit of the Sukukholders;
- b. the Issuer/TSH's obligations under the Musyarakah Venture; and
- c. all the Issuer/TSH's rights in the Trust Business.

The investors' participation in the Musyarakah Venture is via the subscription of the Sukuk issued by the Issuer whilst TSH, through the Issuer, will from time to time contribute or cause its wholly owned subsidiaries to contribute, identified Trust Business as capital contribution into the Musyarakah Venture.

The Issuer shall be appointed as manager ("**Manager**"), pursuant to a Management Agreement (as defined below) to be entered into between the Issuer and the Trustee (for and on behalf of the Sukukholders), for the Manager to provide services to the Musyarakah Venture which amongst others, include receiving the Musyarakah capital from the Sukukholders and applying the same towards the Trust Business as well as management of the Trust Business.

Determination of the distributable profits derived from the Musyarakah Venture will be based on a pre-agreed profit

sharing ratio to be determined prior to issuance of the respective IMTN. The amount of profit payment payable at each profit payment date ("**Periodic Distribution Date**") shall be based on an Expected Return (as defined below) to be agreed between the Issuer and the Sukukholders prior to the execution of the relevant Transaction Documents and issuance of the relevant Sukuk from time to time during the tenure of the IMTN Programme. Any losses shall be shared based on and limited to each Musyarakah Partners' respective capital contribution in the Musyarakah Venture.

In the event that the distributable profits generated from the Musyarakah Venture are greater than the Expected Return, pursuant to "**Tanazul**" (waiver) granted from the onset, the Trustee (for and on behalf of the Sukukholders) shall undertake to waive its right on the excess distributable profits from the Musyarakah Venture to the Issuer. In addition, pursuant to the Wakalah Agreement, TSH (through the Issuer) has the right at its sole discretion, to decide the usage of such excess distributable profits, including to utilise such excess or part thereof to pay dividends to TSH. However, should the distributable profits generated from the Musyarakah Venture fall short of the Expected Return, the Issuer at its sole discretion, is permitted to make payment to top-up the difference up to the amount equivalent to the Expected Return of the relevant Sukuk due to the Sukukholders ("**Top-up Payment**"). Where the Issuer has made the Top-up Payment, the Issuer will be entitled to deduct the aggregate of such Top-up Payment from the Exercise Price.

Pursuant to the purchase undertaking by the Issuer in favour of the Trustee (for and on behalf of the Sukukholders) ("**Purchase Undertaking**"), the Issuer shall undertake to purchase all the outstanding Sukuk at an Exercise Price equivalent to the nominal value of the Sukuk plus Expected Return which is due and outstanding (if any) on the relevant Exercise Date (as defined below). Under a separate arrangement from the Musyarakah arrangement, the Issuer shall enter into a Kafalah Facility Agreement with Danajamin wherein Danajamin shall unconditionally and irrevocably guarantee the Issuer's obligation under the Purchase Undertaking (except payment obligation on Ta'widh) (as defined below) upon the terms and subject to the conditions therein contained.

Concurrently, pursuant to the sale undertaking ("**Sale Undertaking**") granted by the Trustee (for and on behalf of the Sukukholders) in favour of the Issuer, the Trustee shall undertake to sell all the outstanding Sukuk at the Exercise Price equivalent to the nominal value of the Sukuk plus Expected Return which is due and outstanding (if any) on the relevant Exercise Date. Exercise Date refers to the occurrence of the declaration of a Dissolution Events or Early Dissolution Events (as defined below) or Scheduled Dissolution Events (as defined below) of the Musyarakah Venture.

At the relevant Exercise Date and upon exercise of the Purchase Undertaking or the Sale Undertaking, the Musyarakah Venture and Declaration of Trust will be dissolved.

In the event of overdue payments of any amounts, pursuant to

the Purchase Undertaking or Sale Undertaking, the Issuer shall pay compensation (“**Ta’widh**”) on such overdue amounts at the rate and manner prescribed by the Shariah Advisory Council of the SC or such other relevant authority from time to time in accordance with the Shariah principle.

A diagram depicting the facility description is annexed in Annexure A.

#### **Early Dissolution Events**

Shall mean the redemption of the Sukuk in a specific series in any order of maturity before their respective maturity date. A series of Sukuk is defined as Sukuk with the same issue date and maturity date. Each series of Sukuk shall be redeemed (in whole but not in part), subject to the Guarantor’s prior written approval being obtained, on a Periodic Distribution Date at the Early Redemption Proceeds (as detailed under Annexure B herein).

#### **Exercise Date**

Exercise Date refers to the occurrence of the declaration of a Dissolution Event(s) or an Early Dissolution Event(s) or a Scheduled Dissolution Events of the Musyarakah Venture, whichever is the earliest.

#### **Exercise Price**

The Exercise Price for the Sukuk is equivalent to the nominal value of the Sukuk plus Expected Return less aggregate Periodic Payments made and received and provided always that all amount due and outstanding shall have been fully settled by the Issuer, less Unearned Return (as defined below) (if any).

Where the Issuer has made the Top-up Payment, the Issuer will be entitled to deduct the aggregate of such Top-up Payment from the Exercise Price.

#### **Expected Return**

In relation to each Sukuk, the total Ringgit amount of the return on such Sukuk (as computed by the Calculation Agent at the point of issuance) calculated by reference to the yield to maturity in respect thereof.

#### **Management Agreement**

The agreement entered into between the Issuer and the Trustee (for and on behalf of the Sukukholders) in relation to the appointment of the Issuer as the manager of the Musyarakah Venture including the Trust Business.

#### **Guarantor**

Upon the occurrence of an Early Dissolution Event(s) or a Scheduled Dissolution Event(s) or a Dissolution Event(s) has been declared, the Guarantor will undertake to honour the Issuer’s payment obligation under the Purchase Undertaking (except payment obligation on Ta’widh) at the relevant Exercise Price on the relevant Exercise Date, if the Issuer has not made such payment.

#### **Periodic Payments**

Means, in relation to such Sukuk that carries the right to

Periodic Payments, the right of the Sukukholders thereof to receive payments on each Periodic Distribution Date.

**Scheduled Dissolution Events**

Shall mean the scheduled maturity of the Sukuk.

**Unearned Return**

The aggregate amount of all Periodic Payments falling due after the declaration of a Dissolution Event(s) and shall exclude the Periodic Payment(s) falling due immediately after the date of declaration of a Dissolution Event(s).

**Wakalah Agreement**

The agreement entered into between TSH and the Issuer in relation to the appointment of the Issuer as its agent with the relevant power of attorney to undertake the Musyarakah Venture with the investors. In that regards, the Issuer as agent shall not be entitled to any Wakalah fee.

**(d) Issue size** : The outstanding nominal value of the IMTNs issued under the IMTN Programme at any point in time shall not exceed RM100 million.

The IMTNs may be issued in multiples of RM1,000,000 but subject to the Fully Automated System for Issuing/Tendering ("FAST") Rules and other standard conditions including, without limitation, the following:

- 1) a minimum issue size of RM5 million for each issue; and
- 2) the issue notice shall be given to the Facility Agent at least 6 business days prior to and excluding the date of proposed issue; and
- 3) no reissuance is allowed.

**(e) Issue price** : The IMTNs are to be issued at par, at discount or at a premium the issue price is to be calculated in accordance with the FAST Rules.

**(f) Tenor of issue/Sukuk programme (or facility)** : The IMTN Programme shall be for a period of eleven (11) years from the date of first issuance under the IMTN Programme.

The IMTNs may be issued in series and shall have maturity of more than one (1) year to a maximum tenure of ten (10) years at the option of the Issuer, provided that the IMTNs shall mature prior to the expiry of the IMTN Programme.

**(g) Coupon / profit or equivalent rate (%)** : To be determined at the point of issuance of the relevant IMTNs.

**(h) Coupon / profit payment frequency and basis** : **Profit Payment Frequency**  
Semi-annual or such other period as the Issuer and the Facility Agent may agree at the point of issuance of the relevant IMTNs.

**Profit Payment Basis**

Actual/Actual day count basis.

(i) **Yield to maturity (%)** : The Expected Return to the Sukukholders under each Musyarakah Venture which shall be determined at the point of issuance of the respective Sukuk.

(j) **Security / collateral (if any)** : Clean  
(Please see Clause (z)(a) on the Kafalah Guarantee)

(k) **Details on utilisation of proceeds by issuer and originator (in the case of asset-backed securities)** : The proceeds from the IMTN Programme shall be utilised by the Issuer as follows:

Utilisation of Proceeds	Amount (RM' Million)
1. To finance the redemption of TSH Sukuk Ijarah Sdn Bhd's existing outstanding Sukuk Ijarah Medium Term Notes Programme <sup>1</sup> of up to RM300 million and/or to reimburse shareholders' advances/loan in relation to the abovementioned redemption.	100.0
<b>TOTAL</b>	<b>100.0</b>

<sup>1</sup> Sukuk Ijarah was issued in 2009 to finance TSH Resources Berhad's palm oil and bio-integration operations. TSH Sukuk Ijarah Sdn Bhd is a wholly owned subsidiary of TSH Resources Berhad.

(l) **Sinking fund (if any)** : Not applicable

(m) **Rating** : **Credit rating(s) assigned (Please specify if this is an indicative rating)**

The IMTN Programme has been accorded a final rating of AAA<sub>IS(fg)</sub>.

**Name of Rating Agency**

Malaysian Rating Corporation Berhad ("MARC").

(n) **Form and denomination** : The Sukuk shall be issued in accordance with the following:-

- (i) the "Code of Conduct and Market Practices for the Malaysian Corporate Bond Market" issued by the Institute Peniaga Bon Malaysia and approved by BNM ("IPBM Code");
- (ii) the "Rules on the Scripless Securities" under Real Time Electronic Transfer of Funds and Securities ("RENTAS") system issued by BNM ("RENTAS Rules"); and
- (iii) the FAST Rules,

or their replacement thereof (collectively the "Codes of Conduct") applicable from time to time.

The RENTAS Rules shall prevail to the extent of any inconsistency between the RENTAS Rules and the IPBM Code.

Each series of the Sukuk shall be represented by a global certificate to be deposited with the Central Depository, and is exchanged for definitive bearer form only in certain limited circumstances. The denomination of the Sukuk shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

The Sukuk shall be deposited with the Central Depository and are exchangeable for definitive certificates only in certain limited circumstances.

**(o) Mode of issue** : Private placement or book building or bought deal basis without prospectus.

The IMTN shall be issued in accordance to the Rules on FAST and will be issued and traded through RENTAS.

**(p) Selling restriction** : The IMTNs may not be offered or sold, directly or indirectly, nor any document or other material in connection therewith be distributed in Malaysia or anywhere else, other than to persons falling within any of the following categories of persons:-

At Issuance

(i) Section 4(6) of the Companies Act, 1965, as amended from time to time; and

(ii) a. Schedule 6; or  
b. Schedule 7; and  
c. Schedule 9, of the Capital Markets and Services Act 2007 ("CMSA").

After Issuance

(i) Section 4(6) of the Companies Act, 1965, as amended from time to time; and

(ii) a. Schedule 6; and  
b. Schedule 9, of the CMSA.

**(q) Listing status** : The IMTNs will not be listed on the Bursa Malaysia Securities Berhad or on any other stock exchange.

**(r) Minimum level of subscription (RM or %)** : The minimum level of subscription for each issue that is not issued on a bought deal basis (which shall be fully subscribed) under the IMTN Programme shall be 5% of the size of a particular issue or a minimum of RM5 million, whichever is higher.

In the event that the IMTNs are under-subscribed and cannot meet the minimum level of subscription, the said issue, offer or invitation shall be aborted and where applicable, any consideration received for the purpose of subscription shall be immediately returned to the respective subscribers.

**(s) Other regulatory approvals required in relation to the issue, offer or invitation and whether** : Not applicable

- 
- or not obtained (please specify)**
- (t) **Identified assets** : The list of Trust Business is attached to this Principal Terms and Conditions under Annexure C.
- (u) **Purchase and selling price/rental (where applicable)** : Not applicable
- (v) **Conditions precedent** :
- (i) **Main Documentation**
    - (a) Satisfactory completion and execution of all legal documentation, including but not limited to the Transaction Documents and any other necessary documents and stamped or duly endorsed as exempted from stamp duty.
  - (ii) **Issuer**
    - (a) Certified true copies of the Certificate of Incorporation, Memorandum and Articles of Association, latest Forms 24, 44 and 49 of the Issuer;
    - (b) A certified true copy of board resolution of the Issuer authorising, among others, the execution of the Transaction Documents;
    - (c) A list of the Issuer's authorised signatories and their respective specimen signatures;
    - (d) A report of the relevant company search of the Issuer; and
    - (e) A report of the relevant winding-up search or the relevant statutory declaration of the Issuer.
  - (iii) **General**
    - (a) The approval from the SC in respect of the IMTN Programme and the compliance with all conditions of such approval;
    - (b) Evidence of the confirmation from MARC that the Sukuk has been assigned a final rating of AAA<sub>IS(fg)</sub>;
    - (c) Written confirmation from the Shariah Adviser that the Sukuk is in compliance with Shariah principles;
    - (d) Receipt of satisfactory legal opinion from the Legal Counsel, to be addressed to the Lead Arranger, advising with respect to, among others, the legality, validity and enforceability of the Transaction Documents and confirmation that all conditions precedent have been duly fulfilled or waived;
    - (e) Satisfactory execution of the Al-Kafalah Agreement between the Issuer and Danajamin;
    - (f) Any other conditions as may be advised by the Legal Counsel.

- (w) Representations and warranties** : Representations and warranties typical and customary for IMTN Programme of this nature which shall include but not limited to the following:-
- (i) The Issuer is a company duly incorporated and validly existing under the laws of Malaysia and have full power and authority to own their respective assets and to enter into their respective businesses;
  - (ii) The Issuer has the power to enter into, exercise its rights under and perform its obligations under the respective Transaction Documents;
  - (iii) All necessary actions, authorisations and consents required under the respective Transaction Documents have been taken, fulfilled and obtained and remain in full force and effect;
  - (iv) The Transaction Documents constitute a valid, binding and enforceable obligations of the Issuer in accordance with their respective terms;
  - (v) The Issuer's entry into, exercise of its rights under and performance of its obligations under the respective Transaction Documents do not and will not violate any existing law or agreements to which it is a party;
  - (vi) No dissolution event has occurred and there is no encumbrance on the assets of the Issuer;
  - (vii) There is no litigation or arbitration that will materially and adversely affect the ability of the Issuer to perform its obligations under the Transaction Documents to which it is a party;
  - (viii) The audited financial statements of the Issuer of each of its financial year have been prepared on a basis consistently applied in accordance with the approved accounting standards in Malaysia and give a true and fair view of the results of its operations for that year and the state of its affairs at that date;
  - (ix) The Issuer is in compliance and will comply with any applicable laws and regulations; and
  - (x) Such other representations and warranties as may be advised by the Legal Counsel.

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

Dissolution Events under the Sukuk shall be as follows:-

**(i) Non-Payments:**

- (1) the Issuer fails to pay any amount due from it under any series of the IMTN. For the purposes of this clause (i)(1), failure by the Issuer to pay any amount due from it under a series of the IMTN shall not constitute a dissolution event in respect of the other series of the IMTN issued under the IMTN Programme unless the Issuer has also failed to pay any amount due from it under the other series of the

IMTN; or

(2) the Issuer fails to pay any amount due from it under any of the Transaction Documents to which it is a party (other than under clause (i)(1)) on the due date or date of demand, if so payable;

**(ii) Other Breaches:**

the Issuer breaches any of its obligations or terms and conditions under any of the Transaction Documents to which it is a party (other than under clause (i)) which has a Material Adverse Effect and, if such breach in the reasonable opinion of the Trustee is capable of being remedied, the Issuer does not remedy the breach within a period of thirty (30) days after the Issuer became aware or having been notified by the Trustee of the breach, whichever is earlier;

**(iii) Misrepresentation:**

any representation, warranty or statement which is made by the Issuer in the Transaction Documents is or proves to be incorrect or misleading in any material respect, which will in the reasonable opinion of the Trustee have a Material Adverse Effect;

**(iv) Invalidity:**

any provision of the Transaction Documents is or becomes, for any reason, invalid, illegal, void or unenforceable which would prevent the Issuer from or entitle the Issuer to refrain from performing any of its obligations thereunder;

**(v) Cessation of Business:**

the Issuer ceases to carry on all or a substantial part of its business operation as at the date of the Trust Deed, which will in the reasonable opinion of the Trustee have a Material Adverse Effect;

**(vi) Appointment of Receiver, Legal Process:**

An encumbrancer takes possession of, or a trustee, liquidator, receiver or similar officer is appointed in respect of, all or a substantial part of the business, assets or undertaking of the Issuer and is not paid out, withdrawn or discharged within thirty (30) days of such appointment, and which will have a Material Adverse Effect;

**(vii) Insolvency:**

the Issuer is unable to pay its debt within Section 218(2) of the Companies Act, 1965 and the Issuer has not taken any action in good faith to set aside such claims within twenty one (21) days from the date of service of such claims for payment;

**(viii) Winding-up:**

a resolution is passed or an order of court is made that the Issuer be wound up or similar proceedings which are reasonably determined by the Trustee to be analogous in effect being instituted (other than for the purposes of an intra Group reorganization on a solvent basis or an amalgamation, merger or reconstruction the terms whereof have previously been approved by the Trustee unless during or following such reconstruction the Issuer becomes or is declared to be insolvent); or a bona fide petition (which for the avoidance of doubt, excludes frivolous or vexatious petition) is presented for the winding-up or dissolution of the Issuer by an order of a court of competent jurisdiction unless such petition is stayed, withdrawn or dismissed within sixty (60) days (or such extended period as the Trustee may consent, such consent not to be unreasonably withheld) of its presentation; or the Issuer undergoes any scheme of reconstruction, arrangement or compromise pursuant to Section 176 of the Companies Act or the same has been instituted against it. For purposes of this clause, "Group" shall mean TSH, the Issuer and its subsidiaries, if any;

**(ix) Assets:**

all or a material part of the property or assets of the Issuer shall be condemned, seized or otherwise appropriated, nationalised or compulsorily acquired by any person acting under the authority of the governmental body, which will in the reasonable opinion of the Trustee have a Material Adverse Effect;

**(x) Kafalah Guarantee (as defined in Clause (z)(a)):**

the Guarantor has served a notice to require the Trustee to make a demand or claim on any Kafalah Guarantee pursuant to and in accordance with the terms of the Kafalah Facility and the Kafalah Guarantee. For the purpose of this clause (x), such notice by the Guarantor requiring the Trustee to demand or claim on a Kafalah Guarantee issued in relation to a series of IMTN shall not constitute a Dissolution Event in respect of the other series of IMTN unless the Guarantor has also served a notice to the Trustee to make a demand or claim on the Kafalah Guarantees issued in relation to other series of IMTN;

**(xi) Composition:**

the Issuer makes a general assignment or enters into an arrangement or composition with or for the benefit of its creditors in respect of all or a material part of (or a particular type of) its indebtedness;

**(xii) Repudiation:**

The Issuer repudiates any of the Transaction Documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the

Transaction Documents;

**(xiii) Cross Default:**

Save for such indebtedness which are being contested in good faith by the Issuer, any indebtedness of any member of the Group for monies borrowed becomes due or payable or capable of being declared due or payable prior to its stated maturity by reason of a default by any member of the Group in its obligations in respect of the same, or any member of the Group fails to make any payment in respect thereof on the due date for such payment or if due on demand when demanded or the security for any such indebtedness becomes enforceable or any guarantee or similar obligations of any member of the Group for any such indebtedness is not discharged at maturity or when called provided that no Dissolution Event under this clause (xiii) shall occur if the aggregate amount of indebtedness for monies borrowed is less than fifty per centum (50.0%) of the Group's total borrowed monies (including Islamic financing but excluding the IMTN) or Ringgit Malaysia One Hundred Million (RM100.0 Million), whichever is the higher.

For the purpose of this clause, "Group" shall mean TSH, the Issuer and its subsidiaries, if any;

**(xiv) Judgment Passed:**

The Issuer fails to satisfy any judgment which has a Material Adverse Effect passed against it by any court of competent jurisdiction and no appeal against such judgment has been made to the appropriate appellate court within the time prescribed by law or such appeal has been dismissed;

**(xv) Events Relating to the Guarantor:**

The occurrence of any of the following events in respect of the Guarantor:

- (a) the Kafalah Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect;
- (b) it is or will become unlawful for the Guarantor to perform or comply with any one or more of its obligations under the Kafalah Guarantee;
- (c) a resolution being passed or an order of court is made that the Guarantor be wound up or similar proceedings which are reasonably determined by the Trustee to be analogous in effect being instituted or a bona fide petition (which for the avoidance of doubt, excludes frivolous or vexatious petition) is presented for the winding-up or dissolution of the Guarantor by an order of a court of competent jurisdiction unless an application to stay, withdraw or dismiss such petition has been filed by the Guarantor with the relevant authority within thirty (30) days of its presentation and such

- petition is stayed, withdrawn or dismissed within seventy five (75) days of its presentation;
- (d) other than such failure by the Guarantor as described in clause (xv)(f) hereof, the Guarantor stops or threatens to stop payment in respect of its obligations generally or any other debenture of or monies borrowed or any guarantee or indemnity given by the Guarantor is not honoured when due and called upon or any indebtedness of the Guarantor for monies borrowed becomes due or payable or capable of being declared due or payable prior to its stated maturity by reason of a default by the Guarantor in its obligations in respect of the same, or the Guarantor fails to make any payment in respect thereof on the due date for such payment or if due on demand when demanded or the security for any such indebtedness becomes enforceable or any guarantee or similar obligations of the Guarantor is not discharged at maturity or when called provided that the aggregate amount of the Guarantor's obligations in respect of which one or more of the events set out in this clause (xv)(d) has occurred equals or exceeds Ringgit Malaysia One Hundred Million (RM100.0 Million);
  - (e) the Guarantor ceases to carry on its business operation;
  - (f) the Guarantor fails to pay any amount due from it under any Kafalah Guarantee issued by the Guarantor in relation to the IMTN Programme when due and called upon;
  - (g) the Guarantor shall default in the performance of any covenant (other than the covenant to pay) in the Kafalah Guarantee and, if such default is in the reasonable opinion of the Trustee capable of remedy, such default shall continue for a period of thirty (30) days after written notice thereof shall have been given to the Guarantor by the Trustee and such event is materially prejudicial to the interests of the Sukukholders;
  - (h) any representation, warranty or statement which is made by the Guarantor in the Kafalah Guarantee is or proves to be incorrect or misleading in any material respect;
  - (i) the Guarantor repudiates the Kafalah Guarantee or does or causes to be done any act or thing evidencing an intention to repudiate the Kafalah Guarantee;
  - (j) the Guarantor declares a moratorium on the payment of the principal or profit/interest on its indebtedness;
  - (k) the Guarantor is unable to pay its debts within

Section 218(2) of the Companies Act, 1965 and the Guarantor has not taken any action in good faith to set aside such claims within twenty one (21) days from the date of service of such claims for payment;

- (l) an encumbrancer takes possession of, or a trustee, liquidator, receiver or similar officer is appointed in respect of, all or a substantial part of the business, assets or undertaking of the Guarantor and is not paid out, withdrawn or discharged within thirty (30) days of such appointment, and which will in the reasonable opinion of the Trustee have a Material Adverse Effect;
- (m) the Guarantor makes a general assignment of enters into an arrangement or composition with or for the benefit of its creditors in respect of all or a material part of (or a particular type of) its indebtedness.

For purposes of the Dissolution Events, the reference to "Material Adverse Effect" shall mean any event or circumstances the occurrence of which, has resulted in, or will be likely to result in a material adverse effect on:-

- (a) the assets, business or condition (financial or otherwise) of the Issuer or the Guarantor (as the case may be); or
- (b) the Issuer's or the Guarantor's (as the case may be) ability to perform or comply with any of its obligations under Transaction Documents or the Kafalah Guarantee respectively; or
- (c) the rights and benefits available to the Sukukholders under any provisions of the Kafalah Guarantee.

Upon the occurrence of any of the events above (other than the Dissolution Event referred to in clauses (i)(1), (x) and (xv)(f)), the Trustee may, or shall if directed to do so by the Sukukholders of all series pursuant to a Special Resolution, declare that a Dissolution Event (other than the Dissolution Event referred to in clauses (i)(1), (x) and (xv)(f)) has occurred in respect of the IMTN of all series, whereupon:-

- (a) the Exercise Price under all the Purchase Undertakings shall become immediately due and payable;
- (b) The Issuer shall immediately acquire the Sukukholders' interest in all the Musyarakah Ventures; and
- (c) If so directed by the Sukukholders pursuant to a Special Resolution, the Trustee shall submit a claim on all the Kafalah Guarantees.

Upon the occurrence of the Dissolution Event referred to in clause (i)(1) in relation to a series of IMTN ("Affected Series"), the Trustee shall without the need to seek further instructions or directions from the Sukukholders of the Affected Series, declare

that such Dissolution Event has occurred in respect of the Affected Series, whereupon:-

- (a) the Exercise Price under the Purchase Undertakings of all the Affected Series, shall become immediately due and payable;
- (b) the Issuer shall immediately acquire the Sukukholders' interest in the Musyarakah Ventures in respect of all the Affected Series; and
- (c) the Trustee shall submit a claim on the Kafalah Guarantee in respect of the Affected Series.

For the avoidance of doubt, apart from the Affected Series, all other series of the IMTN will continue unaffected and will continue to be guaranteed under the Kafalah Guarantees.

Upon the occurrence of the Dissolution Event referred to in clause (x) in relation to a series of IMTN ("Invited Series"), the Trustee shall without the need to seek further instructions or directions from the Sukukholders of the Invited Series, declare that such Dissolution Event has occurred in respect of the Invited Series, whereupon:-

- (a) the Exercise Price under the Purchase Undertakings of all the Invited Series, shall become immediately due and payable;
- (b) the Issuer shall immediately acquire the Sukukholders' interest in the Musyarakah Ventures in respect of all the Invited Series; and
- (c) the Trustee shall submit a claim on the Kafalah Guarantee in respect of the Invited Series.

For the avoidance of doubt, apart from the Invited Series, all other series of the IMTN will continue unaffected and will continue to be guaranteed under the Kafalah Guarantees.

Upon the occurrence of the Dissolution Event referred to in clause (xv)(f), the Trustee shall without the need to seek further instructions or directions from the holders of all the other series, being the series other than the Affected Series which the Guarantor has failed to pay such amount that is due and called upon it, (such other series is hereinafter referred to as "Unaffected Series"), declare that such Dissolution Event has occurred in respect of all the Unaffected Series, whereupon:-

- (a) the Exercise Price under the Purchase Undertakings of all the Unaffected Series, shall become immediately due and payable;
- (b) the Issuer shall immediately acquire the Sukukholders' interest in the Musyarakah Ventures in respect of all the Unaffected Series; and
- (c) the Trustee shall submit a claim on the Kafalah Guarantee in respect of all the Unaffected Series.

**(y) Principal terms and conditions for the issue (where applicable)** : Not applicable

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

**(a) Kafalah Guarantee** : In relation to the Sukuk Musyarakah, the Guarantor shall issue an irrevocable and unconditional Kafalah Guarantee in favour of the Trustee to guarantee all payment obligations of the Issuer (except payment obligation on compensation (“Ta’widh”) and other charges in relation to the Sukuk Musyarakah) under each of the Purchase Undertakings relating to and corresponding with the Sukuk Musyarakah belonging to the same series.

Each Kafalah Guarantee shall only allow one (1) demand to be made against the Guarantor.

**(b) Covenants** : **Positive Covenants**

The Issuer shall provide covenants which are typical and customary for IMTN Programme of this nature which shall include but not limited to the following:-

- (a) Comply with all provisions of the Transaction Documents to which it is a party;
- (b) Preserve and keep in force and effect all licenses, consents and rights (where applicable) necessary for the conduct of its business;
- (c) Acquire and maintain the necessary insurance policies;
- (d) Execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Trust Deed;
- (e) Comply with all applicable and relevant laws and regulations with regards to the IMTN Programme;
- (f) The Issuer will exercise reasonable diligence in carrying out its business in a proper and efficient manner which should ensure, amongst others that all necessary approvals or relevant licenses are obtained;
- (g) Notify the Trustee immediately of:-
  - (i) Any circumstances that has occurred that would materially prejudice the Issuer;
  - (ii) Any claims against it which could have material adverse effect upon the ability of the Issuer to perform its obligations under the Transaction Documents to which it is a party and any action that the Issuer is taking in relation to such claims;
  - (iii) Any change in the withholding tax position or taxing jurisdiction of the Issuer insofar it affects the payment obligations of the Issuer under the Trust

Deed;

- (iv) Any take-overs, mergers, acquisitions and divestments undertaken by the Issuer which may affect its financial or liquidity position;
  - (v) Any Dissolution Events;
  - (vi) Any substantial change in the nature of the business of the Issuer or the Guarantor;
  - (vii) Any change in the Guarantor;
  - (viii) Any cessation of liability of the Guarantor for the payment of the whole or part of the moneys for which it is liable under the Kafalah Guarantee;
  - (ix) Any change in the utilisation of proceeds of the Sukuk with the Guarantor's prior written consent;
  - (x) Any right or remedy under the terms of the Trust Deed becomes immediately enforceable;
  - (xi) Any other matters that may materially prejudice the interest of the Sukukholders;
- (h) Maintain and keep proper books and accounts at all times in compliance with applicable statutory requirements and in accordance with generally accepted accounting principles in Malaysia and provide the Trustee and any person appointed by it e.g. auditors access to such books and accounts to the extent permitted by law;
  - (i) Maintain a paying agent in Malaysia and procure that paying agent to notify the Trustee in the event the paying agent does not receive payment from the Issuer on the due dates as required under the Transaction Documents;
  - (j) The Issuer shall ensure such utilization of the Sukuk proceeds and investment in the Musyarakah Venture at all times be for Shariah compliant business purposes or activities; and
  - (k) Such other covenants as may be advised by the Legal Counsel.

**Negative Covenants**

The Issuer without the prior written consent of the Trustee, shall not do any of the following, which shall include but not limited to:-

- (a) Amend its Memorandum and Articles of Association in a manner inconsistent with the Transaction Documents to which it is a party and/or which have a material adverse effect on the Issuer's ability to perform any of its obligations under the Transaction Documents;
- (b) Incur any further indebtedness for borrowed money

whatsoever save and except for the Sukuk;

- (c) Create any security interest over all or any of its assets, business and/or undertakings;
- (d) Reduce or in any way alter (except by way of an increase) its authorised and issued paid-up capital;
- (e) Enter into a transaction whether directly or indirectly with interested persons unless 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
- (f) Such other negative covenants as may be advised by the Legal Counsel.

#### **Information Covenants**

The Issuer shall provide the Trustee and, if required, the Rating Agency the following:-

- (a) Half-yearly unaudited financial statements/management accounts within 60 days from the end of each half-year;
- (b) Year-end audited financial statements within 120 days from its financial year end, and such other information (financial or otherwise) as the Trustee and Rating Agency may reasonably require from time to time;
- (c) Promptly, after receipt of such request by the Trustee and/or the Rating Agency, any other information relating to its business, affairs and financial condition as may from time to time reasonably requested by the Trustee and/or the Rating Agency in order to discharge its duties and obligations as Trustee and/or the Rating Agency from time to time, to the extent permitted by law;
- (d) Promptly, any notices, circulars and other documents dispatched by the Issuer to its shareholders; and
- (e) Within 120 days after each of its financial year end, a certificate confirming that the Issuer has complied with all its obligations under the Transaction Documents and is not in breach of any of them and no Dissolution Event has occurred since the date of the issue of the Sukuk or the date of the previous certificate, as the case may be.

#### **(c) 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 other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law, in which event the payer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made.

#### **(d) Transaction**

- : The Transaction Documents shall include the following:-

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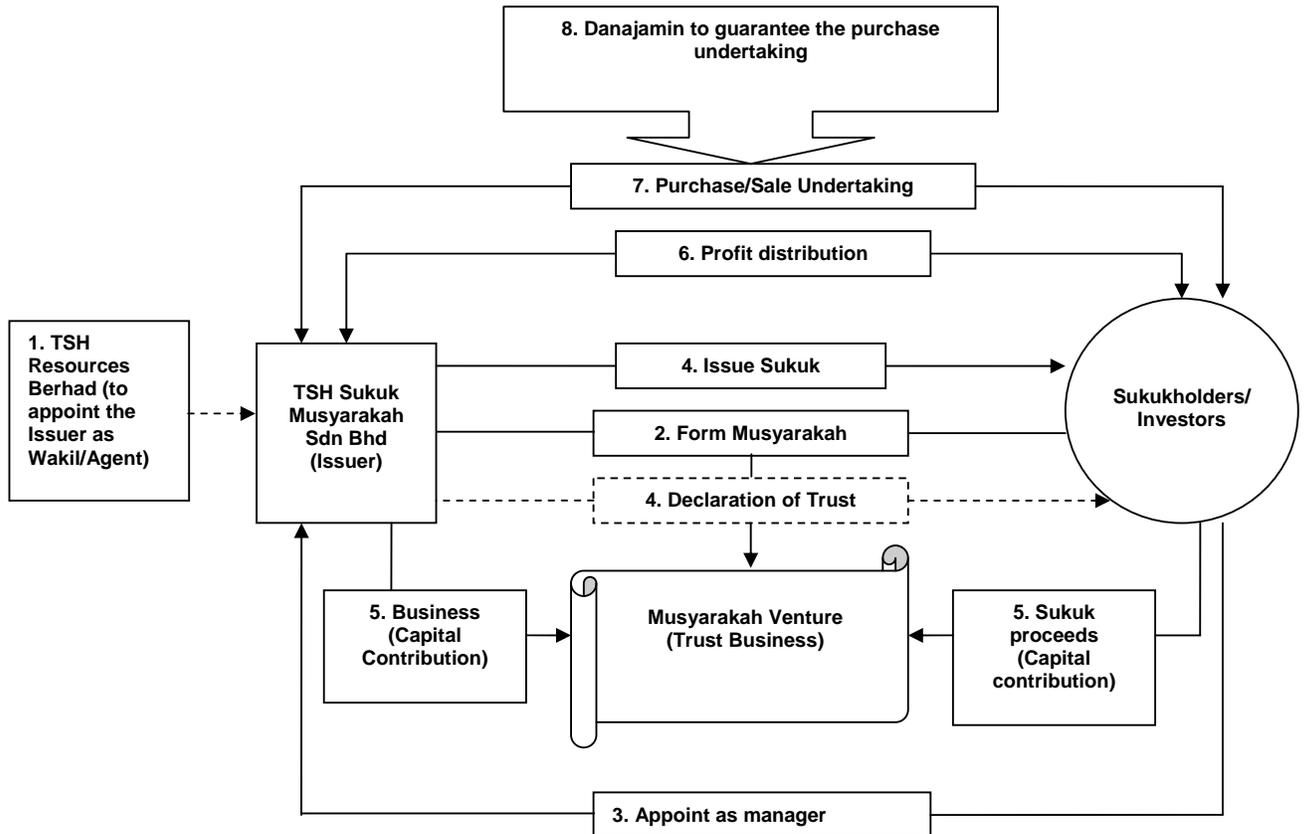
**Documents**

- (a) the Programme Agreement;
- (b) the Trust Deed;
- (c) the Purchase Undertaking;
- (d) the Sale Undertaking;
- (e) the Depository and Paying Agency Agreement;
- (f) the Musyarakah Agreement;
- (g) the Management Agreement;
- (h) the Wakalah Agreement; and
- (i) such other agreements as may be advised by the Legal Counsels.

(e) **Governing Laws** : The Transaction Documents shall be governed by the Laws of Malaysia and be subject to the exclusive jurisdiction of the courts of Malaysia.

(f) **Other Conditions** : The Sukuk shall at all times be subject to such guidelines, rules and directives to be issued from time to time by SC and/or any other appropriate authority having jurisdiction over matters pertaining to the Sukuk.

**Annexure A**



The structure of Sukuk Musyarakah as follows:

Wakalah Agreement

1. TSH Resources Berhad (“TSH”) and TSH Sukuk Musyarakah Sdn Bhd (“the Issuer”) will enter into a Wakalah Agreement whereby TSH appoints the Issuer as its agent with the relevant power of attorney to undertake the Musyarakah Venture with the investors.

At inception

2. Under the Musyarakah Venture, the Trustee (for and on behalf of the investors (“Sukukholders”)) and the Issuer will from time to time, enter into a Musyarakah Agreement as partners (collectively “the Musyarakah Partners”) to form a Musyarakah Venture to invest directly into Shariah compliant business identified by TSH (“Trust Business”).
3. The Issuer will be appointed as manager pursuant to a Management Agreement to provide services to the Musyarakah Venture.

At issuance

4. The Issuer will, from time to time, issue Sukuk to the Sukukholders. Sukuk shall represent Sukukholders' undivided proportionate interest in the Musyarakah Venture. Simultaneously, TSH/the Issuer shall make declaration that it holds on trust over all its interest in the Trust Business for the benefit of the Sukukholders.
5. The proceeds raised from the Sukuk shall be used as capital contribution of the Sukukholders in the Musyarakah Venture. Meanwhile, TSH through the Issuer will from time to time contribute or cause its wholly owned subsidiaries to contribute the identified Trust Business as capital contribution into the Musyarakah Venture.

At profit payment date

6. The profits derived from the Musyarakah Venture will be distributed based on a pre-agreed profit sharing ratio to be determined prior to the issuance of the Sukuk on each profit payment date ("Periodic Distribution Date"). In the event that the distributable profits generated from the Musyarakah Venture are greater than the Expected Return, pursuant to "**Tanazul**" (waiver) granted from the onset, the Trustee (for and on behalf of the Sukukholders) shall undertake to waive its right on the excess distributable profits from the Musyarakah Venture to the Issuer. In addition, pursuant to the Wakalah Agreement, TSH (through the Issuer) has the right at its sole discretion, to decide the usage of such excess distributable profits including to utilise such excess or part thereof to pay dividends to TSH. However, should the profits generated fall short of the Expected Return, the Issuer at its sole discretion, is permitted to make payment to top-up the difference up to the amount equivalent to the Expected Return due to the relevant Sukukholders ("Top-up Payment"). Where the Issuer has made the Top-up Payment, the Issuer will be entitled to deduct the aggregate of such Top-up Payment from the Exercise Price.

At dissolution

7. Pursuant to the Purchase Undertaking issued by the Issuer in favour of the Trustee for and on behalf of the Sukukholders, the Issuer shall undertake to purchase the Sukukholders' interest in the Musyarakah Venture at an Exercise Price on the relevant Exercise Date. Concurrently, pursuant to the Sale Undertaking granted by the Trustee (for and on behalf of the Sukukholders) to the Issuer, the Trustee undertakes to sell all its interest in the Musyarakah Venture at an Exercise Price on the relevant Exercise Date.
8. Under a separate arrangement from the Musyarakah arrangement, the Issuer's obligations under the Purchase Undertaking shall be irrevocably and unconditionally guaranteed by Danajamin as the Guarantor pursuant to the Kafalah Facility.

## Annexure B

### Early Redemption Proceeds

In the event of an Early Dissolution Event, the amount of the Early Redemption Proceeds (“ERP”) to be paid by the Issuer in redeeming the relevant series of Sukuk shall be given by the following formula:-

$$\text{ERP} = \frac{(\text{ANV} \times \text{RP})}{100}$$

Where:

ANV = aggregate nominal value of the Sukuk to be redeemed

RP = redemption price per RM100 of the nominal value of the Sukuk to be redeemed (rounded to the nearest 2 decimal places) subject to a minimum of RM100 calculated based on the formula set out below:-

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

For the purpose of calculating the RP, the following variables are used:-

- i. Profit = the Profit Rate applicable to the relevant series of Sukuk
- ii. YTM = the lower of
  - a) the Profit; and
  - b) the yield to maturity of Reference Malaysian Government Securities plus a spread of X basis point (“Spread”).

The Spread shall be mutually agreed and determined by the Lead Arranger and the Issuer, three (3) Business Days prior to the issuance of each series of the Sukuk.

Reference Malaysian Government Securities shall be Malaysian Government Securities for tenures which are equal to the remaining tenure of the series of Sukuk being redeemed and shall be determined from:-

- a) the latest Consolidated Government Securities Rates published by BNM daily, one (1) Business Day prior to the date of issue of notice of redemption;

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 at primary issues of Malaysian Government Securities), one (1) Business Day prior to the date of issue of the notice of redemption.

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

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the tenure of the series is not an integer, the Reference Malaysian Government 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 payment to be made between maturity date and the date of redemption.
- iv. K = 1,2,3.... N

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**Annexure C**

**List of Trust Business**

1.	Sabahan Palm Oil Mill, erected on Title No(s). CL245337188, CL245337197, CL245337160, CL245339191, CL245337151, CL245337204, District of Lahad Datu, Locality of Sabahan, KM 38, Lahad Datu-Kunak Highway, Sabah
2.	Lahad Datu Palm Oil Mill, erected on Title No. CL095327218, District of Kinabatangan, Locality of Tenegang-Koyah, 48KM Off Lahad Datu – Sandakan Highway, Sabah

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## **3.0 CORPORATE INFORMATION**

### **3.1 Corporate Profile of the Issuer**

#### **3.1.1 Date and Place of Incorporation**

The Issuer was incorporated in Malaysia under the Companies Act on 12 November 2010.

#### **3.1.2 Company Registration Number**

The Issuer's company registration number is 921869-V.

#### **3.1.3 Principal Activities**

The principal activity of the Issuer is to act as a special purpose vehicle to undertake the IMTN Programme.

#### **3.1.4 Listing Status**

The Issuer is not a listed entity.

#### **3.1.5 Corporate Structure of the Issuer**

The Issuer is a wholly owned subsidiary of TSH.

#### **3.1.6 Share Capital Structure**

As at 12 November 2010, the authorized share capital of the Issuer is RM100,000 comprising 100,000 ordinary shares of RM1.00 each whilst the total issued and paid-up share capital of the Issuer is RM2.00 comprising 2 ordinary shares of RM1.00 each.

#### **3.1.7 Substantial Shareholder**

The Issuer is a wholly owned subsidiary of TSH.

#### **3.1.8 Board of Directors**

The Directors of the Issuer as at 12 November 2010 are as follows:-

- i. Tan Aik Sim
- ii. Lim Fook Hin
- iii. Tan Aik Yong

### **3.2 Corporate Profile of TSH**

#### **3.2.1 Date and Place of Incorporation**

TSH was incorporated in Malaysia under the Companies Act on 7 August 1979.

#### **3.2.2 Company Registration Number**

TSH's company registration number is 49548-D.

#### **3.2.3 Principal Activities**

The principal activities of TSH are that of investment holding, marketing of cocoa beans, operation of forest management unit and the operation of oil palm plantation.

### 3.2.4 Listing Status

TSH was listed on the Second Board of Bursa Securities in 1994 and ascended to the Main Board (now known as Main Market) of Bursa Securities on 12 June 2000.

### 3.2.5 Corporate Structure of TSH

The corporate structure of TSH as at 31 October 2010 is as follows:

Subsidiaries	Country of Incorporation	Shareholding (%)	Principal Activities
<b>Palm Bio-Integration</b>			
TSH Logistics Sdn Bhd	Malaysia	100.0	Dormant.
Eko Paper International Sdn Bhd	Malaysia	100.0	Dormant.
TSH Bio-Energy Sdn Bhd	Malaysia	100.0	Operation of a power plant.
Ekowood Energy Sdn Bhd	Malaysia	100.0	Dormant.
TSH Bio-Gas Sdn Bhd	Malaysia	100.0	Operation of biogas power plant.
POME Energy Sdn Bhd	Malaysia	100.0	Dormant.
TSH BioDiesel Sdn Bhd	Malaysia	100.0	Dormant.
Jatoba International Pte Ltd	Singapore	100.0	Investment holding.
Abaca Enterprise Pte Ltd	Singapore	100.0	Dormant.
TSH Sukuk Ijarah Sdn Bhd	Malaysia	100.0	Undertake Sukuk Ijarah Programme.
TSH Plantation Sdn Bhd	Malaysia	100.0	Operation of palm oil mills and investment holding.
Eko Paper Sdn Bhd	Malaysia	100.0 <sup>(1)</sup>	Operation of a pulp plant.
TSH Sabahan Oil Mill Sdn Bhd	Malaysia	100.0	Dormant.
Tan Soon Hong Holdings Sdn Bhd	Malaysia	100.0	Oil palm plantation and investment holding.
TSH Palm Products Sdn Bhd	Malaysia	100.0 <sup>(2)</sup>	Oil palm plantation.
TSH Biotech Sdn Bhd	Malaysia	100.0 <sup>(3)</sup>	Undertake oil palm ramets and other tissue culture projects.

Andalas Agro Industri Limited	Seychelles	100.0 <sup>(4)</sup>	Investment holding.
PT Teguh Swakarsa Sejahtera	Indonesia	90.0 <sup>(5)</sup>	Oil palm plantation.
PT Laras Internusa	Indonesia	99.7 <sup>(6)</sup>	Oil palm plantation.
Polar Vertex Sdn Bhd	Malaysia	95.0	Operation of a power plant.
PT Sarana Prima Multi Niaga	Indonesia	90.0 <sup>(7)</sup>	Oil palm plantation.
TSH Plantation Management Sdn Bhd	Malaysia	100.0 <sup>(8)</sup>	Oil palm plantation and operation of a palm oil mill.
Eko Pulp & Paper Sdn Bhd	Malaysia	92.4 <sup>(9)</sup>	Operation of a pulp plant.
PT Andalas Agro Industri	Indonesia	70.0 <sup>(10)</sup>	Operation of a palm oil mill.
PT Andalas Wahana Berjaya	Indonesia	70.0 <sup>(11)</sup>	Oil palm plantation.
Bisa Jaya Sdn Bhd	Malaysia	100.0 <sup>(12)</sup>	Investment holding.
BioWorld Enterprise Sdn Bhd	Malaysia	100.0	Investment holding.
Elaeis Oversea Pte Ltd	Singapore	100.0	Investment holding.
TSH Palmco (Singapore) Pte Ltd	Singapore	100.0	Dormant.
Martinique Cove Pte Ltd	Singapore	100.0	Investment holding.
PT Farinda Bersaudara	Indonesia	90.0 <sup>(13)</sup>	Oil palm plantation.
PT Mitra Jaya Cemerlang	Indonesia	90.0 <sup>(14)</sup>	Oil palm plantation.
Landquest Sdn Bhd	Malaysia	56.7	Oil palm plantation.
LKSK Sdn Bhd	Malaysia	51.0	Oil palm plantation.
Mildura Investment Pte Ltd	Singapore	100.0	Investment holding.
PT Perkebunan Sentawar Membangun	Indonesia	90.0 <sup>(15)</sup>	Oil palm plantation.
<b>Wood Products</b>			
TSH Products Sdn Bhd	Malaysia	100.0 <sup>(16)</sup>	Temporarily ceased operations.
Alden SASU	France	100.0 <sup>(17)</sup>	Trading of wood products.

Ekowood (USA) Inc	US	100.0 <sup>(18)</sup>	Trading of wood products.
EkoLoc System Sdn Bhd	Malaysia	100.0 <sup>(19)</sup>	Supply and installation of engineered solid hardwood flooring and sub-licensing of strip lock system for manufacturing of engineered solid hardwood flooring that uses mechanical locking system.
TSH Timber Industries Sdn Bhd	Malaysia	100.0	Dormant.
TSH Forestry (Sabah) Sdn Bhd	Malaysia	100.0	Dormant.
Ekowood Iberica, SL	Spain	80.0 <sup>(20)</sup>	Trading of wood products.
Ekowood SA	Luxembourg	70.0 <sup>(21)</sup>	Trading of wood products.
Ekowood International Berhad	Malaysia	67.5	Manufacture and sale of downstream wood products.
Ekowood Malaysia Sdn Bhd	Malaysia	60.0 <sup>(22)</sup>	Supply and installation of engineered solid hardwood flooring.
<b>Cocoa Manufacturing</b>			
CocoaHouse Industries Sdn Bhd	Malaysia	100.0	Manufacture and sale of cocoa products.
TSH Industries Sdn Bhd	Malaysia	100.0	Manufacture and sale of cocoa products.
Afromal Cocoa Limited	Ghana	100.0 <sup>(23)</sup>	Dormant.
Cammal Cocoa Limited	Cameroon	100.0 <sup>(24)</sup>	Dormant.
PT Sinar Bersatu	Indonesia	99.0 <sup>(25)</sup>	Marketing and distribution of cocoa beans.
PT Aramico Komoditi	Indonesia	74.4	Marketing and distribution of cocoa beans.

Notes:

- (1) Held through CocoaHouse Industries Sdn Bhd
- (2) Held through Tan Soon Hong Holdings Sdn Bhd
- (3) Held through TSH Plantation Sdn Bhd
- (4) 99.99% held directly by TSH and 0.01% held through Tan Soon Hong Holdings Sdn Bhd.
- (5) Held through Jatoba International Pte Ltd
- (6) Held through PT Andalas Agro Industri
- (7) Held through Jatoba International Pte Ltd
- (8) 24.0% held directly by TSH and 76% held through TSH Plantation Sdn Bhd
- (9) Held through TSH Palm Products Sdn Bhd
- (10) Held through Andalas Agro Industri Limited
- (11) Held through Andalas Agro Industri Limited

- (12) Held through BioWorld Enterprise Sdn Bhd
- (13) Held through Elaeis Oversea Pte Ltd
- (14) Held through Martinique Cove Pte Ltd
- (15) Held through Mildura Investment Pte Ltd
- (16) Held through EIB
- (17) Held through EIB
- (18) Held through EIB
- (19) Held through EIB
- (20) Held through EIB
- (21) Held through EIB
- (22) Held through EIB
- (23) Held through TSH Industries Sdn Bhd
- (24) Held through TSH Industries Sdn Bhd
- (25) Held through TSH Industries Sdn Bhd

### 3.2.6 Share Capital

As at 31 October 2010, the authorized share capital of TSH is RM500,000,000.00 comprising 1,000,000,000 ordinary shares of RM0.50 each whilst the total issued and paid-up share capital of TSH is RM207,265,131.50 comprising 414,530,263 ordinary shares of RM0.50 each.

*Note:*

*The 414,530,263 ordinary shares of TSH include 4,598,100 treasury shares held by TSH.*

### 3.2.7 Substantial Shareholders

The substantial shareholders and their respective shareholdings in TSH as at 31 October 2010 are as follows:

Substantial Shareholders	No. of Shares	Percentage (%)
Datuk (Dr) Kelvin Tan Aik Pen	43,871,863	10.70
Tunas Lestari Sdn Bhd	35,423,422	8.64

### 3.3 Board of Directors of TSH

The profile of the Directors as at 31 October 2010 is as follows:

#### i) **DATUK (DR.) KELVIN TAN AIK PEN**

*Aged 53, Malaysian  
Non-Executive Chairman*

Datuk (Dr.) Kelvin Tan is the Chairman of TSH. He has been a Director of TSH since his appointment to the Board on 17 January 1986. He is currently the Chairman of EIB, having been appointed on 20 May 2010, and has been the Managing Director of Innoprise Plantations Berhad since 15 December 2006. These companies are listed on the Main Market of Bursa Securities. He also sits on the board of a list of private companies.

Datuk (Dr.) Kelvin Tan has more than twenty five (25) years experience in resource based industry, which includes extensive working knowledge in international trade practices. He worked with the Cocoa Association of London in 1983 and was the

only Malaysian selected by the United Nations Conference on Trade and Development to represent Malaysia at the cocoa conference held in Paris, New York and London in 1989. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 – 2004.

He serves as Honorary Director of Sabah Chinese High School and sits on the Board of Trustees of the Borneo Conservation Trust. As recognition for the many contributions to environmental conservation and forestry, Datuk (Dr.) Kelvin Tan was conferred an Honorary Doctorate in Philosophy (Agroforestry) by Universiti Malaysia Sabah on 3 September 2006.

**ii) TAN AIK SIM**

*Aged 46, Malaysian  
Group Managing Director*

Tan Aik Sim was appointed as Group Managing Director on 1 January 2009 after serving as Chief Executive Officer since 1 September 2006. He was appointed to the Board of Directors of TSH on 27 February 1992. He is also the Group Managing Director of EIB and sits on the board of various subsidiary companies of TSH. He obtained Bachelor Degrees in both Economics and Engineering from Monash University, Australia in 1988.

As Assistant General Manager of CocoaHouse Industries Sdn Bhd from 1989 to 1990, he has gained experience and expertise in general management, manufacturing and marketing. He was also heavily involved in setting up TSH Industries Sdn Bhd's manufacturing facilities in 1993 and its subsequent operation. He played a leading role in the listing of TSH in 1994 and EIB in 2004.

He was appointed to EIB to spearhead the establishment of the integrated timber complex from a green field site. As Group Managing Director of EIB, he has played a pivotal role in the rapid growth of EIB to a brand to be reckoned within the engineered hardwood flooring industry. He is also instrumental in developing EIB's international marketing network and developing it into an award-winning internationally-recognised brand.

His initial involvement in TSH includes overseeing the forest management unit in Sabah before progressing into the biomass energy sector. In the recent years, he has been actively involved in palm oil plantation segment and its related downstream activities particularly in Indonesia.

**iii) DATUK SUBOH BIN MD YASSIN**

*Aged 59, Malaysian  
Independent Non-Executive Director*

Datuk Suboh was appointed as an Independent Non-Executive Director on 1 March 2009. He holds a Bachelor of Administration (Hons) from University of Malaya, a Master Degree in Business Administration (MBA) from the European University in Geneva and obtained an Advanced Management from Harvard University. He holds directorship in various subsidiary companies within TSH Group.

Having served the Government of Malaysia for thirty four (34) years, Datuk Suboh retired on 11 January 2009. He had served in senior positions while in the civil service, amongst others as Assistant Director in the Prime Minister's Department from 1974 to 1977, Assistant Director of the Ministry of International Trade and Industry from 1978 to 1980, First Secretary (Economic Affairs) Permanent Mission of Malaysia to the United Nations and other International Organisation from 1981 to 1983, Principal Assistant Director of the Ministry of International Trade and Industry from 1984 to 1985, Counselor (Economic Affairs) Embassy of Malaysia, Washington

D.C., US from 1986 to 1992, Deputy Permanent Representative, Permanent Mission of Malaysia to the World Trade Organisation from 1992 to 1999, Advisor to the Islamic Development Bank, Jeddah from 1999 to August 2001, Deputy Secretary General 2 of the Ministry of Primary Industries from 1 September 2001 to 31 March 2004, Deputy Secretary General 1 of the Ministry of Natural Resources and Environment from 1 April 2004 to 11 February 2006 and Secretary General of the Ministry of Natural Resources and Environment from 12 February 2006 to 11 January 2009.

**iv) DATO' LEONG SONNY @ LEONG KHEE SEONG**

*Aged 71, Malaysian  
Independent Non-Executive Director*

Dato' Leong Sonny @ Leong Khee Seong was appointed as an Independent Non-Executive Director of TSH on 1 December 2005. He was the Deputy Minister of Primary Industries from 1974 to 1978 and subsequently promoted as the Minister from 1978 to 1986. He was a member of Parliament from 1974 to 1990. Prior to his political career, he was a substantial shareholder of his family's private limited companies involved in general trading. Between 1986 and 1990, he was the Chairman of the General Agreement on Tariffs and Trade's Negotiating Committee on Tropical Products (1986 to 1990) and Chairman of the Group of 14 on Asean Economic Cooperation and Integration (1986 to 1987). He was an Independent Non-Executive Director of Sin Chew Media Corporation Berhad and the Executive Chairman of Nanyang Press Holdings Berhad. He graduated from University of New South Wales, Australia with a Degree in Chemical Engineering in 1964. He is currently the Independent Non-Executive Director of Airasia Berhad and Industrial & Commercial Bank of China (M) Bhd.

**v) YB DATUK NUR JAZLAN BIN MOHAMED**

*Aged 44, Malaysian  
Independent Non-Executive Director*

YB Datuk Nur Jazlan was appointed as an Independent Non-Executive Director on 9 October 2007. He is a Fellow member of the Association of Chartered Certified Accountants (ACCA), UK. He is a Council Member of Malaysian Institute of Accountants (since 2001) as well as Council Member of the Asean Federation of Accountants (since 2001). In addition to his professional credentials, YB Datuk Nur Jazlan is also active in politics. He is the Chief of UMNO Pulai, Johor and also Chairman of Barisan Nasional for the division since 2003. He was an EXCO Member of UMNO Youth from 1996 until 2004. He is a two term Member of Parliament for Pulai and was re-elected as a Member of Parliament with the third largest majority among BN MPs in the general election held in March 2008. He is also a committee member of Public Accounts Committee (PAC). YB Datuk Nur Jazlan also has wide corporate experience since 1990. YB Datuk Nur Jazlan is a Director of EIB, United Malayan Land Berhad, Telekom Malaysia Berhad, Prinsiptek Corporation Berhad and Jaycorp Berhad, all of which are listed on the Main Market of Bursa Securities. He also sits on the board of several other private limited companies. He was also a Director of Penang Port Sdn Bhd from 2005 to 31 December 2009. He was newly appointed as Chairman of Uda Holdings Berhad on 16 June 2010.

**vi) DATUK JASWANT SINGH KLER**

*Aged 70, Malaysian  
Independent Non-Executive Director*

Datuk Jaswant was appointed as an Independent Non-Executive Director on 1 February 1999. He is an Associate member of The Incorporated Society of Planters and continues to play an active role as a senior member of the planting fraternity in

Malaysia. He sits on the Board of Innoprise Plantations Berhad and is a member of The Institute for Development Studies (Sabah). He holds directorship in various subsidiary companies of TSH Group and also in several other private limited companies. Notably, he was the Chairman of the East Malaysia Planters' Association from 1985-2000. He was an Independent Non-Executive Director of Kwantas Corporation Berhad and an Executive Director of Bena Plantation Sdn. Bhd. ("BENA") when he left in 2006 and 1984 respectively. During that period, he was also appointed as a director of Saudi Sabah Palm Oil Corporation Sdn Bhd, which was the first palm oil refinery in Sabah. He started his planting career with BAL Plantation Sdn Bhd, as a cadet in 1960 and left as a senior manager to join BENA in 1977 as General Manager for the plantation project. He now manages his own plantation consultancy business under Agri Cek Sdn Bhd and is a consultant to Smith Gore, a property valuation firm. He is also an advisor for The Incorporated Society of Planters Sabah-Tawau Branch. He participates actively in the Malaysian International Chamber of Commerce & Industry of Sabah Branch and is a committee member for Human Resources and also on the Home Affairs of MICCI standing committee. He was on the Sabah Business Council subcommittee on Human Resources and Agricultural, Food & Poverty Eradication and inter alia, a member of Sabah BIMP-EAGA Council previously. He is a member of the Institute for Development Studies (Sabah) and also a life member of The Agricultural Institute of Malaysia.

**vii) TAN AIK KIONG**  
*Aged 50, Malaysian*  
*Executive Director*

Tan Aik Kiong was appointed as an Executive Director on 25 November 1987. He is currently the Director of Operations and sits on the board of various subsidiary companies of TSH and also holds directorship in other private limited companies. He joined TSH in 1987 as Shipping Manager and was promoted to Director of Operations in 1989. He obtained a Master degree in Civil Engineering, majoring in Construction Management, from the University of Oklahoma, US in 1986. Prior to joining TSH in 1987, he worked with Prudential Bache Ltd., an established brokerage and commission house in 1986 and subsequently with Ameroid Services Pte. Ltd., an independent warehousing company in Singapore.

**viii) LIM FOOK HIN**  
*Aged 61, Malaysian*  
*Executive Director*

Lim Fook Hin was appointed as an Executive Director on 9 May 1997. He is currently the Executive Director of EIB and Innoprise Plantations Berhad. He also sits on the board of some subsidiary companies within the TSH Group and also holds directorship in other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants. After qualifying as a member of the Institute of Chartered Accountants in England and Wales (ICAEW), he joined Coopers & Lybrand as an audit senior in 1976 and was transferred to Coopers' management consultancy services in 1977. He joined the Commonwealth Development Corporation in 1978 and was seconded to Sarawak Oil Palm Sdn.Bhd. as the Company Secretary. He joined BAL Plantation Sdn Bhd in 1981 as the Financial Controller until 1993. His main responsibility included financial management, merger and acquisition and commodity marketing. He was the Chief Executive of United Palm Oil Industries PLC, a company listed on the Stock Exchange of Thailand before joining TSH in 1997.

**ix) TAN AIK YONG**  
*Aged 41, Malaysian*  
*Alternate Director to Datuk (Dr.) Kelvin Tan Aik Pen*

Tan Aik Yong was appointed as an Alternate Director on 4 July 2003. He is a non-practising barrister with a degree in Bachelor of Laws (LLB) from Queen Mary College, University of London. He qualified as a Chartered Financial Analyst (CFA) in 1998. His career started with a law firm in Kuala Lumpur and had spent about 10 years in investment banking activities in the region. He was a senior manager in United Overseas Bank Group prior to joining TSH Group to handle investment planning, corporate and financing matters in 2002. He also sits on the board of EIB as an Alternate Director and various subsidiary companies within TSH Group and holds directorship in other private limited companies.

### 3.3.1 Family Relationship between Directors and/or substantial shareholders of TSH

Datuk (Dr.) Kelvin Tan Aik Pen is the brother of Tan Aik Kiong, Tan Aik Sim and Tan Aik Yong. Other than the deemed interest as disclosed in the Circular to Shareholders on Recurrent Transactions dated 28 April 2010, he has no other conflict of interest with TSH and has no conviction for offences within the past ten (10) years.

## 3.4 Principal Business Activities

TSH Group's business activities can be broadly categorized into three divisions, namely palm and bio-integration, wood products and cocoa manufacturing as follows:

### 3.4.1 Palm and Bio-Integration

This division is involved in the operation of oil palm plantations, palm oil milling and refinery, and generation as well as supply of electricity from a biomass plant. As part of TSH Group's commitment to being an integrated entity, TSH is currently constructing a pulp and paper plant in Tawau, Sabah which will convert solid palm oil waste into pulp and paper. This is expected to contribute to TSH Group's earnings and provide more stability to its revenue base in the near to medium term.

As at 30 September 2010, TSH Group has a total of 85,739 hectares of oil palm plantation land bank of which 95% or 81,289 hectares are located in West Sumatra, Central Kalimantan and East Kalimantan of Indonesia. Meanwhile, total planted area amounted to 27,130 hectares of which 12,914 hectares are considered matured area. Plantations in Indonesia make up around 66% of the total matured area.

The profile of TSH Group's plantations as at 30 September 2010 is as follows:

Subsidiaries	Estate	Planted (Ha)					Unplanted (Ha)	Total (Ha)
		< 4 Years	4 - 7 Years	8 - 15 Years	16 - 20 Years	> 20 Years		
<b><u>In Sabah</u></b>								
TSH Plantation Management Sdn Bhd	Sabahan				100			100
	Maju Sawit			64	32	58	20	174
	Gomantong			30	917			947
TSH Palm Products Sdn Bhd	Ong Yah Ho		18	1,888				1,906
Tan Soon Hong Holdings Sdn Bhd	Wakuba			10		7		17
LKSK Sdn Bhd	LKSK		5	931				936
Landquest Sdn Bhd	Landquest			146	224			370
	<b>Sabah Total</b>		<b>23</b>	<b>3,069</b>	<b>1,273</b>	<b>65</b>	<b>20</b>	<b>4,450</b>
<b><u>In Indonesia</u></b>								

PT Andalas Wahana Berjaya		531	447				16,822	17,800
PT Laras Internusa		1,922		1,352	2,251		1,475	7,000
PT Sarana Prima Multi Niaga		2,404	4,434				276	7,114
PT Mitra Jaya Cemerlang							15,000	15,000
PT Teguh Swakarsa Sejahtera		1,721					8,561	10,282
PT Farinda Bersaudara		7,303					4,790	12,093
PT Perkebunan Sentawar Membangun		335					11,665	12,000
<b>Indonesia Total</b>		<b>14,216</b>	<b>4,881</b>	<b>1,352</b>	<b>2,251</b>	<b>-</b>	<b>58,589</b>	<b>81,289</b>
<b>TOTAL</b>		<b>14,216</b>	<b>4,904</b>	<b>4,421</b>	<b>3,524</b>	<b>65</b>	<b>58,609</b>	<b>85,739</b>

Until May 2010, TSH Group has four operational palm oil mills; three in Sabah and one in Indonesia. In May 2010, TSH commissioned a new palm oil mill in Kalimantan Tengah, Indonesia. These mills cater for throughput from TSH's own plantations as well as external smallholders. The capacity of the mills are as follows:

Mill	Location	Capacity (MT of FFB per hour)
Kunak Palm Oil Mill	Sabah	80
Sabahan Palm Oil Mill	Sabah	60
Lahad Datu Palm Oil Mill	Sabah	40
Kinali Palm Oil Mill	Sumatra	60
SPMN Palm Oil Mill	Kalimantan Tengah	45

\* The three mills in Sabah are located in the 'Sabah Oil Palm Belt' in the east of Sabah.

The performance of the palm oil mills for FYE 31 December 2008, FYE 31 December 2009 and 1H 2010 were as follows:

Year	FFB Processed (MT) – Sabah Mills	FFB Processed (MT) – Kinali Mill	Production of CPO (MT) – Sabah Mills	Production of CPO (MT) – Kinali Mill	Production of PKO (MT) – Sabah Mills	Production of PKO (MT) – Kinali Mill
2008	1,026,346	186,348	210,981	37,478	52,542	8,156
2009	1,008,614	247,152	212,608	47,083	52,564	10,123
1H 2010	453,334	111,401	94,673	20,559	23,491	4,392

### 3.4.2 Wood Products

Besides the manufacturing of engineered solid hardwood flooring, this division is also involved in the operation of a forest management. The manufacture and sale of downstream wood products is managed by TSH's 67.5% owned subsidiary, EIB which is listed on the Main Market of Bursa Securities. Its competitive position is supported by its extensive range of hardwood flooring products and the highly integrated nature of its wood flooring operations which extends from manufacturing to retailing and after-sales services.

To enhance its market reach, TSH Group also has overseas subsidiaries and offices in countries like Spain, Luxembourg, France, Hong Kong, China and the US for its marketing and selling of downstream wood products. In 2009, EIB exports over 80%

of its products to more than 35 countries, with Europe (over 50%) being its major export destination, followed by Asia, Australia and the US.

Breakdown of EIB sales according to 'geographical location of customers' for 2008, 2009 and 1H2010 as per table below:

	2008 (RM '000)	2009 (RM '000)	1H2010 (RM '000)
Asia	6,506	7,493	4,485
Europe	59,100	35,277	22,882
Malaysia	19,588	10,450	2,545
US	10,224	3,299	979
South West Pacific	7,477	5,486	2,910
Others	7,284	3,368	1,266
<b>Total</b>	<b>110,179</b>	<b>65,372</b>	<b>35,067</b>

Closer to home, EIB derives its revenue from wood flooring installations generated by new development or refurbishment projects. As at October 2010, EIB's outstanding order book totaled RM13 million, primarily relates to residential developments in the European region.

To cater for increasing demand for hardwood flooring, EIB has expanded its production capacity in Gopeng, Perak to produce 1.8 million m<sup>2</sup> of engineered flooring products compared to the previous capacity of 1.5 million m<sup>2</sup>.

### 3.4.3 Cocoa Manufacturing

This division is mainly involved in the manufacturing and sales of cocoa related products. Currently, TSH has two cocoa processing factories in Port Klang to produce cocoa butter and cocoa powder mainly for the export market.

The Revenue and Operating Profit for the Cocoa Manufacturing division are as follows:

	2Q2010	1Q2010	2Q2009	1Q2009
	(RM'000)			
Revenue	23,751	13,423	44,376	32,413
Operating profit**	5,505	(5,272)	2,469	(47)

\*\* before finance cost

Revenue breakdown for the Cocoa Manufacturing division for the period ended 30 September 2010 is as follows:

	RM '000	%
Malaysia	3,693	7
Europe	9,419	17
US	23,231	42
Middle East	11,640	21

South West Pacific	545	1
Others	6,518	12
<b>Total</b>	<b>55,046</b>	<b>100</b>

### 3.5 Future Business Plans and Business Strategies of TSH

TSH's immediate to medium/long term plan is to focus on expanding its oil palm plantation business, particularly in Indonesia. As such, TSH Group will continue to seek and acquire suitably profiled land banks in Indonesia and to develop them into oil palm plantations.

TSH Group is confident that the outlook for its plantations and milling operations is bright with the acquisition of new land banks in Indonesia, continuous planting of new areas, healthy maturing profile of the plantations and increasing milling capacity, underpinned by its vast plantation management experience and well trained workforce.

### 3.6 Financial Highlights

#### 3.6.1 Summary of Financials for FYE 31 December 2005 to 2009 and as at 30 September 2010

Set out below is a summary of the key financial information of TSH Group for six (6) financial years.

	Audited FYE 31 December 2005	Audited FYE 31 December 2006	Audited FYE 31 December 2007	Audited FYE 31 December 2008	Audited FYE 31 December 2009	Unaudited As at 30 September 2010
RM'000						
<b>INCOME STATEMENT</b>						
Revenue	541,407	624,652	861,538	1,109,941	980,251	662,217
Operating Profit	54,317	74,766	117,355	79,624	101,893	76,934
Profit Before Tax	49,361	77,913	120,562	82,273	85,923	62,746
Profit After Tax	44,674	73,101	109,832	64,057	80,034	45,271
<b>BALANCE SHEET</b>						
Cash and Bank Balances	18,886	18,086	37,773	19,712	58,888	50,063
Trade and Other Receivables	116,325	151,639	157,782	138,085	142,295	144,448
Inventories	147,931	126,178	178,750	241,826	232,650	197,305
Property, Plant and Equipment	341,790	300,237	345,971	427,047	527,199	616,202
Biological Assets	88,615	133,717	204,502	272,897	403,229	443,503
Prepaid Land Lease Payments	-	103,334	152,075	174,547	191,760	127,696
Borrowings (short-term)	62,568	143,056	153,243	295,142	296,621	406,901
Borrowings (long-term)	48,900	43,072	107,945	172,592	306,403	296,005
Trade and other payables	55,254	78,414	82,291	88,105	143,905	113,250
Share Capital	182,446	184,389	206,419	206,796	206,865	207,217
Retained Earnings	207,922	252,976	327,235	360,391	412,252	429,760
Total Equity	474,472	529,768	720,848	735,804	815,230	817,956
<b>CASH FLOW STATEMENT</b>						
Net Cash Flow from Operating Activities	26,445	90,976	49,439	15,230	134,690	55,293
Net Cash Flow from Investing Activities	(61,431)	(149,074)	(169,457)	(187,757)	(193,943)	(148,634)
Net Cash Flow from Financing Activities	33,513	64,723	125,263	169,928	97,966	82,322
Cash and Cash Equivalents at Year End	10,601	15,268	31,398	15,346	58,787	48,368

\* Please note that the key financial information in the table above must be read in conjunction with the audited group financial statements of TSH.

**3.6.2 Segmental Results for FYE 31 December 2008, 2009 and as at 30 September 2010**

Set out below is a summary of TSH Group's segmental results for FYE 31 December 2008, 2009 and as at 30 September 2010.

Segments	2008		2009		As at 30 September 2010	
	Revenue (RM'mil)	%	Revenue (RM'mil)	%	Revenue (RM'mil)	%
Palm and Bio-Integration	814.53	73.4	784.16	80.0	554.65	83.8
Wood Products	122.40	11.0	68.33	7.0	52.52	7.9
Cocoa Manufacturing	173.01	15.6	127.76	13.0	55.05	8.3
<b>Total</b>	<b>1,109.94</b>	<b>100.0</b>	<b>980.25</b>	<b>100.0</b>	<b>662.22</b>	<b>100.0</b>

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## 4.0 INDUSTRY OUTLOOK

### 4.1 Malaysian Economic Outlook

Malaysia has recovered from the global economic recession as a result of proactive measures undertaken by the Government and the successful implementation of two Economic Stimulus Packages amounting to RM67 billion. The effectiveness of these measures is reflected by the 9.5% expansion in GDP in the first half of 2010 compared with -5% during the same period in 2009.

In 2011, the global economy and trade are expected to grow moderately by 4.2% and 7%, respectively. In line with this, the Malaysian economy is expected to expand between 5% and 6%. However, the Government will strive to achieve growth of 6%. Growth will be supported by private investment, expanding 10.2%, private consumption 6.3% and exports 6.7%. The manufacturing sector will continue to spearhead growth, expanding 6.7% and the services sector 5.3%.

*(Source: Extracts of Budget 2011 Speech)*

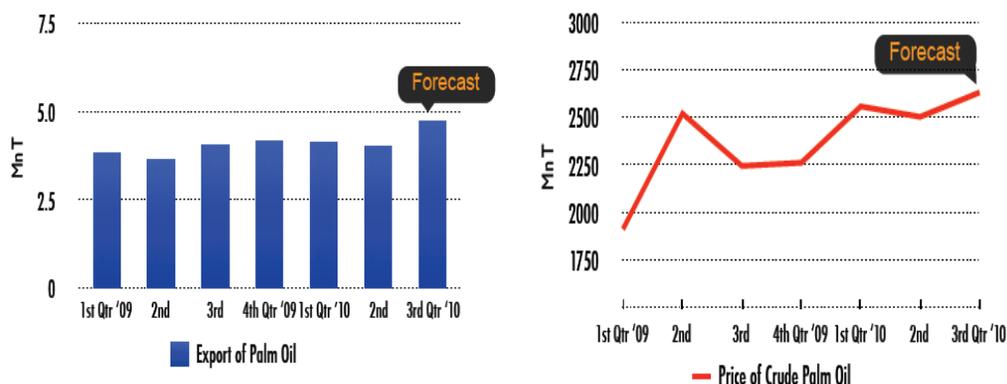
### 4.2 Palm Oil Industry Outlook

For 2010, it has been a relatively good year for the plantation industry. For the period of January to September 2010, Malaysian palm oil production had increased 1.60% from 12.47 million tonnes in the previous corresponding period to 12.67 million tonnes in 2010. Meanwhile, production of palm kernel and palm kernel cake had also increased by 0.58% and 0.48% respectively to 3.22 million tonnes and 1.65 million tonnes respectively. However, production in crude palm kernel oil had decreased marginally by 0.02% to 1.48 million tonnes for the first nine months of 2010.

For the same period, Malaysian palm oil export increased 6.34% from 11.68 million tonnes in 2009 to 12.41 million tonnes in 2010. China remained the biggest export market for Malaysian palm oil with totaling 2.72 million tonnes of 21.91% of total palm oil exports, followed by EU's 1.52 million tonnes (12.24%), Pakistan's 1.51 million tonnes (12.19%), India's 0.94 million tonnes (7.61%), US' 0.78 million tonnes (6.30%) and Egypt's 0.70 million tonnes (5.67%). Collectively, these six countries accounted for 8.17 million tonnes or 65.92% of total Malaysian palm oil exports for the first nine months of 2010.

Palm oil remains one of the most affordable and sought after vegetable oil and demand for it continues to grow especially from China and India, the large population base countries. China and India are expected to record GDP growth of 10.5% and 9.7% respectively in 2010 (2009: 9.1% and 5.7% respectively).

Against the backdrop of rising demand, CPO prices traded at an average of RM2,578 per tonne for the first nine months of 2010, a 15% increase from RM2,235 per tonne over the same period in 2009. Meanwhile, palm oil output is anticipated to increase 3.4% to 18.4 million metric tons in 2011, mainly due to higher yields as oil palms mature, especially in Sabah and Sarawak. All these positive developments will augur well for the plantation industry and the upward trend of the CPO prices is expected to continue in the medium term.



(Source: "Overview of the Malaysian Oil Palm Industry 2009" by Datuk Dr. Mohd. Basri Wahid, Director-General MPOB, 12 January 2010, available on <http://econ.mpob.gov.my>; "Export of Palm Oil By Destination : 2010 (Tonnes)" Malaysian Palm Oil Board, available on <http://econ.mpob.gov.my/stat/> ; "Export of Palm Oil By Destination : 2009 (Tonnes)" Malaysian Palm Oil Board, available on <http://econ.mpob.gov.my/stat/>; "Monthly Production of Oil Palm Products Summary for the Month of November 2010 (2009 & 2010 (Tonnes))", Economics & Industry Development Division, Malaysian Palm Oil Board, available on <http://econ.mpob.gov.my/economy>; "Monthly Palm Oil Trade Statistics – September 2010", Malaysian Palm Oil Council, available on <http://www.mpoc.org.my>; "Monthly Palm Oil Trade Statistics – December 2009", Malaysian Palm Oil Council, available on <http://www.mpoc.org.my>; "Quarterly Report on Oils and Fats – 2<sup>nd</sup> Quarter 2010" Malaysian Palm Oil Board, available on <http://econ.mpob.gov.my>; Economic Report 2010/2011 published by Ministry of Finance Malaysia)

#### 4.3 Timber and Timber-Based Products Industry Outlook

The European Union, Japan and the US are traditionally the major importers of Malaysian timber and its product. Major timber products exported from Malaysia are logs and sawn timber, plywood, wooden furniture, builders' joinery and carpentry and fiber-board. Malaysia's exports of timber and its products were worth RM19.49 billion in 2009, 14.5% lower than RM22.79 billion registered in 2008, the lowest level since 2006. The lackluster performance in 2009 was primarily due to the global economic recession which severely impacted the business of the major importers in the European Union, Japan and the US. However, timber exports grew 13.7% to RM14.1 billion for the period of January to August 2010 from RM12.4 billion seen the corresponding period in 2009.

Whilst the continuing European debt crisis and high unemployment in the US have resulted in cautious purchasing from the importers, the Chinese market remains vibrant and offers good opportunities for timber exporters. The Chinese GDP is expected to exceed 11% in 2010 attributed to strong domestic demand.

According to IMF, the Japanese economy is anticipated to recover with the growth of 1.9% in 2010, largely supported by fiscal stimulus and rising exports. Meanwhile, the US economy is expected to grow 3.1% this year. The world economy, which declined by 0.6% in 2009, will recover gradually in 2010 and 2011, growing by 4.2% and 4.3% respectively.

Amid the anticipated global economic recovery, Malaysian timber exports are expected to increase by up to 10% from the previous year to RM21 billion in 2010.

(Source: "World Economic Report – April 2010: Rebalancing Growth", International Monetary Fund, available on <http://www.imf.org>; "Timber Stocks to Regain Lustre?", Max Koh & Koo Jie Ni, The Edge, 12 July 2010; "Malaysia Aims To Triple Timber Trade To US\$17bn" by AFP, 27 July 2010, available on <http://www.malaysia-today.net/index>; "Timber Product Exports Rising", David Tan, 15 September 2010, available on <http://biz.thestar.com.my>; "Malaysia: Wood Product Prices Remain Flat", 29 June 2010, available on <http://www.ito.int>; "China GDP Growth To Exceed 11% in 2010", 26 May 2010, available on <http://www.china.org.cn/business>; "Malaysia Timber Export Set To Rise 10pc", Business Times, 18 October 2010, available on <http://www.btimes.com.my>; "Export Of Major Timber Products By Malaysia", available on <http://www.statistics.gov.my>)

#### **4.4 Cocoa Industry Outlook**

While cocoa is grown in many countries world wide, the African region plays a dominant role as the world's leading cocoa-growing region, accounting for approximately 70% of global production, with the Ivory Coast supplying approximately one third of global production. The other major cocoa-producing countries are namely Ghana (19%), Indonesia (14%), Nigeria (7%) and Cameroon (6%). Cocoa output has been constrained in recent years in several countries due to unfavourable weather conditions, the spread of cocoa pests and pathogens and the low usage of chemical inputs.

In the 2009/2010 cocoa season, the International Cocoa Organization expects the world cocoa market to experience a very small cocoa supply deficit. This reflects a likely increase in global demand by 2.5% over the previous season, and a slight increase of 1.0% in the world's cocoa bean production.

In addition, cocoa bean prices averaged USD3,189 per tonne for the period from January to September 2010, a 17.6% increase from USD2,712 per tonne recorded for the same period in 2009.

And the Head of the Ivory Coast's Coffee and Cocoa Bourse recently announced that the Ivory Coast's main cocoa crop is likely to drop from 900,000 tonnes last season to 800,000 tonnes in the new 2010/2011 season due to black pod disease.

Meanwhile, demand for chocolate products is likely to recover progressively from the recent economic crisis and the trend towards growing consumption of chocolate with higher cocoa content to resume. Hence, it is expected that over the short to medium term, prices will remain relatively high until they have triggered a supply response sufficient to satisfy the projected increases in demand.

*(Source: "Developments in the world cocoa market", United Nations Cocoa Conference (21-25 June 2010) published on United Nations Conference on Trade and Development's website [www.unctad.org](http://www.unctad.org) and International Cocoa Organization's website [www.icco.org](http://www.icco.org); "Equity Research", 8 October 2010, Imara Investing In Africa, Imara Africa Securities, Weekly Bulletin, available on <http://imara.co/>; "ICCO Monthly Averages of Daily Prices", International Cocoa Organization, available on <http://www.icco.org/statistics/>)*

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## 5.0 FINANCIAL GUARANTEE BY DANAJAMIN

### 5.1 Brief Introduction of Danajamin

Danajamin, Malaysia's first Financial Guarantee Insurer, was established in May 2009 as part of the RM60 billion economic stimulus package announced by the Government of Malaysia on 10 March 2009. The establishment of Danajamin forms part of the on-going effort by the Malaysian Government to ensure the continued flow of credit in the financial system to businesses.

Danajamin provides financial guarantee insurance for bonds and sukuk issuances. It is rated AAA by both RAM and MARC. With its financial guarantee, bonds/sukuk issuances which are lower rated will automatically be upgraded to AAA. This credit enhancement allows lower rated companies to tap the bond/sukuk market for funding at a more competitive rate.

Through the provision of financial guarantee, Danajamin aims to fulfill the following two objectives:

- Provide access to the capital market for companies that are investing in their businesses, generating multiplier effect in the real economy; and
- Preserve soundness and integrity of the financial sector by providing credit enhancements to viable businesses to raise capital at a reasonable cost.

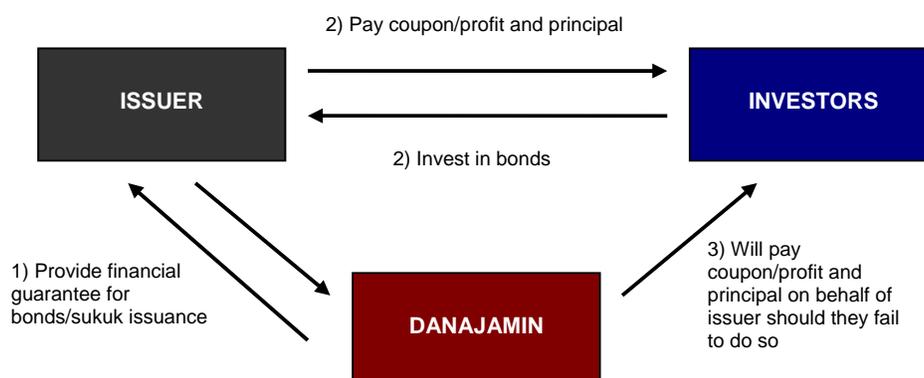
Danajamin is wholly-owned by the Malaysian Government. It has an issued and paid-up capital of RM1 billion with a capacity to underwrite policies of up to RM15 billion. It is licensed under the Insurance Act 1996 and is regulated and supervised by BNM.

(Source: Danajamin's website [www.danajamin.com.my](http://www.danajamin.com.my))

### 5.2 Danajamin's Business Model

Danajamin provides financial guarantee insurance to bonds/sukuk issuer. In exchange for the financial guarantee insurance policy, the issuer will pay Danajamin a premium which will be competitively benchmarked against the prevailing cost of raising capital.

Bonds/sukuk issue that has obtained a Danajamin guarantee will automatically be rated AAA, increasing the chance of a successful issuance and providing some cost savings to the issuer. In the event the issuer fails to make payment for coupon or principal, Danajamin will pay the coupon/principal to the bond/sukuk investors, on behalf of the issuer.



(Source: Danajamin's website [www.danajamin.com.my](http://www.danajamin.com.my))

## 6.0 INVESTMENT CONSIDERATIONS

*Prospective investors of the IMTN should consider carefully all information set out in this Information Memorandum and, in particular, the risks involved. The IMTN are subject to certain risks that could adversely affect the business of the Issuer. The following section does not purport to be complete or exhaustive. Prospective investors should undertake their own investigations and analysis on the Issuer, TSH and TSH Group, their respective business and risks associated with the IMTN Programme. Investors should also note that each IMTN issuance under the IMTN Programme will carry different risks and all investors should evaluate each IMTN issuance on their respective merits.*

*The information contained in this Information Memorandum includes forward-looking statements, which implies risks and uncertainties. TSH's actual results could differ materially from those anticipated in these forward looking statements and/or otherwise projected as a result of certain factors, including but not limited to those set forth in this section.*

### 6.1 Considerations relating to the IMTN Programme

#### 6.1.1 No Prior Market for the IMTN Programme

The IMTNs to be issued under the IMTN Programme comprise of a new issue of securities for which no secondary market currently exists and in the event that a secondary market of the IMTNs does develop, there can be no assurance that it will continue.

Furthermore, there can be no assurance as to the liquidity of any market that may develop for the IMTNs, the ability of the holders to sell their IMTNs or the prices at which holders would be able to sell their IMTNs.

Each issue will carry different risks and all potential investors are strongly encouraged to evaluate each issue on its own merit.

#### 6.1.2 Danajamin as the Guarantor

Danajamin is rated AAA by both RAM and MARC with a stable outlook. The AAA ratings reflect the strong shareholder support as well as Danajamin's substantial financial flexibility, explicit and implied, derived from the Government. This is underpinned by Danajamin's strategically important role in consonance with the Government's drive to stimulate domestic economic activity.

Danajamin is expected to have robust capital and liquidity resources in view of its close relationship with the Government. The ratings are also underscored by Danajamin's prudent underwriting criteria that concentrate on investment-grade credits, its conservative approach of investing in low-risk and highly liquid assets, and its sound capital-preservation plan to meet unanticipated claims.

*(Source: Danajamin's website [www.danajamin.com.my](http://www.danajamin.com.my), RAM's Credit Rating Rationale and MARC's Credit Analysis Report on Danajamin published in 2009 respectively)*

#### 6.1.3 Rating on the IMTN Programme

The IMTN Programme has been assigned a final rating of AAA<sub>IS(fg)</sub> by MARC. The rating is not a recommendation to purchase, hold or sell the IMTN as such ratings do not comment on the 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.

#### **6.1.4 Issuer's ability to meet payment obligations under the IMTN Programme**

The ability of the Issuer to meet its payment obligations under the IMTNs will depend on its income and revenue generated from its business. Repayment of the IMTNs will be the Issuer's obligations alone. In particular, the IMTNs will not be obligations or responsibilities of, or guaranteed by the Lead Arranger, the Trustee or any subsidiary or affiliate thereof, or any other person involved or interested in the transaction envisaged under the IMTN Programme. None of such persons will accept any liability whatsoever under the IMTNs in respect of any failure by the Issuer to pay any amount due thereunder.

The IMTNs are, however, guaranteed by an irrevocable and unconditional Kafalah Guarantee to be provided by Danajamin to guarantee all payment obligations of the Issuer (except Ta'widh and other charges in relation to the IMTN Programme) under the Purchase Undertaking.

### **6.2 Considerations relating to the Issuer, Business and Related Industries**

#### **6.2.1 Competition Risk**

##### Palm and Bio-Integration Business

TSH is deemed as an integrated and self-sufficient entity compared to most of its competitors due to its comprehensive involvement in plantation, milling, refinery and energy generation. Overall, TSH's operational and business risks are minimized by the diversity of TSH Group's business with stable revenue stream derived mainly from the refinery and energy generation business. As at 30 September 2010, TSH Group owns and manages a total of 85,739 hectares of palm oil plantation landbank, 95% of which is located in Indonesia and the balance in Sabah. In Indonesia and Sabah, approximately 10% and 100% of the estates respectively are planted with matured trees. Whilst the matured trees in Sabah estates are currently at its peak production stage, enabling it to yield high FFB, those in the Indonesian estates are at various stages of maturity. TSH plans to increase its palm oil plantation landbank in the near future and have targeted Kalimantan Timur and Tengah for its main source of land acquisition.

TSH currently owns three (3) palm oil mills operating in Sabah and two (2) in Indonesia. The palm oil mills in Indonesia are situated in Sumatra and Kalimantan Tengah; the latter commenced operation in May 2010. From January to September 2010, the three Sabah palm oil mills and the Sumatra palm oil mill operated at an average of 70% capacity whilst the relatively new Kalimantan Tengah palm oil mill operated at approximately 34% capacity. TSH expects its palm oil mills to operate at close to full capacity moving forward due to the higher supply of FFB from its estates and surrounding smallholder's plantations. Due to the nature of FFB which requires processing within twenty-four (24) hours upon harvest, smallholders who have plantations around TSH's palm oil mills will have to sell their crops to TSH, which enables TSH to monopolize the supply of FFB in the area that they are operating. TSH also maintains good relationship with these smallholders and the relationship between them has averaged more than twenty (20) years, with most of them having been cocoa planters previously who supplied TSH with cocoa beans before converting their land to oil palm land.

In addition, the 50:50 joint venture between TSH and Wilmar Edible Oils on 9 January 2006 benefits TSH wherein TSH is able to secure off-taker since the Wilmar Group has an extensive distribution network globally. This helps minimize the risk of sourcing for third parties to take up the edible oils/refined products. With Wilmar Edible Oils being a 50% partner, it is able to assist TSH in its refinery business in

terms of technological know-how. The refinery has a production capacity of 800,000 tonnes per annum currently.

In order to minimize wastage of by-products and waste from the processed palm oil i.e. fibre and palm kernel shells, TSH recycles these by-products and waste to generate heat, power and electricity for its internal/milling activities and for the sale of energy to SESB from its Biomass plants. TSH currently has two (2) Biomass plants which are located in Tawau, Sabah and Kunak, Sabah. The Biomass plant situated in Tawau, Sabah commenced operations in 2004 and has the capacity to produce 14MW of electricity per hour. It is the first biomass plant to be connected to the Sabah power grid. The Biomass plant situated in Kunak, Sabah is operating under its jointly controlled entity, TSH-Wilmar (BF) Sdn Bhd, a 50:50 joint venture between TSH and Wilmar Edible Oils. It commenced operations in 2007 and has the capacity to produce approximately 9.8MW of electricity per hour.

#### Wood Products Business

There are about five-hundred (500) wood flooring players in Malaysia specializing in solid hardwood flooring products and EIB, TSH's wood products division, is among the biggest producers. Its main competitor locally is B.K.B Hevea Products Sdn Bhd. Internationally, its main competitors are from the US and Europe, including Kahrs Floors, Tarkett Wood Floors, Greenkett and Baltic Wood.

Strong emphasis on quality finishing, continuous promotion and marketing of the brand name "Ekowood" provides EIB the competitive edge against competitors both locally and internationally. In addition, EIB was awarded "Best Engineered Hardwood Flooring in the UK" for three (3) consecutive years from 2000 to 2002 by SGS United Kingdom who also certified EIB with ISO9001:2008 for its systems and services quality. EIB was also accredited with the Forest Stewardship Council A.C. ("FSC") for its usage of wood materials from sustainable forests. These certifications are pivotal to EIB in positioning itself to penetrate certain highly regulated markets where such certifications are needed. Given the premium quality as well as innovative products, EIB is not only able to charge higher premiums but is also able to maintain significant market share especially in the international market.

#### Cocoa Business

There are 2 subsidiaries, CocoaHouse Industries Sdn Bhd (CHI) and TSH Industries Sdn Bhd (TSHI), under TSH cocoa operations where both companies are situated within Port Klang. CHI specializes in processing cocoa beans to cocoa butter and cocoa powder while TSHI produces cocoa butter with cocoa residues as its production input. The maximum production capacity for CHI and TSHI is 8,000 MT and 20,000 MT respectively. The closest competitor to CHI is Koko Budi Sdn Bhd with TSHI being the sole cocoa residue processor in Malaysia.

The success in TSH's cocoa business since it started its business operations in December 1989 is attributed mainly to the successful sourcing of quality cocoa beans from new offshore suppliers and the optimization of production capacity via higher throughput.

### **6.2.2 Price Fluctuations**

#### Palm and Bio-Integration Business

CPO prices tend to be cyclical and fluctuate in accordance with the global supply and demand of major oils and fats; and edible oil prices such as soybean, sunflower and rapeseed oil which are substitutes for palm oil.

Although the movement in CPO prices is beyond TSH's control, TSH mitigates the adverse effect of fluctuation in CPO prices and palm kernel by adopting a prudent management approach in the sale and marketing of its products. For example, TSH

enters into forward contracts with its major customers who have fixed pricing to hedge against fluctuations in CPO prices. In addition, the management constantly analyzes and monitors the global demand patterns and trends for oils and fats, particularly palm oil to make prompt and informed decisions regarding its CPO sales.

#### Wood Products Business

The pricing for wood products is very much dependent on the cost of raw materials as well as the forces of demand and supply. EIB has also taken proactive measures to improve production efficiency and reduce cost by minimizing wastages and gradually transferring additional costs on selected products to customers.

#### Cocoa Business

Cocoa prices fluctuate according to the forces of demand and supply based on the market terminal price of the LIFFE. As both TSH's sales and purchases of cocoa products are exposed to the price fluctuations listed on the market terminal price of LIFFE, TSH adopts a 100% hedging policy to eliminate any risk of price fluctuations.

### **6.2.3 Supply**

#### Palm and Bio-Integration Business

TSH sources its supplies of FFB from its oil palm plantation and smallholders who have plantations situated near its palm oil mills. Moving forward, TSH will be actively undertaking a planting exercise across its Indonesian estates to boost further the supplies of its FFB for future consumption. In addition, based on the fact that 15% of its total oil palm plantation landbank are currently planted with matured trees, the FFB crop is expected to steadily rise in the future.

#### Wood Products Business

EIB's factory uses a combination of imported temperate hardwood and local timber (including rubber wood) in the production of engineered wood flooring products. Temperate hardwood is primarily sourced from the US and Denmark while rubber wood is sourced locally. While long-term contractual agreements with suppliers are not a common practice in the industry, EIB still maintains a three (3) to six (6) months stock inventory and has renewable contracts with suppliers as a means to mitigate supply risk. In addition, to avoid over dependence on any single supplier, EIB actively sources its raw materials from multiple suppliers. An internal inventory management system called PMM has been installed to monitor and ensure that the exact quantity of wood available is known at any one time.

#### Cocoa Business

Most of the cocoa beans/residues are sourced from Indonesia with 2 collection centers situated in Medan and Makassar respectively. TSH also has 2 collection centers in Malaysia situated in Tawau and Pahang. In order to mitigate supply disruption and ensure continuous supply of quality cocoa beans, TSH has sourced cocoa beans from other African countries such as Cameroon, Nigeria and Ivory Coast.

### **6.2.4 Customer Concentration**

#### Palm and Bio-Integration Business

TSH's FFB are for its own consumption.

The 50:50 joint venture with Wilmar Edible Oils, namely TSH-Wilmar Sdn Bhd ("TSH-Wilmar"), on 9 January 2006 benefits TSH's palm oil refinery business as TSH is able to secure off-taker for its edible oils/refined products as the Wilmar Group has an extensive distribution network globally. This helps to minimize the risks of securing an off-taker for TSH's edible oils/refined products.

In addition, through TSHBE, TSH ventured into its first biomass plant located in Tawau, Sabah pursuant to a twenty-one (21) year REPA signed in October 2002 (effective 2004) with SESB. Based on the REPA, TSHBE is required to supply contracted base-line energy of 64,000 MW per year to SESB at an agreed rate of RM0.2125 per kilowatt. Any surplus in energy generated is channeled into TSH's adjacent palm oil milling plant. Upon expiry, the agreement may be extended subject to mutual consent of both parties. Demand risk is minimal given that under the REPA, SESB undertakes to purchase all the electricity produced by TSHBE. In addition, the cost of renewable energy is lower than the current cost of electricity purchased by SESB generated by diesel-powered plants.

TSH's second biomass plant located in Kunak, Sabah is operating under its jointly controlled entity, TSH-Wilmar (BF) Sdn Bhd. The plant is part of an integrated production complex that houses TSH-Wilmar's refinery and kernel crushing plants. The steam and electricity generated are channeled to both TSH-Wilmar's palm oil refinery and kernel crushing plants.

#### Wood Products Business

In 2010, approximately 96% of EIB's revenue was derived from export sales with the balance from local sales. Export sales were mainly to US, Europe, Australia, UK and Singapore markets. Europe and US remain the top markets for EIB's flooring products, with Europe being the major revenue contributor due to the stable economic growth of the European countries as opposed to the economy in the US. As for demand locally, there is strong demand growth from the luxury living segment due to the improved lifestyle and rising trend in the demand for wood flooring.

#### Cocoa Business

TSH's cocoa products are mainly marketed overseas. The cocoa butter are mostly sold to international traders in the US, UK and Europe such as General Cocoa Co, International Commodity Trade Management Ltd, Olam International Ltd, Theobroma B.V. and Barry Callebaut Sourcing AG whilst the cocoa powder are more sought after by buyers from Egypt, India, Iran, Kenya, Korea, New Zealand, Philippines, Pakistan, Russia and Vietnam.

### **6.2.5 Foreign Exchange Fluctuations**

TSH ensures that its exposure to foreign exchange risks is kept to an acceptable level and material foreign currency transactions are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts. In addition, TSH also maintains a natural hedge, where possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

### **6.2.6 Labour Force**

In order to ensure that TSH has sufficient workers, TSH has employed foreign workers with approved permits to run its daily operations situated mainly in the rural areas. In addition, TSH also adopts measures to ensure the retention of efficient employees by providing formal training, standard operating procedures, competitive remuneration, housing and amenities and a harmonious working environment. TSH is currently in the process of mechanizing certain field operations to reduce the dependency on labour which may be scarce or more costly in the future. To date, TSH has not encountered any labour shortage or any significant labour dispute that could cause a major disruption in its daily operations.

In addition, TSH has also appointed very experienced estate managers to manage the estates and has also set up a Plantation Training Academy in Kalimantan

Tengah, with the purpose of recruiting and training suitable local workers to mitigate any labour shortage and maintain operating standards.

#### **6.2.7 Dependence on Key Personnel**

The dependence on key personnel is mitigated as TSH is managed by Mr Tan Soon Hong's family members who are also the significant shareholders of TSH with Datuk (Dr.) Kelvin Tan Aik Pen being the Non-Executive Chairman/Director and the largest shareholder of TSH. In addition, continuous effort has also been made by TSH's senior management which is highly skilled and experienced to groom the younger members of the management team to ensure a smooth transition in the management team in the future.

#### **6.2.8 Insurance Coverage**

TSH has taken the necessary measures to ensure that its assets such as buildings, mills, plants and machineries are adequately covered by insurance.

#### **6.2.9 Political, Economic and Regulatory Considerations**

Given the nature of the industry in which TSH operates, demand for its products and the growth of its business is dependent on the Malaysian economy and the economies of neighbouring countries. Any adverse developments or uncertainties in the political and social development in Malaysia and neighbouring countries may adversely affect its performance. Nevertheless, TSH will continue to adopt effective measures such as prudent financial management and efficient operating procedures, and will take the necessary precautionary actions where necessary.

#### **6.2.10 Land**

TSH has taken the necessary steps and measures to ensure that it complies with all conditions relating to its land titles including conditions relating to the use of its land and native ownership of a certain percentage of the affected land. In addition, TSH also ensures that the conditions stipulated will not materially affect its business operations and financial conditions prior to any land acquisition exercise.

#### **6.2.11 Weather Conditions**

TSH has implemented several measures to alleviate problems encountered as a result of unfavorable weather conditions i.e. floods and dry weather. For example, to mitigate issues arising from floods, TSH has adopted measures to construct bunds and water gates in low lying areas. During the dry weather, fire patrols are constantly on guard for any potential fire hazards and all palm oil mills and housing quarters are equipped with fire fighting equipment as an emergency. Water conservation in the form of silt pitting has also been implemented.

#### **6.2.12 Pests and Diseases**

Preventive measures adopted by TSH to eliminate pests and diseases include planting of beneficial plants to attract predators of insect pests, use of baits and natural predators of rodents, such as snakes. In addition, TSH also provides continuous education to its employees on the latest pest control methods, adopting and implementing good field hygiene and integrated pest management practices.

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Since the commencement of TSH's business operations, TSH has not experienced any outbreak of pest infection that has a significant impact on its daily operations.

### **6.3 Disclosure Regarding Forward Looking Statements**

All forward looking statements are based on estimates and assumptions made by TSH and although believed to be reasonable are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievement expressed or implied in such forward looking statements. Such factors include, inter alia, general economic and business conditions, competition, the impact of new laws and regulations affecting TSH and the industry, changes in interest rates and changes in foreign exchange rate.

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## 7.0 OTHER INFORMATION

### 7.1 Material Contracts

Save as disclosed in the sections under Recurrent Transactions in item 7.3 below, there were no material contracts entered into by the Issuer and TSH Group within the past two (2) years.

### 7.2 Material Litigation

None of the companies in TSH Group is engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the board of TSH does not have any knowledge of any proceedings, pending or threatened, by or against TSH Group or of any facts likely to give rise to any proceedings which might materially affect the position or business of TSH Group.

### 7.3 Recurrent Transactions

Pursuant to TSH's Annual General Meeting held on 20 May 2010, TSH had obtained a mandate from its shareholders ("**Shareholders Mandate**") to allow TSH and/or its subsidiaries to enter into Recurrent Transactions. Details of the Recurrent Transactions conducted between 21 May 2010 and 31 October 2010 pursuant to the Shareholders' Mandate were as follows:

Name of Companies	Related parties	Class of related party	Nature of Recurrent Transactions	Value of Transactions (RM)
TSH Plantation Sdn Bhd ("TSHP") and TSH Plantation Management Sdn Bhd ("TSHPM")	TSH-Wilmar Sdn Bhd ("TSH-W")	TSH-W is a jointly-owned company in which TSH holds 50% equity interest. Datuk (Dr.) Kelvin Tan Aik Pen is a Director and substantial shareholder of TSH. He also holds directorship in TSH-W. Tan Aik Kiong and Lim Fook Hin are Directors and shareholders of TSH and both of them also hold directorships in TSHP, TSHPM and TSH-W. Tan Aik Yong is an Alternate Director and shareholder of TSH. He also holds directorship in TSHP. Tan Aik Sim is a Director and shareholder of TSH and person connected to Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa, Tan Swee Luan and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong. Tan Aik Choon, Tan Ek Huat and Tan Aik Hwa are also directors of certain TSH subsidiaries. Cheong Sau Kum is a shareholder of TSH and person connected to Lim Fook Hin.	Sales of CPO	198,757,797

TSHP and TSHPM	TSH-W	Same as above.	Sales of palm kernel	34,910,998
TSHP and TSHPM	TSH-W	Same as above.	Purchase of CPO	Nil
TSHP	TSH-W	Same as above.	Provision of transportation	381,642
TSHP and TSHPM	TSH-Wilmar (BF) Sdn Bhd ("TSH-W (BF)")	TSH-W (BF) is a jointly-owned company in which TSH holds 50% equity interest. Datuk (Dr.) Kelvin Tan Aik Pen is a Director and substantial shareholder of TSH. He also holds directorship in TSH-W (BF). Tan Aik Kiong and Lim Fook Hin are Directors and shareholders of TSH and both of them also hold directorships in TSHP, TSHPM and TSH-W (BF). Tan Aik Yong is an Alternate Director and shareholder of TSH. He also holds directorship in TSHP. Tan Aik Sim is a Director and shareholder of TSH and person connected to Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa, Tan Swee Luan and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong. Tan Aik Choon, Tan Ek Huat and Tan Aik Hwa are also directors of certain TSH subsidiaries. Cheong Sau Kum is a shareholder of TSH and person connected to Lim Fook Hin.	Sales of palm oil wastes, namely empty fruit bunches, fiber, shell and etc	97,792
TSHP and TSHPM	Velocity Gain Sdn Bhd ("VGSB")	Tan Aik Kiong and Lim Fook Hin are Directors of TSH, TSHP, TSHPM and VGSB. They also hold direct and/or indirect shareholdings in TSH and VGSB. Tan Aik Yong is an Alternate Director of TSH and holds directorship in TSHP and VGSB. He also holds direct shareholding in TSH and indirect shareholding in VGSB. Ho Chui Mee Theresa is a director and shareholder of VGSB and person connected to Tan Aik Yong. Chin Chui Fong is a director of VGSB and person connected to Tan Aik Kiong. Lim Bek Yee and Cheong Sau Kum are shareholders of VGSB whilst	Purchase of oil palm fresh fruit bunches	515,212

		the latter is also a shareholder of TSH and Lim Ai Yee is a director of VGSB and all of them are persons connected to Lim Fook Hin.		
TSH Biotech Sdn Bhd ("TSH Biotech")	Serijaya Industri Sdn Bhd ("Serijaya")	<p>Serijaya is a wholly-owned subsidiary of Innoprise Plantations Berhad ("Innoprise"). TSH is a substantial shareholder of Innoprise. Datuk (Dr.) Kelvin Tan Aik Pen is a substantial shareholder and Director of TSH and he also holds directorships in Innoprise and Serijaya. Tan Aik Kiong is a Director of TSH and TSH Biotech and shareholder of TSH. Lim Fook Hin is a Director of TSH, TSH Biotech, Serijaya and Innoprise and he is also a shareholder of TSH. Tan Aik Yong is an Alternate Director and shareholder of TSH and he also holds directorship in TSH Biotech. Tan Aik Sim is a Director and shareholder of TSH and person connected to Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa, Tan Swee Luan and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong. Tan Aik Choon, Tan Ek Huat and Tan Aik Hwa are also directors of certain TSH subsidiaries. Cheong Sau Kum is a shareholder of TSH and person connected to Lim Fook Hin.</p>	Sales of tissue culture oil palm (ramets)	2,076,477
TSHP	Serijaya	Same as above.	Purchase of FFB	Nil

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## **8.0 CONFLICT OF INTEREST**

### **8.1 OCBC**

Under the IMTN Programme, OCBC will be assuming the role as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent. Notwithstanding, OCBC is of the view that by assuming multiple roles would not give rise to situation of conflict of interest with the following mitigating measures being adopted:

- (i) OCBC is a licensed commercial bank regulated by BNM and the SC, under inter alia, the Banking and Financial Institutions Act, 1989 and the CMSA.
- (ii) OCBC, in acting as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent shall be governed by legally binding transaction documents and agreements of the IMTN Programme specifying the rights, duties and responsibilities of OCBC in such relevant capacities.

### **8.2 Wong & Partners**

Wong & Partners has confirmed that there is no existing or potential conflict of interest in their capacity as the due diligence and legal documentation solicitors for the IMTN Programme.

### **8.3 Malaysian Trustees Berhad**

Malaysian Trustees Berhad has confirmed that there is no existing or potential conflict of interest in their capacity as the trustees for the IMTN Programme.

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**APPENDIX I**  
**Details of Trust Business**

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**Details of Trust Business**

1.	Sabahan Palm Oil Mill, erected on Title No(s). CL245337188, CL245337197, CL245337160, CL245339191, CL245337151, CL245337204, District of Lahad Datu, Locality of Sabahan, KM 38, Lahad Datu-Kunak Highway, Sabah
2.	Lahad Datu Palm Oil Mill, erected on Title No. CL095327218, District of Kinabatangan, Locality of Tenegang-Koyah, 48KM Off Lahad Datu – Sandakan Highway, Sabah

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**APPENDIX II**  
**Form of the Kafalah Guarantee**

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## KAFALAH AGREEMENT

**KAFALAH AGREEMENT NO.** [    ]

**DATE OF KAFALAH  
AGREEMENT** :

**DANAJAMIN** : **DANAJAMIN NASIONAL BERHAD** (Company No. 854686-K) a company incorporated in Malaysia and having its registered office at Level 25, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan (hereinafter referred to as “**Danajamin**” which expression shall include its successors-in-title and assigns).

**BENEFICIARY** : **MALAYSIAN TRUSTEES BERHAD** (Company No. 21666-V) a company incorporated in Malaysia and registered under the Trust Companies Act, 1948 whose registered office is at Level 19, Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, acting as trustee for and on behalf of the Sukukholders of the Guaranteed Sukuk (hereinafter referred to as the “**Beneficiary**” or the “**Trustee**”, which expression shall, whenever the context so admits, include such company and any other trustee or trustees for the time being appointed as trustee for the Sukukholders of the Guaranteed Sukuk).

**OBLIGOR** : **TSH SUKUK MUSYARAKAH SDN BHD** (Company No. 921869-V) a company incorporated in Malaysia and having its registered office at Level 10, Menara TSH, No. 8 Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur which expression shall, where the context permits, include its successors-in-title.

**EFFECTIVE DATE** : [*the effective date of each Kafalah Agreement shall coincide with the issue date of the Guaranteed Sukuk.*]

**EXPIRY DATE** : [*the expiry date of Kafalah Agreement to coincide with the maturity date of the Guaranteed Sukuk.*]

### 1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION

#### 1.1 Definitions

In this Kafalah Agreement:

“**Accelerated Payment**” means any payment in respect of the Guaranteed Obligations (in its entirety and not in part) in advance of the Scheduled Payment Date for such Guaranteed

Obligations made by Danajamin to the Account at Danajamin's sole option and in accordance with this Kafalah Agreement.

**"Accelerated Payment Date"** means any date on which Danajamin makes an Accelerated Payment.

**"Accelerated Payment Notice"** means a written notice issued by Danajamin to the Obligor and the Trustee pursuant to Clause 6 herein in the form and substance set out in Appendix 4 hereto.

**"Account"** means in respect of any payment made by Danajamin to the account specified in the Notice of Claim and Certificate.

**"Business Day"** means any day from Monday to Friday but excluding any day which is a public holiday or bank holiday in Kuala Lumpur.

**"Claim Period"** means thirty (30) days commencing from the day immediately after the Expiry Date and ending at [5.00] p.m. on the thirtieth (30<sup>th</sup>) day therefrom (both days inclusive).

**"Exercise Price"** means in relation to a Purchase Undertaking, such price payable by the Obligor to the Sukukholders to purchase such Sukukholders' interest in the Trust Business more particularly set out in the relevant Purchase Undertaking provided always that if the Exercise Price includes any Periodic Distribution (as defined in the Purchase Undertaking) under the Sukuk, such Periodic Distribution shall be limited to only one (1) Periodic Distribution.

**"Guaranteed Amount"** means the Exercise Price.

**"Guaranteed Sukuk"** means the Islamic medium term notes of nominal value of Ringgit Malaysia [\*\*] (RM\*) to be issued by the Obligor under the Programme under Series/Tranche No. [\*\*].

**"Guaranteed Obligations"** means the Obligor's payment obligations under the Purchase Undertaking.

**"Kafalah Facility"** means the Islamic guarantee facility in accordance with the Shariah principle of Kafalah granted by Danajamin to the Obligor to guarantee the payment obligations of the Obligor under the Purchase Undertakings (save and except for payment obligation in respect of ta'widh) upon the terms and subject to the conditions contained in the Kafalah Facility Agreement.

**"Kafalah Facility Agreement"** means the agreement dated [\* *insert date*] entered into between the Obligor and Danajamin, pursuant to which Danajamin has upon the request of the Obligor made available to the Obligor the Kafalah Facility.

**"Notice of Claim and Certificate"** means a Notice of Claim and Certificate in the form attached as Appendix 1 hereto, duly executed by the Trustee.

**"Obligor"** means **TSH SUKUK MUSYARAKAH SDN BHD** (Company No. 921869-V) a company incorporated in Malaysia and having its registered address at Level 10, Menara TSH, No. 8 Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur which expression shall, where the context permits, include its successors in title.

**"Paying Agent"** has the meaning ascribed to it in the Trust Deed.

“**Sukukholder**” means the holders of the Guaranteed Sukuk.

“**Sukuk**” means the Islamic medium term notes to be issued by the Obligor under the Programme.

“**Programme**” means the Islamic medium term notes programme under the Shariah principle of Musyarakah of up to the maximum aggregate nominal value of Ringgit Malaysia One Hundred Million (RM100,000,000.00) only, the terms and conditions of which are set out in the Programme Agreement.

“**Programme Agreement**” means the agreement made or to be made between (i) the Obligor; (ii) **OCBC BANK (MALAYSIA) BERHAD** (Company No. 295400-W) (as Lead Arranger); and (iii) **OCBC BANK (MALAYSIA) BERHAD** (Company No. 295400-W) (as Facility Agent) in relation to the Programme, as the same may from time to time be modified or amended.

“**Purchase Undertaking**” means the purchase undertaking dated [\*\*] between the Obligor and the Trustee attached hereto as Appendix 3 pursuant to which the Obligor undertakes to among others purchase the Sukukholders’ interest in the Trust Business at an exercise price which is equivalent to the Guaranteed Amount upon the terms and conditions contained therein.

“**Receipt**” means actual receipt by Danajamin at the address specified above prior to 5.00 p.m., Kuala Lumpur time, on a Business Day. Delivery either on a day that is not a Business Day or after 5.00 p.m. Kuala Lumpur time, shall be deemed to be received on the next succeeding Business Day;

“**Scheduled Payment Date**” means the date on which the Exercise Price which is equivalent to the Guaranteed Amount is payable under the Purchase Undertaking.

“**Sukukholders**” means the holders of the Guaranteed Sukuk.

“**Sukuk**” means the Islamic medium term notes to be issued by the Obligor under the Programme.

“**Transaction documents**” the transaction documents constituting and relating to the Guaranteed Sukuk more particularly defined in the Trust Deed.

“**Trust Deed**” means the trust deed constituting the Guaranteed Sukuk entered or to be entered into between the Obligor and the Trustee.

“**Trustee**” means **MALAYSIAN TRUSTEES BERHAD** (Company No. 21666-V) a company incorporated in Malaysia and having its registered address at Level 19, Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur and its correspondence address at Level 2, Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur and includes its successors in title.

“**TSH**” means **TSH RESOURCES BERHAD** (Company No. 49548-D) a company incorporated in Malaysia and having its registered address at Level 10, Menara TSH, No. 8 Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan and includes its successors in title.

Any capitalised terms not defined herein shall have the meaning ascribed to it in the Kafalah Facility Agreement.

## **1.2 Interpretations**

Headings and the table of contents are for ease of reference only.

Words importing the plural shall include the singular and vice versa.

The words “written” and “in writing” include any means of visible reproduction.

References to “Appendices”, “Clauses” and “Schedules” are to be construed as references to the appendices to, clauses of, and schedules to, this Kafalah Agreement. Any reference to a sub-clause or a paragraph is to a sub-clause or paragraph of the clause in which such reference appears.

Any reference to any statute or legislation includes all modifications or re-enactment to that statute or legislation and statutes, regulations, proclamations, ordinances, by-laws, published rulings, statements of policy or guidelines issued under or in relation to that statute having the force of law.

Any reference in this Kafalah Agreement to any other agreement or document is to that agreement or document as the same may be amended, varied, supplemented and/or substituted from time to time in accordance with its terms.

Any reference to “laws of Malaysia” shall be construed so as to include, without limitation, any Act, ordinance, statutory or municipal, rule, regulation, ruling, decree or order enacted, issued or decreed by the Parliament of Malaysia, the Government of Malaysia or any bureau, minister, agency, court, regulatory body, authority, legislative body or department thereof whether or not having the force of law (including, without limitation, Bank Negara Malaysia or any taxing, fiscal or other monetary authority thereof).

Save as otherwise provided in this Kafalah Agreement, any liberty or power which may be exercised or any determination which may be made under this Kafalah Agreement by Danajamin may be exercised or made in Danajamin’s absolute discretion without any obligation to give any reason therefor.

Time is of the essence with respect to this Kafalah Agreement.

The Schedules and Appendices to this Kafalah Agreement form an integral part of this Kafalah Agreement.

## **2. GUARANTEE**

- 2.1 Danajamin hereby irrevocably and unconditionally guarantees to the Trustee, upon the terms and subject to the conditions herein contained, the due and punctual payment by the Obligor of the Guaranteed Obligations as and when the same shall become due and payable but remaining unpaid by the Obligor, Provided That Danajamin’s maximum aggregate liability under this Kafalah Agreement shall not exceed the Guaranteed Amount.

## **3. PAYMENT**

- 3.1 Following Receipt of a Notice of Claim and Certificate in accordance with Clause 7, Danajamin will pay to the Trustee within ten (10) Business Days from the date of Receipt by Danajamin of the duly completed and signed Notice of Claim and Certificate. The amount

stated in the Notice of Claim and Certificate shall, in the absence of manifest error, be conclusive and binding on Danajamin, the Trustee, the Sukukholders and the Obligor.

- 3.2 Payments due under this Kafalah Agreement will be satisfied by payment in full by Danajamin to the Account. Payment in full to the Account shall discharge the obligations of Danajamin under this Kafalah Agreement to the extent of such payment, whether or not such payment is properly applied by or on behalf of the Trustee or the Paying Agent.
- 3.3 Once payment by Danajamin in respect of the Guaranteed Amount (whether on a Scheduled Payment Date or on an Accelerated Payment Date) has been made in the manner referred to above, Danajamin shall have no further obligation under this Kafalah Agreement in respect of such Guaranteed Amount.
- 3.4 It is hereby expressly agreed that the Trustee shall only be entitled to make one (1) claim on this Kafalah Agreement and thereafter Danajamin's obligations and liabilities (other than the payment of the monies claimed), if any, shall be discharged.

#### **4. SUBROGATION**

Danajamin shall be fully and automatically subrogated to the Trustee's and the Sukukholders' rights to payment of the Guaranteed Amount (including, without limitation, any rights and benefits attached to any security granted at law or by contract or otherwise for the Guaranteed Obligations) to the extent of any payments made by Danajamin pursuant to this Kafalah Agreement.

#### **5. WAIVER OF DEFENCES**

- 5.1 The obligations of Danajamin under this Kafalah Agreement will not be affected by:-
  - (a) any time, indulgence, waiver or consent at any time given to the Obligor, TSH or any other person;
  - (b) the making or absence of any demand on the Obligor, TSH or any other person for payment;
  - (c) the taking or the neglect or refusal to perfect or take up any guarantee, indemnity or security over the assets of the Obligor, TSH or any other persons;
  - (d) the enforcement, absence of enforcement or delay in enforcement of the Transaction documents and/or any other security, indemnity, guarantee and/or documents or failure to realise the full value of any security;
  - (e) the compromise, release, exchange or discharge of (including under the terms of any composition or arrangement) any rights against, any guarantee, indemnity or any security over the assets of, the Obligor, TSH or other person;
  - (f) the insolvency of the Obligor and/or TSH and/or the claiming, proving for, accepting or transferring any payment in respect of the liabilities under the Transaction documents or abstaining from so claiming, proving, accepting or transferring or any change, restructuring or termination in or of the corporate structure or existence of the Obligor, TSH or any other persons;
  - (g) subject to Clause 10 herein, any variation or amendment to this Kafalah Agreement,

the Transaction documents and/or any document or agreement relating to the issuance of the Guaranteed Sukuk or any other security, guarantee or indemnity; or

- (h) the illegality, invalidity or unenforceability of or any defect in any provisions of this Kafalah Agreement or the Transaction Documents or provision thereof.

## **6. ACCELERATION**

- 6.1 There shall be no Accelerated Payment of the Guaranteed Amount due under this Kafalah Agreement unless Danajamin in its sole option decides to exercise its rights to make an Accelerated Payment. If Danajamin intends to make an Accelerated Payment, it shall deliver to the Trustee the Accelerated Payment Notice duly executed by an authorised officer of Danajamin, notifying the Trustee and the Obligor of the exercise of its option hereunder. The Accelerated Payment Notice shall be delivered by hand to the address of the Trustee stated above or such other address as the Trustee shall have notified to the Guarantor in writing prior to the issuance of the Accelerated Payment Notice and shall be deemed delivered on the day of delivery provided that delivery is made on a Business Day on or before 5.00 p.m. and acknowledged receipt on such date of delivery. If delivery is made and acknowledged receipt after 5.00 p.m. on such date of delivery (which is a Business Day) or on a non-Business Day, such notice or communication shall be deemed to have been received on the following Business Day.
- 6.2 Upon receipt by the Trustee of the Accelerated Payment Notice, the Trustee shall within five (5) Business Days thereof (“**Accelerated Claim Period**”) issue a Notice of Claim and Certificate pursuant to Clause 7.1 herein to Danajamin, failing which the liability and obligations of Danajamin hereunder shall be discharged with effect from the date of expiry of the Accelerated Claim Period without any further notice to or consent of the Trustee.
- 6.3 All Accelerated Payment made by Danajamin shall be paid into the Account.
- 6.4 It is hereby expressly agreed that in the event Danajamin issues the Accelerated Payment Notice under this Kafalah Agreement:
  - (a) Danajamin reserves the right but shall not be obliged to issue any other accelerated payment notice under any other Kafalah Agreements issued or to be issued from time to time by Danajamin under the Kafalah Facility; and
  - (b) it shall not be deemed as an event of default and/or dissolution event under the Trust Deed in respect of the other Guaranteed Sukuk issued under the Programme unless a similar accelerated payment notice is issued in respect of the other Guaranteed Sukuk.
- 6.5 It is hereby expressly agreed that in the event Danajamin is in Receipt of a Notice of Claim and Certificate in accordance with Clause 7 herein:
  - (a) Danajamin reserves the right but shall not be obliged to issue any other accelerated payment notice under any other Kafalah Agreements issued or to be issued from time to time by Danajamin under the Kafalah Facility; and
  - (b) it shall not be deemed as an event of default and/or dissolution event under the Trust Deed in respect of the other Guaranteed Sukuk issued under the Programme unless Danajamin is in Receipt of a similar Notice of Claim and Certificate issued (in accordance with its terms) by the Trustee in respect of the Kafalah Agreement for the other Guaranteed Sukuk.

## **7. NOTICE OF CLAIM AND CERTIFICATE**

- 7.1 Payments of the Guaranteed Amount will only be made after Receipt by Danajamin of a validly completed Notice of Claim and Certificate signed by the Trustee on or before 5.00 p.m. on or before the expiry of the Claim Period.
- 7.2 If any Notice of Claim and Certificate is not in the proper form or is not properly completed, executed or delivered, it will be deemed to be invalid and ineffective and Danajamin shall not be obliged to pay the amount claimed under such Notice of Claim and Certificate.

## **8. ENTIRE AGREEMENT**

- 8.1 This Kafalah Agreement (including the Schedules hereto) constitutes the entire agreement between Danajamin and the Trustee in relation to Danajamin's obligations to make payments to the Trustee in respect of the Guaranteed Amount and supersedes and replaces any previous agreement or understanding that may have existed between the Obligor and the Trustee in relation to such payments.

## **9. TERMINATION**

- 9.1 The liability of Danajamin under this Kafalah Agreement shall terminate:
- (a) at 5.00 p.m. on the last day of the Claim Period if Danajamin has not received a valid Notice of Claim and Certificate in accordance with Clause 7 on or before 5.00 p.m.;  
or
  - (b) upon payment of the amount claimed under the Notice of Claim and Certificate presented to Danajamin in accordance with Clause 7 herein; or
  - (c) upon redemption of the Guaranteed Sukuk prior to the Expiry Date in such manner as provided in the Trust Deed pursuant to an Early Dissolution (as defined in Clause 4.3 of the Trust Deed) and this Kafalah Agreement has been returned to Danajamin for cancellation,

whichever is the earlier. Thereafter, this Kafalah Agreement shall automatically terminate and be cancelled and shall be considered null and void irrespective of whether or not this Kafalah Agreement is returned to Danajamin for cancellation (save and except where the circumstances of termination is related to sub-clause (c) above) and no claim hereunder shall be valid.

## **10. AMENDMENTS AND VARIATIONS**

Notwithstanding any provisions in this Kafalah Agreement, any amendments, modifications, variations, insertion, additions, substitutions or otherwise to the purpose and the utilisation of the proceeds of each issuance of the Guaranteed Sukuk under the Programme and/or the dissolution events and/or events of default in the Transaction documents and which are set out in Appendix 2 hereto would require the prior written consent of Danajamin failing which this Kafalah Agreement shall automatically terminate and the obligations of Danajamin shall be discharged with effect from the date of such variation without any further notice or consent of the Beneficiary.

## **11. ASSIGNMENT AND TRANSFER**

Each party shall not assign and/or transfer any of its rights or obligations pursuant to this Kafalah Agreement without the prior written consent of the other party save and except in the event that the Trustee is replaced or substituted and prior written notice of such replacement or substitution shall have been provided to Danajamin before issuance of the Notice of Claim and Certificate by the Trustee.

## **12. REPRESENTATIONS AND WARRANTIES**

Danajamin represents and warrants to the Trustee that:-

- (a) it is duly incorporated and validly existing under the laws of Malaysia;
- (b) it has full power and authority to (i) execute and deliver this Kafalah Agreement and (ii) comply with the provisions of and perform all its obligations under this Kafalah Agreement;
- (c) it has taken and obtained all necessary actions to authorise the execution, delivery of this Kafalah Agreement and this Kafalah Agreement constitutes its legal, valid and binding obligations enforceable against it in accordance with its terms;
- (d) the entry into and performance by it of this Kafalah Agreement does not and will not violate in any respect (i) any laws or regulation of any governmental or official authority or body; or (ii) its constitutional documents; or (iii) any agreement, contract or other undertaking to which it is a party or which is binding upon it or any of its assets;
- (e) all consents, licences, approvals and authorisations required in connection with the entry into, performance, validity and enforceability of this Kafalah Agreement and the transactions contemplated hereby have been obtained and are in full force and effect; and
- (f) in any proceedings taken in Malaysia in relation to this Kafalah Agreement, it will not be entitled to claim for itself or any of its assets, immunity from suit, execution, attachment or other legal process and to the extent it may not or hereafter acquire any such right of immunity, it hereby irrevocably waives such rights of immunity.

## **13. GOVERNING LAW AND JURISDICTION**

This Kafalah Agreement will be governed by and construed in accordance with the laws of Malaysia and the courts of Malaysia shall have non-exclusive jurisdiction to settle any dispute arising from or connected with this Kafalah Agreement (including a dispute regarding the existence, validity or termination of this Kafalah Agreement) or the consequences of its nullity.

## **14. STAMPING**

IT IS HEREBY AGREED AND DECLARED THAT this Kafalah Agreement constitutes one of the several instruments relating to the issue of **Ringgit Malaysia One Hundred Million (RM100,000,000.00)** only bearer Guaranteed Sukuk to be issued or issued by the

Obligor pursuant to the Programme and this Kafalah Agreement is exempted from the stamp duty pursuant to a letter from the Ministry of Finance to Bank Negara Malaysia dated 7 August 2009 bearing stamp duty reference DS 56/2009, issued pursuant to Section 80(1A) of the Stamp Act 1949.

IN WITNESS WHEREOF, the Parties have hereunto set their respective hands and seals the day and year first before written.

**DANAJAMIN**

SIGNED BY )  
for and on behalf of )  
**DANAJAMIN NASIONAL BERHAD** )  
(Company No. 854686-K) )  
in the presence of:- )

.....  
Name of witness:  
NRIC No.:

.....  
Name of signatory:  
NRIC No.:

**THE TRUSTEE**

The Common Seal of )  
**MALAYSIAN TRUSTEES BERHAD** )  
(Company No. 21666-V) was hereunto )  
duly affixed in the presence of:- )  
)

.....  
Director  
Name:  
NRIC No.:

.....  
Director/Secretary  
Name:  
NRIC No.:

**APPENDIX 1**  
**Form of Notice of Claim and Certificate**

*[To be adopted on the letterhead of Trustee]*

Date:

**DANAJAMIN NASIONAL BERHAD**

Level 25, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
("Danajamin")

**Attention: Director, Underwriting**

The undersigned, a duly authorised officer of the Trustee, hereby certifies to Danajamin the following, with reference to Kafalah Agreement No. [\*] dated [\*] ("**Kafalah Agreement**") issued by Danajamin in respect of TSH Sukuk Musyarakah Sdn Bhd and the Islamic medium term notes of Ringgit Malaysia [\*\*] (RM\*\*) and more particularly referred to in the Global Certificate bearing Series/Tranche No. [\*] ("**Guaranteed Sukuk**"):-

- (a) the Trustee is the trustee under the Trust Deed for the Sukukholders of the Guaranteed Sukuk;
- (b) the Trustee hereby demands the sum of Ringgit Malaysia [specify amount] RM[\*\*] under the Kafalah Agreement ("**Claimed Amount**") being the Exercise Price payable under the Purchase Undertaking;
- (c) the Claimed Amount represents the unpaid Guaranteed Amount due and payable by the Obligor under the Purchase Undertaking and which the Obligor has failed to pay in accordance with the terms of the Purchase Undertaking; and
- (d) payment should be made by Danajamin in Ringgit Malaysia by credit to an account of [the Trustee/Paying Agent] at [\*account details] with [\*bank details].

Unless the context otherwise requires, capitalised terms used in this Notice of Claim and Certificate and not defined herein shall have the meanings provided in the Kafalah Agreement.

This Notice of Claim and Certificate shall be governed by and construed in accordance with the laws of Malaysia.

IN WITNESS WHEREOF the Trustee has executed and delivered this Notice of Claim and Certificate as of the        day of                                        20

Yours faithfully

.....  
For and on behalf of  
**MALAYSIAN TRUSTEES BERHAD**  
(Company No. 21666)  
as Trustee for the Sukukholders

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**APPENDIX 2**  
**Dissolution Events**

Any of the following events shall constitute a Dissolution Event:-

(a) **Non-payment:**

- (1) the Obligor fails to pay any amount due from it under any Series of the Sukuk. For the purposes of this sub-clause (a)(1), failure by the Obligor to pay any amount due from it under a Series of the Sukuk shall not constitute a Dissolution Event in respect of the other Series of the Sukuk issued under the Programme unless the Obligor has also failed to pay any amount due from it under the other Series of the Sukuk; or
- (2) the Obligor fails to pay any amount due from it under any of the Transaction Documents to which it is a party (other than under sub-clause (a)(1) above) on the due date or date of demand, if so payable;

(b) **Other Breaches:**

the Obligor breaches any of its obligations or terms and conditions under any of the Transaction Documents to which it is a party (other than under sub-clause (a) above (*Non-payment*)) which has a Material Adverse Effect and, if such breach in the reasonable opinion of the Trustee is capable of being remedied, the Obligor does not remedy the breach within a period of thirty (30) days after the Obligor became aware or having been notified by the Trustee of the breach, whichever is earlier;

(c) **Misrepresentation:**

any representation, warranty or statement which is made by the Obligor in the Transaction Documents is or proves to be incorrect or misleading in any material respect, which will in the reasonable opinion of the Trustee have a Material Adverse Effect;

(d) **Invalidity:**

any provision of the Transaction Documents is or becomes, for any reason, invalid, illegal, void or unenforceable which would prevent the Obligor from or entitle the Obligor to refrain from performing any of its obligations thereunder;

(e) **Cessation of Business:**

the Obligor ceases to carry on all or a substantial part of its business operation as at the date of the Trust Deed, which will in the reasonable opinion of the Trustee have a Material Adverse Effect;

(f) **Appointment of receiver, legal process:**

an encumbrancer takes possession of, or a trustee, liquidator, receiver or similar officer is appointed in respect of, all or a substantial part of the business, assets or undertaking of the Obligor and is not paid out, withdrawn or discharged within thirty (30) days of such appointment, and which will have a Material Adverse Effect;

(g) **Insolvency:**

the Obligor is unable to pay its debts within Section 218(2) of the Companies Act, 1965 and the Obligor has not taken any action in good faith to set aside such claims within twenty one (21) days from the date of service of such claims for payment;

(h) **Winding up:**

a resolution being passed or an order of court is made that the Obligor be wound up or similar proceedings which are reasonably determined by the Trustee to be analogous in effect being instituted (other than for the purposes of an intra Group reorganisation on a solvent basis or an amalgamation, merger or reconstruction the terms whereof have previously been approved by the Trustee unless during or following such reconstruction the Obligor becomes or is declared to be insolvent); or a bona fide petition (which for the avoidance of doubt, excludes frivolous or vexatious petition) is presented for the winding-up or dissolution of the Obligor by an order of a court of competent jurisdiction unless such petition is stayed, withdrawn or dismissed within sixty (60) days (or such extended period as the Trustee may consent, such consent not to be unreasonably withheld) of its presentation; or the Obligor undergoes any scheme of reconstruction, arrangement or compromise pursuant to Section 176 of the Companies Act or the same has been instituted against it;

(i) **Assets:**

all or a material part of the property or assets of the Obligor shall be condemned, seized or otherwise appropriated, nationalised or compulsorily acquired by any person acting under the authority of the governmental body, which will in the reasonable opinion of the Trustee have a Material Adverse Effect;

(j) **Kafalah Agreements:**

Danajamin has served a notice to require the Trustee to make a demand or claim on any Kafalah Agreement pursuant to and in accordance with the terms of the Kafalah Facility and the Kafalah Agreement. For the purpose of this sub-clause (j), such notice by Danajamin requiring the Trustee to demand or claim on a Kafalah Agreement issued in relation to a Series of the Sukuk shall not constitute a Dissolution Event in respect of the other Series of the Sukuk unless Danajamin has also served a notice to the Trustee to make a demand or claim on the Kafalah Agreements issued in relation to other Series of the Sukuk;

(k) **Composition:**

the Obligor makes a general assignment or enters into an arrangement or composition with or for the benefit of its creditors in respect of all or a material part of (or a particular type of) its indebtedness;

(l) **Repudiation:**

the Obligor repudiates any of the Transaction Documents or the Obligor does or causes to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents;

(m) **Cross-default:**

save for such indebtedness which are being contested in good faith by the Obligor, any indebtedness of any member of the Group for monies borrowed becomes due or payable or capable of being declared due or payable prior to its stated maturity by reason of a default by any member of the Group in its obligations in respect of the same, or any member of the Group fails to make any payment in respect thereof on the due date for such payment or if due on demand when demanded or the security for any such indebtedness becomes enforceable or any guarantee or similar obligations of any member of the Group for any such indebtedness is not discharged at maturity or when called provided that no Dissolution Event under this sub-clause (m) shall occur if the aggregate amount of indebtedness for monies borrowed is less than fifty per centum (50.0%) of the Group's total borrowed monies (including Islamic financing but excluding the Sukuk) or Ringgit Malaysia One Hundred Million (RM100,000,000.00), whichever is the higher;

(n) **Judgment Passed:**

the Obligor fails to satisfy any judgment which has a Material Adverse Effect passed against it by any court of competent jurisdiction and no appeal against such judgment has been made to the appropriate appellate court within the time prescribed by law or such appeal has been dismissed;

(o) **Events relating to Danajamin:**

the occurrence of any of the following events in respect of Danajamin:

- (i) the Kafalah Agreement ceases to be, or is claimed by Danajamin not to be, in full force and effect;
- (ii) it is or will become unlawful for Danajamin to perform or comply with any one or more of its obligations under the Kafalah Agreement;
- (iii) a resolution being passed or an order of court is made that Danajamin be wound up or similar proceedings which are reasonably determined by the Trustee to be analogous in effect being instituted or a bona fide petition (which for the avoidance of doubt, excludes frivolous or vexatious petition) is presented for the winding-up or dissolution of Danajamin by an order of a court of competent jurisdiction unless an application to stay, withdraw or dismiss such petition has been filed by Danajamin with the relevant authority within thirty (30) days of its presentation and such petition is stayed, withdrawn or dismissed within seventy five (75) days of its presentation;
- (iv) other than such failure by Danajamin as described in sub-clause (o)(vi) below, Danajamin stops or threatens to stop payment in respect of its obligations generally or any other debenture of or monies borrowed or any guarantee or indemnity given by Danajamin is not honoured when due and called upon or any indebtedness of Danajamin for monies borrowed becomes due or payable or capable of being declared due or payable prior to its stated maturity by reason of a default by Danajamin in its obligations in respect of the same, or Danajamin fails to make any payment in respect thereof on the due date for such payment or if due on demand when demanded or the security for any such indebtedness becomes enforceable or any guarantee or similar obligations of Danajamin is not discharged at maturity or when called provided that the aggregate amount of Danajamin's obligations in respect of

- 
- which one or more of the events set out in this sub-clause (o)(iv) has occurred equals to or exceeds Ringgit Malaysia One Hundred Million (RM100,000,000.00);
- (v) Danajamin ceases to carry on its business operation;
  - (vi) Danajamin fails to pay any amount due from it under any Kafalah Agreement issued by Danajamin in relation to the Programme when due and called upon;
  - (vii) Danajamin shall default in the performance of any covenant (other than the covenant to pay) in the Kafalah Agreement and, if such default is in the reasonable opinion of the Trustee capable of remedy, such default shall continue for a period of thirty (30) days after written notice thereof shall have been given to Danajamin by the Trustee and such event is materially prejudicial to the interests of the Sukukholders;
  - (viii) any representation, warranty or statement which is made by Danajamin in the Kafalah Agreement is or proves to be incorrect or misleading in any material respect;
  - (ix) Danajamin repudiates the Kafalah Agreement or does or causes to be done any act or thing evidencing an intention to repudiate the Kafalah Agreement;
  - (x) Danajamin declares a moratorium on the payment of the principal or profit/interest on its indebtedness;
  - (xi) Danajamin is unable to pay its debts within Section 218(2) of the Companies Act, 1965 and Danajamin has not taken any action in good faith to set aside such claims within twenty one (21) days from the date of service of such claims for payment;
  - (xii) an encumbrancer takes possession of, or a trustee, liquidator, receiver or similar officer is appointed in respect of, all or a substantial part of the business, assets or undertaking of Danajamin and is not paid out, withdrawn or discharged within thirty (30) days of such appointment, and which will in the reasonable opinion of the Trustee have a Material Adverse Effect; or
  - (xiii) Danajamin makes a general assignment or enters into an arrangement or composition with or for the benefit of its creditors in respect of all or a material part of (or a particular type of) its indebtedness.

**APPENDIX 3**  
**The Purchase Undertaking**

[on the letterhead of TSH Sukuk Musyarakah Sdn Bhd]

Nominal Value:

Issue Date:

Maturity Date:

Tenor:

Date:

**MALAYSIAN TRUSTEES BERHAD**

(Company No. 21666-V)

Level 2, Menara Prudential

No.10, Jalan Sultan Ismail

50250 Kuala Lumpur

(as Trustee)

**Attn: General Manager**

Dear Sirs

**PURCHASE UNDERTAKING IN RELATION TO  
THE ISSUE REQUEST DATED**

All terms used in this letter shall have the same meaning as provided in the deed (“**Trust Deed**”) made or to be made between us and the Trustee.

IN CONSIDERATION OF the Lead Manager agreeing to make available the Programme to us and, the Sukukholders (“**Relevant Sukukholders**”) of the Sukuk with details set out at the top of this undertaking (“**Relevant Sukuk**”) agreeing to purchase and/or subscribe to the Relevant Sukuk, we, **TSH SUKUK MUSYARAKAH SDN BHD** (Company No. 921869-V), hereby irrevocably and unconditionally undertake to acquire the Relevant Sukukholders’ interest in the Trust Business on the Maturity Date as provided above or such date upon which a Dissolution Event is declared under the Trust Deed or such date upon which an Early Dissolution Event occurs at the Exercise Price by paying the amount payable under this Purchase Undertaking. The amount payable under this Purchase Undertaking which for all intents and purposes and notwithstanding any provision hereof or any Transaction Document, shall be determined in the following manner:-

- (a) if the obligation to acquire the Relevant Sukukholders’ interest in the Trust Business falls on the Maturity Date as provided above, the amount payable shall be such amount equivalent to the Nominal Value of the outstanding maturing Relevant Sukuk;
- (b) if the obligation to acquire the Relevant Sukukholders’ interest in the Trust Business falls on the date of the declaration of a Dissolution Event:-

$$\text{Amount payable} = \text{FV} + [\text{FV} \times (\text{R}/2) \times (\text{T}/ \text{number of days in the relevant Periodic Distribution Period})]$$

Where:

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FV	=	the Nominal Value of the Sukuk
R	=	the applicable Periodic Distribution Rate
T	=	the number of days from (and including) the last Periodic Distribution Date to (and excluding) the date of declaration of Dissolution Event

- (c) if the obligation to acquire the Relevant Sukukholders' interest in the Trust Business falls on a date of an Early Dissolution:-

$$\text{Early Redemption Proceeds} = \frac{(\text{ANV} \times \text{RP})}{100}$$

Where:

ANV = Aggregate Nominal Value of the Sukuk to be redeemed

RP = early redemption price per RM100.00 of the Nominal Value of the Sukuk to be redeemed (rounded to the nearest 2 decimal places) subject to a minimum of RM100.00 calculated based on the formula set out below:

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

For the avoidance of doubt, the aggregate redemption proceeds payable by the Issuer shall include accrued profits, if any.

Where:

Profit = the profit rate applicable to the relevant Series

YTM = the lower of:

- (a) the Profit; and
- (b) the yield to maturity of Reference Malaysian Government Securities ("MGS") + a spread of X basis point ("**Spread**").

The Spread shall be mutually agreed and determined by the Lead Arranger and the Issuer three (3) Business Days prior to the issuance of each Series of the Sukuk.

Reference MGS shall be the MGS for tenures which are equal to the remaining tenure of the Series being redeemed and shall be determined from:

- (1) the latest consolidated Government Securities Rates published by BNM daily, one (1) Business Day prior to the date of issue of notice of redemption; or
- (2) if (1) above is unavailable, 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 at primary issues of MGS), one (1) Business Day prior to the date of issue of the notice of redemption.

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 Series is not an integer, the Reference MGS shall be the arithmetic mean of the rates of the two (2) nearest tenures derived from (1) or (2) above.

$N$  = the number of Periodic Distribution Dates between the date of Early Dissolution and the Maturity Date.

$K$  = 1,2,3....  $N$ .

Every payment due and payable under the Relevant Sukuk made by the Issuer relating to such Relevant Sukuk shall be satisfaction pro tanto of the obligations of the Issuer under this letter.

The calculation of the Calculation Agent in respect of the amount payable under this Purchase Undertaking, in the absence of manifest error, shall be final, binding and conclusive.

If the Issuer shall fail to settle any moneys due hereunder (whether after a demand is made or not), the Issuer shall pay to the Sukukholders and/or the Trustee for the account of the Sukukholders compensation on such overdue amounts (without any compounding) at the rate and manner as may be prescribed by the Securities Commission and endorsed by the Shariah Advisory Council at the Securities Commission or other Shariah council recognised by the Securities Commission from time to time.

This letter and its content cannot be revoked or rescinded by us in anyway whatsoever unless otherwise agreed in writing by the Trustee acting upon the instructions of the Sukukholders by way of an Extraordinary Resolution and shall terminate upon full settlement of payments due and payable under the Relevant Sukuk pursuant to this letter.

Upon (i) the declaration of a Dissolution Event under the Trust Deed, (ii) an Early Dissolution Event or (iii) the Maturity Date of the Relevant Sukuk, whichever is the earlier, the Issuer shall acquire on Dissolution Date, the Relevant Sukukholders' interest in the Trust Business from these Sukukholders at the Exercise Price by executing the Transfer Agreement (in the form as attached in the Appendix) and delivering a copy of the duly executed Transfer Agreement to the Trustee whereupon the amount payable shall be at the amount payable determined in the manner as provided in this Purchase Undertaking and thereafter the Musyarakah Venture relating to the Relevant Sukuk shall be dissolved. Upon the occurrence of such event, the Relevant Sukukholders undivided beneficial interest in the Trust Business shall be transferred to the Issuer notwithstanding that the amounts due under this Purchase Undertaking have not been fully paid, but without prejudice to the rights of the Relevant Sukukholders to recover such sums as are due to them under this Purchase Undertaking. In the event the Issuer fails to execute the Transfer Agreement, the Issuer hereby irrevocably and unconditionally authorise the Trustee to execute such Transfer Agreement on its behalf, for the benefit of the Relevant Sukukholders at the costs of the Issuer with indemnity against all costs, charges and expenses (including but not limited to legal expenses) incurred thereof.

This letter is governed and shall be construed in accordance with the laws of Malaysia.

Yours faithfully  
For and on behalf of  
**TSH SUKUK MUSYARAKAH SDN BHD**  
(Company No. 921869-V)

.....  
Authorised Signatory  
Name:  
Designation:

## APPENDIX 4

### Form of Transfer Agreement

**THIS TRANSFER AGREEMENT** is made on \_\_\_\_\_ between:

- (1) **MALAYSIAN TRUSTEES BERHAD** (Company No. 21666-V) (“**Trustee**”) as trustee for the Sukukholders; and
- (2) **TSH SUKUK MUSYARAKAH SDN BHD** (Company No. 921869-V) (“**Issuer**”)

#### RECITALS

- (A) The Issuer has issued the medium term notes as more particularly described below (“**Sukuk**”) pursuant to an Islamic medium term notes issuance programme of Ringgit Malaysia One Hundred Million (RM100,000,000.00).
- (B) The Trustee on behalf of the Sukukholders, is the owner of such part of the Trust Business as more particularly described below (“**Trust Business Portfolio**”).
- (C) In connection with such Sukuk, the Trustee has agreed to sell and the Issuer has agreed to buy the Trust Business Portfolio, upon the terms and subject to the conditions of this Agreement and the purchase undertaking dated [\*\*] (“**Purchase Undertaking**”) between the Issuer and the Trustee.

#### 1. INTERPRETATION

Words and expressions defined in the Purchase Undertaking shall, save as otherwise defined herein or unless the context otherwise requires, bear the same meaning in this Agreement. In this Agreement, the following expressions have the following meanings respectively:

Sukuk *[\*insert description of the relevant Tranche of Sukuk or all outstanding Tranche of Sukuk, as the case may be, eg issue date, tenure, etc]*

Trust Business Portfolio such part of the Trust Business as described below:

*[\*insert description of relevant Trust Business]*

#### 2. TRANSFER OF TRUST BUSINESS PORTFOLIO

Subject to the terms and conditions of the Purchase Undertaking, the Trustee hereby sells and transfers to the Issuer and the Issuer hereby purchases and accepts the transfer of, the Trust Business Portfolio.

#### 3. SUPPLEMENTAL AGREEMENT

This Agreement is a Transfer Agreement as that term is used in the Purchase Undertaking. The provisions of the Purchase Undertaking are incorporated into this Agreement mutatis mutandis.

4. PASSING OF TITLE

The title of the Trust Business Portfolio shall pass to the Issuer upon the signing of this Agreement where:

- (a) the Trustee shall be deemed to have assigned all its rights, title and interest to and in the Trust Business Portfolio to the Issuer; and
- (b) the Sukukholders shall be deemed to have assigned all their beneficial rights, title and interest to and in the relevant Trust Business Portfolio to the Issuer.

5. GOVERNING LAW

This Agreement is governed by, and shall be construed in accordance with the laws of Malaysia. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the Malaysian courts.

**IN WITNESS WHEREOF** the parties hereto have hereunto affixed their respective common seals in the presence of their respective officers duly authorised the day and year first above written.

**THE TRUSTEE**

The Common Seal of )  
**MALAYSIAN TRUSTEES BERHAD** )  
(Company No. 21666-V) )  
was hereunto affixed in the presence of:- )

.....  
Director

.....  
Director/Secretary

**THE ISSUER**

The Common Seal of )  
**TSH SUKUK MUSYARAKAH SDN BHD** )  
(Company No. 921869-V) )  
was hereunto duly affixed )  
in the presence of:- )

.....  
Director

.....  
Director/Secretary

**APPENDIX 4**  
**Accelerated Payment Notice**

*[To be adopted on the letterhead of Danajamin Nasional Berhad]*

Date:

**MALAYSIAN TRUSTEES BERHAD**

(Company No. 21666-V)  
(as Trustee for the Sukukholders)

Attention: [\*\*]

By Registered Post/Facsimile

**TSH Sukuk Musyarakah Sdn Bhd**

[address]

Attention: [\*\*]

By Registered Post/Facsimile

**KAFALAH AGREEMENT NO [\*] (“KAFALAH AGREEMENT”)**

The undersigned, a duly authorised officer of Danajamin Nasional Berhad, hereby notifies you that an Event of Default has been declared under the Kafalah Facility Agreement.

Pursuant to the declaration of an Event of Default under the Kafalah Facility Agreement, we hereby notify you that we, Danajamin Nasional Berhad intend to make an Accelerated Payment.

Unless the context otherwise requires, capitalised terms used in this Accelerated Payment Notice and not defined herein shall have the meanings provided in the Kafalah Agreement.

This Accelerated Payment Notice shall be governed by and construed in accordance with the laws of Malaysia.

IN WITNESS WHEREOF, Danajamin Nasional Berhad has executed and delivered this Accelerated Payment Notice as of the     day of                                     20

Yours faithfully

.....  
For and on behalf of  
**DANAJAMIN NASIONAL BERHAD**  
(Company No. 854686-K)

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**APPENDIX III**  
**TSH's Audited Financial Statements For Financial Years Ended 31 December 2009 and**  
**TSH's Unaudited Financial Statements For the Third Quarter Ended 30 September 2010**

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**THE ISSUER**

**TSH Sukuk Musyarakah Sdn Bhd**

(Company No. 921869-V)

**PRINCIPAL ADVISER / LEAD ARRANGER / LEAD MANAGER**

**OCBC Bank (Malaysia) Berhad**

(Company No. 295400-W)  
13<sup>th</sup> Floor Menara OCBC  
18 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia

**TRUSTEE**

**Malaysian Trustees Berhad**

(Company No. 21666-V)  
Level 2, Menara Prudential  
No. 10, Jalan Sultan Ismail  
50250 Kuala Lumpur

**FACILITY AGENT**

**OCBC Bank (Malaysia) Berhad**

(Company No. 295400-W)  
13<sup>th</sup> Floor Menara OCBC  
18 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia

**SOLICITORS**

**Wong & Partners**

Suite 21.01, Level 21  
The Gardens South Tower, Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

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