

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

1. BACKGROUND INFORMATION

(a) Issuer

- i. Name : Telekom Malaysia Berhad (“**TM**” or the “**Issuer**”)
- ii. Address : Registered Office
Level 51, North Wing
Menara TM, Jalan Pantai Baharu
50672 Kuala Lumpur
- iii. Business registration no. : 128740-P
- iv. Date/Place of incorporation : 12 October 1984 / Malaysia
- v. Date of Listing : 7 November 1990
- vi. Status : Resident controlled company
Bumiputera controlled company.
- vii. Principal activities : The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services.
- viii. Board of directors : The board of directors of the Issuer as at 28 February 2011:
 - (a) Datuk Dr Halim Shafie
 - (b) Dato’ Sri Zamzamzairani Mohd Isa
 - (c) Datuk Bazlan Osman
 - (d) Dato’ Zalekha Hassan
 - (e) Tunku Dato’ Mahmood Fawzy Tunku Muhiyiddin
 - (f) Dato’ Danapalan T.P. Vinggrasalam
 - (g) YB Datuk Nur Jazlan Tan Sri Mohamed
 - (h) Dato’ Ir Abdul Rahim Abu Bakar
 - (i) Ibrahim Marsidi
 - (j) Quah Poh Keat
 - (k) Riccardo Ruggiero
 - (l) Eshah Meor Suleiman (alternate director to Dato’ Zalekha Hassan)
 - (m) Dr Farid Mohamed Sani (alternate director to Tunku Dato’ Mahmood Fawzy Tunku Muhiyiddin)

- ix. Structure of shareholdings and names of all substantial shareholders (As at 28 February 2011)

Shareholders name	No. of shares held as at 28 February 2011	
	Direct Interest	%
Khazanah Nasional Berhad	1,182,229,780	33.05
Employees Provident Fund Board	373,718,000	10.45
AmanahRaya Trustees Berhad – <i>Skim Amanah Saham Bumiputera</i>	397,648,900	11.12
Kumpulan Wang Persaraan (Diperbadankan)	198,124,000	5.54

- x. Authorised and paid-up capital (as at 28 February 2011)

Authorised Capital

RM5,040,003,021 comprising:-

- 5,000,000,000 ordinary shares of RM1.00 each;
- 1 Special Rights Redeemable Preference Share of RM1.00;
- 1,000 Class A Redeemable Preference Shares (“RPS”) of RM0.01 each;
- 1,000 Class B RPS of RM0.01 each;
- 2,000 Class C Non-Convertible RPS (“NCRPS”) of RM1.00 each;
- 1,000 Class D NCRPS of RM1.00 each; and
- 4,000,000,000 Class E RPS of RM0.01 each.

Paid-up Capital

RM3,577,404,906 comprising:-

- 3,577,401,980 ordinary shares of RM1.00 each;
- 1 Special Rights Redeemable Preference Share of RM1.00;
- 2,000 Class C NCRPS of RM1.00 each; and
- 925 Class D NCRPS of RM1.00 each.

2. PRINCIPAL TERMS AND CONDITIONS

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

(i)	Joint Principal Adviser(s)/Lead Arranger(s)	:	AmInvestment Bank Berhad (“ AmInvestment ”) and CIMB Investment Bank Berhad (“ CIMB ”).
(ii)	Arranger(s)	:	Not applicable.
(iii)	Valuers	:	Not applicable.
(iv)	Solicitors	:	Messrs. Adnan Sundra & Low
(v)	Financial adviser	:	Not applicable.
(vi)	Technical adviser	:	Not applicable.
(vii)	Guarantor	:	Not applicable.
(viii)	Trustee	:	AmTrustee Berhad
(ix)	Facility agent	:	AmInvestment
(x)	Primary Subscriber(s) and amount subscribed (where applicable)	:	To be determined prior to issuance of the Islamic Commercial Papers (“ ICP ”) and/or Islamic Medium Term Notes (“ IMTN ”) (collectively ICP and IMTN are referred to as “ Sukuk ”).
(xi)	Underwriter(s) and amount underwritten	:	Not applicable.
(xii)	Joint Shariah Advisers	:	Dr. Mohd Daud Bakar and CIMB Islamic Bank Berhad (backed by the CIMB Islamic Shariah Committee).
(xiii)	Central depository	:	Bank Negara Malaysia (“ BNM ”).
(xiv)	Paying agent	:	BNM.
(xv)	Reporting accountant	:	Messrs. PricewaterhouseCoopers.
(xvi)	Others (please specify)	:	<u>Joint Lead Managers</u> AmInvestment and CIMB and/or other parties to be appointed by the Issuer. <u>Joint Book Runners</u> AmInvestment and CIMB and/or other parties to be appointed by the Issuer.

(b) Principal terms and conditions

(i) Islamic Principles Used : Ijarah.

Other Islamic principles approved by the Shariah Advisory Council ("**SAC**") of the Securities Commission ("**SC**") as set out in the Guidelines on the Offering of Islamic Securities may also be applied but of which, will be subject to the prior approvals of the SC and the Joint Shariah Advisers.

(ii) Facility Description : Islamic Commercial Papers Programme ("**ICP Programme**") and Islamic Medium Term Notes Programme ("**IMTN Programme**") with a total combined limit of up to RM2.0 billion in nominal value (collectively referred to as the "**Islamic Securities Programmes**")

Ijarah

TM (in such capacity, the "**Seller**"), shall, from time to time sell certain identified Shariah-compliant leasable assets ("**Ijarah Assets**") at the asset purchase price ("**Asset Purchase Price**") by way of transfer of the beneficial ownership of such Ijarah Assets to the Trustee (on behalf of the Sukukholders), pursuant to the asset purchase agreement ("**Asset Purchase Agreement**").

TM shall declare a trust over the relevant Ijarah Assets (the "**Ijarah Trust Assets**"), for the benefit of the Sukukholders.

TM (in its capacity as the "**Issuer**") shall issue Sukuk to the Sukukholders whereby TM shall receive the proceeds for the payment of the Asset Purchase Price. The Sukuk proceeds shall ultimately be utilised by TM to meet its capital expenditure requirements which shall be Shariah compliant. The Sukuk herein represents the Sukukholders' undivided and proportionate beneficial ownership in the relevant Ijarah Trust Assets. The Sukuk proceeds shall be utilised by the Trustee to pay TM for the Asset Purchase Price under the relevant Asset Purchase Agreement.

Thereafter, the Trustee (on behalf of the Sukukholders), in its capacity as the Lessor shall from time to time, lease the relevant Ijarah Assets to TM ("**Lessee**") for a pre-determined rental amount

(**"Rental"**) and tenure (**"Lease Term"**) pursuant to the relevant Ijarah Agreement.

TM shall pay Rental, in respect of the Ijarah Assets on Scheduled Dissolution Date (as defined herein) or EOD Dissolution Date (as defined herein) of the relevant Sukuk (**"One-Off Distribution Date"**) in relation to the Sukuk without Periodic Distributions (as defined herein) or Periodic Distribution Dates in relation to the Sukuk with Periodic Distributions based on the relevant Periodic Distribution Rate (as defined below), as the case may be.

Such Rental will be distributed as One-off Distribution or Periodic Distributions under the Sukuk to the Sukukholders proportionate to their Sukuk holdings.

Under the terms of the Servicing Agency Agreement (as defined below), TM shall be appointed as the Servicing Agent by the Trustee (on behalf of the Sukukholders) and will, amongst other things, be responsible, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Ijarah Assets and/or the related payment and/or ownership expenses in respect of the Ijarah Assets (**"Ownership Expenses"**), which are to be reimbursed by the Trustee (on behalf of the Sukukholders) to TM upon the expiry of the relevant Ijarah Agreement. The Servicing Agent shall also ensure that the takaful/insurance is for a covered/insured amount, at all times and shall be responsible for the related payment of the relevant takaful contribution or insurance premium.

Pursuant to the Purchase Undertaking, TM (as **"Obligor"**) shall undertake to purchase the relevant Ijarah Assets from the Trustee (on behalf of the Sukukholders), on the earlier of:

- (a) upon the maturity date of the Sukuk (**"Scheduled Dissolution Date"**); or
- (b) upon declaration of a Dissolution Event (**"EOD Dissolution Date"**) (save for a Dissolution Event due to a Total Loss Event),

at the relevant Exercise Price.

Under a substitution undertaking (**"Substitution Undertaking"**), TM shall have the right to substitute by way of an exchange agreement all or part of the Ijarah Assets from time to time throughout the tenure of the Sukuk with qualified assets that are approved by the Joint Shariah Advisers (**"Substitute Ijarah Assets"**).

The Substitute Ijarah Assets shall form part of the Ijarah Assets and thereby form part of the relevant Ijarah Trust Assets.

Upon the occurrence of a Total Loss Event (and unless the lost Ijarah Assets are substituted with qualified assets as approved by the Joint Shariah Advisers within a stipulated timeframe), the Trustee (on behalf of the Sukukholders) shall be entitled in accordance with the provisions of the Transaction Documents (as defined), and by written notice to the Issuer, to declare that a Dissolution Event has occurred.

In such event, the Sukuk will be redeemed using the proceeds of takaful/insurance. If the takaful/insurance proceeds are insufficient to cover the nominal value or the accreted value accrued to the EOD Dissolution Date (in the case of Sukuk issued at a discount) of the relevant Sukuk, all accrued and unpaid Periodic Distributions thereon and Ownership Expenses, the Servicing Agent shall irrevocably and unconditionally undertake to make good the difference, for not taking full takaful/insurance coverage on the Ijarah Assets pursuant to the terms of the Servicing Agency Agreement. Any excess from the takaful/insurance proceeds over the nominal value or the accreted value accrued to the EOD Dissolution Date (in the case of Sukuk issued at a discount) of the relevant Sukuk, all accrued and unpaid Periodic Distributions thereon and Ownership Expenses shall be paid to the Servicing Agent as an incentive fee.

“Total Loss Event” is the total loss or destruction of, or damage to the whole (and not part only) of the Ijarah Assets of a particular Ijarah Agreement or any event or occurrence that renders the whole (and not part only) of the Ijarah Assets permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical.

Please refer to Annexure I for brief description of the Sukuk Ijarah transaction structure.

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| 3. Issue Size | : | The aggregate outstanding nominal value of the ICP and IMTN shall not exceed RM2 billion at any point in time. |
| 4. Issue Price | : | The ICP and IMTN shall be issued at par or at a discount and the issue price shall be calculated in accordance with the Operational Procedures for Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd (“MyClear”), as amended or substituted from time to time (“MyClear |

Procedures”).

The issue price of the relevant ICP or IMTN shall be determined prior to each issuance.

5. **Tenor of the Facility/Issue** : ICP
- The tenure of the ICP Programme shall be seven (7) years from the date of first issue under the ICP Programme.
- The tenure of the ICP shall be one (1), two (2), three (3), six (6), nine (9) or twelve (12) months or any other tenure which is not more than twelve (12) months to be agreed with Facility Agent, as the Issuer may elect, provided that the ICP mature prior to the expiry of the ICP Programme.
- IMTN
- The tenure of the IMTN Programme shall be fifteen (15) years from the date of first issue under the IMTN Programme.
- The tenure of the IMTN shall be more than one (1) year and up to fifteen (15) years, provided that the IMTN mature prior to the expiry of the IMTN Programme.
6. **Coupon/Profit Rate (%) (please specify)** : The profit rate (“**Periodic Distribution Rate**”) shall be determined prior to each issuance of the ICP and IMTN.
7. **Coupon/Profit Payment Frequency and Basis** : The frequency of the profit payment (“**Periodic Distribution**”) for the Sukuk shall be on a semi-annual basis or such period to be agreed between the Issuer and the Joint Lead Managers prior to each issuance of the Sukuk (“**Periodic Distribution Dates**”).
- The Periodic Distribution shall be calculated based on the actual number of days elapsed and 365 days basis (actual/365).
8. **Yield to Maturity (%)** : To be determined prior to each issuance of the ICP and/or IMTN.
9. **Security/Collateral (if any)** : Nil.
10. **Details on Utilisation of Proceeds** : The proceeds raised from the issuance of ICP and/or IMTN under the Islamic Securities Programmes shall be utilised by TM to meet its capital expenditure requirements which shall be Shariah-compliant.

11. Sinking Fund (if any) : None.
12. Rating
- Credit Rating Assigned : The ICP Programme has been assigned short-term rating of P1 whilst the IMTN Programme has been assigned long-term rating of AAA.
 - Name of Rating Agency : RAM Rating Services Berhad.
13. Form and Denomination : The ICP and IMTN shall be issued in accordance with (1) the "Participation and Operation Rules for Payment and Securities Services issued by MyClear (**"MyClear Rules"**) and (2) MyClear Procedures, or their replacement thereof (collectively the **"MyClear Rules and Procedures"**) applicable from time to time.
- Each tranche of the ICP and IMTN shall be represented by a global certificate to be deposited with BNM, and shall be exchanged for definitive bearer form only in certain limited circumstances. The denomination of the ICP and IMTN shall be RM1,000 or in multiples of RM1,000 at the time of issuance.
14. Mode of Issue :
- Via competitive tender by the Tender Panel Members (**"TPM"**) or direct placement on a best effort basis or a bought deal basis or book running on a best effort basis.
- The Joint Lead Managers shall invite a selection of financial institutions and investors to participate as TPMs to bid for the ICP and/or IMTN. The composition of the tender panel may be varied from time to time by the Joint Lead Managers in consultation with the Issuer.
- Allocation of the ICP and/or IMTN to the bidders shall be based on ascending order of yield or descending order of price, as the case may be. The Issuer shall have the right to reject any or all bids or accept additional bids received from a TPM without assigning any reasons thereof.
- Alternatively, the ICP and/or IMTN could be placed privately via the Joint Lead Managers on a best effort basis to selected investors at a yield to be agreed between the Issuer and the investors. The IMTN can also be placed out on a book running basis by the Joint Lead Managers on a best effort basis. Such private placement and book running shall be subject to terms and conditions to be agreed between the Issuer and the Joint Lead Managers.
- The ICPs or IMTNs may also be issued via a bought deal basis based on terms and conditions to be

mutually agreed upon between the Issuer and the primary subscriber(s).

Issuance of the ICP and/or IMTN under the Islamic Securities Programmes shall be in accordance with the MyClear Rules, subject to such exemptions (if any) granted from time to time.

15. Selling Restrictions : Selling Restrictions at Issuance

The ICP and IMTN may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to subscribe the ICP and IMTN may be made and to whom the ICP and IMTN are issued would fall within Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act 2007 (“**CMSA**”) and Schedule 7 or Section 230(1)(b) of the CMSA and would fall within Schedule 9 or Section 257(3) of the CMSA.

Selling Restrictions Thereafter

The ICP and IMTN may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the ICP and/or IMTN would fall within Schedule 6 or Section 229(1)(b) of the CMSA and would fall within Schedule 9 or Section 257(3) of the CMSA.

16. Listing Status : The ICP and IMTN may be listed on Bursa Malaysia Securities Berhad under its Exempt Regime, if the Issuer so decides.

17. Minimum Level of Subscription (RM or %) : The minimum level of subscription for each ICP and/or IMTN issue that is not issued on a bought deal or direct placement basis (which shall be fully subscribed) under the Islamic Securities Programmes shall be 5% of the size of a particular issue.

18. Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify) : None.

19. Identified Assets : The Ijarah Assets will be identified and endorsed by the Joint Shariah Advisers prior to each issuance. In any event, the Ijarah Assets may also be identified and endorsed upfront prior to the initial issuance of the Sukuk.

For the avoidance of doubt, as long as the Sukuk remain outstanding, the Ijarah Assets used under the

Sukuk shall not be made available for future issuances unless the relevant Sukuk has been redeemed.

20. Purchase and Selling Price/Rental (where applicable)

: Asset Purchase Price

To be determined upon determination of the Identified Assets. However, to the extent applicable, the purchase price of the Identified Assets at which any purchase transaction is undertaken shall fully comply with the relevant pricing guidelines of the SC's Shariah Advisory Council (as amended from time to time).

Selling Price

Not applicable.

Rental

To be determined prior to each issuance of the Sukuk in relation to the One-off Distribution or Periodic Distributions.

21. Conditions Precedent

: To include but not limited to the following (all having to be in the form and substance acceptable to the Joint Lead Managers):

A. Main Documentation

a) The documents for the establishment of the Islamic Securities Programmes ("**Transaction Documents**") have been signed and where applicable stamped or endorsed as exempt from stamp duty and presented for registration with the relevant registries.

B. The Issuer

a) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer;

b) Certified true copies of the Forms 24 and 49 of the Issuer;

c) A certified true copy of board resolution(s) of the Issuer authorising, among others, the execution of the relevant Transaction Documents;

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

e) A report of the relevant company search of the

Issuer; and

- f) A report of the relevant winding up search or the relevant statutory declaration of the Issuer.

C. General

- a) The approval from the SC and, where applicable, all other relevant regulatory authorities;
- b) The ICP Programme shall have received a rating of P1 and the IMTN Programme shall have received a rating of AAA from RAM Rating Services Berhad;
- c) The Joint Lead Managers have received a favourable legal opinion from their legal counsel addressed to them advising with respect to, among others, the legality, validity and enforceability of the Transaction Documents and a confirmation from the legal counsel addressed to the Joint Lead Managers confirming that all the conditions precedent have been fulfilled;
- d) Evidence of the confirmation from the Joint Shariah Advisers that the structure and mechanism together with the Transaction Documents of the Islamic Securities Programmes are in compliance with the Shariah principles;
- e) Evidence that all transaction fees, costs and expenses have been fully paid; and
- f) Such other conditions precedent as may be advised by the legal counsel of the Joint Lead Managers and to be mutually agreed between the Joint Lead Managers and the Issuer.

22. Representations and Warranties

: The Issuer's representations and warranties are as follows:

- (a) it is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has full power to carry on its business and to own its property and assets, and has full ownership of all its assets;
- (b) its memorandum and articles of association

incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise it to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;

- (c) the ICP and IMTN and each of the other Transaction Documents, is or will be when executed and/or issued, as the case may be, in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, its valid and legally binding obligations enforceable in accordance with the terms of the ICP and IMTN and each such transaction document;
- (d) neither the execution and delivery of any of the Transaction Documents by the Issuer, nor the performance of any of the transactions contemplated by the Transaction Documents by the Issuer, did or does as at the date the representation and warranty is made or repeated (i) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which it or any of its assets are bound or which is applicable to it or any of its assets, (ii) cause the powers of its directors, whether imposed by or contained in its memorandum and articles of association or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (iii) cause the creation or imposition of any security interest or restriction of any nature on any of its assets;
- (e) no authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever which has not been duly and unconditionally obtained, made or taken is necessary to ensure the legality, validity, enforceability of its liabilities and obligations or the rights of the Sukukholders under the Transaction Documents or the ICP and IMTN;
- (f) all consents, licences, approvals or authorisations of governmental authorities in

Malaysia which are required for it to own its assets and carry on its business as it is being conducted in a reasonable diligent, proper and efficient manner, have been duly obtained and complied with and are in full force and effect;

- (g) no litigation, arbitration or administrative proceeding or claim that has a Material Adverse Effect is current, presently in progress or pending or, to the best of its knowledge, information and belief, threatened against it or any of its assets;
- (h) the information memorandum issued in connection with the Islamic Securities Programmes does not contain any statements or information which are false or misleading or from which there is a material omission and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful inquiry by the Issuer;
- (i) its latest audited financial statements (including the cashflow statements, income statements and balance sheet) have been prepared in accordance with approved accounting standards in Malaysia (unless otherwise disclosed) and give a true and fair view of its financial position for that year and the state of its affairs at that date, as the case may be;
- (j) there has been no material adverse change in the financial condition of the Issuer since its last audited financial statements;
- (k) no Dissolution Event or, to the best of the knowledge, information and belief of the Issuer, no Potential Dissolution Event has occurred and continuing; and
- (l) any other representations and warranties as advised by the legal counsel of the Joint Lead Managers.

“Material Adverse Effect” means, in relation to any event, the occurrence of which may materially and adversely affect (i) the ability of the Issuer to perform any of its obligations under the Islamic Securities Programmes and/or any of the Transaction Documents to which they are a party and/or (ii) the financial position and/or the business of the Issuer.

“Potential Dissolution Event” means, in relation to any event, the occurrence of which with the giving of

the relevant notice or fulfilment of the relevant condition may constitute a Dissolution Event.

23. Events of Default/Dissolution Events

: The Dissolution Events shall include the following:

- (i) the Issuer fails to distribute the One-Off Distribution or Periodic Distributions or the Lessee fails to pay any Rental under the Ijarah Agreement or the Obligor fails to pay any Exercise Price under the Purchase Undertaking, as the case may be unless such failure to pay is caused by administrative or technical error and payment is made within three (3) business days of its due date;
- (ii) the Issuer fails to observe or perform any of its obligations under any of the Transaction Documents or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in paragraph (i) above, and in the case of a failure which in the opinion of the Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of sixty (60) days after the Issuer became aware or having been notified by the Trustee of the failure;
- (iii) any representation or warranty made or given by the Issuer under the Transaction Documents or which is contained in any certificate, document or statement furnished by the Issuer at any time pursuant to the terms of the ICP and IMTN and/or any of the Transaction Documents proves to have been incorrect or misleading in any material respect on or as of the date made or given or deemed made or given, and which, if capable of being remedied in the reasonable opinion of the Trustee, has not been remedied by the Issuer within sixty (60) days after the Issuer became aware or was notified by the Trustee of the same;
- (iv) Any indebtedness of the Issuer (other than (i) above) exceeding in aggregate Ringgit Malaysia One Hundred and Fifty Million (RM150,000,000.00) becomes due and payable prior to its stated maturity or any guarantee or similar obligations of the Issuer exceeding in aggregate Ringgit Malaysia One Hundred and Fifty Million (RM150,000,000.00)

is not discharged at maturity or when called, and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligation is not discharged or disputed in good faith by the Issuer in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call;

- (v) an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed or distress, legal process, sequestration or any form of execution is levied or enforced or sued out against any of the undertaking, assets, rights or revenues of the Issuer and is not discharged within thirty (30) days and the result of which has a Material Adverse Effect, or any security interest which may for the time being affect any of its assets becomes enforceable;
- (vi) the Issuer fails to satisfy any judgement passed against it by any court of competent jurisdiction and no appeal against such judgement has been made to any appropriate appellate court within the time prescribed by law or such appeal has been dismissed;
- (vii) any step is taken for the winding up, dissolution or liquidation of the Issuer or a resolution is passed for the winding up of the Issuer or a petition for winding up is presented against the Issuer and the Issuer has not taken any action in good faith to set aside such petition within sixty (60) days from the date of service of such winding up petition or a winding up order has been made against the Issuer;
- (viii) the Issuer convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement or composition or begins negotiations with its creditors, or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or any part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any part of its indebtedness or any assignment for the benefit of its creditors (other than for the purposes of and followed by a reconstruction previously approved in writing by the Trustee, unless during or following such reconstruction the Issuer becomes or is

declared to be insolvent) or where a scheme of arrangement under Section 176 of the Companies Act has been instituted against the Issuer;

- (ix) where there is a revocation, withholding or modification of any license, authorisation, approval or consent which in the reasonable opinion of the Trustee has a Material Adverse Effect;
- (x) the Issuer is deemed unable to pay any of its debts within the meaning of Section 218(2) of the Companies Act 1965 or becomes unable to pay any of its debts as they fall due and the same has a Material Adverse Effect or suspends or threatens to suspend making payments with respect to all or any class of its debts without the consent of all or a particular class of debt creditors;
- (xi) any creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer and such event in the reasonable opinion of the Trustee has a Material Adverse Effect;
- (xii) at any time any of the provisions of the Transaction Documents is or becomes illegal, void, voidable or unenforceable;
- (xiii) 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;
- (xiv) any of the assets, undertakings, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which in the reasonable opinion of the Trustee has a Material Adverse Effect;
- (xv) any event or events has or have occurred or a situation exists which in the reasonable opinion of the Trustee has a Material Adverse Effect and in the case of the occurrence of such event or situation which in the reasonable opinion of the Trustee is capable of being remedied, the Issuer does not remedy it within a period of thirty (30) days after the Issuer became aware

or having been notified by the Trustee of the event or situation;

- (xvi) the occurrence of a Total Loss Event with respect to the relevant Ijarah Assets in a particular Ijarah Agreement (unless substituted with qualified assets as approved by the Joint Shariah Advisers within the stipulated time frame);
- (xvii) The Government of Malaysia disposes of or redeems the ownership of the Special Share (as defined in and with the rights as prescribed in Article 8 of TM's Articles of Association) or the rights and benefit attaching to the Special Share are adversely changes and the result of which has a Material Adverse Effect; and
- (xviii) such other event as may be advised by the legal counsel of the Joint Lead Managers and to be mutually agreed between the Joint Lead Managers and the Issuer.

Upon the occurrence of a Dissolution Event, the Trustee may, at its sole and absolute discretion and shall, if so directed by an extraordinary resolution of the Sukukholders or upon occurrence of the event mentioned in paragraph (xvi) above (relating to a Total Loss Event), shall (subject to its rights to be indemnified to its satisfaction against all costs and expenses thereby occasioned), declare (by giving notice to the Issuer) that a Dissolution Event has occurred and the Trustee is entitled to enforce its rights under the Transaction Documents, including, if applicable, requiring the Obligor to purchase the Ijarah Assets and pay the Exercise Price under the Purchase Undertaking.

24. Principal Terms and Conditions for warrants (where applicable) : Not applicable.

25. Other Principal Terms and Conditions for the Issue

(a) Positive Covenants : The Issuer covenants that so long as the ICP and IMTN are outstanding:

- (a) it shall provide to the Trustee at least on an annual basis, a certificate confirming that it has complied with all its obligations under the transaction documents and that there does not

exist or had not existed, from the first date the ICP and IMTN were issued or the date of the last certificate, as the case may be, any Dissolution Event, and if such is not the case, to specify the same;

- (b) it shall deliver to the Trustee the following:
 - (i) as soon as they become available (and in any event within 180 days after the end of its financial year) copies of its financial statements for that year which shall contain the income statements and balance sheets of the Issuer and which are audited and certified without qualification by a firm of independent certified public accountants acceptable to the Trustee;
 - (ii) promptly, such additional financial or other information or reports as the Trustee may from time to time request including without limitation, such information as the Trustee may require in order for the Trustee to discharge its duties and obligations relating to the Issuer's affairs to the extent permitted by law;
 - (iii) promptly, all notices or other documents received by the Issuer from any of its shareholders or its creditors, or from the Issuer to any of its shareholders or its creditors, which contents may materially and adversely affect the interests of the Sukukholders;
- (c) it shall promptly notify the Trustee forthwith upon it becoming aware of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against it before any court or tribunal or administrative agency which has a Material Adverse Effect;
- (d) it shall promptly give notice to the Trustee of:
 - (i) the occurrence of any Dissolution Event or any Potential Dissolution Event or any event that gives rise to any right or remedy under the Transaction Documents becoming immediately enforceable, forthwith upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Trustee

to remedy and/or mitigate the effect of the Dissolution Event or the Potential Dissolution Event;

- (ii) any circumstances that have occurred that would materially prejudice the Issuer upon becoming aware thereof;
 - (iii) any substantial change in the nature of the business of the Issuer;
 - (iv) any change in the withholding tax position or taxing jurisdiction of the Issuer;
 - (v) any other matter that may materially prejudice the interests of the Sukukholders, upon becoming aware thereof;
- (e) it shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) which is or may become necessary to enable it to own its assets, to carry on its business in a reasonable diligent, proper and efficient manner or for the Issuer to enter into or perform its obligations under the Transaction Documents or to ensure the legality, validity, enforceability, admissibility in evidence of its obligations or the priority or rights of the Trustee or the Sukukholders under the Transaction Documents and it shall comply with the same;
- (f) it shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents;
- (g) it shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;
- (h) it shall promptly perform and carry out all its obligations under all the Transaction Documents (including but not limited to redeeming the ICP and IMTN on the relevant Scheduled Dissolution Date(s) or any other date on which the ICP and IMTN are due and payable) and ensure that it

shall immediately notify the Trustee in the event that it is unable to fulfil or comply with any of the provisions of the Transaction Documents;

- (i) it shall prepare its financial statements on a basis consistently applied in accordance with the generally approved accounting standards in Malaysia (unless otherwise disclosed) and those financial statements shall give a true and fair view of its results of the operations for the period to which the financial statements are made up and shall disclose or provide against all liabilities (actual or contingent) of the Issuer;
- (j) it shall keep proper books and records at all times and will permit upon reasonable request by the Trustee or its agent and servants and any person appointed or authorised by it at all reasonable times to have access to and to inspect its books of accounts and records relating to its business at any office, branch or place of business of the Issuer and all records kept by any other persons;
- (k) it shall promptly comply with all applicable laws including the provisions of the CMSA and all circulars, conditions or guidelines issued by the SC from time to time;
- (l) it shall maintain a paying agent in Malaysia;
- (m) it shall procure that the Paying Agent shall notify the Trustee in the event that the Paying Agent does not receive payment from the Issuer on the relevant due dates; and
- (n) such other undertakings as may be advised by the legal counsel of the Joint Lead Managers and to be mutually agreed between the Joint Lead Managers and the Issuer.

(b) Negative Covenants : The Issuer covenants that, for so long as any ICP and/or IMTN is outstanding, it will not:

- (a) create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding liens or security interest arising in the ordinary course of business by

operation of law and not by way of contract;

- (b) cancel, surrender, abandon or otherwise change in a material manner the nature or scope of its existing business nor suspend or threaten to suspend a substantial part of its business;
- (c) sell, transfer or lease or otherwise dispose of or in any case cease to exercise control over, whether by a single transaction or a number of transactions, related or not, the whole or part of its undertaking, business or assets, except:-
 - a. sale or disposal of the Issuer's undertaking, business or assets which is in the ordinary course of business and on ordinary commercial terms on the basis of arm's length transaction and which will not have a Material Adverse Effect; or
 - b. disposal of any of the Issuer's undertaking, business or assets which will not have a Material Adverse Effect; or
 - c. in connection with the Islamic Securities Programmes;
- (d) add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the Transaction Documents;
- (e) reduce its authorised or paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares, or by any other manner save and except for (i) capital repayment exercise(s) by the Issuer in relation to which the Rating Agency has confirmed that there will be no adverse effect to the rating of the Sukuk and (ii) any repurchase of shares by the Issuer pursuant to the provisions of Section 67A of the Companies Act 1965;
- (f) enter into any agreement with its related corporations or associated companies unless such agreement is entered into:
 - (i) in the ordinary course of its business;
 - (ii) on an arms-length basis; and
 - (iii) will not have a Material Adverse Effect;
- (g) sell, lease, transfer, assign, participate, exchange or otherwise dispose of any part of its interest in

any of the Ijarah Trust Assets except pursuant to the Islamic Securities Programmes;

- (h) use the proceeds of the issue of the ICP and/or IMTN for any purpose other than as stated in the Transaction Documents; and
- (i) such other undertakings as may be advised by the legal counsel of the Joint Lead Managers and to be mutually agreed between the Joint Lead Managers and the Issuer.

(c) Purchase Undertaking : TM (as “**Obligor**”) shall enter into a Purchase Undertaking pursuant to which the Obligor shall undertake to the Trustee (for the benefit of the Sukukholders) to purchase the relevant Ijarah Assets from the Sukukholders, on the earlier of:

- (a) upon the Scheduled Dissolution Date; or
- (b) upon declaration of a Dissolution Event (save for a Dissolution Event due to a Total Loss Event),

at the relevant Exercise Price and the Sukuk held by the Sukukholders shall be cancelled.

(d) Exercise Price : In relation to the Purchase Undertaking, the Exercise Price for the purchase of the relevant Ijarah Assets is as follows:

- (i) in the case of a purchase of the relevant Ijarah Assets due to declaration of a Dissolution Event, the Exercise Price shall be an amount equal to the Dissolution Distribution Amount plus the Ownership Expenses; and
- (ii) in the case of a purchase of the relevant Ijarah Assets on the Scheduled Dissolution Date of a tranche of Sukuk, the Exercise Price shall be an amount equal to the Scheduled Distribution Amount for the relevant tranche plus the Ownership Expenses;

“**Dissolution Distribution Amount**” means the aggregate of the following in respect of all respective ICP or IMTN to be redeemed:

- (a) Par Sukuk

The Dissolution Distribution Amount shall consist of:

- (1) the nominal value; and

- (2) the accrued but unpaid Periodic Distributions, accrued to the EOD Dissolution Date and shall be in accordance with MyClear Rules.

(b) Discounted Sukuk

The Dissolution Distribution Amount shall consist of:

- (1) The accreted value of the Sukuk; and
- (2) The accrued but unpaid Periodic Distributions (if any), accrued to the EOD Dissolution Date and shall be in accordance with MyClear Rules.

For the avoidance of doubt, in the case of Sukuk without Periodic Distribution, the “Dissolution Distribution Amount” shall be equivalent to the accreted value of the respective Sukuk to be redeemed and shall be in accordance with MyClear Rules.

“Scheduled Distribution Amount” means in respect of relevant ICP or IMTN to be redeemed the aggregate of the following for both Par Sukuk and Discounted Sukuk:

- (1) the nominal value; and
- (2) the accrued but unpaid Periodic Distributions as at the Scheduled Dissolution Date.

In the case of Sukuk without Periodic Distribution, the “Scheduled Distribution Amount” shall be equivalent to the nominal value of the respective Sukuk to be redeemed.

The Exercise Price payable by TM to the Trustee (on behalf of the Sukukholders) shall be set off against reimbursement of Ownership Expenses.

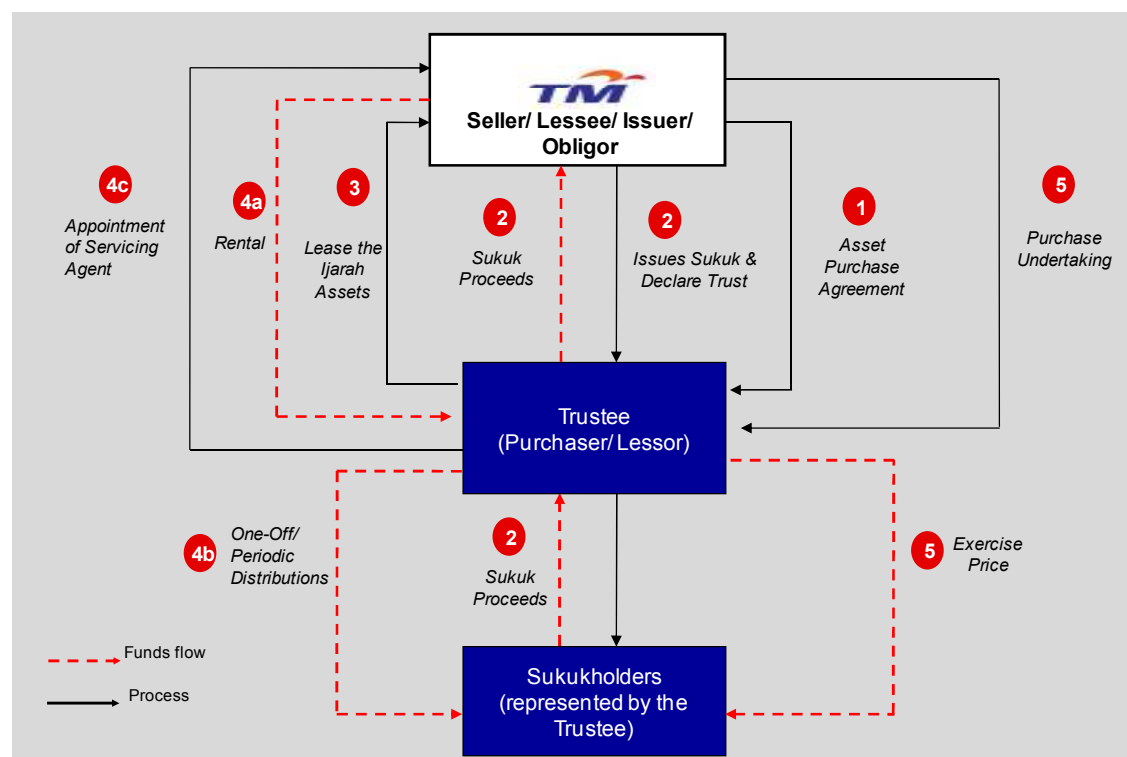
- (e) **Ijarah Agreement** : Under the terms of an Ijarah Agreement between the Lessee and the Lessor from time to time, the Lessor will agree to lease to the Lessee, and the Lessee will agree to lease from the Lessor, the Ijarah Assets during the term commencing on the lease commencement date and expiring on the Scheduled Dissolution Date. The Ijarah Agreement is subject to early termination upon the occurrence of certain events to be determined.

- (f) **Servicing Agency Agreement** : Under the Servicing Agency Agreement, TM (in such capacity as the Servicing Agent) on behalf of the Lessor, will be responsible for among others the performance of all major maintenance and ownership expenses in respect of the Ijarah Assets.
- (g) **Transferability** : Transferable but subject to the Selling Restrictions.
- (h) **Redemption** : Unless redeemed earlier by the Issuer, the Issuer shall redeem the Sukuk at their face value on their respective Scheduled Dissolution Date.
- (i) **Repurchase and Cancellation** : The Issuer and its related corporations may at any time purchase the Sukuk in the open market or by private treaty. Such Sukuk purchased by the Issuer shall be cancelled and cannot be reissued. Such Sukuk purchased by its related corporations need not be cancelled but they will not entitle the related corporations to vote at any meetings of the Sukukholders.
- (j) **Status** : The ICP and IMTN will represent the Sukukholders' undivided beneficial ownership in the Ijarah Trust Asset of the relevant ICP and IMTN. The ICP and IMTN will constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.
- The obligations of the Obligor pursuant to the Purchase Undertaking in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Obligor and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Obligor, except those preferred by law and the Transaction Documents.
- (k) **Availability** : Upon completion of documentation and, unless waived by the Joint Lead Managers, compliance of all conditions precedent and other applicable conditions to the satisfaction of the Joint Lead Managers.
- (l) **Compensation (Ta'widh)** : In the event of any overdue payments of any amounts due under the Ijarah Agreement and the Purchase Undertaking, TM shall pay the compensation on such overdue amounts at the rate and manner prescribed by the SC's Shariah Advisory Council from time to time

in accordance with the Shariah principles. The Shariah Adviser of the respective Sukukholders (if applicable) may decide on the ultimate disposal of this compensation amount.

- (m) Governing Laws** : The Sukuk and the Transaction Documents shall be governed by the laws of Malaysia.
- (n) 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.
- (o) Jurisdiction** : The Issuer shall unconditionally and irrevocably submit to the non-exclusive jurisdictions of the courts of Malaysia.
- (p) No Payment of Interest** : For the avoidance of doubt and notwithstanding any other provision to the contrary herein, it is hereby agreed and declared that nothing in this principal 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 or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest.
- (q) Other Conditions** : The Islamic Securities Programmes shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM, MyClear and/or any other authority in Malaysia having jurisdiction over matters pertaining to the Islamic Securities Programmes.

Sukuk Ijarah



Step 1	Telekom Malaysia (“ TM ”) shall, from time to time, sell the identified Shariah-compliant leasable assets (“ Ijarah Assets ”) at the Asset Purchase Price by way of transfer of the beneficial ownership to the Trustee (acting on behalf of the Sukukholders), pursuant to the Asset Purchase Agreement.
Step 2	TM shall declare a trust over the relevant Ijarah Assets (“ Ijarah Trust Assets ”), for the benefit of the Sukukholders. TM (in the capacity as the “ Issuer ”) shall issue Sukuk to the Sukukholders whereby TM shall receive the proceeds for the payment of the Asset Purchase Price. The Sukuk proceeds shall ultimately be utilised by TM to meet its capital expenditure requirements which shall be Shariah compliant. The Sukuk herein represents the Sukukholders’ undivided and proportionate beneficial ownership in the Ijarah Trust Assets.
Step 3	Thereafter, the Trustee (on behalf of the Sukukholders), in its capacity as the lessor (“ Lessor ”) shall from time to time, lease the Ijarah Assets to TM (“ Lessee ”) for a pre-determined rental amount (“ Rental ”) and tenure (“ Lease Term ”) pursuant to the Ijarah Agreement.
Step 4	<p>a. TM shall pay Rental in respect of the Ijarah Assets on the One-Off Distribution Date or Periodic Distribution Dates (“Distribution Dates”), as the case may be.</p> <p>b. Such Rental, will be distributed as One-off Distribution or Periodic Distributions under the Sukuk to the Sukukholders proportionate to their sukukholdings.</p> <p>c. Under the terms of the Servicing Agency Agreement (as defined below), TM</p>

	shall be appointed as the servicing agent (" Servicing Agent ") by the Trustee (on behalf of the Sukukholders) and will, amongst other things, be responsible, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Ijarah Assets and/or the related payment and/or ownership expenses in respect of the Ijarah Assets (" Ownership Expenses "), which are to be reimbursed by the Trustee (on behalf of the Sukukholders) to TM upon the expiry of the relevant Ijarah Agreement. The Servicing Agent shall also ensure that the takaful/insurance is for a covered/insured amount, at all times and shall be responsible for the related payment of the relevant takaful contribution or insurance premium.
Step 5	TM (as the " Obligor ") shall also undertake to acquire the relevant Ijarah Assets via a Purchase Undertaking upon any Dissolution Event or upon maturity of the Sukuk at an agreed formula (" Exercise Price "). The Exercise Price received from TM will be used to pay all amounts due and payable under the Sukuk to the Sukukholders.
Note	TM shall have the right, via an exchange agreement, to substitute all or part of the Ijarah Trust Assets throughout the tenure of the Sukuk with qualified assets that are approved by the Shariah Adviser (" Substitute Assets "). The Substitute Assets shall form part of the Ijarah Trust Assets.