

## Pengurusan Air Selangor Sdn. Bhd. (Air Selangor or the Issuer)

**Issuance of Islamic Medium Term Notes (IMTNs) pursuant to Islamic Medium Term Note Programme (IMTN Programme) of up to RM10.0 Billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement).**

### Principal Terms and Conditions

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#### (A) CORPORATE INFORMATION OF ISSUER

- (1) Name : Pengurusan Air Selangor Sdn. Bhd. (“Air Selangor” or the “Issuer”)
- (2) Address : Level 4, Air Selangor Head Office, Jalan Pantai Baharu, 59200 Kuala Lumpur.
- (3) Date of incorporation: 26 February 2014
- (4) Place of incorporation : Malaysia
- (5) Business registration: 201401006213 (1082296-U)  
number
- (6) Residence status : Resident Controlled Company
- (7) Place of listing : Not Listed
- (8) Date of listing : Not Listed
- (9) Principal activities : Owning a public water supply system and/or public sewerage system and/or operating a water supply system and/or sewerage system for the purpose of providing treated water or sewerage services to the public. Air Selangor has officially become the sole licensee for water treatment and distribution to consumers in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya effective on 13 September 2019 after obtaining the individual licence granted to it under the Water Services Industry Act 2006.
- (10) Issued and paid-up : The issued and paid-up capital of the Issuer as at 31 August 2020  
share capital is RM13,503,215,926.00 comprising 10,813,342,492 ordinary shares.
- (11) Structure of : Shareholding as at 31 August 2020, being the latest practicable date (“LPD”):  
shareholdings and  
names of  
shareholders or, in  
the case of a public  
company, names of

Name	No. of shares held	% of shareholding
Air Selangor Holdings Berhad ( <i>formerly</i> )	10,813,342,492	100

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all substantial  
shareholders

<i>known as Kumpulan Darul Ehsan Berhad)</i>		
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(12) Board of directors :

No.	Name
1	Dato' Seri Amirudin Bin Shari
2	Dato' Mohd Amin Bin Ahmad Ahya
3	Dato' Teo Yen Hua
4	Dato' Nor Azmie Bin Diron
5	Suhaimi Bin Kamaralzaman
6	Marina Yong Poh Nyuk
7	Ir Izham Bin Hashim

(13) Disclosure of the following :

- (i) If the issuer or its board members have been convicted or charged with any offence under any securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, or if any action has been initiated against the issuer or its board members : None.

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for breaches of the same, for the past ten years prior to the lodgement/ since incorporation (for issuer incorporated less than ten years)

- (ii) If the issuer has: Not applicable.  
been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the lodgement

**(B) PARTIES TO THE TRANSACTION**

**(a) Origination**

No.	Roles	Name of parties
1	Issuer	Air Selangor
2	Principal Adviser	Bank Islam Malaysia Berhad
3	Lead Arranger	Bank Islam Malaysia Berhad ("Bank Islam")
4	Solicitors	Shook Lin & Bok
5	Shariah Adviser	Bank Islam
6	Credit Rating Agency	RAM Rating Services Berhad ("RAM Ratings")

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7	Sukuk Trustee	Malaysian Trustees Berhad ("MTB")
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**(b) At the point of distribution**

No.	Roles	Name of parties
1	Issuer	Air Selangor
2	Lead Manager	Affin Hwang Investment Bank Berhad
3	Lead Manager	Bank Islam
4	Lead Manager	CIMB Investment Bank Berhad
5	Lead Manager	Maybank Investment Bank Berhad
6	Lead Manager	OCBC Al-Amin Bank Berhad
7	Facility Agent	Bank Islam
8	Central Depository	Bank Negara Malaysia ("BNM")
9	Paying Agent	BNM

**(c) After distribution**

No.	Roles	Name of parties
1	Issuer	Air Selangor
2	Principal Adviser	Bank Islam Malaysia Berhad
3	Facility Agent	Bank Islam
4	Credit Rating Agency	RAM Ratings
5	Central Depository	BNM

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6	Paying Agent	BNM
7	Sukuk Trustee	MTB

**(C) DETAILS OF FACILITY/PROGRAMME**

- (1) Name of facility : Issuance of Islamic Medium Term Notes (“IMTNs”) pursuant to Islamic Medium Term Note Programme (“IMTN Programme”) of up to RM10.0 Billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement).
- (2) One-time issue or programme : Programme
- (3) Shariah principles (for sukuk) : 1. Murabahah (via Tawarruq arrangement)
- (4) Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC) : Issuance of Islamic Medium Term Notes (“IMTNs”) pursuant to Islamic Medium Term Note Programme (“IMTN Programme”) of up to RM10.0 Billion in nominal value and/or issuance of Islamic Commercial Papers (“ICPs”) pursuant to Islamic Commercial Papers Programme (“ICP Programme”) of up to RM10.0 Billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement).

The IMTN Programme and the ICP Programme, collectively referred to as the “Sukuk Murabahah Programme”, shall have a combined limit of RM10.0 billion in nominal value. The IMTNs and the ICPs are collectively referred to as the “Sukuk Murabahah”.

Air Selangor may also issue Sukuk Murabahah which will be in compliance with any one or more of the following guidelines or frameworks, as amended from time to time:

- a. Sustainable and Responsible Investment (“SRI”) Sukuk Framework pursuant to SC’s LOLA Guidelines;
- b. the ASEAN Green Bond Standards pursuant to the SC’s LOLA Guidelines;
- c. the ASEAN Social Bond Standards pursuant to the SC’s LOLA Guidelines;
- d. the ASEAN Sustainability Bond Standards pursuant to the SC’s LOLA Guidelines;
- e. the International Capital Markets Association (“ICMA”) Green Bond Principles;
- f. the ICMA Social Bond Principles;
- g. the ICMA Sustainability Bond Guidelines; and
- h. such other guidelines or frameworks or standards which are incorporated by the SC into the LOLA Guidelines from time to time or such other related guidelines or

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frameworks or standards, whether or not having the force of law, in relation to sustainable/social/green bonds issued from time to time.

Collectively, "Sustainability Guidelines / Framework" and the Sukuk Murabahah issued under such Sustainability Guidelines / Framework shall be referred to as "SRI Sukuk Kelestarian Air Selangor".

The relevant Sustainability Guidelines / Framework under which such SRI Sukuk Kelestarian Air Selangor shall be specified in the relevant pricing supplement and the documents in relation to the issuance of such SRI Sukuk Kelestarian Air Selangor.

Sukuk Murabahah Programme based on the Shariah principle of Murabahah (via Tawarruq arrangement).

The issuance of each tranche of the Sukuk Murabahah from time to time under the Sukuk Murabahah Programme shall be effected as follows:

1. Under an agency agreement ("Agency Agreement 1"), the Sukuk Trustee, for and on behalf of the holders of the Sukuk Murabahah ("Sukukholders"), shall appoint the Facility Agent to act as its buying and selling agent ("Wakil 1") for the purchase and sale of the Commodities as defined in the section entitled "Identified Assets" under "Other Terms and Conditions".
2. Under another agency agreement ("Agency Agreement 2"), the Issuer shall appoint the Facility Agent to act as its selling agent ("Wakil 2") for the sale of the Commodities from time to time.
3. Pursuant to a commodity murabahah agreement ("Commodity Murabahah Agreement") entered into between the Issuer, the Facility Agent and the Sukuk Trustee, the Issuer shall request the Wakil 1 to purchase the Commodities by issuing a Form of Transaction Request ("FTR") (which is similar to a purchase order) to the Wakil 1. In the FTR, the Issuer shall irrevocably undertake to purchase the Commodities as stipulated therein from the Wakil 1, at a selling price ("Selling Price") to be paid on a deferred payment basis. The Selling Price comprises the Purchase Price (as defined below) and the profit portion which shall be determined based on the yield-to-maturity for the relevant Sukuk Murabahah agreed between the Issuer and the Wakil 1 (on behalf of the Sukukholders) prior to the sale of the Commodities to the Issuer to be evidenced by the issue of the relevant Sukuk Murabahah.
4. Pursuant to the FTR issued by the Issuer to the Wakil 1, the Sukukholders shall pay the purchase price ("Purchase Price") of the Commodities to the Wakil 1, which shall be equivalent to the proceeds of the relevant Sukuk Murabahah.
5. Upon receipt of the Purchase Price from the Sukukholders, the Wakil 1 shall then purchase the Commodities from commodity sellers on spot basis.
6. Upon completion of the purchase, the Wakil 1 shall sell the Commodities to the Issuer at the Selling Price on deferred payment basis and the Wakil 1 shall permit the Issuer to take immediate constructive possession of the Commodities.
7. The Issuer shall issue and the Sukukholders shall subscribe to the relevant Sukuk Murabahah which will evidence the Sukukholders' entitlement to receive the Selling Price.

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8. Subsequently, the Wakil 2 shall sell the Commodities to commodity buyers on spot basis at an amount equivalent to the Purchase Price. The proceeds from the sale of the Commodities shall be utilised by the Issuer for the purposes as stipulated in the section entitled "Details of utilisation of proceeds by issuer" under "Other Terms and Conditions".

9. Upon conclusion of the sale of the Commodities to the commodity buyers, the Wakil 2 shall issue the Confirmation of Transactions to the Issuer (upon request).

The IMTNs shall be issued with periodic profit payments. During the tenure of the IMTNs, the Issuer (as part of its obligation to pay the Selling Price) shall make periodic payments towards the profit portion of the Selling Price to the Sukukholders ("Periodic Profit Payments") of an amount calculated based on the Periodic Profit Rate (as defined in the section entitled "Profit Rate" under "Other Terms and Conditions") on each Periodic Profit Payment Date (as defined in the section entitled "Profit payment frequency" under "Other Terms and Conditions").

The ICPs shall be issued without periodic profit payments. During the tenure of the Sukuk Murabahah, the Issuer, as part of its obligation to pay the Selling Price, shall make a lump sum payment of the Selling Price to the Sukukholders.

A diagrammatical illustration of the Murabahah (via Tawarruq arrangement) transaction is set out in Annexure 1.

On each Maturity Date (as defined in the section entitled "Maturity Date" under "Other Terms and Conditions"), or upon the declaration of an Event of Default (as defined in the section entitled "Events of default or enforcement events, where applicable, including recourse available to investors"), or on each date of Early Redemption (as defined under the section entitled "Provisions on early redemption, if applicable"), the Issuer shall pay all amounts outstanding under the Selling Price as final settlement of the same (subject to Ibra' (as defined under the section entitled "Ibra' (for sukuk)") where applicable) upon which the relevant Sukuk Murabahah shall be cancelled.

The purchase and sale of Commodities by Wakil 1 and Wakil 2 to the commodity seller and commodity buyer respectively as described under item 5 and item 8 above shall be performed on a commodity trading platform acceptable to the Shariah Adviser.

- (5) Currency : Ringgit
- (6) Expected facility/ programme size : Up to MYR 10,000,000,000.00
- (7) Option to upsize (for : Yes  
programme)
- (8) Tenure of facility/ : 30 year(s)  
programme

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(9) Availability period for: debt/ sukuk programme : The Sukuk Murabahah Programme is available for issuance upon the completion of documentation and fulfilment of all conditions precedent to the satisfaction of Lead Arranger (unless waived or deferred by Lead Arranger) and ending on the expiry of the tenure of the respective Sukuk Murabahah Programme unless earlier cancelled, provided that the first issuance of the Sukuk Murabahah under each Sukuk Murabahah Programme shall be made within sixty (60) business days from the date of the SC Lodgement.

(10) Clearing and settlement platform : Payments Network Malaysia Sdn. Bhd. ("PayNet")

(11) Mode of issue :  Private/direct placement  
 Bought deal  
 Book building

Additional Notes:

The Sukuk Murabahah shall be issued in accordance with (1) the Participation Rules for Payments and Securities Services issued by PayNet ("PayNet Rules") and (2) the Operational Procedures for Securities Services and the Operational Procedures for Malaysian Ringgit Settlement in the Real Time Electronic Transfer of Funds and Securities System (RENTAS) (collectively the "PayNet Procedures"), or their replacement thereof applicable from time to time (collectively the "PayNet Rules and Procedures").

(12) Selling restrictions : (i) At issuance:  
 Part I of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)  
 Part I of Schedule 7 of the CMSA  
 Read together with Schedule 9 of CMSA  
 Section 2(6) of the Companies Act 2016

(ii) After issuance:

Part I of Schedule 6 of the CMSA  
 Read together with Schedule 9 of CMSA  
 Section 2(6) of the Companies Act 2016

Additional Notes:

**Selling Restriction at Issuance**

The Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed of directly or indirectly to persons to whom an offer or invitation to subscribe the Sukuk Murabahah may be made and to whom the Sukuk Murabahah are issued would fall within Part 1 of Schedule 6 or Section 229(1)(b) and Part 1 of Schedule 7 or Section 230(1)(b) of CMSA, read together with Schedule 9 or Section 257(3) of CMSA, as amended from time to time and which does not constitute an offer to the public within the meaning of Section 2(6) of the Companies Act 2016, as amended and/or substituted from time to time

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("Companies Act").

**Selling Restriction Thereafter**

The Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons to whom an offer or invitation to purchase the Sukuk Murabahah would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA and which does not constitute an offer to the public within the meaning of Section 2(6) of the Companies Act.

- (13) Tradability and transferability : Size in Ringgit which are tradable and transferable:  
MYR 10,000,000,000.00  
Size in Ringgit which are non-tradable and non-transferable:  
Not applicable
- (14) Secured/combinatio : Unsecured  
n of unsecured and  
secured, if  
applicable
- (15) Details of guarantee,: Not guaranteed  
if applicable
- (16) Convertibility of : Non-convertible  
issuance and details  
of the convertability
- (17) Exchangeability of : Non-exchangeable  
issuance and details  
of the  
exchangeability
- (18) Call option and : No call option  
details, if applicable
- (19) Put option and : No put option  
details, if applicable
- (20) Details of covenants : Positive Covenants  
  
(i) It will exercise reasonable diligence in carrying on and operating its business and affairs in a proper and efficient manner;

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- (ii) Comply with all applicable laws and regulations;
- (iii) Ensure that all necessary approvals, authorisations, consents and licenses (including but not limited to those required under the Suruhanjaya Perkhidmatan Air Negara Act 2006 and Water Services Industry Act 2006) for (a) the ownership of its assets and the carrying on and operation of its business; and (b) to ensure the validity and enforceability of its liabilities and obligations, or the rights of the Sukuk Trustee and the Sukukholders under the Transaction Documents, are obtained and maintained in full force and effect and the Issuer shall comply with the terms thereof;
- (iv) At all times comply with the provisions of the Transaction Documents;
- (v) Redeem in full all outstanding Sukuk Murabahah in accordance with the terms and conditions of the Transaction Documents;
- (vi) At all times provide the Sukuk Trustee any information which the Sukuk Trustee may reasonably require in order to discharge its duties and obligations under the Transaction Documents relating to the Issuer's affairs to the extent permitted by law;
- (vii) At all times maintain a paying agent who is based in Malaysia;
- (viii) Procure the facility agent to notify the Sukuk Trustee in the event that the paying agent does not receive payment from the Issuer on the due dates as required under the Transaction Documents;
- (ix) Procure that a Shariah-compliant Sukuk Trustee's Reimbursement Account for Sukukholders' Actions ("Sukuk Trustees' Reimbursement Account") is opened and maintained by the Sukuk Trustee for and on behalf of the Issuer at all times for so long as the Sukuk Murabahah Programme is available with a credit balance of at least Ringgit Malaysia Thirty Thousand (RM30,000.00) which shall as from 1 January 2021, be increased to a sum of at least Ringgit Malaysia One Hundred Thousand (RM100,000.00) or such other amount as may be prescribed from time to time under SC's Guidelines on Trust Deeds issued on 12 July 2011 and revised on 23 July 2020 (as may be amended or substituted from time to time) ("Trust Deed Guidelines"). The Issuer shall deposit such further amounts as may be required from time to time into the Sukuk Trustees' Reimbursement Account to meet such required minimum credit balance.  
  
The Sukuk Trustee's Reimbursement Account shall be solely operated by the Sukuk Trustee and the money in the Sukuk Trustee's Reimbursement Account may be used for defraying expenses that shall only be used by the Sukuk Trustee in carrying out its duties in relation to the occurrence of Events of Default which are provided under the Transaction Documents;
- (x) At all times keep proper books and accounting records and to provide the Sukuk Trustee and any person appointed by it access to such books and accounts to the extent permitted by law and at all times exercise reasonable diligence in carrying out its business in a proper and efficient manner which shall ensure, amongst others, that all necessary approvals or relevant licences are obtained and maintained;
- (xi) That the Selangor State Government continues to hold through Menteri Besar

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Selangor (Pemerbadanan) directly and/or indirectly an aggregate of at least fifty one percent (51%) of the issued and paid-up ordinary share capital in the Issuer;

(xii) For so long as any SRI Sukuk Kelestarian Air Selangor are outstanding, the Issuer shall promptly comply with the applicable Sustainability Guidelines / Framework as stated in the relevant pricing supplement; and

(xiii) Such other positive covenants as may be mutually agreed between the Lead Arranger and the Issuer to be incorporated in the Transaction Documents.

#### Negative covenants

(i) The Issuer shall not reduce or alter (except increase) its issued and paid-up capital whether by varying the amount, structure or value thereof or the rights attached thereto or convert any of its share capital into stock, or by consolidation, division or sub-division of all or any of its shares. For the avoidance of doubt, this covenant shall not restrict the Issuer from dividing or sub-dividing all or any of its shares provided that its paid-up share capital is not reduced, pursuant to such division or sub-division of its shares;

(ii) The Issuer shall not redeem the outstanding Sukuk Murabahah from revenue that is generated from any asset which is non-Shariah compliant;

(iii) The Issuer shall not:

(a) consolidate or amalgamate with or merge with any other person or into another entity;

(b) enter into any de-merger, reconstruction or winding up unless the successor person or entity expressly assumes the Issuer's obligations under the Transaction Documents and after giving effect to such transaction, no Event of Default has occurred or is continuing or would occur; or

(c) transfer all or a substantial portion of its assets to another entity other than: (1) within the Issuer Group; or (2) for sale and leaseback transaction with Pengurusan Aset Air Berhad or any other such transaction pursuant to the Suruhanjaya Perkhidmatan Air Negara Act 2006 and/or the Water Services Industry Act 2006.

For the purpose hereof:

A portion of the assets of the Issuer shall be considered substantial if:

(1) its value exceeds twenty five percent (25%) of the total assets of the Issuer;

(2) the net profits, after deducting all charges except taxation and excluding extraordinary items, attributed to it amounts to more than twenty five percent (25%) of the total net profit of the Issuer; or

(3) its value exceeds twenty five percent (25%) of the issued share capital of the Issuer;

whichever is the highest.

"Issuer Group" means the Issuer and its subsidiary companies.

(iv) The Issuer shall not cause itself to take steps to be voluntarily wound up or to dissolve itself;

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(v) The Issuer shall not do or permit to occur or omit to do any act or omission, or execute or omit to execute any document which may render any of the Transaction Documents to be illegal, void, voidable or unenforceable;

(vi) The Issuer shall not without the consent of the Sukuk Trustee (which consent of the Sukuk Trustee may be given if in the opinion of the Sukuk Trustee, it is not materially prejudicial to the interests of the Sukukholders to give such consent), use the proceeds derived from the issuance of the Sukuk Murabahah hereunder except for the purposes set out in the SC Lodgement and the Transaction Documents;

(vii) The Issuer shall not surrender, transfer, assign, relinquish or otherwise dispose of any of its rights and interest under the Transaction Documents (except as permitted or required under the Transaction Documents);

(viii) The Issuer shall not permit any addition, deletion, amendment, supplement, variation or substitution of its constitution in a manner inconsistent with the provisions of the Transaction Documents or which may be materially prejudicial to the interests of the Sukukholders;

(ix) Such other covenants as may be mutually agreed between the Lead Arranger and the Issuer to be incorporated in the Transaction Documents.

Financial Covenants

No financial covenant

Information Covenants

(i) The Issuer shall deliver to the Sukuk Trustee and RAM Ratings:-

(a) as soon as they become available (and in any event within one hundred and eighty (180) days after the end of each financial year) copies of its annual financial statements for that year, which shall contain the consolidated income statement and balance sheets and cash flow statement of the Issuer and which are audited by external auditors appointed by the Issuer;

(b) as soon as they become available (and in any event within ninety (90) days after the end of each half year of its financial year) copies of its unaudited half yearly financial statements for that period, which shall contain the income statement and balance sheets of the Issuer which are duly certified by any one of the Issuer's directors; and

(c) annually, a certificate duly certified by any one of the Issuer's directors that the Issuer has complied with its obligations under the Transaction Documents and the terms and conditions of the Sukuk Murabahah and that there did not exist or had not existed, from the date the Sukuk Murabahah were issued or from the date of the last certificate, as the case may be, any Event of Default and if such is not the case, to specify the same;

(ii) The Issuer shall immediately notify the Sukuk Trustee in the event that the Issuer becomes aware of the following:-

(a) the occurrence of any Event of Default or the happening of any event that has

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caused or could cause any amount payable under the Sukuk Murabahah to become immediately payable or the Sukuk Murabahah to become immediately enforceable or any other right or remedy under the terms, provisions or covenants of the Sukuk Murabahah or the Trust Deed become immediately enforceable;

(b) any circumstance that has occurred that would materially prejudice the Issuer;

(c) any substantial change in the nature of the business of the Issuer;

(d) any change in the utilisation of proceeds from the Sukuk Murabahah other than for the purpose stipulated in the Transaction Documents;

(e) any change in the withholding tax position or tax jurisdiction of the Issuer; and

(f) any other matter that may materially prejudice the interest of the Sukukholders; and

(iii) Such other information covenants to be mutually agreed between the Lead Arranger and the Issuer to be incorporated in the Transaction Documents.

(21) Details of designated account, if applicable :

Name of account:  
Finance Service Reserve Account ("FSRA")

Parties responsible for opening the account:  
Issuer

Parties responsible for maintaining/operating account:

I. Party responsible for maintaining the FSRA: Issuer II. Party responsible for operating the FSRA: a. Prior to the occurrence of an Event of Default: Facility Agent. b. Upon occurrence of an Event of Default: Sukuk Trustee.

Signatories to account:

I. Prior to the occurrence of an Event of Default: To be appointed by Facility Agent.

II. Upon occurrence of an Event of Default: To be appointed by Sukuk Trustee.

Sources of funds:

Funds deposited and maintained in the FSRA may come:

I. directly from the Issuer; and/or

II. from proceeds raised from the issuance of Sukuk Murabahah; and/or

III. from all proceeds from Permitted Investments (as defined in the section "Permitted Investments"), including profit arising out of FSRA.

The Issuer shall make the following deposits into the FSRA in respect of each issuance of the Sukuk Murabahah prior to the first Periodic Profit Payment Date thereof:

I. Deposit of a sum equivalent to fifty percent (50%) of the amount payable in respect of the Periodic Profit Payments falling due on each such Periodic Profit Payment Date six (6) months prior to the respective Periodic Profit Payment Date; and

II. Deposit of a sum equivalent to the remaining fifty percent (50%) of the amount payable in respect of each such Periodic Profit Payment three (3) months prior to the respective Periodic Profit Payment Date.

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The Issuer shall at all times throughout the tenure of the Sukuk Murabahah maintain a credit balance in the FSRA of an amount equivalent to the aggregate of all Periodic Profit Payments falling due under the Sukuk Murabahah within the next six (6) months (the "Minimum Required Balance") save and except during the build-up period of the FSRA referred to above. If at any time the credit balance in the FSRA is less than the Minimum Required Balance, the Issuer shall top-up the shortfall within thirty (30) days from the date of such shortfall occurring.

**Utilisation of funds:**

The funds in the FSRA may only be utilised for the following purpose:

I. withdrawn for payment of any Periodic Profit Payments due for payment under the Sukuk Murabahah, provided always that any amount withdrawn from the FSRA shall be replenished by the Issuer within thirty (30) days from the date of such withdrawal in order to meet the Minimum Required Balance. In the event that the credit balance in the FSRA exceeds the Minimum Required Balance, the excess may be released to the Issuer.

II. for investment in Permitted Investments. All income earned from such investments shall be remitted into the FSRA or reinvested in Permitted Investments.

For the avoidance of doubt, any failure by the Issuer to maintain the Minimum Required Balance shall not constitute an Event of Default.

**Additional Notes:**

The FSRA shall be a Shariah compliant account.

(22) Name of credit rating agency, credit rating and amount rated, if applicable

No.	Credit rating agency	Credit rating	Final/indicative rating	Name of Class/Series/Tranche	Amount rated
1	RAM Rating Services Bhd (RAM)	AAA	Indicative rating	No.	MYR 10,000,000,000.00

(23) Conditions precedent

: The following, all of which shall be in form and substance acceptable to the Lead Arranger:-

**A. Main Documentation**

(i) The Transaction Documents shall have been signed and, where applicable, stamped or endorsed as exempted from stamp duty.

**B. The Issuer**

(i) Certified true copies of the Certificate of Incorporation and the Constitution of the

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Issuer (where applicable);

(ii) Certified true copies of the latest Return of Allotment of Shares, Notification of Change in the Registered Address (or Form 44 under the Companies Regulations 1966) and Notification of Change in the Register of Directors, Managers and Secretaries (or Form 49 under the Companies Regulations 1966) of the Issuer;

(iii) A certified true copy of a board resolution of the Issuer, authorising, amongst others, the establishment of the Sukuk Murabahah Programme and the execution of the Transaction Documents;

(iv) A list of the Issuer's authorised signatories and their respective specimen signatures;

(v) A letter of undertaking from the Issuer addressed to the Lead Arranger to utilise the proceeds raised from issuance of the Sukuk Murabahah for the purpose as described under the section entitled "Details of utilisation of proceeds by issuer" under "Other Terms and Conditions";

(vi) A report of the relevant company search on the Issuer; and

(vii) A report of the relevant winding up search or the relevant statutory declaration of the Issuer signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding up petition has been presented against the Issuer.

**C. General**

(i) Evidence that all relevant regulatory approvals and acknowledgments, including endorsement from the SAC of the SC and the acknowledgement by the SC of the SC Lodgement in accordance with SC's LOLA Guidelines, have been obtained;

(ii) Evidence that the Sukuk Trustees' Reimbursement Account has been opened in accordance with the Trust Deed Guidelines and a sum of Ringgit Malaysia Thirty Thousand (RM30,000.00) has been deposited therein;

(iii) Evidence that the FSRA has been opened;

(iv) The Sukuk Murabahah Programmes have been accorded a final long-term and short-term rating of AAA and P1 respectively from RAM Ratings.

(v) Arrangement has been made for payment of all fees and expenses in relation to the Sukuk Murabahah Programme to all relevant parties and that the relevant parties are to receive the said payment no later than the first issuance date of the Sukuk Murabahah Programme;

(vi) The approval and confirmation from the Shariah Adviser that the structure and mechanism of the Sukuk Murabahah and the Transaction Documents are in compliance with Shariah principles;

(vii) Satisfactory legal opinion from the Solicitor with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents and a confirmation that all conditions precedent have been fulfilled or waived, as the case may be; and

(viii) Such other conditions precedent as may be agreed by the Issuer and the Lead Arranger to be incorporated in the Transaction Documents.

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(24) Representations and warranties

Representations and warranties are as follows:-

(a) The Issuer (i) has been duly incorporated and validly exists under the laws of Malaysia, (ii) has full power and authority to carry on its business and to own its properties and assets, and (iii) has full beneficial ownership of all its properties and assets (excluding for the avoidance of doubt, assets under leasing);

(b) The establishment of the Sukuk Murabahah Programme has been duly authorized, and the Sukuk Murabahah when issued and delivered pursuant to the Transaction Documents, will have been duly executed and authenticated and will constitute valid and binding obligations of the Issuer enforceable in accordance with its terms;

(c) No event has occurred which would constitute an Event of Default under the Sukuk Murabahah or which with the giving of notice or the lapse of time or other condition would constitute an Event of Default, as the case may be;

(d) All necessary authorisations and consents required for the performance of the Issuer's obligations under the Transaction Documents have been obtained, fulfilled and remain in full force and effect to ensure the legality, validity and enforceability in Malaysia of the Transaction Documents in accordance with their respective terms. The Issuer is not in breach of the provisions of any law or regulations governing such consents or authorizations and, the Issuer is not aware of any reason why such consent or authorization should be withdrawn or cancelled or any conditions attached thereto (if any) adversely altered, other than where the absence of such consent or authorization will not have a Material Adverse Effect (as defined in the section entitled "Material Adverse Effect" under "Other Terms and Conditions");

(e) There are no legal or governmental proceedings which are current or to the knowledge of the Issuer, pending or threatened, against the Issuer or in respect of any property or asset of the Issuer which, if adversely determined against the Issuer, will individually or in the aggregate have a Material Adverse Effect;

(f) The Issuer has all licenses, permits, authorizations and approvals of and from all relevant governmental and regulatory bodies that are necessary for it to own or lease its properties and conduct its business, other than where the failure to obtain such licenses, permits, authorizations or approvals would not have a Material Adverse Effect or where such approvals are being applied for and/or are to be obtained by the transferor or lessor of such properties;

(g) The audited financial statements of the Issuer have been or will be prepared in accordance with applicable approved accounting principles and standards in Malaysia and will fairly represent the Issuer's financial position as at the date of the financial statements;

(h) The Issuer and its obligations under the Transaction Documents and the Sukuk Murabahah are subject to civil and commercial law in Malaysia and neither the Issuer nor any of its properties, assets or revenues has any right of immunity, on the grounds of sovereignty or otherwise, from (i) any legal action, suit or proceeding; (ii) the giving of any relief in any court; (iii) set off or counterclaim; (iv) the jurisdiction of any court; or (v) other legal process or proceeding for the giving

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of any relief or for the enforcement of judgment, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Transaction Documents and the Sukuk Murabahah; and

(i) Such other representations and warranties to be mutually agreed between the Lead Arranger and the Issuer.

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- (25) Events of defaults or : Events of default (“Events of Default”) shall encompass the following:-  
enforcement events,  
where applicable,  
including recourse  
available to  
investors
- (a) The Issuer fails to pay any money payable in respect of the Sukuk Murabahah when the same become due and payable in accordance with the Transaction Documents;
  - (b) A winding-up order has been made against the Issuer or a resolution to wind-up the Issuer has been passed;
  - (c) A scheme of arrangement or any other corporate rescue mechanism under the Companies Act 2016 has been instituted by or against the Issuer (other than for the purpose of a scheme of reconstruction, amalgamation, consolidation or merger, unless during or following such reconstruction, amalgamation, consolidation or merger the Issuer becomes or is declared to be insolvent);
  - (d) An encumbrancer takes possession or a receiver, receiver and manager, judicial manager or other officer acting in a similar capacity is appointed over the whole or a substantial part of the assets or undertaking of the Issuer;
  - (e) There has been a breach by the Issuer of any obligation under any of the Issuer’s existing contractual obligations which has a Material Adverse Effect, and the Issuer does not remedy the breach within a period of thirty (30) business days after the Issuer has been notified in writing by the Sukuk Trustee to remedy such breach;
  - (f) Any other indebtedness of the Issuer becomes due and payable prior to its stated maturity by reason of a default by the Issuer in its obligations in respect of such indebtedness or where the security created for any other indebtedness becomes enforceable in each case having a Material Adverse Effect and has not been: (i) settled, (ii) restructured, or (iii) disputed in good faith by the Issuer in a court of competent jurisdiction, in each case within thirty (30) business days from the date such indebtedness of the Issuer becomes due and payable or the security becomes enforceable, as the case may be;
  - (g) Any licence, authorization, approval or consent of any governmental or regulatory authority granted to the Issuer is revoked, withheld, invalidated, modified or expired and is not renewed and which has or will have a Material Adverse Effect and such revocation, withholding, invalidation, non-renewal or modification continues for a period of thirty (30) business days;
  - (h) The Issuer fails to observe or perform any of its obligations under any of the Transaction Documents (other than obligation referred to in (a) above) and such failure is not remedied by the Issuer within a period of thirty (30) business days after having been notified by the Sukuk Trustee of the failure;
  - (i) Any representations and warranties made or given by the Issuer under the Transaction Documents or any certificate or document furnished pursuant to the terms of any Transaction Documents, proves to be incorrect or misleading in any material respect on or as at the date made or given, and such breach of representation and warranty is not remedied by the Issuer within a period of thirty (30) business days after having been notified by the Sukuk Trustee of the breach;
  - (j) At any time any of the provisions of the Transaction Documents is or becomes illegal, void, voidable or unenforceable;

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(k) The Selangor State Government through Menteri Besar Selangor (Pemerbadanan) ceases to hold directly and/or indirectly an aggregate of at least fifty one percent (51%) of the issued and paid-up ordinary share capital in the Issuer; and

(l) Such other events of default as may be mutually agreed between the Lead Arranger and the Issuer.

Upon the occurrence of any of the above Events of Default, the Sukuk Trustee may at its discretion, or shall (if directed to do so by a special resolution of the Sukukholders) declare (by giving written notice to the Issuer) that an Event of Default has occurred and all sums payable under the Sukuk Murabahah to be due and payable, and the Sukuk Trustee may enforce its rights under the Transaction Documents, including amongst others, to take such action as it deems fit to recover all sums due and payable to the Sukuk Trustee and the Sukukholders.

(26) Governing laws : Law of Malaysia.

(27) Provisions on buy-back, if applicable : Redemption at maturity

Unless previously redeemed or purchased and cancelled, the Sukuk Murabahah shall be redeemed by the Issuer at one hundred percent (100%) of its nominal value on the respective maturity date(s).

Purchase and Cancellation

The Issuer or any of the subsidiaries or agent(s) of the Issuer may at any time purchase the Sukuk Murabahah at any price in the open market or by way of a private treaty where such Sukuk Murabahah purchased shall be cancelled and shall not be resold/reissued.

Any of the Sukuk Murabahah acquired in the open market or by private treaty by the Issuer's related corporations (other than the Issuer's subsidiaries) or interested persons (who shall include directors, major shareholders and chief executive) need not be cancelled but shall not entitle them to participate in the voting of any Sukukholders' resolution nor form part of the quorum of any meeting subject to any exceptions in the Trust Deed Guidelines.

(28) Provisions on early redemption, if applicable : Subject to the consent of the Sukukholders by a special resolution in accordance with the terms of the Trust Deed, the Issuer may redeem the Sukuk Murabahah prior to their stated maturity ("Early Redemption") by giving the requisite notice set out in the Trust Deed at the Redemption Amount (as defined in the section entitled "Redemption Amount" under "Other Terms and Conditions"). The Sukuk Murabahah redeemed shall be cancelled.

(29) Voting : Voting by the Sukukholders under the Sukuk Murabahah Programme shall be carried out as follows:

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Prior to upsizing of the Sukuk Murabahah Programme

All matters/resolutions which require the Sukukholders' consent under the Sukuk Murabahah Programme shall be carried out on a collective basis.

Post upsizing of the Sukuk Murabahah Programme

All matters/resolutions which require the Sukukholders' consent under the Sukuk Murabahah Programme shall be carried out on a 'per series' basis.

For the avoidance of doubt, the Sukuk Murabahah held by the Issuer, any subsidiaries or agent(s) of the Issuer or any interested person (which includes directors, major shareholders and chief executive) of the Issuer shall not be counted for the purposes of voting.

- (30) Permitted investments, if applicable :
- Permitted Investments shall comprise investments in Shariah compliant products approved by the SC's SAC, BNM's SAC or other recognised Shariah authorities acceptable to the Shariah Adviser and shall mean money market deposit, repo or fixed deposits with any Islamic bank licensed pursuant to the Islamic Financial Services Act, 2013 and having a minimum long term rating of A1 and short term rating of P1 by RAM Ratings or its equivalent by Malaysian Rating Corporation Berhad (MARC).

For the avoidance of doubt, the Issuer shall at all times ensure that the funds held in the FSRA is invested in Shariah approved investments having maturities that match the utilisation of the monies to meet any Periodic Profit Payment obligations of the Issuer under the Sukuk Murabahah and being denominated in Ringgit Malaysia PROVIDED THAT the Permitted Investments shall mature no later than three (3) business days before any Periodic Profit Payment obligations are due and payable under the Sukuk Murabahah Programme and have to be channelled back to the FSRA if such funds are required to be utilised by the Issuer to meet such Periodic Profit Payment obligations.

- (31) Ta'widh (for ringgit-denominated sukuk) :
- In the event of any delay in payment of the Selling Price under the Sukuk Murabahah, the Issuer shall pay to the Sukuk Trustee, for the benefit of the Sukukholders, Ta'widh (compensation) on such overdue amounts at the rate and manner prescribed by the SAC of the SC from time to time in accordance with Shariah principles.

- (32) Ibra' (for ringgit-denominated sukuk) :
- Ibra' refers to an act of releasing absolutely or conditionally one's rights and claims on any obligation against another party which would result in the latter being discharged of his/its obligations or liabilities towards the former. The release may be either partially or in full.

As the Selling Price is calculated based on the Purchase Price and profit portion up to (and excluding) the Maturity Date, Ibra' shall be granted if the Sukuk Murabahah is redeemed prior to its Maturity Date upon declaration of an Event of Default for the Sukuk Murabahah or on Early Redemption date.

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(33) Kafalah (for ringgit-denominated sukuk) : Not applicable.

(34) Waivers from complying with Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and other relevant guidelines of the SC obtained for the facility/programme, if any : None.

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a) Identified Assets : Shariah-compliant commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) (“Commodities”).

b) Purchase and Selling Price : **Purchase Price**

The Purchase Price in relation to the purchase of the Commodities shall be equal to the proceeds of the Sukuk Murabahah. The Purchase Price shall comply with the asset pricing requirements as stipulated under Section C of the LOLA Guidelines.

#### **Selling Price**

The Selling Price shall comprise the Purchase Price plus profit portion which shall be determined based on the yield-to-maturity, and shall be on a deferred payment basis.

c) Details on utilisation of proceeds by issuer : The proceeds from issuance of the Sukuk Murabahah (“Proceeds”) shall be utilised by the Issuer for the following Shariah compliant purposes:

1. To finance Issuer’s capital expenditure, amongst others, for pipe replacement projects, construction of new treatment plant and enhancement of non-revenue water;
2. To refinance any existing indebtedness incurred prior to the date of the Programme Agreement or future Shariah compliant indebtedness to be undertaken by the Issuer;
3. To finance Issuer’s working capital and other general corporate purposes; and
4. To fund the fees, costs, expenses and all other amounts payable under or in relation to the Sukuk Murabahah Programme.

The Proceeds raised from the issuance of the SRI Sukuk Kelestarian Air Selangor under the Sukuk Murabahah Programme shall be utilised by the Issuer for eligible SRI projects that meet the criteria as set out in the Air Selangor Sustainable Development Sukuk Kelestarian Framework (as defined below) and/or the Sustainability Guidelines / Framework as further stated in the relevant pricing supplement.

**Air Selangor Sustainable Development Sukuk Kelestarian Framework** refers to the framework to be issued by Air Selangor prior to the lodgement date in relation to the issuance of SRI Sukuk Kelestarian Air Selangor under the Sukuk Murabahah Programme and shall include amendments or revisions thereof from time to

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time. RAM Sustainability Sdn Bhd has been appointed by the Issuer on 30 July 2020 to provide a second opinion report on the Air Selangor Sustainable Development Sukuk Kelestarian Framework.

Based on Air Selangor Sustainable Development Sukuk Kelestarian Framework, the categories of the eligible SRI projects as per paragraph 7.08 of the LOLA guidelines are as follows:

Paragraph 7.08(a) of the LOLA Guidelines	Air Selangor Sustainable Development Sukuk Kelestarian Framework
(i) Renewable energy	Renewable Energy
(vii) Sustainable water and wastewater management	Sustainable Water Supply
(vii) Sustainable water and wastewater management	Sustainable Water Management
(x) Green buildings which meet regional, national or internationally recognised standards or certifications;	Green building / assets

- d) Profit Rate : **IMTNs**  
Fixed rate to be determined prior to the issuance of the IMTNs (“**Periodic Profit Rate**”). The “**Periodic Profit Amount**” shall be calculated at the Periodic Profit Rate on the nominal value of the Sukuk Murabahah based on Profit Payment basis (as defined below).

#### **ICPs**

The ICPs shall be issued at a discount to its nominal value without periodic profit payment.

- e) Profit payment frequency : **IMTNs**  
The Sukukholders shall receive Periodic Profit Payments at the Periodic Profit Rate semi-annually in arrears (“**Periodic Profit Payment Date**”) with the first payment commencing six (6) months from the issue date of the relevant tranche of the Sukuk Murabahah and the last ending on the maturity date or the date of early redemption of the relevant tranche of the Sukuk Murabahah, whichever is earlier.

#### **ICPs**

The ICPs shall be issued without periodic profit payment.

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- f) Profit payment basis : Actual/365 days (“**Profit Payment basis**”).
- g) Issue Price : **IMTNs**  
The IMTNs shall be issued at a discount, at par, or at premium to its nominal value and the issue price for each IMTN issuance shall be calculated in accordance with the PayNet Rules and Procedures.
- ICPs**  
The ICPs shall be issued at a discount to its nominal value and the issue price for each ICP issuance shall be calculated in accordance with the Paynet Rules and Procedures.
- h) Maturity Date : “**Maturity Date**” means in relation to each series of the Sukuk Murabahah, the date specified in the relevant Sukuk Murabahah Global Certificate or the Definitive Certificate (each as defined below) as the maturity date of the Sukuk Murabahah for payment of the nominal value of the Sukuk Murabahah, provided that the Maturity Date shall be subject to the PayNet Rules and Procedures.
- “**Global Certificate**” means the global certificate issued in respect of each series of the Sukuk Murabahah in or substantially in the form set out in the Programme Agreement.
- “**Definitive Certificate**” means the definitive certificate issued in respect of each series of the Sukuk Murabahah in or substantially in the form set out in the Programme Agreement.
- i) Listing Status and types of listing, where applicable : The Sukuk Murabahah shall not be listed on any stock exchange.
- j) Status : The Issuer's obligations under the Sukuk Murabahah will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, ranking *pari-passu* without any preference amongst themselves and *pari-passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, except those preferred by law.
- k) Transaction Documents : The Sukuk Murabahah shall be evidenced by, inter alia, the following (“**Transaction Documents**”):
- (i) Programme Agreement;
  - (ii) Trust Deed;
  - (iii) Sukuk Murabahah;
  - (iv) Commodity Murabahah Agreement;

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- (v) Securities Lodgement Form for Central Securities Depository and Paying Agency Service;
  - (vi) Agency Agreement 1;
  - (vii) Agency Agreement 2;
  - (viii) Form of Transaction Request;
  - (ix) Confirmation of Transactions;
  - (x) Subscription Agreement; and
  - (xi) Any other relevant documents that may be required to complete the Sukuk Murabahah as may be advised by the Solicitor and mutually agreed between the Lead Arranger and the Issuer.
- l) 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 the Government of Malaysia or any authority therein having power to tax, unless such withholding or deduction is required by law, in which event the Issuer shall be required to make such additional amount so that the payee(s) would receive the full amount which the payee(s) would have received if no such withholding or deductions are made.
- m) Redemption : Unless previously redeemed or purchased and cancelled, the Sukuk Murabahah shall be redeemed at the Redemption Amount on the respective maturity date.
- n) Redemption Amount : "**Redemption Amount**" means Selling Price of the relevant Sukuk Murabahah less the aggregate of Periodic Profit Payments paid (if any) in respect of such Sukuk Murabahah and less Ibra' (if any).
- o) Material Adverse Effect : "**Material Adverse Effect**" means a material adverse effect on :
  - (i) the business or condition (financial or otherwise) of the Issuer; and/or
  - (ii) the ability of the Issuer to perform any of its obligations under any of the Transaction Documents to which it is a party; and/or
  - (iii) the right of or benefits or remedies available to the Sukuk Trustee/ Sukukholders under any provision of the Transaction Documents.
- p) Rights to participate in profits and assets : The Sukukholders shall have no right or claim and shall not be conferred any right or claim as regards to participation in the profits and assets of the Issuer.
- q) No payment of : For the avoidance of doubt and notwithstanding any other

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interest provision to the contrary herein, it is hereby agreed and declared that nothing in the principal terms and conditions, these other terms and conditions and the Transaction Documents shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions, these other terms and conditions or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest.

r) Conditions for upsizing the Sukuk Murabahah Programme : Subject to compliance with the relevant guidelines as may be issued by the SC from time to time, the Issuer shall have the option to upsize the combined programme limit of the Sukuk Murabahah Programme and the Sukukholders of the Sukuk Murabahah Programme hereby consent (which consent will also be reflected in the Trust Deed) to any upsizing of the combined programme limit of the Sukuk Murabahah Programme from time to time provided that the following conditions have been fulfilled:

- (i) the upsizing will not result in any adverse impact on the rating of the Sukuk Murabahah Programme;
- (ii) the upsizing has been approved by the Issuer’s board of directors; and
- (iii) all information and documents have been submitted for a new lodgement with the SC for the upsizing of the combined programme limit of the Sukuk Murabahah Programme and all relevant requirements under the LOLA Guidelines for upsizing shall have been complied with.

For the avoidance of doubt, no further consent will be required from the Sukukholders of the Sukuk Murabahah Programme, the Sukuk Trustee and any other party under the Sukuk Murabahah Programme for the Issuer to exercise the option to upsize the combined programme limit of the Sukuk Murabahah Programme from time to time.

s) Form and Denomination : The Sukuk Murabahah shall be issued in accordance with PayNet Rules and Procedures.

**Form**

The Sukuk Murabahah shall be represented by a global certificate to be deposited with BNM and may be exchanged for definitive bearer form only in certain limited circumstances.

**Denomination**

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The denomination of the Sukuk Murabahah shall be RM1,000.00 or in multiples of RM1,000.00 thereof or such other denominations as may be allowed by PayNet/BNM.

- t) Other Conditions : The Sukuk Murabahah shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and PayNet having jurisdiction over matters pertaining to the Sukuk Murabahah.