

STRICTLY PRIVATE & CONFIDENTIAL

## INFORMATION MEMORANDUM

### AL DZAHAB ASSETS BERHAD

(Company No. 1164908-M)

**Proposed Issuance of Sukuk Murabahah Under a Sukuk Murabahah Asset-Backed Securitisation Programme of up to RM900.0 Million in Nominal Value under the Shariah Principle of Murabahah via a Tawarruq Arrangement (the “Proposal”)**

JOINT PRINCIPAL ADVISERS/JOINT LEAD ARRANGERS



**AmINVESTMENT BANK BERHAD**  
(Company No. 23742-V)



**HONG LEONG INVESTMENT BANK  
BERHAD**  
(Company No. 10209-W)

SOLE LEAD MANAGER (FOR THE FIRST TRANCHE)



**HONG LEONG INVESTMENT BANK BERHAD**  
(Company No. 10209-W)

This Information Memorandum is dated 9 June 2016

This Information Memorandum is not an offer to sell securities and is not soliciting an offer to buy securities in any jurisdiction where the offer or sale is not permitted.

## **IMPORTANT NOTICE**

### **Responsibility Statements**

This information memorandum ("**Information Memorandum**") has been approved by the directors of the Issuer (as defined in this Information Memorandum) and they collectively and individually accept full responsibility for the accuracy of the information and confirm that, after having made all reasonable enquiries, and to the best of their information and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Information Memorandum false or misleading and there is no material omission in this Information Memorandum.

The opinions and intentions expressed in this Information Memorandum in relation to the Issuer are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and there are no other facts in relation to the Issuer or the Sukuk Murabahah Programme (as defined in this Information Memorandum) the omission of which would, in the context of any issuance of Sukuk Murabahah (as defined in this Information Memorandum), make any statement in this Information Memorandum misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. No representation or warranty, expressed or implied, is made such that the information remains unchanged in any respect as of any date or dates after those stated herein, with respect to any matter concerning the Issuer or any statement made in this Information Memorandum. The Issuer and its board of directors accept full responsibility for the information contained in this Information Memorandum.

### **General Statement of Disclaimer**

The Issuer has authorised the Sole Lead Manager to distribute this Information Memorandum (in respect of the First Tranche (as defined herein)), which is now being provided by the Sole Lead Manager on a confidential basis to potential investors to whom an issue, offer or invitation to subscribe or purchase the Sukuk Murabahah would constitute, where relevant:- (a) at the point of issuance of the Sukuk Murabahah, an excluded issue, excluded offer or excluded invitation under section 229(1)(b) or Part 1 of Schedule 6 or section 230(1)(b) or Part 1 of Schedule 7, read together with section 257(3) or Schedule 9 of the CMSA (as defined in this Information Memorandum); and (b) after the issuance of the Sukuk Murabahah, an excluded offer or excluded invitation under section 229(1)(b) or Part 1 of Schedule 6 read together with section 257(3) or Schedule 9 of the CMSA, for the sole purpose of assisting them to decide whether to subscribe for or purchase the Sukuk Murabahah. This Information Memorandum may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

No representation or warranty, express or implied, is given or assumed by the Joint Principal Advisers/Joint Lead Arrangers and the Sole Lead Manager as to the authenticity, origin, validity, accuracy or completeness of information and data contained in this Information Memorandum or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum. Each of the Joint Principal Advisers/Joint Lead Arrangers and the Sole Lead Manager has not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Sukuk Murabahah Programme and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum, except as provided by Malaysian laws. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and the Sole Lead Manager or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any Foreign Jurisdiction (as defined in this Information Memorandum), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an issue or

offer of, or an invitation to apply for, the Sukuk Murabahah or any other securities of any kind by any party in any Foreign Jurisdiction.

The distribution or possession of this Information Memorandum in or from certain jurisdictions may be restricted or prohibited by law. Each recipient is required by the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and the Sole Lead Manager to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer, the Joint Principal Advisers/Joint Lead Arrangers nor the Sole Lead Manager accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any such Foreign Jurisdiction. This Information Memorandum is not and is not intended to be a prospectus.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to subscribe for or purchase the Sukuk Murabahah under all jurisdictions to which the recipient is subject, (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Sukuk Murabahah, (d) the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and the Sole Lead Manager and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Sukuk Murabahah by the recipient, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk Murabahah by the recipient is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Sukuk Murabahah can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Sukuk Murabahah, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk Murabahah, (g) it is subscribing or accepting the Sukuk Murabahah for its own account, (h) it is a person to whom an issue, offer or invitation to subscribe or purchase the Sukuk Murabahah would constitute, where relevant:- (i) at the point of issuance of the Sukuk Murabahah, an excluded issue, excluded offer or excluded invitation under section 229(1)(b) or Part 1 of Schedule 6 and 230(1)(b) or Part 1 of Schedule 7 read together with section 257(3) or Schedule 9 of the CMSA; and (ii) after the issuance of the Sukuk Murabahah, an excluded offer or excluded invitation under section 229(1)(b) or Part 1 of Schedule 6 read together with section 257(3) or Schedule 9 of the CMSA, and (i) the making of this disclosure and general statement of disclaimer does not impose any continuing duty to update or provide any information from time to time or at any time except as specifically provided by law. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe for or purchase the Sukuk Murabahah in relation to any recipient who does not fall within item (h) above.

This Information Memorandum is not, and should not be construed as, a recommendation by the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and the Sole Lead Manager or any other party to the recipient to subscribe for or purchase the Sukuk Murabahah. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Sukuk Murabahah and all other relevant matters, and each recipient should consult its own professional financial, legal and other appropriate professional advisers.

The Sukuk Murabahah are direct, secured, unsubordinated and unconditional obligations of the Issuer and within each class of the Sukuk Murabahah, rank *pari passu* without discrimination, preference or priority amongst themselves and for all classes of the Sukuk Murabahah, rank at least *pari passu* with all other present and future unsecured obligations of the Issuer from time to time (subject to those preferred by law). As between the classes (under the First Tranche), the Sukuk Murabahah are ranked in the following order of priority:- (i) Class A Sukuk Murabahah; (ii) Class B Sukuk Murabahah; and (iii) Class C Sukuk Murabahah. The liability of the Issuer to make profit payments and principal payments on the Sukuk Murabahah is limited to the assets of the Issuer available for this purpose in

accordance with and subject to the priority of payments as set out in the Trust Deed. Once the security provided have been exhausted and there are still obligations of the Issuer that remain outstanding, the outstanding obligations shall be deemed extinguished and the Sukukholders shall be deemed to agree that they shall not have any legal rights as against the Issuer and accordingly, they shall not be entitled to file a petition for or institute or join any other person in instituting proceedings for the reorganisation, liquidation, winding-up or receivership of the Issuer or other similar proceedings under any applicable laws. The Originator does not in any way stand behind the Sukuk Murabahah, except to the extent specified in the Issue Documents.

This Information Memorandum includes certain historical information, estimates, projections or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, the local financial industry and certain other matters derived from sources. Such information, estimates, projections or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and projection or report thereon derived from such and other third party sources.

This Information Memorandum also includes “forward-looking statements” in so far as the forecast, projections and/or estimates of available cashflow are concerned and on other matters. These forecast, projections and/or estimates and the related assumptions, while believed to be reasonable, are subject to risks and uncertainties that may cause the actual cashflow, event or result to be materially different from such forecast, projections and/or estimates. In light of this, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or any other party that such forecast, projections and/or estimates or other forward-looking statements will be ultimately realised.

The Issuer, the Joint Principal Advisers/Joint Lead Arrangers and the Sole Lead Manager and certain other parties referred to in this Information Memorandum are companies limited by shares incorporated under the Companies Act 1965 (“**Companies Act**”). Any legal action arising out of or in connection with the Sukuk Murabahah Programme must be brought in the courts in Malaysia. In addition, any party seeking to take any legal action against such companies or persons outside Malaysia will have to establish that a court outside Malaysia has jurisdiction in respect of such action and, even if such court decides that it has the relevant jurisdiction, it may be difficult for that party to effect service of process outside Malaysia or to enforce judgements obtained from such court predicated upon such liability provisions of laws of foreign countries.

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

#### **Statements of Disclaimer – Securities Commission Malaysia (“SC”)**

A copy of this information memorandum will be deposited and/or lodged in accordance with the CMSA with the SC, who takes no responsibility for its contents.

The lodgement pursuant to the LOLA Guidelines in relation to the proposed issuance of the Sukuk Murabahah was made with the SC (the “**SC Lodgement**”) on 9 June 2016.

The issue, offer or invitation in relation to the Sukuk Murabahah in this Information Memorandum or otherwise is subject to the SC Lodgement and the fulfilment of various conditions precedent including without limitation the execution of the agreements relating to the Transaction (as defined herein) and the lodgement pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (updated and effective on 15 June 2015) (“**LOLA Guidelines**”) in relation to the proposed issuance of the Sukuk Murabahah with the SC and each recipient of this Information Memorandum acknowledges and agrees that the lodgement with the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk Murabahah.

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

**EACH TRANCHE AND CLASS OF THE SUKUK MURABAHAH WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH TRANCHE AND CLASSES OF THE SUKUK MURABAHAH ON ITS OWN MERIT. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

**IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR OWN FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR SUBSCRIBING OR ACQUIRING THE SUKUK MURABAHAH.**

### **Confidentiality**

To the recipient of this Information Memorandum:

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

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law or equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisor, directors, employees and any other persons concerned with the Sukuk Murabahah Programme.

The recipient must return this Information Memorandum and all reproductions thereof whether in whole or in part and any other information in connection therewith to the the Sole Lead Manager promptly upon the Sole Lead Manager's request, unless that recipient provides proof of a written undertaking satisfactory to the Sole Lead Manager with respect to destroying these documents as soon as reasonably practicable after the said request from the Sole Lead Manager.

### **Documents Incorporated by Reference**

The following documents issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:-

- (i) the audited annual financial statements of the Issuer, if published later; and
- (ii) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

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## **DEFINITIONS OF KEY TERMS AND ABBREVIATIONS**

Unless where the context otherwise requires or as otherwise defined in this Information Memorandum, terms defined in Appendix I (Principal Terms and Conditions for the Sukuk Murabahah Programme) of this Information Memorandum shall have the same meanings when used in the other parts of this Information Memorandum.

Unless the context otherwise requires, the following definitions shall apply throughout this Information Memorandum:

<b>Definitions</b>	<b>Meanings</b>
AIBB	: AmlInvestment Bank Berhad (Company No. 23742-V), as Joint Principal Adviser and Joint Lead Arranger
Acquired Islamic Financing Agreements	: Islamic Financing Agreements purchased by the Issuer from the Originator pursuant to the SPA and the relevant Originator Sale and Purchase Agreement(s)
Amcorp Group of Companies	: Amcorp Group Berhad (Company No. 1166-T) and its subsidiaries
Assignment and Charge 1	: In relation to each tranche, the assignment and charge from the Issuer to the Security Trustee of all of the Issuer's rights, titles, interests and benefits in, to and under:-  (i) the Acquired Islamic Financing Agreements and the Collection Proceeds in relation to that tranche; (ii) the Originator Sale and Purchase Agreement in relation to that tranche; and (iii) the Designated Accounts in relation to that tranche.
Assignment and Charge 2	: The assignment and charge from the Issuer to the Security Trustee of all of the Issuer's rights, titles, interest and benefits in, to and under the SPA (excluding the Sub-SPA(s))
BNM	: Bank Negara Malaysia
Clean-up Call	: Has the meaning ascribed thereto in paragraph (s)(Other Terms and Conditions) of Appendix I hereof
Collateralisation	: Has the meaning ascribed thereto in paragraph (l)(Other Terms and Conditions) of Appendix I hereof
Collection Agent	: Such competent collection agent(s) with full authority to act as a collection agent for the Cooperatives in respect of repayment of Islamic financing granted by them to the Individual Customers and which effects payments to these Cooperatives through direct deductions from salaries payable to the Individual Customers
Collection Proceeds	: All collections by the Collection Agent in relation to the Acquired Islamic Financing Agreements
CMSA	: Capital Markets and Services Act, 2007 (as amended from time to time)

<b>Definitions</b>	<b>Meanings</b>
Cooperatives	Participating cooperative societies/ foundations/ corporations;
Debenture	: The debenture by the Issuer in favour of the Security Trustee creating a first fixed and floating charge over the whole of the Issuer's undertaking and all of its property, assets and rights, both present and future, other than those assigned under the Assignment and Charge
Designated Accounts	: Has the meaning ascribed thereto in paragraph (hh)(Other Terms and Conditions) of Appendix I hereof
Early Redemption	: Has the meaning ascribed thereto in paragraph (jj)(Other Terms and Conditions) of Appendix I hereof
Eligibility Criteria	: Has the meaning ascribed thereto in paragraph (k)(Other Terms and Conditions) of Appendix I hereof
Event of Default	: Has the meaning ascribed thereto in paragraph (26) of Appendix I hereof
Facility Agent	: HLIB
Finance Service Reserve Account or FSRA	: Has the meaning ascribed thereto in paragraph (hh)(Other Terms and Conditions) of Appendix I hereof
First Tranche	: The first tranche of the Sukuk Murabahah
Foreign Jurisdiction	: Any country (including its territories, all jurisdictions within that country and any possession areas subject to its jurisdiction), other than Malaysia
HLIB	: Hong Leong Investment Bank Berhad (Company No. 10209-W), as Joint Principal Adviser, Joint Lead Arranger and Sole Lead Manager (for the First Tranche) of the Transaction
Individual Customers	: The individual customers of the Cooperatives
Islamic Financing Agreements	: the Islamic personal financing agreements entered into between the relevant Cooperatives and the Individual Customers
Issuer	: Al Dzahab Assets Berhad (Company No. 1164908-M)
Issue Documents	: Has the meaning ascribed thereto in paragraph (w)(Other Terms and Conditions) of Appendix I hereof
Joint Lead Managers	: For Subsequent Tranche(s), AIBB, HLIB and/or such other party(ies) as may be appointed and mutually agreed by the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and the existing Joint Lead Managers
KOWAJA	: Koperasi Wawasan Pekerja-Pekerja Berhad (W-6-0338)

<b>Definitions</b>	<b>Meanings</b>
Limited Recourse/Non-Petition	: Has the meaning ascribed thereto in paragraph (aa)(Other Terms and Conditions) of Appendix I hereof
LOLA Guidelines	: The Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework of the SC (Issued on 9 March 2015 and updated and effective on 15 June 2015)
Mandatory Redemption in Full	: Has the meaning ascribed thereto in paragraph (q)(Other Terms and Conditions) of Appendix I hereof
Master Security Documents	: Means collectively:-  (a) the Debenture; (b) the Share Charge; and (c) the Assignment and Charge 2
Minimum Required Profit Balance	: Has the meaning ascribed thereto in paragraph (hh)(Other Terms and Conditions) of Appendix I hereof
Originator	: RCEM
Permitted Investments	: Has the meaning ascribed thereto in paragraph (31) of Appendix I hereof
Purchaser	: The Issuer
RAM or Credit Rating Agency	: RAM Rating Services Berhad (Company No. 763588-T)
Revenue Account or RA	: Has the meaning ascribed thereto in paragraph (hh)(Other Terms and Conditions) of Appendix I hereof
RCE Capital	: RCE Capital Berhad (Company No. 2444-M)
RCEM	: RCE Marketing Sdn Bhd (Company No. 78009-K)
Receivables	: The amounts due to be paid to the Cooperatives by the Individual Customers based on the Islamic Financing Agreements
Reporting Accountant	: Deloitte
Repurchase Price	: Has the meaning ascribed thereto in paragraph (t)(Other Terms and Conditions) of Appendix I hereof
RM/Ringgit and sen	: Ringgit Malaysia and sen respectively, the monetary units in the lawful currency of Malaysia
SC	: Securities Commission Malaysia
Security Trustee	: Pacific Trustees Berhad (Company No.317001-A)
Servicing Agreement	: The servicing agreement dated on or around the date of the Trust Deed and entered into between the Issuer and the Servicer
Servicer	: RCEM

<b>Definitions</b>	<b>Meanings</b>
Servicer Event of Default	: Has the meaning ascribed thereto in paragraph (p)(Other Terms and Conditions) of Appendix I hereof
Share Charge	: First legal charge by the Share Trustee in favour of the Security Trustee over the entire issued and paid-up share capital of the Issuer
Share Trustee	: TMF Trustees Malaysia Berhad (Company No. 610812-W)
Shariah Adviser	: Datuk Dr Mohd Daud Bakar
Sinking Fund Account or SFA	: Has the meaning ascribed thereto in paragraph (hh)(Other Terms and Conditions) of Appendix I hereof
SIT	: Has the meaning ascribed thereto in paragraph (m)(Other Terms and Conditions) of Appendix I hereof
Solicitors	: Messrs. Adnan Sundra & Low
SPA	: The tripartite sale and purchase agreement(s) for the sale of Islamic Financing Agreements which comply with the Eligibility Criteria by the Cooperatives to the Originator and the onward sale of the said Islamic Financing Agreements by the Originator to the Issuer. The SPA will be in the form of a master sale and purchase agreement(s) (to be entered into between the Issuer, the Originator and each of the Cooperatives individually) with two different appendices attached to the same which will be entered into between:-  (i) each of the Cooperatives individually, the Originator and the Issuer (in relation to the conveyance of the Islamic Financing Agreements which comply with the Eligibility Criteria from each of the Cooperatives to the Originator) prior to issuance of each tranche of Sukuk Murabahah (" <b>Cooperative Sale and Purchase Agreement(s)</b> "); and  (ii) the Originator and the Issuer (in relation to the conveyance of the said Islamic Financing Agreements from the Originator to the Issuer) prior to the issuance of each tranche of Sukuk Murabahah (" <b>Originator Sale and Purchase Agreement(s)</b> "), respectively
SPV Administrator	: TMF Global Services (Malaysia) Sdn Bhd (Company No. 463543-D)
Sub-SPA(s)	: Collectively the Cooperative Sale and Purchase Agreement(s) and the Originator Sale and Purchase Agreement(s)
Subsequent Tranche(s)	: All subsequent issuances/tranche(s) of the Sukuk Murabahah under the Sukuk Murabahah Programme (other than the First Tranche)
Sukuk Murabahah Programme	: Islamic medium term notes programme of up to RM900.0 million in nominal value under the Shariah principle of

**Definitions**

**Meanings**

Murabahah, as more particularly described in Section 2.2.1 hereof

Sukuk Murabahah	:	Islamic medium term notes.
Sukuk Trustee	:	Pacific Trustees Berhad (Company No.317001-A)
Sukukholders	:	Holder of the Sukuk Murabahah
Tax Adviser	:	Deloitte Tax Services Sdn Bhd (Company No. 36421-T)
Tranche Security Documents	:	In respect of a tranche collectively:  (a) the Assignment and Charge 1; and (b) any other document or security executed or created or which may hereafter be executed or created to secure the payment and repayment of that tranche, profit and other moneys covenanted to be paid under or in respect of that tranche.
Transaction	:	Proposed issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of Sukuk Murabahah under the Sukuk Murabahah Programme arising from the securitisation of the Acquired Islamic Financing Agreements
Transaction Documents	:	Collectively all legal documents in relation to the Sukuk Murabahah issuance more particularly described in Section 10.0 hereof
Trustees' Reimbursement Account	:	Has the meaning ascribed thereto in paragraph (c)(Other Terms and Conditions) of Appendix I hereof
YIR	:	Yayasan Ihsan Rakyat (Company No. 1003231-A)
YYP	:	Yayasan Dewan Perniagaan Melayu Perlis Berhad (Company No. 249763-U)

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## **1.0 INTRODUCTION**

*The information set out in this section and the following information relating to the issue of the Sukuk Murabahah is qualified in its entirety by, and must be read in conjunction with, the further detailed information appearing elsewhere in this Information Memorandum.*

### **1.1 Overview**

The Issuer was incorporated as a special purpose bankruptcy remote vehicle to undertake the Transaction which involves the acquisition of all the rights, benefits, titles and interest to and under the Islamic Financing Agreements from time to time and to issue Sukuk Murabahah under the Sukuk Murabahah Programme. Such Islamic Financing Agreements are to be acquired from the Originator pursuant to the Originator's power to dispose of the same as vested in the Originator under the SPA and the Cooperative Sale and Purchase Agreement(s).

Under the Sukuk Murabahah Programme, the Cooperatives, the Originator and the Issuer shall from time to time enter into the SPA for the sale of the Islamic Financing Agreements which comply with the Eligibility Criteria by the Cooperatives to the Originator and onward sale of the said Islamic Financing Agreements by the Originator to the Issuer. The Issuer will establish the Sukuk Murabahah Programme to, amongst others, meet the purchase consideration of the SPA. For the First Tranche, the Issuer shall issue approximately RM158.0 million of Sukuk Murabahah in nominal value to, amongst others, settle the purchase consideration for the SPA, to meet the Minimum Required Profit Balance under the FSRA and to reimburse the Originator for all expenses (including deposit paid into Trustee's Reimbursement Account) and/ or to meet all related expenses in connection with the Sukuk Murabahah Programme.

### **1.2 Background Information of the Issuer**

The Issuer was incorporated in Malaysia on 5 November 2015 as a private limited company under the name Al Dzahab Assets Sdn Bhd and has since been converted to a public limited company limited by shares on 8 December 2015, assuming the name Al Dzahab Assets Berhad. It is wholly owned by the Share Trustee, who will hold the shares on a discretionary trust for charitable organisations. As at 3 May 2016, its authorised, issued and paid up share capital are as follows:-

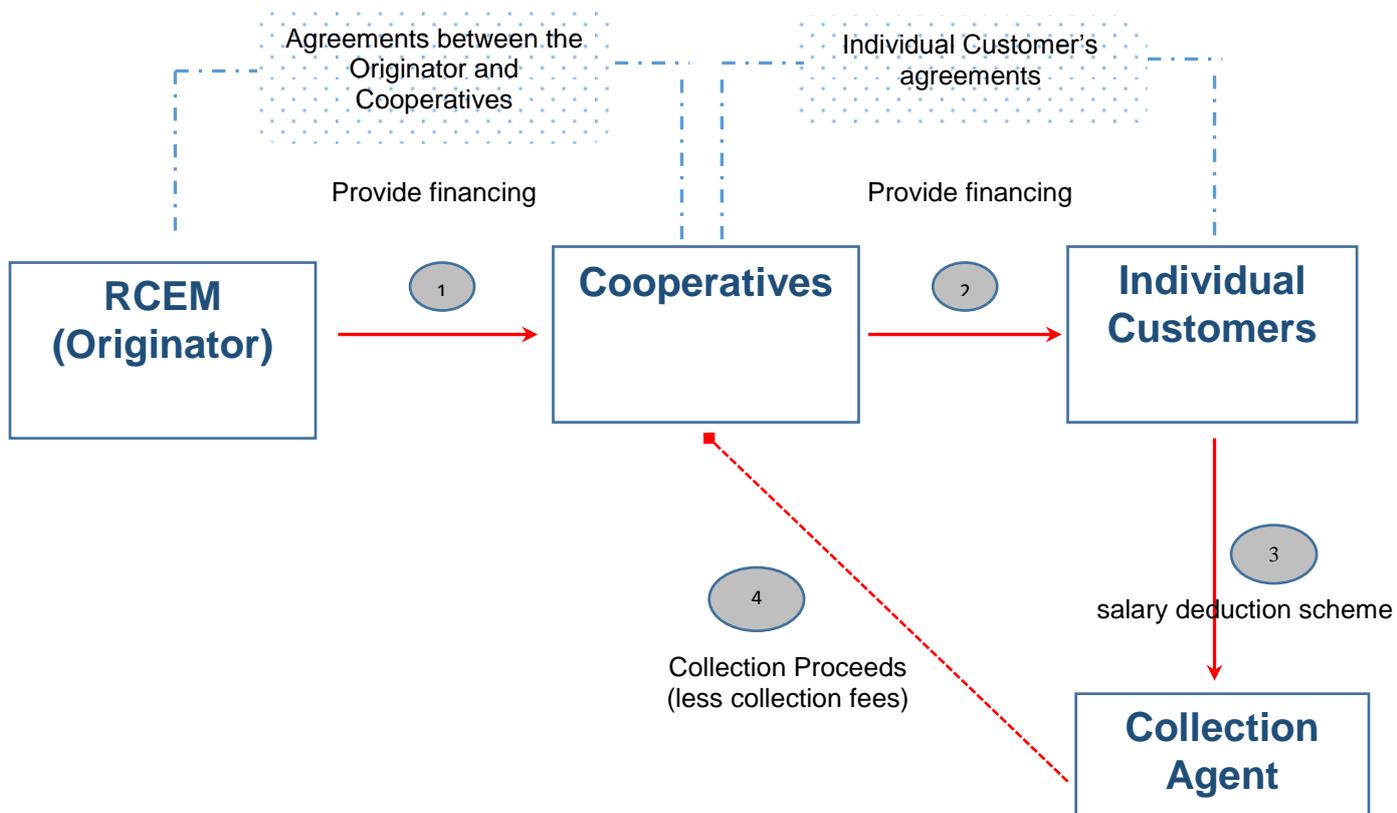
	<b>Number of Shares</b>	<b>Par Value (RM)</b>	<b>Amount (RM)</b>
<b>Authorised Share Capital</b>	400,000	1.00	400,000.00
<b>Issued and Paid Up Share Capital</b>	2	1.00	2.00

Kindly refer to Section 6.0 for further information relating to the Issuer.

### 1.3 Background Information of the Originator

The Originator is engaged in the provision of general loan financing services. The Cooperatives which the Originator currently have collaborations with are YIR, YYP and KOWAJA. The Cooperatives offer personal loans (including Islamic/Shariah-compliant financing) to the Individual Customers who are primarily civil servants. The payments by these members for the personal loans (including Islamic/Shariah-compliant financing) are collected by the Collection Agent via direct monthly salary deductions from the respective members' employers. These monthly salary deductions are then transferred to the respective Cooperative's collection accounts.

An illustration of the Originator's business model is as follows:-



Kindly refer to Sections 7.0 and 7A for further information relating to the Originator and the Cooperatives (in relation to the First Tranche) respectively.

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## **2.0 DESCRIPTION OF THE STRUCTURE**

*The information set out in this section relating to the Sukuk Murabahah Programme is qualified in its entirety by and must be read in conjunction with further information as detailed in Appendix I of this Information Memorandum.*

The Sukuk Murabahah Programme is being established pursuant to a securitisation transaction whereby the Issuer is a special purpose bankruptcy remote vehicle set up to acquire all the rights, benefits, titles and interests to and under Islamic Financing Agreements from time to time.

Such Islamic Financing Agreements are to be acquired from the Originator pursuant to the Originator's power to dispose of the same as vested in the Originator under the SPA and the Cooperative Sale and Purchase Agreement(s).

### **2.1 Sale of the Islamic Financing Agreements**

#### **2.1.1 Overview of the Sale**

Under the Sukuk Murabahah Programme, the Cooperatives, the Originator and the Issuer shall from time to time enter into an SPA for the sale of Islamic Financing Agreements which comply with the Eligibility Criteria by the Cooperatives to the Originator and the onward sale of the said Islamic Financing Agreements by the Originator to the Issuer.

The Islamic Financing Agreements are based on the Shariah concept of Commodity Murabahah.

#### **2.1.2 Nature of the Sale**

The sale by the Originator to the Issuer of each Acquired Islamic Financing Agreements will be pursuant to the SPA and each Originator Sale and Purchase Agreement(s). The SPA and each Originator Sale and Purchase Agreement will specify the terms applicable in respect of the purchase of that Islamic Financing Agreements involved.

Each Acquired Islamic Financing Agreement will be identified in an annexure annexed to the corresponding Sub-SPA(s).

The sale and purchase will be of all the rights, titles, interests and benefits of the Originator in such Islamic Financing Agreements on and as of the relevant purchase date and in consideration of the Issuer paying to the Originator the relevant purchase consideration on the completion date of the SPA and the Originator Sale and Purchase Agreement(s) in accordance with the terms of the SPA and Originator Sale and Purchase Agreement.

The Servicer shall agree to service and administer all Acquired Islamic Financing Agreements sold by it to the Issuer in accordance with the terms of the Servicing Agreement in its role as the Servicer.

#### **2.1.3 Legal True Sale and Assignment**

The sale of Acquired Islamic Financing Agreements by the Originator under the SPA will be a "true sale" by way of a legal absolute assignment for legal purposes. The notices of assignment will be executed and delivered to each Individual Customer as soon as reasonably practicable after the completion date of the SPA and the Sub-SPA(s). The Issuer bears the risk of default by an Individual Customer or any security provider under the Acquired Islamic Financing Agreements purchased by it.

#### **2.1.4 Terms of the Sale**

Each Cooperative will sell Islamic Financing Agreements identified by the Originator in the relevant Cooperative Sale and Purchase Agreement(s) and the Originator will onward sell the said Islamic Financing Agreements to the Issuer. The Cooperative will make certain representations and warranties about the Islamic Financing Agreements that are usual and customary in a transaction of similar nature.

The Acquired Islamic Financing Agreements include the Originator's rights, benefits, titles and interests in, to and in respect of the Acquired Islamic Financing Agreements and all amounts to be collected under the Acquired Islamic Financing Agreements and all charges, guarantees and insurances, if any and other rights in connection thereto, including any proceeds from recoveries.

#### **2.1.5 Purchase Price**

The purchase price for the Islamic Financing Agreements under the SPA and the relevant Sub-SPA(s) will be equal to the Islamic Financing Agreements' aggregate outstanding principal balance as at the relevant purchase date. Such purchase price to be paid by the Issuer to the Originator shall be in the form of cash and Class C Sukuk Murabahah.

### **2.2 Issuance of Sukuk Murabahah**

Sukukholders of each tranche will be limited in their recourse to the respective Acquired Islamic Financing Agreements and the proceeds from or the realisation of that Acquired Islamic Financing Agreements and security under the respective Tranche Security Documents, and on the occurrence of an Event of Default where all the Sukukholders of all tranches decided to declare that an Event of Default has occurred, the Sukukholders will have recourse only to the proceeds from or the realisation of all Acquired Islamic Financing Agreements and security under the Master Security Documents. Save for such recourse, the Sukukholders have no claims against the Issuer or any of its other assets in respect of any liability of the Issuer under the Sukuk Murabahah.

Please refer to paragraph (15) of Appendix I for further details on the security for each tranche and under the Sukuk Murabahah Programme.

#### **2.2.1 Description of the Sukuk Murabahah**

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

The payment of the collections from the Acquired Islamic Financing Agreements or the proceeds of realisation thereof shall constitute a complete discharge of the Issuer's duties and obligations in relation to the Sukuk Murabahah and the Sukukholders shall waive all claims against the Issuer or any of its other assets in respect of any duties and obligations of the Issuer, which but for such waiver, the Issuer would be subject to, under or in connection with the Sukuk Murabahah.

The Sukukholders will also be deemed to have agreed (by their investment in or purchase of the Sukuk Murabahah or the holding of a beneficial interest therein) not to file a petition for or institute or join any other person in instituting proceedings for the reorganisation, liquidation, winding-up or receivership of the Issuer or other similar proceedings under any applicable laws.

In respect of an Event of Default on a particular tranche, no other tranche may declare that an Event of Default has occurred to their respective tranche unless all Sukukholders of all tranches (including the holders of the Class C Sukuk Murabahah) have passed a special resolution to declare that an Event of Default has occurred.

### **2.2.2 Programme Size**

The programme size of the Sukuk Murabahah Programme is RM900.0 in nominal value (“**Limit**”). The Issuer shall have the option to upsize the Limit as detailed in paragraph (u)(Other Terms and Conditions) of Appendix I.

Please refer to paragraphs (7) and (ee)(Other Terms and Conditions) of Appendix I for further details on the programme size of the Sukuk Murabahah Programme.

### **2.2.3 Tenure**

The Sukuk Murabahah Programme shall have a tenure of seventeen (17) years commencing from the issuance date of the First Tranche (“**Final Maturity Date**”).

Please refer to paragraphs (9) and (ff)(Other Terms and Conditions) of Appendix I for further details on the tenure of the Sukuk Murabahah Programme.

### **2.2.4 Profit Rate and Profit Payment Frequency**

Please refer to paragraphs (e)(Other Terms and Conditions) and (f)(Other Terms and Conditions) of Appendix I for further details on the Profit Rate and Profit Payment Frequency of the Sukuk Murabahah.

### **2.2.5 Rating**

Please refer to paragraphs (23) and (ii)(Other Terms and Conditions) of Appendix I for further details on the rating of the Sukuk Murabahah.

### **2.2.6 Utilisation of proceeds**

Please refer to paragraph (d)(Other Terms and Conditions) of Appendix I for further details on the utilisation of proceeds of the Sukuk Murabahah.

### **2.2.7 Status of the Sukuk Murabahah**

Please refer to paragraph (a)(Other Terms and Conditions) of Appendix I for further details on the status of the Sukuk Murabahah.

### **2.2.8 Repayment Source**

The primary source of payment of the Sukuk Murabahah will be from the Collection Proceeds while the secondary source of payment will be from sale of the Acquired Islamic Financing Agreements.

### **2.2.9 Mandatory Redemption in Full**

Please refer to paragraph (q)(Other Terms and Conditions) of Appendix I for further details on the Mandatory Redemption in Full event.

The repurchase price for such repurchase of the Acquired Islamic Financing Agreements shall be the Repurchase Price.

The Originator shall remit the repurchase consideration to the Issuer within a period of ten (10) Business Days from the date of repurchase or such longer period as may be mutually agreed between the Issuer and the Originator.

#### **2.2.10 Early Redemption**

Please refer to paragraph (jj)(Other Terms and Conditions) of Appendix I for further details on the Early Redemption of the Sukuk Murabahah.

#### **2.2.11 Clean-up Call**

Please refer to paragraph (s)(Other Terms and Conditions) of Appendix I for further details in relation to the Clean-up Call.

#### **2.2.12 Repurchase and Cancellation**

Save and except for the Mandatory Redemption in Full, Early Redemption, Clean-up Call and any misrepresentation by the Originator in relation to any information in respect of the Receivables (including the satisfaction of the Eligibility Criteria), the Issuer shall not be entitled to purchase the Sukuk Murabahah in the open market or otherwise.

#### **2.2.13 Limited Recourse/Non-Petition**

Please refer to paragraph (aa)(Other Terms and Conditions) of Appendix I for further details in relation to Limited Recourse/Non-Petition.

### **2.3 Servicing Function**

#### **2.3.1 Servicing by the Servicer**

The Servicer undertakes also to designate each of the Receivables transferred pursuant to the SPA and the relevant Sub-SPA(s) in its books of account, records and computer systems by reference to the agreed reference number and otherwise in such a manner as will identify those transferred Receivables as being owned by the Issuer and will distinguish each of such Receivables from other loans and debt securities owned or serviced by the Servicer.

Please refer to paragraph (n)(Other Terms and Conditions) of Appendix I for further details in relation to the servicing roles of the Servicer.

#### **2.3.2 Servicer Event of Default**

Please refer to paragraph (p)(Other Terms and Conditions) of Appendix I for further details in relation to the Servicer Event of Default.

### **2.4 Application of funds on Event of Default**

2.4.1 Upon the declaration of an Event of Default by the Sukuk Trustee in respect of a tranche, the Tranche Security Documents for that tranche shall be enforceable and no new tranches can be issued. All monies standing to the credit of the FSRA and the SFA for that tranche for which an Event of Default has been declared by the Sukuk Trustee will be transferred to the corresponding RA for that tranche. The FSRA and SFA for that tranche will thereafter be closed.

2.4.2 All monies in the RA for that tranche for which an Event of Default for that tranche has been declared by the Sukuk Trustee shall be applied in the following order and priority:-

- (i) To pay to/set aside for payments to, any public or governmental authorities/bodies, any taxes, duties, fees, or levies which are statutorily preferred by the laws of Malaysia;
- (ii) To pay incidental expenses and fees to the Joint Principal Advisers/Joint Lead Arrangers, Joint Lead Managers, Sole Lead Manager, the Solicitors, the Credit Rating Agency, the Reporting Accountant, the Sukuk Trustee and the Security Trustee, the Servicer Fee (as described in paragraph (o)(Other Terms and Conditions) of Appendix I) (if the Servicer is not a related corporation of the Originator) and such other party(ies) appointed in connection with the Sukuk Murabahah Programme;
- (iii) To pay Ta'widh on all overdue profit payments in respect of Class A Sukuk Murabahah from the date of the Event of Default until all overdue profit payments in respect of Class A Sukuk Murabahah have been paid in full;
- (iv) To pay all overdue profit payments in respect of Class A Sukuk Murabahah;
- (v) To pay Ta'widh on all outstanding Class A Sukuk Murabahah from the date of the Event of Default until all Class A Sukuk Murabahah have been redeemed in full;
- (vi) To redeem all outstanding Class A Sukuk Murabahah at par until the Class A Sukuk Murabahah and all other amounts owing to the holders of the Class A Sukuk Murabahah have been paid in full;
- (vii) To pay Ta'widh on all overdue profit payments in respect of Class B Sukuk Murabahah from the date of the Event of Default until all overdue profit payments in respect of Class B Sukuk Murabahah have been paid in full;
- (viii) To pay all overdue profit payments in respect of Class B Sukuk Murabahah;
- (ix) To pay Ta'widh on all outstanding Class B Sukuk Murabahah from the date of the Event of Default until all Class B Sukuk Murabahah have been redeemed in full;
- (x) To redeem all outstanding Class B Sukuk Murabahah at par until the Class B Sukuk Murabahah and all other amounts owing to the holders of the Class B Sukuk Murabahah have been paid in full;
- (xi) To pay the Servicer Fee, if the Servicer or the Replacement Servicer is the Originator or a related corporation of the Originator ( as the case may be);
- (xii) To pay Ta'widh on all overdue profit payments in respect of Class C Sukuk Murabahah from the date of the Event of Default until all overdue profit payments in respect of Class C Sukuk Murabahah have been paid in full;
- (xiii) To pay all overdue profit payments in respect of Class C Sukuk Murabahah;
- (xiv) To pay Ta'widh on all outstanding Class C Sukuk Murabahah from the date of the Event of Default until all Class C Sukuk Murabahah have been redeemed in full;
- (xv) To redeem all outstanding Class C Sukuk Murabahah at par until the Class C Sukuk Murabahah and all other amounts owing to the holders of the Class C Sukuk Murabahah have been paid in full;
- (xvi) To pay Servicer Commission\* (as described in paragraph (o)(Other Terms and Conditions) of Appendix I) and Servicer Bonus\* (as described in paragraph (o)(Other Terms and Conditions) of Appendix I), where applicable; and

- (xvii) Upon full settlement of the above and all other amounts due and payable by the Issuer, any surplus to be paid to the Share Trustee to be held on trust for the benefit of charitable organisations to be identified.

\* for purposes of the First Tranche, there will be no Servicer Commission and Servicer Bonus payable. As for the Subsequent Tranche(s), the Servicer Commission and Servicer Bonus may be payable by the Issuer based upon a rate to be agreed between the Issuer and the Servicer prior to issuance of the relevant Subsequent Tranche(s).

## **2.5 Credit Enhancement**

There are various forms of credit enhancement in this Sukuk Murabahah Programme in so far as they provide a certain level of credit protection for the repayment of the Sukuk Murabahah under each tranche vis-à-vis the estimated available future cashflow resulting from each Acquired Islamic Financing Agreement, namely:

- (a) the subordination feature of this Sukuk Murabahah Programme whereby the Class A Sukuk Murabahah rank in priority to the Class B Sukuk Murabahah and the Class A Sukuk Murabahah and the Class B Sukuk Murabahah rank in priority to the Class C Sukuk Murabahah, referred to in Paragraph 2.2.7;
- (b) the liquidity support of a FSRA to meet any liquidity shortfall in the payment of profit payment under the Class A Sukuk Murabahah and Class B Sukuk Murabahah; and
- (c) excess spread arising from the differentials between the profit collections from the Receivables vis-à-vis the profit obligations under the Class A Sukuk Murabahah and Class B Sukuk Murabahah.

## **2.6 Designated Accounts**

Please refer to paragraph (hh)(Other Terms and Conditions) of Appendix I for further details on the Designated Accounts.

## **2.7 Permitted Investments**

Please refer to paragraph (31) of Appendix I for further details on Permitted Investments.

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### **3.0 THE ISLAMIC FINANCING AGREEMENTS**

#### **3.1 Islamic Financing Agreements**

The Islamic Financing Agreements consist of unsecured personal financing granted by the Cooperatives to the Individual Customers who are currently in employment and are receiving monthly salaries.

#### **3.2 Eligibility Criteria**

The Originator will represent that each Receivable under each Acquired Islamic Financing Agreement satisfies the Eligibility Criteria up to the relevant issue date and that the information given/represented in respect of the Receivables under the Acquired Islamic Financing Agreements is true and accurate and is not misleading for any other reason. In the event of a breach of such representation, in relation to any Receivables under the Acquired Islamic Financing Agreements, the Originator will immediately replace (at no additional cost to the Issuer) the relevant Receivables under the Acquired Islamic Financing Agreements with receivables of equal value or more that comply with Eligibility Criteria. In the event that the Originator does not replace the relevant Receivables under the Acquired Islamic Financing Agreements in accordance with the above, the Originator shall forthwith repurchase the same at the Repurchase Price.

The Receivables under the Acquired Islamic Financing Agreements must meet the following criteria as at the relevant issue date:

- (i) It can be absolutely transferred by way of beneficial ownership from the Cooperatives to the Issuer as directed by the Originator;
- (ii) It has arisen and is covered under:-
  - (a) the relevant agreement that represents the entire agreement between the relevant participating Cooperatives and the Individual Customers; and
  - (b) the agreement(s) that represent(s) the entire agreement between the Originator and the relevant participating Cooperatives and the Issuer.
- (iii) The Individual Customer must be a member/customer of any of the following:-
  - (a) participating Cooperatives ; or
  - (b) Other cooperative society(ies)/foundation(s)/corporation(s) to be agreed with Credit Rating Agency from time to time.
- (iv) Evidence that the payment by the Individual Customer has been approved and accepted for deduction at source by the Collection Agent;
- (v) At least the first monthly instalment payment of the Receivable has been received from the Collection Agent under the salary deduction scheme approved by the Collection Agent;
- (vi) Its Individual Customer must be a citizen and resident of Malaysia and to the best knowledge of the Originator, is not a person identified in the records of the Originator as (a) being or having been the subject of bankruptcy proceedings or is an undischarged bankrupt; (b) having been convicted of any offence capable of resulting in imprisonment; (c) being deceased; or (d) being a retiree;
- (vii) Its repayment and all other amounts to be accrued and/or to be realized thereof shall be payable in Ringgit Malaysia;

- (viii) Its original tenor shall not be more than the maximum tenor allowable from time to time;
- (ix) Its relevant Individual Customer's agreement provides for settlement of amounts due from the Individual Customer by equal monthly instalments save and except for the final instalment and the Originator has not waived any material terms of the relevant Individual Customer's agreement from the date of the initial creation thereof;
- (x) It is not a defaulted Receivable in respect of which instalments are (a) more than nine (9) months in arrears on a cumulative basis; and/or (b) where the first instalment has been received, the instalments are more than three (3) months in arrears on a consecutive basis;
- (xi) It is a Receivable where no payment in respect of the Receivable scheduled to be received after the relevant issue date of the Sukuk Murabahah has been received on or before such relevant issue date and that, to the best knowledge of the Originator, the Individual Customer has not exercised or indicated an intention to exercise any option of early settlement/prepayment, any right of rescission, set-off, counterclaim or defence (including the defence of usury);
- (xii) It is not included in any other pool of receivables for the purpose of any other financing facility nor has it previously been sold/transferred to the Issuer for purposes of the Sukuk Murabahah Programme and/or to any other third parties;
- (xiii) It is and will at all relevant times be capable of being segregated and identified for ownership purposes;
- (xiv) It is not the subject of any adverse claim or set-off or security claim by any party and no circumstances exist, to the best of knowledge of the Originator, which would give the Individual Customer the right to refuse to make any payment under the relevant Individual Customer's agreement;
- (xv) It is a Receivable where the relevant Individual Customer's agreement and all other documents relating to it, have been duly authorised and executed, are in full force and effect, and constitute legal, valid and binding obligations of the relevant Individual Customer enforceable against the relevant Individual Customer in accordance with their terms;
- (xvi) It is a Receivable where there is no prohibition or restriction on, or requirement for consent to be obtained or notice to be given (other than pursuant to Section 4(3) of the Civil Law Act 1956) for, any assignment, transfer or sale of the receivable.

### **3.3 Further Description on the Acquired Islamic Financing Agreements of the First Tranche**

Please refer to Appendix II below for further details on the description of the Acquired Islamic Financing Agreements of the First Tranche.

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## **4.0 INVESTMENT CONSIDERATIONS**

*This section provides a summary of certain risk factors which prospective investors should be aware of but it is not intended to be exhaustive and does not purport to be complete. Prior to making any investment decision, prospective investors of the Sukuk Murabahah should carefully read this entire Information Memorandum and the prospective investors should undertake their own investigations on the Issuer. Prospective investors should consider, among other things, particular considerations including those set out below in this Information Memorandum in connection to the Issuer, its business and the risks associated with the Sukuk Murabahah. Further, each class of the Sukuk Murabahah issued will carry different risks and all potential investors are strongly encouraged to evaluate each class of the Sukuk Murabahah on its own merit and to make a careful and informed assessment before proceeding with any decision to invest in the Sukuk Murabahah.*

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

### **4.1 Risks associated with the Sukuk Murabahah Programme**

#### **4.1.1 There is no assurance that the Sukuk Murabahah Programme will be Shariah compliant**

The Shariah Adviser has confirmed that the Sukuk Murabahah Programme is Shariah compliant. However, the interpretation and application of Islamic Shariah is a matter of opinion and debate, and may be subject to differing interpretations by Shariah scholars, Shariah supervisory and advisory boards and the courts (or any arbitral tribunal). Therefore, there can be no assurance that the structure of the Sukuk Murabahah Programme or issue of the Sukuk Murabahah will be deemed to be Shariah compliant by any other Shariah board or Shariah scholars. None of the Issuer, the Joint Principal Advisers/Joint Lead Arrangers or Sole Lead Manager makes any representation as to the Shariah compliance of the Sukuk Murabahah Programme and potential investors are reminded that, as with any Shariah views, differences in opinion are possible. Potential investors should obtain their own independent Shariah advice as to the compliance of the structure of the Sukuk Murabahah Programme and the issue of the Sukuk Murabahah with Shariah principles, if required.

#### **4.1.2 Liquidity of the Sukuk Murabahah**

Although the Class A Sukuk Murabahah and the Class B Sukuk Murabahah are tradable in the market, there can be no assurance that there is always liquidity in the market for the investors to trade their Class A Sukuk Murabahah or Class B Sukuk Murabahah.

The Class C Sukuk Murabahah are non-tradable and non-transferable. Notwithstanding this, subject to compliance with the LOLA Guidelines as may be amended from time to time, the Class C Sukuk Murabahah shall be transferable and tradeable in the circumstances, and subject to the conditions, set out therein.

#### **4.1.3 Rating of the Class A Sukuk Murabahah and Class B Sukuk Murabahah**

The Credit Rating Agency has assigned a final rating of AAA to the Class A Sukuk Murabahah and AA3 to the Class B Sukuk Murabahah for the First Tranche. For

subsequent issuances, the rating of the relevant Sukuk Murabahah will be determined prior to each issuance of the relevant tranche of Sukuk Murabahah.

Notwithstanding the above, the Issuer has the option to discontinue the credit rating for the Sukuk Murabahah and to maintain tradability and transferability of the Sukuk Murabahah provided that approval from Sukukholders vide an extraordinary resolution has been obtained and subject to compliance with the requirements and/or conditions set out in the relevant guidelines as may be issued by the SC from time to time.

There is no assurance that the ratings will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely if circumstances in the future so warrant. A revision, suspension or withdrawal of the rating assigned to the Sukuk Murabahah may adversely affect the market price of the Sukuk Murabahah. In the event that the rating initially assigned to the Sukuk Murabahah is subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Sukuk Murabahah. Any reduction or withdrawal of a rating will not constitute an Event of Default or an event obliging the Issuer to prepay the Sukuk Murabahah.

#### **4.1.4 Profit Payments on the Class A Sukuk Murabahah and Class B Sukuk Murabahah**

The Issuer's ability to service the profit payments and redeem the Class A Sukuk Murabahah and Class B Sukuk Murabahah on their due dates premises on the cashflow strength of the Issuer. In the event that there is a temporary shortage of funds to pay the profit payments on the Class A Sukuk Murabahah and/or the Class B Sukuk Murabahah, a buffer of six (6) months profit payments will be built-up and reserved in the FSRA as detailed in paragraph (hh)(Other Terms and Conditions)of Appendix I to meet immediate profit payment obligations.

#### **4.1.5 Profit Payments on the Class C Sukuk Murabahah**

There is no guarantee that the holders of the Class C Sukuk Murabahah will receive profit payments. In the event the Issuer has insufficient funds to pay profit payments on the Class C Sukuk Murabahah on Payment Date, the profit payment payable on that date shall be deferred and be payable on the next Payment Date, and so on (i.e. profit payment may be further deferred on a cumulative and non-compounded basis). Such unpaid profit payments shall not be subject to penalty interest. No profit payment on the Class C Sukuk Murabahah will be paid until all the Class A Sukuk Murabahah and the Class B Sukuk Murabahah have been fully repaid. Non-payment of profit payments which are deferred shall not constitute an Event of Default.

#### **4.1.6 Early Redemption Risk of Class A Sukuk Murabahah and Class B Sukuk Murabahah**

Subject to conditions described herein, for each tranche, the Issuer has a right to early redeem the outstanding Class A Sukuk Murabahah and Class B Sukuk Murabahah of a particular tranche in whole but not in part after the end of year 5 from the issuance date and up to the date immediately before the relevant Legal Maturity Date. If such rights of Early Redemption are exercised, the Sukukholders of such classes being cancelled may not make the return they are expecting.

#### **4.1.7 Credit Enhancement**

The Originator does not in any way guarantee the Sukuk Murabahah to be issued or issued by the Issuer, nor does it provide any credit enhancement in relation to the Sukuk Murabahah Programme.

#### **4.1.8 Restriction in Declaring an Event of Default**

In respect of each tranche, the holders of the Class B Sukuk Murabahah and Class C Sukuk Murabahah will not be able to declare an Event of Default ahead of the holders of the Class A Sukuk Murabahah provided that this restriction will not be applicable if there is no Class A Sukuk Murabahah outstanding at the time of declaration of an Event of Default by the holders of the Class B Sukuk Murabahah. The holders of the Class C Sukuk Murabahah will not be able to declare an Event of Default ahead of the holders of the Class A Sukuk Murabahah and Class B Sukuk Murabahah provided that this restriction will not be applicable if there is no Class A Sukuk Murabahah and Class B Sukuk Murabahah outstanding at the time of declaration of an Event of Default by the holders of the Class C Sukuk Murabahah.

Further, the declaration of an Event of Default on a particular tranche would not trigger a cross default on other tranche(s) as the declaration of an Event of Default under the Sukuk Murabahah Programme may only be made if so directed by a special resolution of the Sukukholders of all classes under all tranches of the Sukuk Murabahah under the Sukuk Murabahah Programme. For the purpose of voting in such event, each class of each tranche shall be considered as a class of their own.

#### **4.1.9 Consequences of Mandatory Redemption in Full**

Upon the occurrence of a Mandatory Redemption in Full event and immediately after receipt by the Issuer of the Repurchase Price, the Issuer is obligated to redeem all outstanding series of any tranches of Sukuk Murabahah. If early redemption takes place pursuant to the Mandatory Redemption in Full event, the Sukukholders of such classes being cancelled may not make the return they are expecting.

#### **4.1.10 Consequences of Exercise of Clean-up Call**

Provided that the Issuer would be able to discharge all its payment obligations to the holders of Class A Sukuk Murabahah and Class B Sukuk Murabahah in respect of the First Tranche or Subsequent Tranche(s) (as the case may be), payments preferred by law and incidental expenses and fees to the parties appointed in connection with the Sukuk Murabahah Programme, and subject to the criteria relating to the Clean-up Call being met, the Originator has the option to repurchase all the outstanding Acquired Islamic Financing Agreements relevant to a particular tranche at the Repurchase Price. If early redemption takes place pursuant to an exercise of the Clean-up Call option, the Sukukholders of such classes being cancelled may not make the return they are expecting.

### **4.2 Risks associated with the Acquired Islamic Financing Agreements**

#### **4.2.1 Payments from the Acquired Islamic Financing Agreements**

The Issuer's ability to make payments on the Sukuk Murabahah is dependent upon timely and complete payment by the Individual Customers and in the event a Receivable becomes delinquent, the Issuer's ability to make payments on the Sukuk Murabahah on a timely basis may depend upon the timing and the amount of the realisations from any recovery proceedings commenced in respect of the Acquired Islamic Financing Agreements.

There is no assurance, in the event of a default by Individual Customers that the cash flow generated by the Acquired Islamic Financing Agreements will be timely or sufficient to ensure payment when due, or at all, of principal and profit payments due on the Sukuk Murabahah. The Issuer may be dependent on the timely resolution of, and the amount of realisations from, recovery proceedings commenced in respect of the Acquired Islamic Financing Agreements.

Nevertheless, this risk may be mitigated by the Collateralisation requirement imposed by the Credit Rating Agency in relation to each tranche of Sukuk Murabahah prior to its issuance.

#### **4.2.2 Dependence on Collection Agent and delay in the collections**

As the collections of Receivables are carried out by the Collection Agent and subsequently transferred to the Collection Accounts before they are eventually credited into the RA of the respective tranche, the flow of funds through these third parties inherently pose a risk of delay. Although a part of this process would be automated, it is foreseeable that human errors such as wrong data entry may contribute to a disruption of the flow of funds.

Nevertheless, this risk is mitigated by close monitoring, tracking and review of the flow of funds by the Servicer using a computerised system which enables any disruption of the flow of funds to be identified and rectified promptly.

#### **4.2.3 Eligibility Criteria**

There is no assurance that all of the Receivables under the Acquired Islamic Financing Agreements meet the Eligibility Criteria or that the details provided by the Originator regarding the Receivables are correct.

The Acquired Islamic Financing Agreements for each tranche will consist of thousands of individual Islamic Financing Agreements. It is not practical to undertake a due diligence review of all such Islamic Financing Agreements nor has any such attempt been made. No assurance can be or is given (save for certain representations and warranties from the Originator) with regard to details of the Acquired Islamic Financing Agreements nor as to their conformity with the Eligibility Criteria.

#### **4.2.4 Default and Enforcement**

In the event any of the Acquired Islamic Financing Agreements goes into default, reliance will be placed on the Servicer to take enforcement proceedings.

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

The Servicer may also be faced with capability constraints if a significant number of actions or proceedings need to be undertaken by it. No assurance is given that there will be no delays or even failure in performance by the Servicer in the taking of action or proceedings.

### **4.3 Rights of the Sukukholders**

#### **4.3.1 Limited recourse**

The Sukuk Murabahah will be limited recourse obligations solely of the Issuer. In particular, the Sukuk Murabahah will not be obligations or responsibilities of, or guaranteed by the Originator, the Servicer, the Joint Principal Advisers/the Joint Lead Arrangers, the Sole Lead Manager, the Sukuk Trustee, the Share Trustee, any affiliate thereof nor the directors and shareholders of the Issuer, and any other person involved or interested in the transactions envisaged in the Transaction Documents. None of such persons will accept any liability whatsoever to the Sukukholders in respect of any failure by the Issuer to pay any amount due under the Sukuk Murabahah.

The liability of the Issuer to make profit payments and principal repayments on the Sukuk Murabahah Programme is limited to the assets of the Issuer available for this purpose in accordance with and subject to the order of priority of payments as set out in the Trust Deed.

Once the security has been exhausted and there are still obligations of the Issuer that remain outstanding, the outstanding obligations shall be deemed extinguished and the Sukukholders shall be deemed to agree that they shall not have any legal rights as against the Issuer and accordingly, they shall not be entitled to file a petition for or institute or join any other person in instituting proceedings for the reorganisation, liquidation, winding-up or receivership of the Issuer or other similar proceedings under any applicable laws.

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

#### **4.3.2 Subordination**

The security interest held by the Security Trustee for the benefit of the Sukukholders is subordinated to the security interests of the Sukuk Trustee and the Security Trustee held for their own benefit in respect of any fees, costs and charges incurred in the performance of their duties, as well as the other fees, costs and expenses ranking in priority to the Sukuk Murabahah in accordance with the cash flow waterfalls as set out in paragraph (hh)(Other Terms and Conditions) of Appendix I hereof. No assurance can be made that the proceeds available and allocated to the repayment of any particular class of the Sukuk Murabahah will be sufficient to cover all amounts that would otherwise be due and payable in respect of that class of the Sukuk Murabahah. Further, given that the Sukuk Murabahah will be limited recourse obligations solely of the Issuer, if proceeds received by the Sukuk Trustee for the benefit of the Sukukholders are insufficient to make payments on the Sukuk Murabahah, no other assets of the Issuer will be available for payment of the deficiency and the obligations of the Issuer to make payments on the Sukuk Murabahah shall be limited accordingly.

Further, upon the occurrence of an Event of Default under the Sukuk Murabahah Programme, only the holders of most senior class of Sukuk Murabahah then outstanding may declare an Event of Default, and the holders of the other classes of the Sukuk Murabahah may not do so unless and until the holders of most senior class of Sukuk Murabahah then outstanding have made such declaration.

#### **4.3.3 Priority of payments**

The obligations of the Issuer under the most senior class of the Sukuk Murabahah then outstanding shall rank in priority to the other classes of Sukuk Murabahah. Thus, the rights to receive payments in respect of the other classes of Sukuk Murabahah are subordinated to the rights to receive payments in respect of the most senior class of Sukuk Murabahah then outstanding.

#### **4.4 Dependence on Servicer**

The collection of payments from the Acquired Islamic Financing Agreements is dependent upon the proper performance by the Servicer of its obligations under the Servicing Agreement. The performance by the Servicer of its obligations is to a certain extent in turn dependent upon:- (i) the performance of employees and the continued services of these employees; and (ii) the automated loan management system (“**Automated Loan Management System**”) which will be used by the Servicer to administer the payments collected from the Acquired Islamic Financing Agreements. Any operational issues relating to the Automated Loan Management System such as any breakdown of the Automated Loan Management System may affect the performance by the Servicer of its obligations. Furthermore, like other employers, the Servicer has to manage its employees and is dependent on its success in recruiting and retaining its employees.

Additionally, in the event that the Servicer for any reason whatsoever is no longer capable of performing any of its functions under the Servicing Agreement, the availability of the Replacement Servicer may be limited given that the necessary infrastructure and experience in managing the Acquired Islamic Financing Agreements available to the Servicer may not be easily available to or duplicated for use by another entity.

#### **4.5 Economic and regulatory change risk**

Changes in economic and regulatory conditions in Malaysia and elsewhere could materially and adversely affect the financial and business prospects of the Issuer. Amongst the economic and regulatory uncertainties are the expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and method of taxation. There can be no assurance that these changes will not materially affect the business of the Issuer. Any adverse regulations and requirements may limit the Issuer’s business or result in high compliance costs. Any failure by the Issuer to comply with any regulations may result in material penalties being imposed on the Issuer. No assurance can be given that any future changes to present regulation or any introduction of new regulation, or laws, by relevant authorities will not have a material adverse impact on the Issuer’s business

#### **4.6 Forward-looking statement**

Certain statements in this Information Memorandum are based on historical data which may not be reflective of future results. Other statements which are forward-looking in nature are also subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the directors of the Issuer, and although believed to be reasonable by the directors of the Issuer, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or its advisers or arrangers that the plans and objectives of the Issuer will be achieved.

## **5.0 OVERVIEW OF THE MALAYSIAN ECONOMY**

### **5.1 Malaysian Economy**

The Malaysian economy grew by 5.0% in 2015 (2014: 6.0%), supported by the continued expansion of domestic demand (2015: 5.1%, 2014: 5.9%). Domestic demand was primarily driven by the private sector. Modest improvements in external demand in the second half of the year also provided additional impetus to economic growth.

Private consumption continued to expand, albeit at a more moderate pace as households adjusted their spending to the higher cost of living arising from the implementation of Goods and Services Tax (GST), adjustments in administrative prices, and the depreciation in the ringgit. Nevertheless, households received some support from the higher cash transfers under the Bantuan Rakyat 1Malaysia (BR1M) scheme, the reduction in individual income tax rates for the 2015 assessment year and savings derived from lower domestic fuel prices during the year. Household spending was also supported by continued income growth and stable labour market conditions. Public consumption recorded a sustained growth of 4.3% in 2015 (2014: 4.4%), reflecting the continued efforts by the Government to provide support to growth, while remaining committed to the steady reduction in the fiscal deficit.

Gross fixed capital formation (GFCF) grew by 3.7% in 2015 (2014: 4.8%) mainly due to slower growth in private sector investment. During the year, the expansion in private investment was lower at 6.4% (2014: 11.0%), reflecting the moderation in domestic demand and cautious business sentiments. While investment in new oil and gas explorations moderated, overall private investment continued to be supported by downstream oil and gas activities, and new and on-going projects in the manufacturing and services sectors. Public investment improved to register a smaller contraction of -1.0% (2014: -4.7%) as the Federal Government and public corporations continued to undertake capital spending, thus providing support to the economy.

On the supply side, all major economic sectors registered more moderate growth, with the exception of the mining sector. The moderation reflected the slower expansion of activity in industries catering to domestic demand. However, export-oriented manufacturing and trade-related services benefited from the modest improvement in external demand.

Labour market conditions remained broadly stable in 2015 as demand for labour was sustained by the continued expansion across all economic sectors. While the labour force participation rate was stable at 67.6% (2014: 67.5%), the unemployment rate edged higher to 3.2% (2014: 2.9%) as more cautious business sentiments led to softer employment prospects towards the second half of the year.

Headline inflation declined to 2.1% in 2015 (2014: 3.2%) as the impact of lower global energy and commodity prices more than offset the effects from a weaker ringgit exchange rate, the implementation of GST and several upward adjustments in administered prices. Despite the lower level of inflation during the year, price increases were more pervasive due to the implementation of GST, the weakening of the ringgit and the higher prices for fresh food. Headline inflation was also relatively more volatile in 2015 reflecting a series of adjustments in domestic fuel prices. Nevertheless, core inflation excluding GST remained stable at 2.3% during the year (2014: 2.3%). The stability of core inflation was a reflection of the more moderate domestic demand conditions, the absence of excessive wage growth and the benign inflation globally.

*(Source: Bank Negara Annual Report 2015)*

The Malaysian economy expanded by 4.2% in the first quarter of 2016 (4Q 2015: 4.5%). The slight moderation in growth mainly reflected external shocks to the economy and cautious spending by the private sector. Nevertheless, private sector expenditure remained the key driver of growth (4.5%; 4Q 2015: 4.9%). Net exports contributed negatively to growth during

the quarter following a decline in real exports of goods and services (-0.5%; 4Q 2015: +4.0%) amid continued positive growth in real imports (1.3%; 4Q 2015: 4.0%). On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.0% (4Q 2015: 1.2%).

Domestic demand grew by 3.6% in the first quarter of the year (4Q 2015: 4.0%), with private sector expenditure expanding at a slower pace of 4.5% (4Q 2015: 4.9%). Private consumption growth expanded by 5.3% (4Q 2015: 4.9%), supported by continued wage and employment growth. Private investment registered a slower growth of 2.2% in the first quarter (4Q 2015: 4.9%). The cautious business sentiments and lower commodity prices continued to weigh down on investments in the upstream mining sector. Nevertheless, there was continued investment in the manufacturing and services sectors.

Public consumption growth improved to 3.8% (4Q 2015: 3.3%), as a result of higher spending on emoluments. On the other hand, public investment declined by 4.5% (4Q 2015: 0.4%), due to lower spending on fixed assets by public corporations, particularly in the oil and gas and transportation sectors, which more than offset higher investment by the Federal Government.

In terms of total investment, gross fixed capital formation (GFCF) growth moderated to 0.1% (4Q 2015: 2.7%), following a slower growth in private investment and a decline in public investment. By type of assets, the lower growth in GFCF was due to a larger contraction of investment in machinery and equipment (-7.1%; 4Q 2015: -0.1%), which more than offset the improvement in structures investment (5.7%; 4Q 2015: 5.0%).

Inflation, as measured by the annual change in the Consumer Price Index (CPI), was higher at 3.4% in the first quarter of 2016 (4Q 2015: 2.6%). Inflation in the housing, water, electricity, gas and other fuels category increased to 3.0% in first quarter of 2016 (4Q 2015: 2.5%) following the reduction in electricity tariff rebates from 2.25 sen per kWh to 1.52 sen per kWh in January 2016. The higher inflation during the quarter was also attributable to the smaller negative inflation in the transport category (-1.6%; 4Q 2015: -5.7%) due to the base effect from the larger decline in domestic fuel prices in the first quarter of 2015.

The Producer Price Index (PPI) declined in the first quarter of 2016 by 4.4% (4Q 2015: -4.5%). The decline was driven mainly by lower prices of intermediate materials, particularly in the processed fuel and lubricants category, reflecting the low global energy and commodity prices during the quarter.

Labour market conditions were softer but broadly stable during the first quarter of 2016, as the unemployment rate increased slightly (3.4% of labour force; 4Q 2015: 3.2%), while labour force participation remained sustained (67.6% of the labour force; 4Q 2015: 67.7%). Demand for new hires was also sustained in the first quarter, as proxied by the high number of new positions posted by employers, mostly from the manufacturing and services sectors on Jobstreet.com (61,378; 4Q 2015: 54,569).

Aggregate wages in the manufacturing sector continued to record robust growth (6.9%; 4Q 2015: 7.4%) supported by continued growth in export performance, particularly in the electrical and electronics cluster. Nevertheless, employment growth in the manufacturing sector remained weak (-0.5%; 4Q 2015: -0.4%) indicating that employers continued to remain cautious about expanding their workforce during the quarter. In the distributive trade services sub-sector, wage growth was sustained at 4.7% (4Q 2015: 4.6%). Employment in this sub-sector expanded at a rate of 2.5% (4Q 2015: 2.6%).

*(Source: Bank Negara Malaysia Quarterly Bulletin 1Q 2016)*

## 6.0 ISSUER

### 6.1 Company background

The background information of the Issuer as at 3 May 2016 are as follows:-

<b>Name</b>	AI Dzahab Assets Berhad
<b>Registered Office</b>	10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur
<b>Business Registration No.</b>	1164908-M
<b>Authorised Share Capital</b>	RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each
<b>Paid-up Share Capital</b>	RM2.00 divided into 2 ordinary shares of RM1.00 each fully paid.
<b>Board of Directors</b>	1) Mohammed Izad bin Ariffin 2) Kang Ching Hong
<b>Company Secretaries</b>	Soo Shiow Fang and Teo Mee Hui

The Issuer was incorporated as AI Dzhab Assets Sdn Bhd in Malaysia under the Companies Act 1965 on 5 November 2015. The Issuer was subsequently converted from a private limited company to a public company on 8 December 2015 assuming its current name. The Issuer is not listed on Bursa Malaysia Securities Berhad.

The Issuer is established for the specific purpose of carrying on the functions of a special purpose vehicle in relation a securitisation transaction, which involves the securitisation of the Receivables and the issuance of asset-backed securities. In that connection, the Issuer has the following objects to be undertaken solely in connection with or incidental to the Transaction:-

- (a) to carry on the business of acquiring from the Originator, its related companies and/or any other third party seller permitted under the terms of the Transaction from time to time the Receivables including their rights, interests and title (or any part thereof, whether legal or equitable) in and to the Receivables on such terms and for such consideration as the Directors of the Issuer may deem fit and thereafter to transfer or deal with in any manner whatsoever the Receivables;
- (b) to borrow or raise financing or to refinance (including but not limited to issuing the asset-backed securities in such classes as deemed appropriate by the Directors of the Issuer to investors for purpose of financing or refinancing the acquisition of the Receivables or for capital expenditure purposes) and to secure the payment and repayment of such financing or refinancing incurred by the Issuer by mortgage, charge, pledge, debenture, lien, assignment, issuance of notes or other form of security interest over or against all or any part of the Receivables, and/or any other property, assets, undertakings and rights of the Issuer, both present and future and in particular by assignment of all of the Issuer's rights, interests, title and benefit under the Transaction Documents, the security accounts and other bank accounts, the Receivables, the Issuer's undertaking and all its property, assets and rights, both present and future including such other assets and items necessary for the Transaction; and

- (c) (i) to collect income derived from the Receivables or any part thereof and to sub-contract to third parties all services that may be required in order to maintain the Issuer, to carry out its business and to service the Receivables and to remunerate such parties for the services rendered or to be rendered as the Directors of the Issuer may deem fit;
- (ii) to maximise returns from surplus funds by investing the same by way of purchasing or otherwise acquiring, owning, holding, transferring or selling in investments permitted under the Transaction;
- (iii) to enter into any credit enhancement arrangement under the Transaction, to enter into the Transaction Documents and any other contracts, agreements, deeds or instruments in furtherance of or in connection with the objects set forth herein; and
- (iv) to do all such other things as may be necessary, incidental or conducive to such business operation or for the attainment of the aforesaid objects.

The Issuer is structured as a bankruptcy remote entity in that, among others, pursuant to its memorandum of association, it is only allowed to carry on the business as referred to in its objects and is therefore not permitted to carry out any business other than that which is incidental to the asset securitisation exercise. This is to ensure as far as possible that there is no default on the Sukuk Murabahah Programme by virtue of the Issuer's other businesses since it will not be allowed to have any such other businesses. This is particularly important given that the bankruptcy of the Issuer will result in a default on the Sukuk Murabahah Programme which themselves are issued on limited recourse terms.

The ordinary shares of the Issuer are owned by the Share Trustee, who will hold the same on a discretionary trust for the benefit of charitable institutions and will further declare themselves as trustee of the said trust. Accordingly, the ownership of the Issuer is not in any way held by the Originator nor is the Originator in any way able to exercise any control over the decisions of the Issuer throughout the tenure of the Sukuk Murabahah Programme. The ordinary shares of the Issuer are held by the Share Trustee for a class of beneficiaries comprising charitable institutions. The securitisation structure to the extent reasonably practicable contains mechanisms which seek to ensure that the beneficial ownership of the Issuer does not adversely impact upon the Issuer's obligations under the Sukuk Murabahah Programme. Please see Section 9.2 of this Information Memorandum on the profile of the Share Trustee.

The Issuer has no employees. This further serves to ensure as far as possible that it will not incur additional liabilities which may jeopardise the Issuer's bankruptcy remote status.

## **6.2 Board of Directors**

The two (2) directors of the Issuer are independent professional Malaysian residents.

A brief profile of the directors of the Issuer as at 3 May 2016 is set out below:

### **Encik Mohammed Izad bin Ariffin**

Mohammed Izad Bin Ariffin holds a Diploma in Accountancy and a Degree in Corporate Administration (Hons.) from Universiti Teknologi MARA.

He started his career with TMF Administrative Services Malaysia Sdn. Bhd. as a company secretary and is responsible for various portfolios of clients that include private limited companies, multinational corporations, foundations, association and public listed companies

### **Mr Kang Ching Hong**

Mr. Kang Ching Hong, 48, is a member of both Malaysian Institute of Certified Public Accountant (MICPA) and Malaysian Institute of Accountants (MIA). He has more than 26 years experience in the area of audit, corporate services, manufacturing, property development and education.

Mr. Kang started his career in 1989 with KPMG, one of the big four accounting firms and in 1997, he joined the commercial sector. Mr. Kang has in-depth knowledge in the areas of operation management, listing, corporate finance, as well as restructuring and reverse take-over exercises.

Mr. Kang is currently the Group Executive Director of an education group in Malaysia.

### **6.3 Borrowings**

As at 3 May 2016, the Issuer has no outstanding borrowings / other indebtedness incurred by the Issuer.

### **6.4 Material Commitments and Contingencies**

As at 3 May 2016, the Issuer has not incurred any material commitments or contingent liabilities.

### **6.5 Material Contracts**

As at 3 May 2016, the Issuer has not since incorporation entered into any material contracts.

### **6.6 Material Litigation**

As at 3 May 2016, the Issuer has not been involved in any material litigation since its incorporation.

### **6.7 Financial Highlights**

As at the date of this Information Memorandum, there are no audited financial statements of the Issuer as the Issuer is a newly incorporated company.

### **6.8 Disclosure**

The Issuer and its board members have not 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, and no action has been initiated against the Issuer or its board members for breaches of the same, since incorporation.

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## **7.0 ORIGINATOR**

### **7.1 Company Background**

The background information of the Originator as at 3 May 2016 are as follows:-

<b>Name</b>	RCE Marketing Sdn Bhd
<b>Registered Office</b>	2-01, Block B Amcorp Tower, Amcorp Trade Centre, No.18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan.
<b>Business Registration No.</b>	78009-K
<b>Authorised Share Capital</b>	RM90,000,000.00 divided into 20,000,000 ordinary shares of RM1.00 each and 70,000,000 preference shares of RM1.00 each
<b>Paid-up Share Capital</b>	RM46,780,000.00 divided into 8,000,000 ordinary shares of RM1.00 each and 38,780,000 preference shares of RM1.00 each
<b>Board of Directors</b>	1) Shalina binti Azman 2) Loh Kam Chuin 3) Oon Hooi Khee 4) Teoh Boon Wee
<b>Company Secretary</b>	1) Yap Choon Seng 2) Tan Kon Ling

RCEM, being the Originator, was incorporated on 16 November 1981 under the Companies Act 1965 under the name Rediffusion Consumer Electronics (Malaysia) Sdn Bhd. RCEM assumed its current name on 18 May 2001 and is principally involved in the provision of general loan financing services.

### **7.2 Material Commitments and Contingencies**

As at 3 May 2016, the Originator does not have any material commitments or contingencies and the board of directors of the Originator are not aware of any pending or future material commitments and contingencies save as disclosed in the Audited Financial Statements for the year ended 31 March 2015 of the Originator.

### **7.3 Material Contracts**

The Originator has not entered into any material contracts (not being contracts entered into in the ordinary course of business) which have been entered into within two (2) years immediately preceding 3 May 2016 (being the most practicable date prior to the date of this Information Memorandum).

### **7.4 Material Litigation**

As at 3 May 2016, the Originator has no subsisting material litigation, claim or arbitration, either as plaintiff or defendant involving the Originator and the boards of directors do not have any knowledge of any proceedings, pending or threatened, against the Originator or any facts

likely to give rise to any proceedings which might materially affect the income from, title to or possession of any of the assets and/or business of the Originator.

**7.5 Disclosure**

RCEM and its board members have not 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, and no action has been initiated against RCEM or its board members for breaches of the same, since incorporation.

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**7A. COOPERATIVES**

The background information of the Cooperatives (in relation to the First Tranche) are as follows:-

**7A.1 YYP**

The background information of YYP as at 3 May 2016 are as follows:-

<b>Name</b>	Yayasan Dewan Perniagaan Melayu Perlis Berhad
<b>Registered Office</b>	No. 9, Taman Cahaya, Jalan Raja Syed Alwi, 01000 Kangar, Perlis.
<b>Business Registration No.</b>	249763-U
<b>Authorised Share Capital</b>	YYP does not have a share capital as it is a company limited by guarantee.
<b>Paid-up Share Capital</b>	YYP does not have a share capital as it is a company limited by guarantee.

YYP was incorporated on 5 October 1992 under the Companies Act 1965 and its principal activities are to foster, improve and aid in the development of education of all kinds.

**7A.2 YIR**

The background information of YIR as at 3 May 2016 are as follows:-

<b>Name</b>	Yayasan Ihsan Rakyat
<b>Registered Office</b>	Lot 33,01/02, 33rd Floor, Sunway Putra Tower, 100 Jalan Putra, 50350 Kuala Lumpur.
<b>Business Registration No.</b>	1003231-A
<b>Authorised Share Capital</b>	YIR does not have a share capital as it is a company limited by guarantee.
<b>Paid-up Share Capital</b>	YIR does not have a share capital as it is a company limited by guarantee.

YIR was incorporated on 24 May 2012 under the Companies Act 1965 and its principal activities are to assist, aid and give relief to the poor and needy.

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**8.0 SERVICER**

**8.1 Company Background**

RCEM is the Servicer and the background information of the Servicer as at 3 May 2016 is as stated in Section 7.0 of this Information Memorandum.

**8.2 Role of Servicer**

The Servicer shall carry out all necessary administrative and management functions relating to the Acquired Islamic Financing Agreements. Please refer to paragraph (n)(Other Terms and Conditions) of Appendix I hereof on the role of the Servicer. In consideration of the Servicer carrying out such duties in relation to the Acquired Islamic Financing Agreements, the Servicer shall be paid the Servicer Fee, Servicer Bonus and Servicer Commission (where applicable), the details of which are set out in the Servicing Agreement.

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## 9.0 OTHER CONTRACTING PARTIES AND THEIR PROFILE

### 9.1 SPV Administrator

The background information of the SPV Administrator as at 3 May 2016 are as follows:-

<b>Name</b>	TMF Global Services (Malaysia) Sdn Bhd
<b>Registered Office</b>	10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur
<b>Business Registration No.</b>	463543-D
<b>Authorised Share Capital</b>	RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each
<b>Paid-up Share Capital</b>	RM2.00 divided into 2 ordinary shares of RM1.00 each
<b>Board of Directors</b>	1) Celine Chan Hooi Li 2) Shu Wai Ling
<b>Company Secretaries</b>	1) Lim Lee Kuan 2) Teo Mee Hui

#### **Role of SPV Administrator**

The SPV Administrator is appointed by the Issuer to provide company secretarial services to and administer the statutory duties of the Issuer, including the filing of the relevant returns with the regulatory authorities and to act on any other administration work as may be instructed by the Sukuk Trustee from time to time.

### 9.2 Share Trustee

The background information of the Share Trustee as at 3 May 2016 are as follows:-

<b>Name</b>	TMF Trustees Malaysia Berhad
<b>Registered Office</b>	10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur
<b>Business Registration No.</b>	610812-W
<b>Authorised Share Capital</b>	RM5,000,000.00 divided into 500,000 ordinary shares of RM10.00 each
<b>Paid-up Share Capital</b>	RM1,800,000.00 divided into 360,000 ordinary shares of RM10.00 each (paid up to RM5.00 each)
<b>Board of Directors</b>	1) Celine Chan Hooi Li 2) Shu Wai Ling 3) Soh Ooi Kean Jin

<b>Company Secretaries</b>	1)	Lim Lee Kuan
	2)	Teo Mee Hui

**Role of Share Trustee**

The Share Trustee is the registered shareholder of the Issuer, who will hold the ordinary shares in the Issuer upon a discretionary trust for the benefit of charitable institutions and will further declare themselves as trustee of the said trust. The ordinary shares of the Issuer are held by the Share Trustee for a class of beneficiaries comprising charitable institutions.

**9.3 Sukuk Trustee and Security Trustee**

The background information of the Sukuk Trustee and Security Trustee as at 3 May 2016 are as follows:-

<b>Name</b>	Pacific Trustees Berhad
<b>Registered Office</b>	Unit A-9-8, 9th Floor, Megan Avenue 1, No. 189 Jalan Tun Razak, Off Persiaran Hampshire, 50400 Kuala Lumpur.
<b>Company Registration No.</b>	317001-A
<b>Authorised Share Capital</b>	RM 5,000,000
<b>Paid-up Share Capital</b>	RM 1,800,000
<b>Board of Directors</b>	<ol style="list-style-type: none"> <li>1. Tan Sri Datuk Amar Steve Shim Lip Kiong@ Steve L.K. Shim (Independent, Non-Executive)</li> <li>2. Wee Choo San (Non-Independent, Non-Executive)</li> <li>3. Razak Bin Ahmad (Independent, Non-Executive)</li> <li>4. Suresh Kumar A/L T.A.S Menon(Independent, Non-Executive)</li> <li>5. Cheah Boon Hoe (Non-Independent, Executive)</li> <li>6. Ong Kim Eng (Non-Independent, Non-Executive)</li> </ol>
<b>Company Secretary(s)</b>	<ol style="list-style-type: none"> <li>1. Siew Suet Wei</li> <li>2. Norhayaty Binti Che Noh</li> </ol>

**Role of the Sukuk Trustee and the Security Trustee**

The Sukuk Trustee acts as the trustee for and on behalf of the holders of the Sukuk Murabahah, to represent and protect the interest/rights of the Sukukholders in accordance with the Issue Documents and to notify the Issuer of any breach of terms of the Trust Deed and to enforce the rights of the Sukukholders in accordance with the Issue Documents. The Security Trustee holds the security of the Sukuk Murabahah Programme for and on behalf of the Sukukholders and to enforce such security in accordance with the Issue Documents

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## **10.0 DESCRIPTION OF SIGNIFICANT TRANSACTION DOCUMENTS**

*This section provides a description of the significant agreements in respect of this securitisation exercise. For the complete terms and conditions of each of the executed significant agreements, please refer to the terms and conditions in each of the executed significant agreements.*

The significant agreements in respect of this securitisation transaction are as follows:

- (a) the Programme Agreement to be entered into between the Issuer, the Joint Lead Arrangers, the Joint Lead Managers, the Sole Lead Manager and the Facility Agent which sets out the terms and conditions for the establishment by the Issuer of the Sukuk Murabahah Programme and the issuance of the Sukuk Murabahah thereunder;
- (b) the Trust Deed to be entered into between the Issuer and the Sukuk Trustee which sets out the terms and conditions pursuant to which the Issuer shall issue the Sukuk Murabahah;
- (c) the Administration Agreement to be entered into between the Issuer and the SPV Administrator which sets out the terms and conditions pursuant to which the SPV Administrator shall provide company secretarial services and administer the statutory duties of the Issuer;
- (d) the Servicing Agreement to be entered into between the Issuer, the Servicer, the Sukuk Trustee and the Security Trustee whereby the Servicer is appointed to carry out its role as the servicer in relation to the Acquired Islamic Financing Agreements as identified in paragraph (n)(Other Terms and Conditions) of Appendix I hereof;
- (e) the Deed of Trust to be entered into between the Share Trustee and the Sukuk Trustee which sets out the terms and conditions pursuant to which the Share Trustee will hold the shares of the Issuer on a discretionary trust for any organisation or institution falling within the meaning of "institution" or "organisation" under Section 44(7) of the Income Tax Act, 1967;
- (f) the SPA which will be in the form of a master sale and purchase agreement (to be entered into between the Issuer, the Originator and each of the Cooperatives individually) with two different appendices attached to the same which are the Cooperative Sale and Purchase Agreement and the Originator Sale and Purchase Agreement respectively;
- (g) the Priority and Security Sharing Agreement to be entered into between the Issuer, the Share Trustee and the Security Trustee where the Security Trustee will be appointed to hold the benefit of such security on trust for the Sukuk Trustee;
- (h) the Islamic documents which set out the terms and conditions of the Commodity Murabahah transaction as identified in paragraph (4) of Appendix I hereof;
- (i) the security documents to which the Issuer is a party which set out the terms and conditions of certain first party securities to be provided by the Issuer and third party security to be provided by the Share Trustee in favour of the Security Trustee as identified in paragraph (15) of Appendix I hereof; and
- (j) the letter of undertaking issued or to be issued by RCE Capital in favour of the Sukuk Trustee whereby RCE Capital irrevocably and unconditionally undertakes that it shall ensure that EXP Payment Sdn Bhd (Company No. 1011795-D), performs all its obligations and undertakings as the Collection Agent in accordance with the terms of the relevant Issue Documents.

## **11.0 TAX CONSIDERATIONS**

### **11.1 Withholding Tax**

All profit payments or discount received by a Sukukholder who/which is an individual, unit trust and listed closed-end fund from the investment made in the Sukuk Murabahah should be exempted from Malaysian income tax under paragraph 35(b), Schedule 6 of the Income Tax Act, 1967 where the Sukuk Murabahah, not being convertible loan stock, are approved or authorized by, or lodged with, the SC.

All profit payments received by a company not resident in Malaysia (other than such profits accruing to a place of business in Malaysia of such company) from the Sukuk Murabahah should be exempted from income tax under paragraph 33(A)(b), Schedule 6 of the Income Tax Act, 1967 as the Sukuk Murabahah issued in Ringgit, and not being convertible loan stock, are approved by the SC.

Payments of profits to Sukukholders where the above income tax exemptions under Paragraphs 35(b) and 33A(b) of Schedule 6 to the Income Tax Act, 1967 apply should not be subject to Malaysian withholding tax. Where the recipient of the profit payments is a non-resident person which does not qualify for the aforesaid income tax exemptions, Malaysian withholding tax at the rate of 15% (reduced tax treaty rates may apply) of the gross profit payments shall be applicable under Section 109(1) of the Income Tax Act, 1967. The Issuer is required to withhold tax on the profit payments and remit it to the Inland Revenue Board within one month after paying or crediting the profits to the Sukukholders.

### **11.2 Calculation of tax liability of the Issuer**

The Issuer is a resident in Malaysia for tax purposes by virtue of the management and control of its business and affairs being exercised in Malaysia. It shall be subject to tax on all of its Malaysian sourced income.

All outgoing and expenses which are wholly and exclusively incurred in the production of the gross income of the Issuer shall be deductible for tax purposes except for those expenses which are specifically disallowed under the Income Tax Act, 1967. The Issuer is entitled to claim capital allowances on the qualifying capital expenditures incurred.

Any unabsorbed business losses and capital allowances of the Issuer can be carried forward for utilisation in subsequent years of assessment (subject to the shareholder continuity test, where applicable).

### **11.3 Stamp Duty**

There is exemption from stamp duty on specific instruments executed on or after 1 January 2001 for the purpose of a securitisation transaction approved by the SC pursuant to Stamp Duty (Exemption) (No. 12) Order 2001.

### **11.4 Goods and Services Tax**

#### **11.4.1 Overview**

Goods and Services Tax (“**GST**”) at 6% was implemented in Malaysia on 1 April 2015. GST shall be charged on the taxable supply of goods and services made in the course or furtherance of business in Malaysia by a taxable person. GST is also charged on the importation of goods and services.

A taxable supply is a supply which is standard rated (6%) or zero rated. Exempt and out of scope supplies are not taxable supplies. GST is to be levied and charged on the value of the taxable supplies. GST can only be levied and charged if the business is registered under the Goods and Services Tax Act 2014.

All businesses that have an estimated total value of taxable supplies of RM 500,000 or more in the twelve months' period from 1 April 2015 to 31 March 2016 will have to register for GST by 31st December 2014. Nevertheless, businesses that do not exceed the above registration threshold can apply to be registered voluntarily.

Even though GST is imposed at each level of the supply chain, generally the tax element does not become part of the cost of the product/service for a taxable supplier because GST paid on the business inputs for making taxable supplies is claimable as an input tax credit at each level of the supply chain. This means that GST incurred on costs of those business inputs may be set off against the GST collected on taxable supplies.

However, if the GST incurred relates to both taxable and exempt supplies, input tax credit may only be claimable (using the partial exemption apportionment method) for the portion which is attributable to taxable supplies. Effectively this should mean that where a business makes taxable supplies, the GST to be paid to the Royal Malaysian Customs Department ("**Customs Department**") should amount to a tax on the value that has been added by the business in that period.

#### **11.4.2 GST on the Originator**

RCEM is not registered for GST as its taxable supplies do not exceed the threshold of RM500,000. However if the threshold is exceeded in future then RCEM will take necessary steps to register for GST.

#### **11.4.3 GST on the Issuer**

The Issuer is not registered for GST as its taxable supplies do not exceed the threshold of RM500,000. However if the Issuer makes taxable supplies in future which exceed the threshold of RM500,000 then AI Dzahab will take necessary steps to register for GST.

#### **11.4.4 GST on Sukukholders**

The Sukukholders are entitled to receive periodic profit payments from investment in the Sukuk Murabahah. The issuance and holding of a Sukuk Murabahah is an exempt supply under the GST (Exempt Supplies) Order and is not subject to GST. The periodic profit income received under the Sukuk Murabahah is not subject to GST.

The holding of bonds, debentures or other similar instruments representing or evidencing indebtedness, whether secure or otherwise, and, the transfer of ownership of securities (includes debt securities) is an exempt supply under the GST (Exempt Supplies) Order. A Sukukholder (who is a GST registrant) may be entitled to claim GST incurred on incidental exempt financial supplies which include the holding or transfer of debt securities. It is essential that any investor/unit holder takes its own advice based on their own factual situation, as this may affect its outcome, depending on whether they are registered, and also whether they are eligible to claim input tax credits on costs related to the acquisition and holding of the Sukuk Murabahah.

Redemption of Sukuk Murabahah and the redemption amount is not subject to GST.

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## **12.0 CONFLICT OF INTEREST**

After making enquiries as were reasonable in the circumstances, the board of directors of the Issuer is not aware of any other conflict of interest situations other than the potential conflict of interest situations listed below and the relevant mitigating factors/measures:

### **12.1 AIBB as a Joint Principal Adviser/Joint Lead Arranger and Joint Lead Manager (for the Subsequent Tranche(s)) for the Transaction.**

Save as disclosed below, as at the date hereof and after making enquiries as were reasonable in the circumstances, AIBB is not aware of any circumstances that would give rise to a conflict of interest situation in its capacities as, amongst others, the Joint Principal Adviser, the Joint Lead Arranger and the Joint Lead Manager (in respect of Subsequent Tranche(s)) in relation to the Sukuk Murabahah Programme:

1. RCE Capital owns 100% equity interest in the Originator.
2. AIBB is a wholly-owned subsidiary of AMMB Holdings Berhad (“**AMMB**”).
3. Mr Tan Bun Poo is a common director in RCE Capital and AIBB.
4. Tan Sri Azman Hashim is the major and controlling shareholder of Clear Goal Sdn Bhd, which holds 100% of the shares in Amcorp Group Berhad. Cempaka Empayar Sdn Bhd, wholly-owned by Amcorp Group Berhad, holds 63.72% equity interest in RCE Capital Berhad. Amcorp Group Berhad also holds 12.97% equity interest in AMMB. Tan Sri Azman Hashim also sits on the board of AMMB and AIBB.
5. Part of the proceeds of the Sukuk Murabahah may be utilised by RCEM (as the Originator) to repay credit facilities which were granted or may be granted to it by AmBank Islamic Berhad and AmBank (M) Berhad.

In view of the above, there may be potential conflict of interest situations arising from AIBB acting in its capacity as, amongst others, the Joint Principal Adviser, the Joint Lead Arranger, and the Joint Lead Manager (in respect of Subsequent Tranche(s)) and RCEM acting in its capacity as, inter alia, the Originator and Servicer in relation to the Sukuk Murabahah Programme.

Notwithstanding the above, AIBB has considered the factors involved and believes its objectivity and independence in carrying out its respective roles has been and will be maintained at all times for the following reasons:

- (i) the conduct of AIBB is regulated by the CMSA, the Financial Services Act 2013 and its own internal controls and checks;
- (ii) AIBB is a licensed investment bank and its appointment as, amongst others, the JPA, the JLA and the JLM in relation to the Sukuk Murabahah Programme is in the ordinary course of its business; and
- (iii) the due diligence review in respect of the Sukuk Murabahah Programme has been undertaken by professional and independent advisers.

Further, the potential conflict of interest situations have been brought to the attention of the Board of Directors of the Issuer and the Board of Directors of the Issuer is fully aware of the same. The Board of Directors of the Issuer has acknowledged and confirmed that, having considered the above situation, the Board of Directors of the Issuer is agreeable to proceed with the implementation of the Sukuk Murabahah Programme based on the present arrangement and terms.

**12.2 HLIB as the Joint Principal Adviser/Joint Lead Arranger, the Sole Lead Manager (for the First Tranche) and Joint Lead Manager (for the Subsequent Tranche(s)) and the Facility Agent for the Transaction.**

Save as disclosed below, as at the date hereof and after making enquiries as were reasonable in the circumstances, HLIB is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as the Joint Principal Adviser, Joint Lead Arranger, Sole Lead Manager (in respect of the First Tranche), Joint Lead Manager (in respect of Subsequent Tranche(s)) and Facility Agent in relation to the Sukuk Murabahah Programme.

Potential conflict-of-interest situations may arise from HLIB's role as the Joint Principal Adviser/Joint Lead Arranger, the Sole Lead Manager (in respect of the First Tranche), Joint Lead Manager (in respect of Subsequent Tranche(s)) and the Facility Agent in relation to the Sukuk Murabahah Programme whereby part of the proceeds of the Sukuk Murabahah may be utilised by RCEM (as the Originator) to repay its revolving credit facility which were granted by Hong Leong Bank Berhad to RCEM.

Notwithstanding the above, HLIB has considered the factors involved and believes the objectivity and independence in carrying out its role have been and will be maintained at all times for the following reasons:-

- (i) the conduct of HLIB is regulated by BNM and the SC and governed under *inter alia*, the Financial Services Act, 2013, the CMSA and HLIB's own internal controls and checks; and
- (ii) HLIB is a licensed investment bank and its appointment as the Joint Principal Adviser/Joint Lead Arranger, the Sole Lead Manager (in respect of the First Tranche), Joint Lead Manager (in respect of Subsequent Tranche(s)) and the Facility Agent is in the ordinary course of its business. The appointments are governed by various mandate letters, agreements and/or documents which set out the rights, duties and obligations of HLIB acting in such capacities; and in order to further mitigate or address any such potential conflict of interest, the potential conflict of interest situation has been brought to the attention of the board of directors of the Issuer and hence the board of directors of the Issuer is fully aware of the same. The board of directors of the Issuer has acknowledged and confirmed that having considered the above situation, the board of directors of the Issuer is agreeable to proceed with the implementation of the Sukuk Murabahah Programme based on the present arrangement and terms;
- (iii) the appointment of Messrs Adnan Sundra & Low as an external independent solicitor to conduct a legal due diligence inquiry pursuant to the Sukuk Murabahah Programme.

**12.3 Messrs. Adnan Sundra & Low as Solicitors for the Transaction**

As at the date hereof and after making enquiries as were reasonable in the circumstances, to the best of its knowledge and belief, Messrs. Adnan Sundra & Low is not aware of any circumstances that would give rise to a conflict of interest situation or a potential conflict of interest situation in its capacity as the Solicitors for the Transaction.

**12.4 Messrs Deloitte as the Reporting Accountant for the Transaction**

As at the date hereof and after making enquiries as were reasonable in the circumstances, to the best of its knowledge and belief, Messrs Deloitte is not aware of any circumstances that would give rise to a conflict of interest situation or a potential conflict of interest situation in its capacity as the Reporting Accountant for the Transaction.

**12.5 Deloitte Tax Services Sdn Bhd as the Tax Adviser for the Transaction**

As at the date hereof and after making enquiries as were reasonable in the circumstances, to the best of its knowledge and belief, Deloitte Tax Services Sdn Bhd is not aware of any circumstances that would give rise to a conflict of interest situation or a potential conflict of interest situation in its capacity as the Tax Adviser for the Transaction.

**12.6 Datuk Dr Mohd Daud Bakar as the Shariah Adviser for the Transaction**

As at the date hereof and after making enquiries as were reasonable in the circumstances, to the best of its knowledge and belief, Datuk Dr Mohd Daud Bakar is not aware of any circumstances that would give rise to a conflict of interest situation or a potential conflict of interest situation in its capacity as the Shariah Adviser for the Transaction.

**12.7 Pacific Trustees Berhad as the Sukuk Trustee and Security Trustee for the Transaction**

As at the date hereof and after making enquiries as were reasonable in the circumstances, to the best of its knowledge and belief, Pacific Trustees Berhad is not aware of any circumstances that would give rise to a conflict of interest situation or a potential conflict of interest situation in its capacity as the Sukuk Trustee and Security Trustee for the Transaction.

**12.8 TMF Trustees Malaysia Berhad as the Share Trustee for the Transaction**

As at the date hereof and after making enquiries as were reasonable in the circumstances, to the best of its knowledge and belief, TMF Trustees Malaysia Berhad is not aware of any circumstances that would give rise to a conflict of interest situation or a potential conflict of interest situation in its capacity as the Share Trustee for the Transaction.

**12.9 TMF Global Services (Malaysia) Sdn Bhd as the SPV Administrator for the Transaction**

As at the date hereof and after making enquiries as were reasonable in the circumstances, to the best of its knowledge and belief, TMF Global Services (Malaysia) Sdn. Bhd is not aware of any circumstances that would give rise to a conflict of interest situation or a potential conflict of interest situation in its capacity as the SPV Administrator for the Transaction.

**12.10 RCEM as the Originator and the Servicer for the Transaction**

Save as disclosed below, as at the date hereof and after making enquiries as were reasonable in the circumstances, RCEM is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as the Originator and the Servicer in relation to the Sukuk Murabahah Programme:

RCE Capital and/or its subsidiaries will subscribe to the Class C Sukuk Murabahah whereas Amcorp Group Berhad and/or its subsidiaries may subscribe to the Class C Sukuk Murabahah. Potential conflicts of interest (if any) will be mitigated by the fact that the rights, obligations, functions and conduct of RCEM in relation to the performance of its role as Servicer are clearly set out in the Servicing Agreement.

The Servicing Agreement contains terms and conditions to protect the interests of potential investors of the Sukuk Murabahah.

Such potential conflicts of interest (if any) are further mitigated by the fact that RCEM is managed by officers of competence and integrity who will discharge their duties with appropriate care and skill.

In addition to the above, the potential conflict of interest situations have also been brought to the attention of the board of directors of the Issuer and it is hence fully aware of the same. Despite such potential conflict of interest situations, the board of directors of the Issuer is comfortable and agreeable to proceed with the implementation of the Transaction based on the present arrangement and terms. In addition, due diligence review pursuant to the Sukuk Murabahah Programme has been undertaken by the Solicitors as external independent solicitors.

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**APPENDIX I**

**Principal Terms and Conditions of the Sukuk Murabahah Programme**

**DETAILS OF FACILITY/PROGRAMME**

- |   |  |
|---|--|
| (1) Name of facility  | Islamic medium term notes (“ <b>Sukuk Murabahah</b> ”) under a Sukuk Murabahah asset-backed securitisation programme of up to RM900.0 million (“ <b>Sukuk Murabahah Programme</b> ”) in nominal value.   |
| (2) One-time issue or programme   | Programme  |
| (3) Shariah principles (for sukuk)  | Murabahah (via a <i>Tawarruq</i> arrangement)  |
| (4) Facility description (for Ringgit-denominated sukuk, to provide description as cleared by SC) | The Sukuk Murabahah Programme is being established pursuant to a securitisation transaction whereby the Issuer is a special purpose bankruptcy remote vehicle set up to acquire all the rights, benefits, titles and interests to and under Islamic Financing Agreements (as described below) from time to time. |

Such Islamic Financing Agreements are to be acquired from the Originator pursuant to the Originator’s power to dispose of the same as vested in the Originator under the SPA (as defined below). The Sukuk Murabahah Programme shall comprise the Sukuk Murabahah to be issued under the Shariah principle of Murabahah (via a *Tawarruq* arrangement).

**Sale and Purchase of Islamic Financing Agreements (as defined in item (5) below)**

Under the Sukuk Murabahah Programme, the cooperative society(ies)/ foundation(s)/corporation(s), the Originator and the Issuer shall from time to time enter into tripartite sale and purchase agreement(s) (“**SPA**”) for the sale of Islamic Financing Agreements which comply with the Eligibility Criteria (as defined in item (k) of Other Terms and Conditions) by the cooperative society(ies)/ foundation(s)/corporation(s) to the Originator and the onward sale of the said Islamic Financing Agreements by the Originator to the Issuer (“**Acquired Islamic Financing Agreements**”).

The purchase price of the Acquired Islamic Financing Agreements shall be satisfied by the issuance of the Sukuk Murabahah in accordance with the purpose as set out in item (d) of Other Terms and Conditions.

\* the SPA will be in the form of a master sale and purchase agreement (to be executed by all parties) with two different appendices attached to the same to be executed by: (i) the

cooperative society(ies)/foundations(s)/corporation(s), the Originator and the Issuer; and (ii) the Originator and the Issuer respectively.

The issuance of the Sukuk Murabahah shall be effected as follows:-

### **Commodity Murabahah**

The investors of the Sukuk Murabahah (“**Sukukholders**”) will appoint the Issuer (in such capacity, the “**Purchase Agent**”) as its agent (wakeel) to buy Shariah-compliant commodities available at Bursa Suq Al-Sila’ as approved by its Shariah Adviser, which shall include but are not limited to crude palm oil or such other acceptable commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver), as may be approved by SC’s SAC (“**Identified Assets**”/”**Trust Assets**”).

The Purchase Agent will then appoint the Facility Agent as the sub-agent (in such capacity, the “**Sub-Purchase Agent**”) to purchase the Trust Assets. The Purchase Agent will also appoint the Facility Agent (in such capacity, the “**Selling Agent**”) as its agent (wakeel) to sell the Trust Assets to the Issuer on behalf of the Purchase Agent.

The Issuer (in such capacity, the “**Purchaser**”) will issue a purchase order (“**Purchase Order**”) to the Purchase Agent, the Sub-Purchase Agent and the Selling Agent. In the Purchase Order, the Purchaser will irrevocably undertake, based on unilateral binding promise, to purchase (“**Undertaking to Purchase**”) the Trust Assets from the Sukukholders at the deferred sale price (“**Sale Price**”) which shall be the aggregate of the Purchase Price (as defined herein), the profit payment (calculated up to the maturity date (“**Legal Maturity Date**” or “**Legal Maturity**”) of the relevant Sukuk Murabahah in item (ff) of Other Terms and Conditions) which shall include the Additional Profit (as defined herein) (if applicable) and the Discounted Amount (as defined herein) (if applicable), payable on a deferred payment basis.

“**Additional Profit**” means an additional profit payment at the rate of 4% per annum above the predetermined profit rate to be paid to the relevant Sukukholders commencing from the Expected Maturity (as explained in item (ff) of Other Terms and Conditions) until the relevant Sukuk Murabahah has been fully redeemed. However, in the event the relevant Sukuk Murabahah has been repaid on its Expected Maturity or any Early Redemption (as defined in item (jj) of Other Terms and Conditions) date thereafter, the effective Additional Profit commencing from the Expected Maturity or Early Redemption date thereafter up to the Legal Maturity Date of the relevant Sukuk Murabahah shall be waived by way of Ibra’ (as defined in item (i) of Other Terms and Conditions).

**“Discounted Amount”** means the difference between (i) the nominal value of the relevant Sukuk Murabahah; and (ii) the proceeds from the issuance of such Sukuk Murabahah.

Upon receiving the Purchase Order from the Issuer (as the Purchaser), the Sub-Purchase Agent will purchase, on a spot basis, the Trust Assets from commodity vendor(s) in the Bursa Suq Al-Sila' commodity market (through a Commodity Trading Participant (“**CTP**”)) at a purchase price which shall be an amount equivalent to the proceeds from the issuance of the Sukuk Murabahah (“**Purchase Price**”). The Purchase Price shall be in compliance with the asset pricing requirements as set out in the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued on 9 March 2015 and effective from 15 June 2015 as may be replaced, substitute, amended or revised from time to time (“**SC LOLA Framework**”)).

To facilitate the above, the Issuer shall concurrently issue the Sukuk Murabahah to the Sukukholders to evidence the Sukukholders' ownership of the Trust Assets and all rights thereto (including all rights against the Issuer (as the Purchaser) under the Purchase Order). Once the Trust Assets are sold to the Issuer (as the Purchaser), the Sukuk Murabahah shall represent the Sukukholders' entitlement to receive the Sale Price. The proceeds from the issuance of the Sukuk Murabahah received from the Sukukholders shall be used to pay the Purchase Price of the Trust Assets.

Thereafter, pursuant to the Undertaking to Purchase, the Selling Agent (acting on behalf of the Purchase Agent who in turn acts on behalf of the Sukukholders) shall sell the Trust Assets to the Issuer (as the Purchaser) at the Sale Price. Upon completion of such sale, the Issuer (as the Purchaser) shall sell the Trust Assets to Bursa Malaysia Islamic Services Sdn Bhd through a CTP on a spot basis for cash consideration for an amount equivalent to the Purchase Price.

During the tenure of the Sukuk Murabahah, the Issuer (as part of its obligation to pay the Sale Price) shall make periodic profit payments to the Sukukholders. Each such payment shall pro tanto reduce the obligation of the Issuer (as the Purchaser) on the Sale Price payable for the purchase of the Trust Assets from the Selling Agent (acting on behalf of the Purchase Agent who in turn acts on behalf of the Sukukholders).

At (i) the Legal Maturity Date of the relevant Sukuk Murabahah; or (ii) upon the declaration of an Event of Default (as defined in item (26) below), whichever is earlier, the Issuer (as part of its obligation to pay the Sale Price) shall pay to the Sukukholders all amounts then outstanding on the Sale Price (subject to any *ibra'*, if applicable) as final settlement of

the same, upon which the relevant Sukuk Murabahah shall be cancelled.

Please refer to Annexure 1 for diagrammatic illustrations of the transaction structure above.

- |      |  |  |
|------|--|--|
| (5)  | Details of asset(s) under ABS                | The Islamic personal financing agreements (“ <b>Islamic Financing Agreements</b> ”) entered into between the relevant participating cooperative societies/foundations/corporations and the individual customers (“ <b>Individual Customers</b> ”).   |
| (6)  | Currency                                     | Ringgit Malaysia   |
| (7)  | Expected facility/programme size             | Up to RM900.0 million  |
| (8)  | Option to upsize (for programme)             | Yes  |
| (9)  | Tenure of facility/programme                 | (17) years   |
| (10) | Availability period for debt/sukuk programme | <p>The Sukuk Murabahah Programme is available for issuance upon completion of documentation and fulfilment of all conditions precedent to the satisfaction of the JLAs.</p> <p>The issuance(s) of the Sukuk Murabahah under the Sukuk Murabahah Programme shall be made within seven (7) years from the issue date of the First Tranche provided that the First Tranche of the Sukuk Murabahah under the Sukuk Murabahah Programme shall be made within sixty (60) business days from the date of the Lodgement and provided that the Legal Maturity of any series of Sukuk Murabahah under any tranche shall not fall beyond the Final Maturity Date.</p> |
| (11) | Clearing and settlement platform             | Malaysian Electronic Clearing Corporation Sdn Bhd (“ <b>MyClear</b> ”)   |
| (12) | Mode of issue                                | <p>The Sukuk Murabahah may be issued via private placement or a bought deal basis or book running on best efforts basis, as the Issuer may elect, without prospectus.</p> <p>The Sukuk Murabahah will be issued in accordance with (1) the Participation and Operation Rules for Payment and Securities Services (“<b>MyClear Rules</b>”) issued by MyClear and (2) the Operational Procedures for Securities Services and the Operational Procedures for RENTAS issued by MyClear (“<b>MyClear Procedures</b>”), as amended or substituted from time to time by the relevant authority(ies) (collectively</p>   |

the “**MyClear Rules and Procedures**”).

(13) Selling restrictions

The selling restrictions are as follows: -

**Selling Restrictions at Issuance**

The Sukuk Murabahah shall not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons, whether as principal or agent, falling within any one of the categories of persons specified in Part 1 of Schedule 6 (or Section 229(1)(b)) of Capital Markets and Services Act 2007, as amended or substituted from time to time (“**CMSA**”) and Part 1 of Schedule 7 (or Section 230(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA.

**Selling Restrictions Thereafter**

The Sukuk Murabahah shall not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons, whether as principal or agent, falling within any one of the categories of persons specified in 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.

(14) Tradability and transferability

Please refer to item (gg) of Other Terms and Conditions.

(15) Details of security/collateral pledged, if applicable

**A. Security arrangement for all tranches**

The master security for all tranches which is enforceable only in the event of Mandatory Redemption in Full or upon the declaration of an Event of Default that affects all outstanding tranches at the time is as provided herein.

The Sukuk Murabahah will constitute direct, unconditional, unsubordinated and secured obligations of the Issuer. The Sukuk Murabahah shall be secured by the following security:

- (i) Debenture creating a first fixed and floating charge over the whole of the Issuer’s undertaking and all of its property, assets and rights, both present and future (save for those assigned under the assignment under paragraph B(i) below);
- (ii) First legal charge by the Share Trustee over the entire issued and paid-up share capital of the Issuer; and
- (iii) Assignment of all of the Issuer’s rights, title, benefits and interests in, to and under the SPA in the form of a master sale and purchase agreement referred to in item (4) above (save for those assigned under the

assignment under paragraph B(ii) below).

**B. Security arrangement for each tranche**

- (i) For each tranche, an assignment by the Issuer of all its rights, title, benefit and interest in, to and under the respective Acquired Islamic Financing Agreements and the Collection Proceeds (as defined in item (hh) of Other Terms and Conditions) from each Acquired Islamic Financing Agreement in relation to that tranche;
- (ii) For each tranche, assignment of all of the Issuer's rights, title, benefits and interests in, to and under the sale and purchase agreement(s) between the Originator and the Issuer in relation to the Acquired Islamic Financing Agreements relevant to that tranche;
- (iii) For each tranche, an assignment and charge over the respective Designated Accounts (as defined in item (hh) of Other Terms and Conditions); and
- (iv) Such other security as may be advised by the Solicitors

**C. Ranking**

Under the First Tranche, in terms of priority and security, Class A Sukuk Murabahah shall rank ahead of Class B Sukuk Murabahah and Class C Sukuk Murabahah and Class B Sukuk Murabahah shall rank ahead of Class C Sukuk Murabahah.

Unless provided otherwise at the time of any Subsequent Tranche(s), the ranking of the relevant classes of Sukuk Murabahah for Subsequent Tranche(s) shall be the same as above.

- |   |                |
|---|----------------|
| (16) Details of guarantee, applicable if                            | Not applicable |
| (17) Convertibility of Issuance                                     | Not applicable |
| (18) Exchangeability of Issuance and details of the exchangeability | Not applicable |
| (19) Call option and details, if applicable                         | Not applicable |
| (20) Put option and   | Not applicable |

details, if applicable

(21) Details of Positive Covenants  
covenants

Positive covenants typical and customary for a transaction of this nature which shall include but not limited to the following:

1. Each of the Issuer and RCEM (as Servicer) shall preserve and keep in full force and effect all licences, consents and rights necessary for the conduct of its business;
2. Each of the Issuer and RCEM (as Servicer) shall exercise reasonable diligence in carrying out its business in a proper and efficient manner which should ensure, among others, that all necessary approvals or relevant licenses are obtained and maintained;
3. Each of the Issuer and RCEM (as Servicer) shall maintain and keep proper respective books and accounts at all times in compliance with applicable statutory requirements and in accordance with generally accepted accounting principles in Malaysia and to provide the Sukuk Trustee and any person appointed by it (e.g. auditors) access to such books and accounts to the extent permitted by law;
4. The Issuer shall open and maintain the Designated Accounts with the Issuer's name as the prefixes to the name of the respective Designated Accounts and pay all relevant amounts into the Designated Accounts and make all payments from the Designated Accounts only as permitted under the Issue Documents (as defined in item (w) of Other Terms and Conditions).
5. Each of the Issuer and RCEM (as Servicer) shall promptly notify the Sukuk Trustee in writing of any change of Collection Agent (as defined in item (x) of Other Terms and Conditions);
6. The Issuer shall ensure that all and any advances to the Issuer are to be fully subordinated to the Issuer's liabilities to the Sukukholders and no repayment and/or prepayment of such advances shall be made by the Issuer so long as any amount under the Sukuk Murabahah Programme remains owing or any obligation of the Issuer in relation to the Sukuk Murabahah Programme remains outstanding;
7. Each of the Issuer and RCEM (as Servicer) shall deliver to the Credit Rating Agency all such reports and/or information (including the periodical asset and

transaction performance monitoring reports as per template to be mutually agreed by the parties) as may be required by the Credit Rating Agency in respect of the Sukuk Murabahah Programme;

8. Each of the Issuer and RCEM (as Servicer) shall comply with all provisions and perform all its obligations under the Issue Documents (to which it is a party);
9. The Issuer shall permit the accounts, reports, notices, statements or circulars as provided by any of them to the Sukuk Trustee to be circulated by the Sukuk Trustee at its discretion to the Sukukholders, the qualified investors of the Sukuk Murabahah and the Credit Rating Agency;
10. The Issuer shall take such steps as may have been notified by the Sukuk Trustee following the occurrence of an SIT (as defined in item (m) of Other Terms and Conditions) or an Event of Default to remedy or mitigate the effect of that SIT or Event of Default;
11. Each of the Issuer and RCEM (as Servicer) shall comply with all applicable laws including the provisions of the CMSA, the SC LOLA Framework and all circulars, conditions or guidelines issued by the SC from time to time;
12. The Issuer shall promptly give to the Sukuk Trustee any information which the Sukuk Trustee and Security Trustee, as the case may be, may reasonably require in order to discharge its duties and obligations under the Issue Documents relating to the affairs of the Issuer to the extent permitted by law;
13. The Issuer shall maintain a paying agent in Malaysia in respect of payments in relation to the Sukuk Murabahah Programme in accordance with the relevant laws and regulations;
14. The Issuer shall procure that the paying agent shall notify the Sukuk Trustee, through the Facility Agent, if the paying agent does not receive payment from the Issuer on the due dates as required under the Issue Documents and the terms and conditions of the Sukuk Murabahah;
15. The Issuer shall ensure that the terms in the Trust Deed do not contain any matter which is inconsistent with the provisions of the Information Memorandum; and

16. Such other positive covenants as may be advised by the Solicitors and mutually agreed by the JPAs/JLAs and the Issuer.

#### Negative Covenants

Negative covenants typical and customary for a transaction of this nature which shall include but not limited to the following:

1. The Issuer shall not permit any amendment, supplement or variation to its Memorandum and Articles of Association in a manner inconsistent with the Issue Documents (to which it is a party) and/or which may be materially prejudicial to the interests of the Sukukholders;
2. Other than the security to be given to the Sukukholders as set out in item (15) above, the Issuer shall not create or permit to exist any security interest over all or any part of its business or assets or undertaking;
3. The Issuer shall not reduce its authorised and/or issued and paid up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or change any of its share capital into stock or by consolidating, dividing or subdividing all or any of its shares;
4. The Issuer shall not incur further indebtedness apart from under the Sukuk Murabahah Programme;
5. The Issuer shall not enter into any other contracts, agreements or other arrangements or commitments, other than the Issue Documents, any documents pertaining to the Sukuk Murabahah Programme and any documents that are permitted under the Issue Documents;
6. The Issuer shall not engage in any other businesses other than the objects stated in its Memorandum and Articles of Association;
7. The Issuer shall not undertake any investments (save for any Permitted Investment);
8. The Issuer shall not incur capital expenditure, sell lease, transfer or otherwise dispose of the whole or any material part of its undertaking, business or assets other than as permitted under the Issue Documents;
9. The Issuer shall not enter into any amalgamation, demerger or reconstruction which may materially

affect its ability to perform its obligations under the Issue Documents (to which it is a party);

10. The Issuer shall not change the utilisation of proceeds from the Sukuk Murabahah provided in where item (d) of Other Terms and Conditions, where the Information Memorandum and the Issue Documents set out a specific purpose for which proceeds are to be utilised;
11. The Issuer shall not enter into a transaction or any agreement, whether directly or indirectly with interested persons unless:
  - (i) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and
  - (ii) with respect to transactions involving an aggregate payment or value equal to or greater than RM5.0 million the Issuer obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms;

provided that the Issuer certifies to the Sukuk Trustee that the transaction complies with paragraph (i) above and the Issuer has received certification referred to in paragraph (ii) above (where applicable) and that the transaction has been approved by the majority of the board of directors or shareholders in a general meeting as the case may require;

12. Such other negative covenants as may be advised by the Solicitors and mutually agreed by the JPAs/JLAs and the Issuer.

#### Financial Covenants

No Financial Covenants.

#### Information Covenants

Information covenants typical and customary for a transaction of this nature which shall include but not limited to the following:

1. The Issuer shall deliver to the Sukuk Trustee and the Credit Rating Agency the following:
  - (i) not later than one hundred and eighty (180) days after the end of its financial year, copy of its annual audited financial statements which

are certified without qualification by a firm of independent auditors on a basis consistently applied in accordance with generally accepted accounting principles in Malaysia together with certificates issued by two (2) directors to the effect that no material adverse change has occurred since the date of such statements;

- (ii) not later than ninety (90) days after the end of the first half of its financial year, copy of its unaudited financial statements for that period on a basis consistently applied in accordance with generally accepted accounting principles in Malaysia together with certificates issued by two (2) directors to the effect that no material adverse change has occurred since the date of such statements;
  - (iii) promptly, all accounts, reports, notices, statements or circulars issued to its shareholders at the same time as these documents are despatched to its shareholders;
  - (iv) at least annually, a certificate confirming that the Issuer has complied with its obligations under the Issue Documents (to which it is a party) and the terms and conditions of the Sukuk Murabahah and that there did not exist or had not existed, from the date of First Tranche or the date of the previous certificate (as the case may be), any Event of Default and if such is not the case, to specify the same;
2. The Issuer shall notify the Sukuk Trustee and the Credit Rating Agency in writing immediately in the event that the Issuer becomes aware of:
- (i) any SIT and/or Event of Default;
  - (ii) the happening of any event that has caused or could cause, one or more of the following:
    - (a) any amount secured or payable under the Sukuk Murabahah to become immediately payable;
    - (b) the Sukuk Murabahah to become immediately enforceable; and
    - (c) any other right or remedy under the terms, provisions or covenants of the Sukuk Murabahah or the Trust Deed to

become immediately enforceable;

- (iii) any circumstances that has occurred that would materially prejudice any of the Issuer or any security created pursuant to the Sukuk Murabahah or the Trust Deed;
- (iv) any substantial change in the nature of the business of any of the Issuer;
- (v) any change in the withholding tax position or taxing jurisdiction of the Issuer;
- (vi) any change in the utilisation of proceeds from the Sukuk Murabahah from that set out in item (d) of Other Terms and Conditions, where the Information Memorandum and the Issue Documents which set out a specific purpose for which proceeds are to be utilised;
- (vii) any claim against the Issuer which would have Material Adverse Effect upon its ability to perform any of its obligations under the Issue Documents and shall defend itself against such claims; and
- (viii) any other matter that may materially prejudice the interest of the Sukukholders;

(22) Details of Account(s) of Please refer to item (hh) of Other Terms and Conditions.

(23) Credit Rating

(a) Name of credit rating agency RAM Rating Services Berhad (Company No. 763588-T) (“**RAM**”)

(b) Credit rating (state whether final or indicative) and amount rated

<b>First Tranche:</b>		
<b>Sukuk</b>	<b>Rating Assigned (Final)</b>	<b>Amount Rated (RM'million)</b>
Class A Sukuk Murabahah	AAA	95.0
Class B Sukuk Murabahah	AA3	25.0

(24) Conditions precedent Conditions precedent typical and customary for a transaction of this nature which shall include but not limited to the following:-

**(i) Main Documentation**

All relevant and applicable documentation including but not limited to the Issue Documents have been satisfactorily completed and duly executed and, where applicable, stamped or endorsed as exempted from stamp duty under the Stamp Duty (Exemption No. 23) Order, 2000 and Stamp Duty (Exemption) (No. 12) Order 2001, as the case may be, and if applicable, presented for registration.

**(ii) The Issuer and RCEM**

- (a) Receipt of the certified true copies of the Certificate of Incorporation, Memorandum and Articles of Association, latest Forms 24, 44 and 49;
- (b) Receipt of a certified true copy of board resolution(s) of the Issuer authorising, among others, the establishment of the Sukuk Murabahah Programme, execution of the Issue Documents (to which it is a party) and issuance of the Sukuk Murabahah;
- (c) Receipt of a certified true copy each of board resolution(s) of RCEM authorising, among others, the execution of the Issue Documents (to which it is a party);
- (d) Receipt of a list of the Issuer's authorised signatories and their respective specimen signatures;
- (e) Receipt of a list of RCEM's authorised signatories and their respective specimen signatures;
- (f) Receipt of a report of the relevant company and winding-up search of each of the Issuer and RCEM conducted at the Companies Commission of Malaysia ("CCM") and Department of Insolvency of Malaysia respectively, which revealed that no winding-up order has been made against each of the Issuer and RCEM; and

**(iii) General**

- (a) Receipt of the endorsement from the SAC in respect of the Sukuk Murabahah Programme;
- (b) Receipt of the acknowledgement in respect of the Lodgement has been obtained in accordance with the provisions of the SC LOLA Framework;
- (c) Receipt of a satisfactory legal opinion from the Solicitors, to be addressed to the JPAs/JLAs, advising with respect to, among others, the legality, validity, binding nature and enforceability of the Issue

Documents, the “true sale” nature of the transaction and written confirmation that all conditions precedent of the Sukuk Murabahah Programme have been duly fulfilled or waived;

- (d) Receipt of the evidence that the Designated Accounts have been established and the Security Trustee has been appointed as the sole signatory of each of the RAs, the SFAs and the FSRAs and corresponding certified true copies of the board resolution of the Issuer authorising the opening of the Designated Accounts;
- (e) Receipt of evidence that the Trustees’ Reimbursement Account (as defined in item (c) of Other Terms and Conditions) has been established and the Sukuk Trustee has been appointed as the sole signatory of the Trustees’ Reimbursement Account and a sum of RM30,000.00 has been or will be deposited into the Trustees’ Reimbursement Account;
- (f) Receipt of the Shariah Pronouncement from the Shariah Adviser that the structure and mechanism and the Issue Documents of the Sukuk Murabahah Programme are in compliance with Shariah principles;
- (g) In respect of the First Tranche, receipt of the evidence that the Class A Sukuk Murabahah has been accorded a rating of AA and the Class B Sukuk Murabahah has been accorded a rating of at least AA3 by RAM;
- (h) Receipt of the documentary evidence satisfactory to the JPAs/JLAs that all transaction fees, costs and expenses in relation to the Sukuk Murabahah Programme have been fully paid or will be paid in full;
- (i) Receipt of the evidence that the notices of assignment under the relevant Issue Documents shall have been served upon and duly acknowledged by the relevant parties;
- (j) Receipt of the evidence that the Forms 34 (as prescribed under the Companies Act 1965) in respect of the charges created under the relevant Issue Documents for the purpose of registration of such charges with the CCM in accordance with Section 108 of the Companies Act 1965 have been duly lodged with the CCM;
- (k) Receipt of the evidence that the relevant Issue Documents which contain a power of attorney clause have been presented to the High Court of Malaya for the registration of the power of attorney therein contained;

- (l) Receipt of an opinion from the Reporting Accountant in relation to the financial due diligence, in form and substance acceptable to the JPAs/JLAs;
  - (m) Receipt of an opinion from the tax adviser in a form and substance acceptable to the JPAs/JLAs;
  - (n) In respect of the First Tranche, receipt of written confirmation from the Issuer and the Originator that the applicable collateralisation ratio (as may be determined and specified by the Credit Rating Agency) has been duly complied with prior to issuance of the same; and
  - (o) Such other conditions precedent to be advised by the Solicitors and mutually agreed between the JPAs/JLAs and the Issuer.
- (iv) Prior to each issuance for the Subsequent Tranche(s)**
- (a) Documentary evidence indicating sufficiency of Acquired Islamic Financing Agreements to support such Subsequent Tranche(s);
  - (b) Receipt of the evidence that the relevant notices of the assignment under such Subsequent Tranche(s) shall have been served upon and duly acknowledged by the relevant parties;
  - (c) No SIT and/or Event of Default has been declared and/or potential Event of Default has occurred;
  - (d) Receipt of documentary evidence that the Sukuk Murabahah to be issued under the Subsequent Tranche(s) has/have been accorded with a credit rating that is acceptable to the Issuer and the JLAs;
  - (e) Receipt of a written confirmation from the Issuer and the Originator that the applicable collateralisation ratio (as may be determined and specified by the Credit Rating Agency) has been duly complied with;
  - (f) Receipt of the evidence that the requisite designated account(s) have been established and the Security Trustee has been appointed as the sole signatory of each of the designated account to be opened and corresponding certified true copies of the board resolution of the Issuer authorising the opening of the same; and
  - (g) Such other conditions precedent as advised by the Solicitors and mutually agreed between the JLAs and

the Issuer.

(25) Representations and warranties

Representations and warranties typical and customary for a transaction of this nature which shall include but not limited to the following:

1. The Issuer is duly established and validly in existence and has the power and authority to carry out its business;
2. The Issuer has the power to enter into the Issue Documents to which it is a party to and exercise its rights and perform its obligations under the Issue Documents to which it is a party;
3. The entry into and the exercise of the rights, performance by and obligations of the Issuer under the Issue Documents do not violate any existing law or regulation or agreements to which it is a party to;
4. The Issue Documents constitute legal, valid, binding and enforceable obligations which are enforceable on and against the Issuer;
5. All necessary actions, authorisations and consents required under the Issue Documents have been obtained and remain in full force and effect;
6. The Issuer's assets are free from all encumbrances save for those that are created pursuant to the Security Documents;
7. The audited financial statements of the Issuer of each of its financial year have been prepared on a basis consistently applied in accordance with the generally accepted accounting principles and standards in Malaysia and in full compliance with the requirements of applicable laws and give a true and fair view of the results of its operations for that year and the state of its affairs at that date;
8. There is no winding up petition or proceedings being initiated or threatened against the Issuer;
9. There is no litigation, arbitration, administrative proceeding, claim or dispute which may have a Material Adverse Effect (as defined herein) being initiated or threatened against the Issuer;
10. There has been no event or occurrence which constitutes a violation of the law or contravention of or default under any agreement by the Issuer which may have a Material Adverse Effect;

11. There is no change in the business condition (financial or otherwise), performance or results of the operations of the Issuer which may have a Material Adverse Effect;
12. No registration and no payment of any duty or tax or other action is necessary to ensure the validity, enforceability or admissibility in evidence in Malaysia of the Issue Documents other than the registration of the charges created under the Security Documents with the Companies Commission of Malaysia and the presentation of the power of attorney clause contained in the relevant Security Documents for registration with the High Court of Malaya;
13. To the Issuer's knowledge, there is no change of law or other governmental action which shall make it impossible for the Issuer to perform covenants and obligations on its part to be performed under the Issue Documents to which it is a party; and
14. Such other representations and warranties as may be advised by the Solicitors and mutually agreed by the JPAs/JLAs and the Issuer.

**Material Adverse Effect** means, in relation to any event, the occurrence of which in the reasonable opinion of the Sukuk Trustee may materially and adversely affect:

- (i) the business or condition (financial or otherwise), operations or prospects of the Issuer;
- (ii) the ability of the Issuer to perform any of its obligations under any of the Issue Documents; or
- (iii) the legality, validity, binding nature or enforceability of the Issuer's obligations and/or the rights or remedies of the Sukuk Trustee, the Security Trustee or the Sukukholders under the Issue Documents.

(26) Events of defaults or enforcement events, where applicable, including recourse available to investors

In respect of each tranche, events of default typical and customary for a transaction of this nature which shall include but not limited to the following:

1. any default in payment of any principal or profits under that tranche of the Sukuk Murabahah Programme save and except for non-redemption of the Class B Sukuk Murabahah on its Expected Maturity and any non-payment of profit payment under the Class C Sukuk Murabahah;
2. any representation or warranty made or implied under any provision of the Issue Documents or any

information, notice, opinion or certificate or other document delivered pursuant to the terms of the Issue Documents proves to have been incorrect or misleading in any material respect from the date on which the representation or warranty was made or was deemed made;

3. the Issuer enters into or proposes to enter into, or there is declared by any competent court or authority, a moratorium on the payment of indebtedness or other suspensions of payments by the Issuer generally;
4. any provision of the Issue Documents is or becomes illegal, void, voidable or unenforceable or any of the Issue Documents is or becomes illegal, void, voidable or unenforceable;
5. any step or action is taken for the winding up, dissolution or liquidation of the Issuer (including, without limitation, the presentation of a petition for the winding up against the Issuer or the making of any order or the passing of any resolution for the winding up, dissolution or liquidation of the Issuer);
6. the Issuer undergoes any scheme of reconstruction arrangement or compromise pursuant to Section 176 of the Companies Act 1965 or the same has been instituted against it;
7. a receiver, manager, liquidator, trustee, administrator or similar officer is appointed in respect of the Issuer or in respect of all or any part of the assets, properties or undertaking of the Issuer;
8. the Issuer ceases or threatens to cease to carry on all or a substantial part of its business;
9. the Issuer becomes insolvent or commits an act of insolvency or is unable to pay its debts as they fall due or any final judgment or judgments is or are obtained against the Issuer and the Issuer has failed to satisfy the judgment or judgments;
10. the Issuer stops, suspends or threatens to stop or suspend payment of all or any part of its debts, begins negotiations or takes any proceedings or other steps with a view of readjustment, rescheduling or deferral of all of its indebtedness (or of any part of its indebtedness which it will or might otherwise be unable to pay when due) or proposes or makes a general assignment or any arrangement or composition with or for the benefit of its creditors;

11. the Issuer defaults on any other provision of the Issue Documents (other than those as set out in item (1) above) which is not capable of remedy or which, being capable of remedy, is not remedied within fourteen (14) days;
12. any event which will have a Material Adverse Effect on the Issuer occurs;
13. any consent, authorisation, licence, concession or approval from the relevant authorities granted to the Issuer for the purposes of its business is revoked, withheld, invalidated, modified, expired or suspended for any reason whatsoever and such revocation, withholding, invalidation, modification, expiration or suspension has a Material Adverse Effect; and
14. Such other events of default as may be advised by the Solicitors and mutually agreed by the JPAs/JLAs and the Issuer.

In respect of each tranche, upon occurrence of an Event of Default, subject to the terms of the Trust Deed, the Sukuk Trustee may at its discretion or shall, at the direction of the holders of the Class A Sukuk Murabahah (or the holders of the Class B Sukuk Murabahah in the event all monies payable under or in respect of the Class A Sukuk Murabahah have been fully satisfied or the holders of the Class C Sukuk Murabahah in the event all monies payable under or in respect of the Class A Sukuk Murabahah and Class B Sukuk Murabahah have been fully satisfied) of a particular tranche holding not less than seventy five per cent (75%) in nominal value of the Class A Sukuk Murabahah (or the Class B Sukuk Murabahah in the event all monies payable under or in respect of the Class A Sukuk Murabahah have been fully satisfied or the holders of the Class C Sukuk Murabahah in the event all monies payable under or in respect of the Class A Sukuk Murabahah and Class B Sukuk Murabahah have been fully satisfied) of a particular tranche by way of an extraordinary resolution, by written notice to the Issuer declare that an Event of Default has occurred whereupon all sums payable under the relevant tranche of Sukuk Murabahah, together with all unpaid profit shall become immediately due and payable by the Issuer and the Trust Deed and the other Issue Documents of the relevant tranche shall become immediately enforceable in accordance with their respective terms.

The holders of the Class B Sukuk Murabahah and Class C Sukuk Murabahah will not be able to declare an Event of Default ahead of the holders of the Class A Sukuk Murabahah provided that this restriction will not be applicable if there is no Class A Sukuk Murabahah outstanding at the time of declaration of an Event of Default by the holders of the



Permitted Investments were obtained from;

3. the Permitted Investments being denominated in Ringgit Malaysia;
4. investments in sukuk which are equities in nature or incorporate loss-sharing mechanism shall not be allowed;
5. Permitted Investments in item (ii) above shall not exceed 50% of the total funds available to be invested in Permitted Investments; and
6. The exposure to each counterparty in item (ii) above shall not exceed 10% of the total funds available to be invested in Permitted Investments.

### **Other terms and conditions**

(a) Status of Sukuk Murabahah

The Sukuk Murabahah shall constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and within each class of the Sukuk Murabahah, rank pari passu without discrimination, preference or priority amongst themselves and for all classes of the Sukuk Murabahah, rank at least pari passu with all other present and future unsecured obligations of the Issuer from time to time (subject to those preferred by law).

As between the classes (under the First Tranche), the Sukuk Murabahah are ranked in the following descending order of priority:-

- (i) Class A Sukuk Murabahah;
- (ii) Class B Sukuk Murabahah;
- (iii) Class C Sukuk Murabahah.

(b) Form and Denomination

#### Form

Each series of the Sukuk Murabahah shall be represented by a global certificate (exchangeable for definitive certificates on the occurrence of certain limited events) to be deposited with BNM and shall be in bearer form.

The Sukuk Murabahah shall be prescribed and be reported under the MyClear Rules and Procedures as applicable from time to time.

#### Denomination

Each series of the Sukuk Murabahah shall be issued in denomination and multiples of RM1,000 thereof or such other

denominations as may be allowed by MyClear at the time of issuance.

(c) Trustees’  
Reimbursement Account

The Issuer shall open and maintain a Shariah-compliant account designated as “Trustees’ Reimbursement Account for Sukukholders’ Actions” (as required under the SC’s Trust Deeds Guidelines) with the name of the Issuer as the prefix to the name of the said account, in which a sum of RM30,000.00 is to be deposited. The Trustees’ Reimbursement Account shall be operated by the Sukuk Trustee and the monies therein shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of events of default or enforcement events which are provided in the trust deed. The sum of RM30,000.00 in the Trustees’ Reimbursement Account shall be maintained at all times throughout the tenure of the Sukuk Murabahah Programme.

(d) Details on Utilisation  
of Proceeds

The proceeds from the First Tranche of the Sukuk Murabahah shall be utilized for the following Shariah-compliant purposes:

<b>Proposed utilisation of proceeds</b>	<b>Amount in nominal value (up to RM’000)</b>
(a) To meet the purchase consideration of the SPA	To be determined <sup>(1)</sup>
(b) To meet the Minimum Required Profit Balance under the FSRA	To be determined <sup>(2)</sup>
(c) To reimburse the Originator all the expenses (including deposit paid into the Trustee’s Reimbursement Account) and/or to meet all expenses in connection with the Sukuk Murabahah Programme	To be determined <sup>(3)</sup>

*Note:*

- (1) *The amount is to be determined based on the SPA to be entered into prior to the issuance of the First Tranche.*
- (2) *The actual amount is to be determined prior to the First Tranche and is subject to the agreed profit rates of the Sukuk Murabahah. If any amount allocated for the purpose set out in item (b) above is not fully utilised for such purpose, then such unutilised amount shall be utilised for the purpose set out in item (c) above and/or deposited into the RA.*
- (3) *If any amount allocated for the purpose set out in item (c) above is not fully utilised for such purpose, then such unutilised amount shall be utilised for the purpose set out in item (b) above and/or deposited into the RA.*

The proceeds from the Subsequent Tranche(s) shall be utilized for the following Shariah-compliant purposes:

<b>Proposed utilisation of proceeds</b>	<b>Amount in nominal value (up to RM'000)</b>
(a) To meet the purchase consideration of the SPA	To be determined <sup>(1)</sup>
(b) To meet the Minimum Required Profit Balance under the FSRA	To be determined <sup>(2)</sup>
(c) To set aside such amounts required to meet the operating expenses of the Issuer and/or the expenses incurred for issuance of Sukuk Murabahah under the Sukuk Murabahah Programme, where applicable	To be determined <sup>(3)</sup>

*Note:*

- (1) *The amount is to be determined based on the SPA to be entered into.*
- (2) *The actual amount is to be determined prior to issuance and is subject to the agreed profit rates of the Sukuk Murabahah. If any amount allocated for the purpose set out in item (b) above is not fully utilised for such purpose, then such unutilised amount shall be utilised for the purpose set out in item (c) above and/or deposited into the RA.*
- (3) *If any amount allocated for the purpose set out in item (c) above is not fully utilised for such purpose, then such unutilised amount shall be utilised for the purpose set out in item (b) above and/or deposited into the RA.*

The Originator will use the proceeds to settle (i) the purchase consideration of Islamic Financing Agreements from the relevant cooperative society(ies)/ foundation(s)/ corporations(s)<sup>Ω</sup>; and (ii) its existing financing facilities.

*Note:*

<sup>Ω</sup> *The settlement of the purchase consideration of Islamic Financing Agreements from the relevant cooperative society(ies)/ foundation(s)/ corporations(s) may be settled by way of cash or set-off against the financing obligations owing from the relevant cooperative society(ies)/ foundation(s)/ corporations(s) to the Originator or a combination of both.*

(e) Profit/Coupon/Rental Rate

**First Tranche - Class A Sukuk Murabahah, Class B Sukuk Murabahah and Class C Sukuk Murabahah**

The profit rate will be on a fixed basis for Class A Sukuk Murabahah, Class B Sukuk Murabahah and Class C Sukuk Murabahah. The profit rate for Class A Sukuk Murabahah, Class B Sukuk Murabahah and Class C Sukuk Murabahah will be determined prior to issuance.

**Subsequent Tranche(s)**

To be determined prior to the issuance of the relevant tranche.

(f) Profit/Coupon/Rental  
Payment Frequency

**First Tranche - Class A Sukuk Murabahah and Class B Sukuk Murabahah**

Payable semi-annually in arrears commencing six (6) months from the date of issue of such series under the First Tranche and every six (6) months thereafter.

**First Tranche - Class C Sukuk Murabahah**

Payable semi-annually in arrears.

The same shall only be payable (in full or in part) upon the full redemption of both the Class A Sukuk Murabahah and the Class B Sukuk Murabahah ("**Class C Payment Date**").

In the event the Issuer has insufficient funds to pay the profit for the Class C Sukuk Murabahah on the Class C Payment Date, the unpaid portion of the same shall be deferred, whereby the Issuer shall request for deferment by giving a written notice ("**Deferral Notice**") which is not less than five (5) business days to the Facility Agent and the Security Trustee before the relevant payment date, and such amount shall be payable on the next Class C Payment Date, and so on (i.e. on a cumulative and non-compounded basis). Such unpaid profit of Class C Sukuk Murabahah shall not be subject to any Ta'widh or late/default payment.

For avoidance of doubt, any non-payment of profit payment under the Class C Sukuk Murabahah shall not constitute an Event of Default.

**Subsequent Tranche(s)**

To be determined prior to the issuance of the relevant tranche.

(g) Profit/Coupon/Rental  
Payment Basis

**First Tranche - Class A Sukuk Murabahah, Class B Sukuk Murabahah and Class C Sukuk Murabahah and Subsequent Tranche(s)**

Actual number of days elapsed on a 365-day basis

(h) Ta'widh  
("Compensation")

In the event of delay in payment of the Sale Price under the Sukuk Murabahah, the Issuer shall pay to Sukukholders Ta'widh (compensation) on such overdue amounts at the rate and manner prescribed by the SAC of the SC from time to time.

Any Ta'widh (compensation) referred to above which is paid to the Sukukholders, can be treated and/or utilised by the Sukukholders at their absolute discretion in accordance with or determined by their respective Shariah requirements, which may include donation to any registered charitable organization or for any charitable purposes.

Any unpaid profit of Class C Sukuk Murabahah pursuant to a Deferral Notice shall not be subject to any Ta'widh or late/default payment.

(i) Ibra'

An Ibra' may be granted at the absolute discretion of the Sukukholders. The Sukukholders in subscribing or purchasing the Sukuk Murabahah consent to grant an Ibra', if the Sukuk Murabahah is redeemed before the Legal Maturity Date, upon the declaration of an Event of Default or upon an Early Redemption. Where the Class B Sukuk Murabahah are repaid on their Expected Maturity date, the Ibra' shall include the effective Additional Profit commencing from the Expected Maturity date up to the Legal Maturity Date of the relevant Class B Sukuk Murabahah.

The Ibra' shall be based on a formula which is to be mutually agreed by the Sukukholders and the Issuer prior to issuance.

For the avoidance of doubt, Ibra' is also applicable to all classes of Sukuk Murabahah under the Sukuk Murabahah Programme in the event the income generated from the Receivables are insufficient to meet any payment obligations under the Sukuk Murabahah.

(j) Receivables

These receivables are the amounts due to be paid to the participating cooperative societies/foundations/corporations by the Individual Customers based on the Islamic Financing Agreements.

The cooperative society(ies)/foundation(s)/corporation(s), the Originator and the Issuer shall from time to time enter into tripartite SPA for the sale of such Islamic Financing Agreements by the cooperative society(ies)/ foundation(s) /corporation(s) to the Originator and the onward sale of the said Islamic Financing Agreements by the Originator to the Issuer.

(k) Eligibility Criteria

The Receivables under the Acquired Islamic Financing Agreements must meet the following criteria ("**Eligibility**

**Criteria”):**

- (i) It can be absolutely transferred by way of beneficial ownership from the cooperative society(ies)/ foundation(s)/corporation(s) to the Issuer as directed by the Originator;
- (ii) It has arisen and is covered under:-
  - (a) the relevant agreement that represents the entire agreement between the relevant participating cooperative societies/foundations/corporations and the Individual Customers; and
  - (b) the agreement(s) that represent(s) the entire agreement between the Originator and the relevant participating cooperative societies/foundations/corporations and the Issuer.
- (iii) The Individual Customer must be a member/customer of any of the following:-
  - (a) participating cooperative societies/foundations/corporations; or
  - (b) Other cooperative society(ies)/foundation(s) /corporation(s) to be agreed with Credit Rating Agency from time to time.
- (iv) Evidence that the payment by the Individual Customer has been approved and accepted for deduction at source by the Collection Agent;
- (v) At least the first monthly instalment payment of the Receivable has been received from the Collection Agent under the salary deduction scheme approved by the Collection Agent;
- (vi) Its Individual Customer must be a citizen and resident of Malaysia and to the best knowledge of the Originator, is not a person identified in the records of the Originator as (a) being or having been the subject of bankruptcy proceedings or is an undischarged bankrupt; (b) having been convicted of any offence capable of resulting in imprisonment; (c) being deceased; or(d) being a retiree;
- (vii) Its repayment and all other amounts to be accrued and/or to be realized thereof shall be payable in Ringgit Malaysia;
- (viii) Its original tenor shall not be more than the maximum tenor allowable from time to time;

- (ix) Its relevant Individual Customer's agreement provides for settlement of amounts due from the Individual Customer by equal monthly instalments save and except for the final instalment and the Originator has not waived any material terms of the relevant Individual Customer's agreement from the date of the initial creation thereof;
- (x) It is not a defaulted Receivable in respect of which instalments are (a) more than nine (9) months in arrears on a cumulative basis; and/or (b) where the first instalment has been received, the instalments are more than three (3) months in arrears on a consecutive basis;
- (xi) It is a Receivable where no payment in respect of the Receivable scheduled to be received after the relevant issue date of the Sukuk Murabahah has been received on or before such relevant issue date and that, to the best knowledge of the Originator, the Individual Customer has not exercised or indicated an intention to exercise any option of early settlement/prepayment, any right of rescission, set-off, counterclaim or defence (including the defence of usury);
- (xii) It is not included in any other pool of receivables for the purpose of any other financing facility nor has it previously been sold/transferred to the Issuer for purposes of the Sukuk Murabahah Programme and/or to any other third parties;
- (xiii) It is and will at all relevant times be capable of being segregated and identified for ownership purposes;
- (xiv) It is not the subject of any adverse claim or set-off or security claim by any party and no circumstances exist, to the best of knowledge of the Originator, which would give the Individual Customer the right to refuse to make any payment under the relevant Individual Customer's agreement;
- (xv) It is a Receivable where the relevant Individual Customer's agreement and all other documents relating to it, have been duly authorised and executed, are in full force and effect, and constitute legal, valid and binding obligations of the relevant Individual Customer enforceable against the relevant Individual Customer in accordance with their terms;
- (xvi) It is a Receivable where there is no prohibition or restriction on, or requirement for consent to be obtained or notice to be given (other than pursuant to Section 4(3) of the Civil Law Act 1956) for, any assignment, transfer or sale of the receivable; and

(xvii) Others as may be determined and agreed upon after the legal and financial due diligence has been carried out.

(l) Collateralisation

The collateralisation ratio shall be the aggregate outstanding principal balance of the Acquired Islamic Financing Agreements to the relevant class(es) of the Sukuk Murabahah under the relevant tranche.

The applicable collateralisation ratio for each tranche shall be determined and specified by the Credit Rating Agency prior to issuance of the relevant tranche.

(m) Stop Issuance Trigger ("SIT") events

An "**SIT Event**" shall include any of the following: -

- (a) The occurrence of a Servicer Event of Default; and
- (b) Any material adverse change in the condition or operations of RCEM or any other event which, in the reasonable opinion of the Sukuk Trustee, materially affects RCEM's ability to collect or service the Receivables under Acquired Islamic Financing Agreements,

Upon the occurrence of an SIT Event as set out herein, the Issuer shall have a period of thirty (30) days to remedy such SIT Event, failing which an SIT shall automatically be declared without any further notice; and (a) no further Sukuk Murabahah shall be allowed to be issued; and (b) all monies in the Designated Accounts shall be applied in the manner provided for under item (hh) below.

For the avoidance of doubt, in the event that the SIT has been remedied to the satisfaction of the Sukuk Trustee, the Issuer may be allowed to continue to issue Sukuk Murabahah under the Sukuk Murabahah Programme.

(n) Roles of Servicer

Pursuant to a servicing agreement entered or to be entered into between the Servicer and the Issuer ("**Servicing Agreement**"), the Servicer will be responsible for servicing and administering the Acquired Islamic Financing Agreements and its responsibilities shall include, but not be limited to the following:-

- (i) To ensure the Collection Proceeds are remitted into the RA from the Collection Accounts;
- (ii) The keeping of records, books, accounts and data in relation to each Receivable under the Acquired Islamic Financing Agreement;
- (iii) Where any payment in respect of any Receivable

forming part of the Acquired Islamic Financing Agreement is not made on the due date for payment, investigating the cause of the delay thereof and taking steps to recover such payment;

- (iv) Calculate the applicable collateralisation ratio prior to issuance of the relevant tranche;
- (v) Provision of monthly servicer report to the Issuer, Facility Agent, Credit Rating Agency and Sukuk Trustee setting forth, among other things, the total collections including prepayments, delinquencies and defaults; and certain portfolio performance statistics of the Portfolio, if any and where applicable; and
- (vi) Any other duties stipulated under the Servicing Agreement to be entered between the Issuer and the Servicer.

The detailed roles of the Servicer will be documented in the Servicing Agreement.

(o) Servicer Remuneration      The Servicer will receive as compensation for its services:

**First Tranche**

A Servicer Fee of up to RM50,000 per annum, payable semi-annually in arrears. The Servicer Fee is non-cumulative in nature and non-payment of any amount due under the same shall not be carried forward into the next payment date.

**Subsequent Tranche(s)**

The Servicer Fee, Servicer Commission and Servicer Bonus are to be mutually agreed between the Issuer and Servicer.

The Servicer Fee, the Servicer Commission and the Servicer Bonus are collectively known as the “**Servicer Remuneration**”.

For the avoidance of doubt, non-payment of the Servicer Remuneration or any part thereof where the Servicer is the Originator or a related corporation of the Originator shall not constitute an Event of Default. Further, if a Replacement Servicer (as defined in item (p) below) is appointed, the Servicer Remuneration shall be on arms’ length terms as agreed between the Issuer, the Sukuk Trustee and the Replacement Servicer.

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

- (a) the Servicer fails to perform any of its obligations under the Servicing Agreement or breaches any of the terms of the Servicing Agreement (including the representations and warranties) and (except where in the opinion of the Issuer such failure is not capable of remedy) does not cure such default within fourteen (14) days after the earlier of (i) receipt of written notice thereof from the Issuer; and (ii) having actual knowledge thereof; and
- (b) any indebtedness of the Servicer to the Issuer is not paid after a period of thirty (30) days as notified by the Issuer in writing,

then the Issuer or the Sukuk Trustee is to appoint a person acceptable to the Credit Rating Agency to replace the Servicer (the "**Replacement Servicer**").

(q) Mandatory  
Redemption in Full

The Issuer shall redeem all outstanding series of any tranches, in whole and not in part, immediately after receipt by the Issuer of the Repurchase Price (as defined herein).

Under the terms of the Issue Documents, the occurrence of any of the following events which in the opinion of the Sukuk Trustee affects the entire Acquired Islamic Financing Agreements will, by written notice from the Issuer to the Originator, oblige the Originator to repurchase all the Acquired Islamic Financing Agreements:

- (1) The failure by the Originator to comply with any applicable law with respect to the Acquired Islamic Financing Agreements;
- (2) The failure to vest and maintain vested in the Issuer a perfected ownership interest in the Acquired Islamic Financing Agreements and/or the Receivables free and clear of any encumbrances;
- (3) Any successful dispute, claim or defence of any of the Individual Customers as to the legality and enforceability of any Acquired Islamic Financing Agreements and/or Receivables and such dispute, claim or defence would be applicable to all Acquired Islamic Financing Agreements and/or Receivables; and
- (4) Any successful attempt by any person to avoid, rescind or set aside any transfer by the Originator to the Issuer of the Acquired Islamic Financing Agreements and/or Receivables under any law, including any bankruptcy law or other insolvency law and such avoidance, rescission or setting aside would be applicable to all Acquired Islamic Financing Agreements and/or Receivables.

Such redemption shall be at par value, on a pro-rata basis within each tranche and shall include the accrued profit (where applicable).

(r) Replacement of Receivable

The Originator will represent:

- (a) that each Receivable under each Acquired Islamic Financing Agreement satisfies the Eligibility Criteria up to the relevant issue date; and
- (b) that the information given/represented in respect of the Receivables under each Acquired Islamic Financing Agreements is true and accurate and is not misleading for any other reason.

In the event of a breach of any of the foregoing, the Originator will immediately replace (at no additional cost to the Issuer) the relevant Receivables under each Acquired Islamic Financing Agreements with receivables of equal value or more that comply with Eligibility Criteria.

In the event that the Originator does not replace the relevant Receivables under each Acquired Islamic Financing Agreements in accordance with the above, the Originator shall forthwith repurchase the same at the Repurchase Price.

Upon such repurchase, the Issuer shall utilise the Repurchase Price received from the Originator to partially redeem the relevant Sukuk Murabahah (within the tranche as was secured against the repurchased Receivables).

Any such partial redemption (which would be at par value) shall be applied towards the principal portion of the Class A Sukuk Murabahah within such tranche first, and in the event all Class A Sukuk Murabahah within such tranche have already been redeemed in full, then towards the principal portion of the Class B Sukuk Murabahah within such tranche, and in the event all Class A Sukuk Murabahah and Class B Sukuk Murabahah within such tranche have been redeemed in full, then towards the principal portion of the Class C Sukuk Murabahah. Provided that, where the Repurchase Price received is less than RM500,000.00, the Issuer may deposit the same into the RA and such Repurchase Price shall be applied in accordance with the operating terms of the RA.

(s) Clean-up Call

The Issuer will grant the Originator an option to repurchase all the outstanding Acquired Islamic Financing Agreements in relation to that tranche on a date to be agreed, provided that the Issuer would be able to discharge all its payment obligations to the holders of, in relation to the First Tranche, the Class A Sukuk Murabahah and Class B Sukuk Murabahah (and similar obligation for Subsequent Tranches), payments preferred by law and incidental expenses and fees

to the JPAs/JLAs/JLMs/ Sole Lead Manager, the Solicitors, Rating Agency, Reporting Accountant, the Sukuk Trustee, the Security Trustee, the Servicer Fee and such other party(ies) appointed in connection with the Sukuk Murabahah Programme, If:

- (a) the Acquired Islamic Financing Agreements of such tranche shall fall to or below a pre-agreed percentage (as reflected in the relevant documentation for such tranche) of the outstanding principal value initially purchased from the Originator. For the purpose of the First Tranche, the percentage in question shall be 10%. As for the Subsequent Tranche(s), such percentage(s) shall be agreed between the Issuer and the Originator prior to issuance of the relevant Subsequent Tranche(s); OR
- (b) all the Class A Sukuk Murabahah and Class B Sukuk Murabahah (in relation to the First Tranche) and similar obligation for Subsequent Tranches shall have been fully redeemed,

The repurchase price for the repurchase of all the outstanding Acquired Islamic Financing Agreements in relation to that tranche shall be the Repurchase Price (as defined herein). The Originator may nominate any eligible third party to purchase all the outstanding Acquired Islamic Financing Agreements upon exercising the Clean-up Call if the Originator does not intend to repurchase the said Acquired Islamic Financing Agreements.

The proceeds received by the Issuer from the Clean-up Call shall be applied in accordance to the order and priority as stipulated in the relevant provisions in respect of the RA.

Such redemption of the outstanding Class A Sukuk Murabahah and Class B Sukuk Murabahah shall be at the relevant ERS.

(t) Repurchase Price

The price payable by the Originator (or in the case of the Clean-up Call, any eligible third party nominated by the Originator) to repurchase or purchase the relevant Acquired Islamic Financing Agreements under the following circumstances:

1. Mandatory Redemption in Full;
2. Clean-up Call; and
3. Breach of Eligibility Criteria and/or misrepresentation;

shall be equal to the aggregate of:-

- (a) The principal component of such Acquired Islamic Financing Agreements outstanding as at the date of repurchase;

- (b) The amount of all accrued profit on such Acquired Islamic Financing Agreements up to the payment date; and
- (c) All other ancillary costs which shall include, but are not limited to, late payment charges (if any) and recovery/legal expenses on any delinquent Acquired Islamic Financing Agreements.

The Originator shall remit the repurchase consideration, as quantified using the above formula to the Issuer within a period of ten (10) business days from the date of repurchase or such longer period as may be mutually agreed between the Issuer and the Originator.

(u) Option to Upsize

The Issuer shall have the option to upsize the Limit subject to compliance with the relevant provisions governed under the SC LOLA Framework and the Sukukholders shall via the Trust Deed provide their upfront consent and deemed to have consented for any upsizing of the Limit provided that the following conditions have been fulfilled:

- (i) there is no adverse impact on the rating of the Sukuk Murabahah; and
- (ii) all relevant requirements as specified in Section B, Part 3 of the SC LOLA Framework have been complied with.

For the avoidance of doubt, no consent is required from the Sukuk Trustee, the Facility Agent and any other party under the Sukuk Murabahah Programme when the upsizing of the Limit is exercised by the Issuer.

(v) Taxes

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 Issuer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made.

(w) Issue Documents

The Sukuk Murabahah Programme shall be evidenced inter-alia, by the following documents :-

- (i) Programme Agreement;
- (ii) Trust Deed;
- (iii) Securities Lodgement Form for Central Securities Depository and Paying Agency Services;
- (iv) Security Documents;

- (v) Priority and Security Sharing Agreement;
- (vi) Islamic Documents;
- (vii) SPA;
- (viii) Servicing Agreement;
- (ix) Letter of Undertaking issued or to be issued by RCE Capital Berhad in favour of the Sukuk Trustee; and

any other legal documentation as advised by the Solicitors.

- (x) Collection Agent  
Such competent collection agent(s) with full authority to act as a collection agent for the participating cooperative societies/foundations/corporations in respect of repayment of Islamic financing granted by them to the Individual Customers and which effects payments to these participating cooperative societies/foundations/corporations through direct deductions from salaries payable to the Individual Customers.
- (y) Issue price  
The Sukuk Murabahah may be issued at par or at discount to the nominal value. The issue price shall be computed in accordance with the MyClear Rules and Procedures, as amended or substituted from time to time.
- (z) Listing Status and Types of Listing, where applicable  
The Sukuk Murabahah will not be listed on the Bursa Malaysia Securities Berhad or on any other stock exchange.
- (aa) Limited Recourse/Non-Petition  
The liability of the Issuer to make profit payments and principal payments on the Sukuk Murabahah is limited to the assets of the Issuer available for this purpose in accordance with and subject to the priority of payments as set out in the Trust Deed.  
  
Once the security provided herein have been exhausted and there are still obligations of the Issuer that remain outstanding, the outstanding obligations shall be deemed extinguished and the Originator, Servicer, Share Trustee, SPV Administrator, board of directors of the Issuer, the JPAs/JLAs and Sukukholders shall be deemed to agree that they shall not have any legal rights as against the Issuer and accordingly, they shall not be entitled to file a petition for or institute or join any other person in instituting proceedings for the reorganisation, liquidation, winding-up or receivership of the Issuer or other similar proceedings under any applicable laws.
- (bb) Taxation  
All payments by the Issuer shall be made in full without any present or future levies, withholding or deductions of whatever nature and of any tax, whether it be of a withholding

nature or otherwise unless the levy, withholding or deduction is required by the laws of Malaysia, in which event, the Issuer shall:-

- (a) ensure that the deduction or withholding does not exceed the minimum legally required;
- (b) pay to the relevant taxation or other authorities within the period for payment permitted by applicable law, the full amount of the deduction or withholding; and
- (c) furnish to the Sukuk Trustee, upon its request, an official receipt of the relevant taxation or other authorities involved for all amounts deducted or withheld as aforesaid.

(cc) Legal Fees, Stamp Duty and Other Expenses

All costs and expenses including but not limited to legal and other professional fees, stamp duty (if any), out-of-pocket expenses, fees for BNM and Paying Agent, Shariah Adviser, Trustee, Facility Agent, SC and other regulatory fees (if any), and other costs and expenses, shall be for the account of the Issuer and on a full indemnity basis.

(dd) Change in Circumstances

If as a result of any change in applicable law, regulation or regulatory requirement or in the interpretation or application thereof or if compliance by the JPAs/JLAs with any applicable direction, request or requirement (whether or not having the force of law) will impose on the JPAs/JLAs any material condition, burden or obligation, then the commitment of the JPAs/JLAs to the Sukuk Murabahah Programme will end upon notice to the Issuer of the happening of such events after becoming aware thereof.

(ee) Expected facility/programme size (for programme, to state the option to upsize)

The maximum issue size of the Sukuk Murabahah Programme is RM900.0 million in nominal value ("**Limit**").

The first tranche of the Sukuk Murabahah to be issued under the Sukuk Murabahah Programme will be in a total size of up to RM158.0 million in nominal value ("**First Tranche**") which shall comprise the following:

- (i) Class A Sukuk Murabahah of up to RM95.0 million in nominal value;
- (ii) Class B Sukuk Murabahah of up to RM25.0 million in nominal value; and
- (iii) Class C Sukuk Murabahah of up to RM38.0 million in nominal value

The First Tranche of the Sukuk Murabahah is to be further subdivided into five (5) series as follows:

- (a) Series 1 of up to RM50.0 million Class A Sukuk Murabahah;

- (b) Series 2 of up to RM25.0 million Class A Sukuk Murabahah;
- (c) Series 3 of up to RM20.0 million Class A Sukuk Murabahah;
- (d) Series 4 of up to RM25.0 million Class B Sukuk Murabahah; and
- (e) Series 5 of up to RM38.0 million Class C Sukuk Murabahah.

All subsequent issuances/tranche(s) of the Sukuk Murabahah under the Sukuk Murabahah Programme (other than the First Tranche aforesaid) (“**Subsequent Tranche(s)**”), shall be subject to the said Limit.

The Issuer shall have an option to upsize the Limit as detailed under item (u) above.

(ff) Tenure of facility/  
programme

Tenure of the Sukuk Murabahah Programme

The Sukuk Murabahah Programme shall have a tenure of seventeen (17) years commencing from the issuance date of the First Tranche (“**Final Maturity Date**”).

The First Tranche under the Sukuk Murabahah Programme shall be made within sixty (60) business days from the date of the Lodgement.

The Legal Maturity of the Sukuk Murabahah issued in each series under the First Tranche is tabulated as follows:

<b>Class</b>	<b>Series</b>	<b>**Expected Maturity</b>	<b>Legal Maturity</b>
Class A Sukuk Murabahah	1	Not applicable	Three (3) years*
	2	Not applicable	Five (5) years*
	3	Not applicable	Seven (7) years*
Class B Sukuk Murabahah	4	Seven (7) years*	Eight and half (8.5) years*
Class C Sukuk Murabahah	5	Not applicable	Ten (10) years*

\* From the date of issuance.

Subject to Mandatory Redemption in Full (as defined in item (q) above), all series of the Sukuk Murabahah must be fully

redeemed on the relevant Legal Maturity Date. Non-redemption of each of the series of the Sukuk Murabahah on the relevant Legal Maturity Date shall constitute an Event of Default.

**\*\*Note:** The Expected Maturity denotes the date where the Class B Sukuk Murabahah is expected to be redeemed by the Issuer but there is no legal obligation for the Issuer to do so.

For avoidance of doubt, non-redemption of the Class B Sukuk Murabahah on its Expected Maturity ("**Non-Redemption**") as tabulated above will not by itself constitute an Event of Default under the Sukuk Murabahah. However, in the event the Class B Sukuk Murabahah has been repaid on its Expected Maturity or any Early Redemption date thereafter, the effective Additional Profit commencing from the Expected Maturity or such Early Redemption date thereafter up to the Legal Maturity Date of the relevant Class B Sukuk Murabahah shall be waived by way of Ibra'.

The Legal Maturity of any series and/or tranche issued under any Subsequent Tranche(s) of the Sukuk Murabahah (subject to the Limit), shall not fall beyond the Final Maturity Date.

(gg) Tradability and transferability

Class A Sukuk Murabahah and Class B Sukuk Murabahah

Tradeable and transferable.

Class C Sukuk Murabahah

Not tradeable and not transferable.

Notwithstanding the above and subject to compliance with the SC LOLA Framework as may be amended from time to time, the Class C Sukuk Murabahah shall be transferable and tradeable in the circumstances, and subject to the conditions, set out therein.

(hh) Details of Account(s)

For each tranche to be issued, the Issuer is to open and maintain a separate set of the following designated accounts ("**Designated Accounts**") with the name of the Issuer as the prefixes to the name of the respective Designated Accounts with a bank having a minimum long term rating of A<sub>2</sub> and short term rating of P1 which is acceptable to the JPAs/JLAs and the Security Trustee which shall be Shariah-compliant with each of the Designated Accounts being named after the relevant tranche: -

- (i) Revenue Account ("**RA**");
- (ii) Sinking Fund Account ("**SFA**"); and

- (iii) Finance Service Reserve Account (“**FSRA**”).

The Designated Accounts will be charged to and be solely operated by the Security Trustee.

The payments required to be made into, and authorised to be made out of, the Designated Accounts in relation to the First Tranche are as set out below:-

The following shall be deposited into each RA:-

- (i) balance of the proceeds from the relevant tranche after satisfying the utilisations tabulated under item (d) above, which may be paid directly to the relevant payees/accounts;
- (ii) all of the Collection Proceeds (as defined below) in relation to the specific tranche to be received;
- (iii) the repurchase consideration received from the Originator for the Mandatory Redemption in Full and/or Clean-up Call (as defined in item (s) above);
- (iv) an amount equal to the total credit balance in the SFA and FSRA upon full redemption of the Class A Sukuk Murabahah and Class B Sukuk Murabahah or upon the declaration of an SIT and/or an Event of Default, as the case may be;
- (v) other cash receipts of the Issuer from any source relevant to the tranche; and
- (vi) all proceeds from Permitted Investments from RA.

Note: For the purposes of the above, and, if Subsequent Tranche(s) have been issued, any cash receipts of the Issuer that cannot be clearly allocated or referenced to a particular outstanding tranche shall be shared on a pro rata basis (based on the nominal value outstanding under the respective tranches) across all tranches and the relevant portion in respect thereof shall be deposited into the relevant RA for each tranche.

All collections by the Collection Agent in relation to the Acquired Islamic Financing Agreements (“**Collection Proceeds**”) shall be deposited into the bank accounts opened by the participating cooperative societies/foundations/corporations (collectively, “**Collection Accounts**”).

Collection Proceeds will be transferred into the RA within seven (7) business days from the Collection Accounts.

Prior to the declaration of an SIT and/or an Event of Default

(including upon a Mandatory Redemption in Full or upon the activation/exercise of the Clean-up Call), the funds in the RA shall be applied for the following purposes and in the following order and priority:-

- (i) To pay to/set aside for payments to, any public or governmental authorities/bodies, any taxes, duties, fees, or levies which are statutorily preferred by the laws of Malaysia;
- (ii) To pay incidental expenses and fees to the JPAs/JLAs/JLMs/ Sole Lead Manager, the Solicitors, Rating Agency, Reporting Accountant, the Sukuk Trustee, the Security Trustee, the Servicer Fee (if the Servicer is not the Originator or a related corporation of the Originator) and such other party(ies) appointed in connection with the Sukuk Murabahah Programme;
- (iii) Transfers to FSRA to meet the Minimum Required Profit Balance (as defined below);
- (iv) Transfers to SFA to meet the Deposit (as defined below) and Minimum Credit Balance (as defined below);
- (v) For Early Redemption by the Issuer subject to compliance of Clause 1 under item (jj) below;
- (vi) To pay the Servicer Fee, if the Servicer or the Replacement Servicer (as defined in item (p) above), as the case may be, is the Originator or a related corporation of the Originator;
- (vii) To pay Servicer Commission\*;
- (viii) To meet profit payment of Class C Sukuk Murabahah;
- (ix) To redeem Class C Sukuk Murabahah;
- (x) To pay Servicer Bonus\*; and
- (xi) Upon full settlement of the above and all other amounts due and payable by the Issuer, any surplus to be paid to the Share Trustee to be held on trust for the benefit of charitable organisations to be identified.

\* for purposes of the First Tranche, there will be no Servicer Commission and Servicer Bonus payable. As for the Subsequent Tranche(s), the Servicer Commission and Servicer Bonus may be payable by the Issuer based upon a rate to be agreed between the Issuer and the Servicer prior to issuance of the relevant Subsequent Tranche(s).

For the avoidance of doubt, in the event of a Mandatory

Redemption in Full and/or the activation/exercise of the Clean-up Call, the funds applicable to items (iii) and (iv) shall be utilised towards payment of all accrued profit payments of the Class A Sukuk Murabahah and to redeem all outstanding Class A Sukuk Murabahah followed by all accrued profit payments of the Class B Sukuk Murabahah and to redeem all outstanding Class B Sukuk Murabahah on the next profit payment date.

Upon the declaration of an SIT, the funds in the RA shall be applied (or set aside) in the following order and priority:

- (i) To pay to/set aside for payments to, any public or governmental authorities/bodies, any taxes, duties, fees, or levies which are statutorily preferred by the laws of Malaysia;
- (ii) To pay incidental expenses and fees to the JPAs/JLAs/JLMs/ Sole Lead Manager, the Solicitors, Rating Agency, Reporting Accountant, the Sukuk Trustee, the Security Trustee, the Servicer Fee (if the Servicer is not the Originator or a related corporation of the Originator) and such other party(ies) appointed in connection with the Sukuk Murabahah Programme;
- (iii) To meet the profit payments of Class A Sukuk Murabahah as and when they become due;
- (iv) To redeem or early redeem Class A Sukuk Murabahah on its Legal Maturity Date or any Early Redemption date subject to compliance of Clause 1 under item (jj) below;
- (v) To meet the profit payments of Class B Sukuk Murabahah as and when they become due;
- (vi) To redeem or early redeem Class B Sukuk Murabahah on its Expected Maturity or Legal Maturity Date or any Early Redemption date subject to compliance of Clause 1 under item (jj) below;
- (vii) To pay the Servicer Fee, if the Servicer or the Replacement Servicer (as the case may be) is the Originator or a related corporation of the Originator;
- (viii) To pay Servicer Commission\*;
- (ix) To meet the profit payments of Class C Sukuk Murabahah;
- (x) To redeem Class C Sukuk Murabahah;
- (xi) To pay Servicer Bonus\*; and

- (xii) Upon full settlement of the above and all other amounts due and payable by the Issuer, any surplus shall be paid to the Share Trustee to be held on trust for the benefit of charitable organisations to be identified.

\* for purposes of the First Tranche, there will be no Servicer Commission and Servicer Bonus payable. As for the Subsequent Tranche(s), the Servicer Commission and Servicer Bonus may be payable by the Issuer based upon a rate to be agreed between the Issuer and the Servicer prior to issuance of the relevant Subsequent Tranche(s).

For the avoidance of doubt, in the event that the SIT has been remedied to the satisfaction of the Sukuk Trustee, the Issuer may be allowed to continue to issue Sukuk Murabahah under the Sukuk Murabahah Programme.

Upon the declaration of an Event of Default, the funds in the RA shall be applied (or set aside) in the following order and priority:

- (i) To pay to/set aside for payments to, any public or governmental authorities/bodies, any taxes, duties, fees, or levies which are statutorily preferred by the laws of Malaysia;
- (ii) To pay incidental expenses and fees to the JPAs/JLAs/JLMs/ Sole Lead Manager, the Solicitors, Rating Agency, Reporting Accountant, the Sukuk Trustee, the Security Trustee, the Servicer Fee (if the Servicer is not the Originator or a related corporation of the Originator) and such other party(ies) appointed in connection with the Sukuk Murabahah Programme;
- (iii) To pay Ta'widh on all overdue profit payments in respect of Class A Sukuk Murabahah from the date of the Event of Default until all overdue profit payments in respect of Class A Sukuk Murabahah have been paid in full;
- (iv) To pay all overdue profit payments in respect of Class A Sukuk Murabahah;
- (v) To pay Ta'widh on all outstanding Class A Sukuk Murabahah from the date of the Event of Default until all Class A Sukuk Murabahah have been redeemed in full;
- (vi) To redeem all outstanding Class A Sukuk Murabahah at par until the Class A Sukuk Murabahah and all other amounts owing to the holders of the Class A Sukuk Murabahah have been paid in full;

- (vii) To pay Ta'widh on all overdue profit payments in respect of Class B Sukuk Murabahah from the date of the Event of Default until all overdue profit payments in respect of Class B Sukuk Murabahah have been paid in full;
- (viii) To pay all overdue profit payments in respect of Class B Sukuk Murabahah;
- (ix) To pay Ta'widh on all outstanding Class B Sukuk Murabahah from the date of the Event of Default until all Class B Sukuk Murabahah have been redeemed in full;
- (x) To redeem all outstanding Class B Sukuk Murabahah at par until the Class B Sukuk Murabahah and all other amounts owing to the holders of the Class B Sukuk Murabahah have been paid in full;
- (xi) To pay the Servicer Fee, if the Servicer or the Replacement Servicer is the Originator or a related corporation of the Originator (as the case may be);
- (xii) To pay Ta'widh on all overdue profit payments in respect of Class C Sukuk Murabahah from the date of the Event of Default until all overdue profit payments in respect of Class C Sukuk Murabahah have been paid in full;
- (xiii) To pay all overdue profit payments in respect of Class C Sukuk Murabahah;
- (xiv) To pay Ta'widh on all outstanding Class C Sukuk Murabahah from the date of the Event of Default until all Class C Sukuk Murabahah have been redeemed in full;
- (xv) To redeem all outstanding Class C Sukuk Murabahah at par until the Class C Sukuk Murabahah and all other amounts owing to the holders of the Class C Sukuk Murabahah have been paid in full;
- (xvi) To pay Servicer Commission\* and Servicer Bonus\*, where applicable; and
- (xvii) Upon full settlement of the above and all other amounts due and payable by the Issuer, any surplus to be paid to the Share Trustee to be held on trust for the benefit of charitable organisations to be identified.

\* for purposes of the First Tranche, there will be no Servicer Commission and Servicer Bonus payable. As for the Subsequent Tranche(s), the Servicer Commission and Servicer Bonus may be payable by the Issuer based upon a

rate to be agreed between the Issuer and the Servicer prior to issuance of the relevant Subsequent Tranche(s).

The funds in the RA may, from time to time, be invested by the Issuer in Permitted Investments. All income earned from such investments shall be remitted into the RA.

For the purposes of the above, all general payments in relation to the Sukuk Murabahah Programme (in particular items (i) and (ii) of the payment priorities above), such payments shall be made on a pro rata basis (based on the nominal value outstanding under the respective tranches) across all tranches.

### SFA

The SFA shall capture the remittance of funds from the RA in accordance with the schedules as set out below.

The monies in each SFA are to be used to redeem maturing Class A Sukuk Murabahah and Class B Sukuk Murabahah of the relevant tranche and to meet the profit payments of outstanding Class A Sukuk Murabahah and outstanding Class B Sukuk Murabahah of the relevant tranche in the following manner:

#### Profit payments

In relation to the profit payments of Class A Sukuk Murabahah and Class B Sukuk Murabahah due under the relevant tranche, the Issuer shall ensure that at least six (6) months' profit payments are deposited ("Deposit") into the corresponding SFA no later than the fifth (5<sup>th</sup>) business day preceding the next profit payment date.

In the event there is a shortfall in the Deposit, such shortfall shall be transferred from the FSRA into the corresponding SFA no later than the third (3<sup>rd</sup>) business day preceding the next profit payment date.

#### Principal payment

In relation to the principal payment of the Class A Sukuk Murabahah and the Class B Sukuk Murabahah due under the relevant tranche, the Issuer shall ensure that the corresponding SFA has sufficient credit balance ("Minimum Credit Balance") as follows: -

	Period	Minimum Credit Balance
(a)	Three (3) months prior to the Legal Maturity Date or Expected Maturity (as	At least 50% of the nominal value falling due

	the case may be)	
(b)	One (1) month prior to the Legal Maturity Date or Expected Maturity (as the case may be)	100% of the nominal value falling due

The funds in the SFA may, from time to time, be invested by the Issuer in the Permitted Investments. All income earned from such investments shall be remitted into the SFA.

The funds in the SFA shall be applied in the following order and priority:

1. payment of profit on Class A Sukuk Murabahah forming part of the relevant tranche as and when they become due;
2. redemption or Early Redemption (as the case may be) of all Class A Sukuk Murabahah forming part of the relevant tranche as and when they become due (on a Legal Maturity Date or any Early Redemption date subject to compliance of Clause 1 under item (jj) below);
3. payment of profit on Class B Sukuk Murabahah forming part of the relevant tranche as and when they become due; and
4. redemption or Early Redemption (as the case may be) of all Class B Sukuk Murabahah forming part of the relevant tranche as and when they become due (on a Legal Maturity Date or Expected Maturity or any Early Redemption date subject to compliance of Clause 1 under item (jj) below).

For the avoidance of doubt, it shall not be an Event of Default if the Minimum Credit Balance is not met towards any Expected Maturity of the Sukuk Murabahah.

Upon full redemption of all Class A Sukuk Murabahah and Class B Sukuk Murabahah of the relevant tranche and/or the declaration of an SIT and/or an Event of Default, the SFA shall be closed and the balance (if any) shall be transferred to the RA and applied in accordance with the order of priority stipulated in the relevant provisions in respect of the RA.

Any amount in excess of the Deposit and/or the Minimum Credit Balance may be transferred to the RA.

## FSRA

The Issuer shall deposit and maintain an amount equivalent to the immediate next six (6) months' profit payment obligations in respect of the Class A Sukuk Murabahah of the relevant tranche and Class B Sukuk Murabahah of the relevant tranche ("**Minimum Required Profit Balance**"), which shall be maintained throughout the tenure of the Sukuk Murabahah Programme. The Minimum Required Profit Balance for the respective tranche and/or series of the Sukuk Murabahah (as the case may be) will be funded via proceeds from the Sukuk Murabahah.

Prior to the declaration of an SIT and/or an Event of Default, in the event the balance held in the corresponding SFA is insufficient to meet the profit payment, the funds in the FSRA may be withdrawn and remitted to the corresponding SFA to meet the profit payment within the stipulated timeframe.

After all outstanding Class A Sukuk Murabahah of the relevant tranche and all outstanding Class B Sukuk Murabahah of the relevant tranche have been fully redeemed and/or upon the declaration of an SIT and/or an Event of Default, the FSRA shall be closed and any balance shall be transferred to the RA.

In the event funds are withdrawn from the FSRA to cover any shortfalls of Deposit, the Minimum Required Profit Balance in the FSRA must be replenished within seven (7) business days via a transfer from the RA.

The funds in the FSRA may, from time to time, be invested by the Issuer in the Permitted Investments. All income earned from such investments shall be remitted into the FSRA.

Any amount in excess of the Minimum Required Profit Balance may be transferred to the RA.

For avoidance of doubt, funds in the FSRA may be utilised towards Early Redemption by the Issuer subject to compliance of Clause 1 under item (jj) below.

Note: In relation to Subsequent Tranche(s), the payments required to be made into, and the payments authorised to be made out of, the Designated Account for each respective Subsequent Tranche(s), shall as far as possible and relevant, be similar to the First Tranche as described above. However, the final terms and conditions as to inflows and outflows of the Designated Accounts for each Subsequent Tranche(s) shall only be determined upon finalisation of the parameters of such Subsequent Tranche(s), and shall be reflected in the documentation for such Subsequent Tranche(s).

(ii) Credit Rating

## First Tranche

Subject to compliance with the relevant guidelines as may be issued by the SC from time to time, the Issuer has the option to discontinue the credit rating for the Sukuk Murabahah and maintain tradability and transferability of the Sukuk Murabahah provided that approval from the Sukukholders vide an extraordinary resolution has been obtained and the relevant requirements under the SC LOLA Framework have been complied with.

**Subsequent Tranche(s)**

To be determined prior to the issuance of the relevant tranche.

(jj) Provisions on early redemption, if applicable

1. Under the First Tranche, after the end of year 5 from the issuance date and up to the date immediately before the relevant Legal Maturity Date, the Issuer may early redeem (“**Early Redemption**”) the outstanding Class A Sukuk Murabahah and Class B Sukuk Murabahah in whole but not in part, at the relevant Early Redemption Sum (“**ERS**”).

For each relevant series of the Sukuk Murabahah to be redeemed, the ERS shall be calculated by the Facility Agent based on the following formula and the calculation of the Facility Agent shall be final and binding:

$$ERS = \frac{NV \times ERP}{100}$$

where:

NV= Aggregate nominal value of the relevant series of the Sukuk Murabahah to be redeemed

ERP= Early redemption price per RM100 (rounded to 2 decimal places) subject to a minimum of RM100, calculated as follows:

$$ERP = \frac{100}{\left(1 + \frac{YTM}{2}\right)^{(N-1) + \left(\frac{1}{2}\right)}} + \sum_{k=1}^N \frac{100 \times \frac{Profit}{2}}{\left(1 + \frac{YTM}{2}\right)^{(k-1) + \left(\frac{1}{2}\right)}}$$

To calculate ERP, the following variables shall be used:

**Profit** = Original profit rate of the relevant Sukuk Murabahah;

**YTM**= lower of:

- (a) the original yield to maturity of the relevant Sukuk

Murabahah; or

- (b) Reference Malaysian Government Securities (“**MGS**”)  
+ Relevant Spread

Such Relevant Spread for Class A Sukuk Murabahah and Class B Sukuk Murabahah shall be 0.35% and 0.60% respectively.

“**Reference MGS**” shall be the MGS rate for the tenure which is equal to the remaining tenure of the relevant series of the Sukuk Murabahah and shall be determined from:-

- (1) the latest consolidated Government Securities Rates (Islamic) published by BNM weekly, two (2) business days prior to the date of the Early Redemption notice; or
- (2) if (1) above is unavailable, the arithmetic average of the mid-rates quoted by any five (5) principal dealers, two (2) business days prior to date of the Early Redemption notice and/or in the case where the rate for a particular tenure is not available directly, then such a rate shall be extrapolated on a linear basis using available arithmetic average mid-rates, provided that if the tenure of the relevant series of the Sukuk Murabahah is not an integer, the Reference MGS shall be the arithmetic mean of the rates of the two nearest tenures derived from (1) or (2) above.

N = Number of profit payment dates between the date of Early Redemption and the Legal Maturity Date or Expected Maturity (as the case may be).

T = Number of days from the date of Early Redemption to the date of the immediate next profit payment date

E = Number of days between the immediate preceding profit payment date from the date of Early Redemption to the date of the immediate next profit payment date following the date of Early Redemption

Note: If Early Redemption is applicable to any Subsequent Tranche(s), the provisions relating thereto shall be included in the documentation in respect of such Subsequent Tranche(s).

**ERS for Class B Sukuk Murabahah after Expected Maturity**

For avoidance of doubt, the ERS for Class B Sukuk Murabahah from the date after Expected Maturity shall be equivalent to the aggregate outstanding nominal value payable and any accrued but unpaid profit (including any

Additional Profit).

2. Please refer to item (q) above for early redemption in the event of Mandatory Redemption in Full.
3. Please refer to item (s) above for early redemption in the event of a Clean-up call.
4. Please refer to item (r) above for early redemption in the event of Replacement of Receivables.

(kk) A description of the structure of the securitisation transaction

The Sukuk Murabahah Programme is being established pursuant to a securitisation transaction whereby the Issuer is a special purpose bankruptcy remote vehicle set up to acquire all the rights, benefits, titles and interests to and under Islamic Financing Agreements from time to time.

Such Islamic Financing Agreements are to be acquired from the Originator pursuant to the Originator's power to dispose of the same as vested in the Originator under the SPA. The Sukuk Murabahah Programme shall comprise the Sukuk Murabahah to be issued under the Shariah principle of Murabahah (via a *Tawarruq* arrangement).

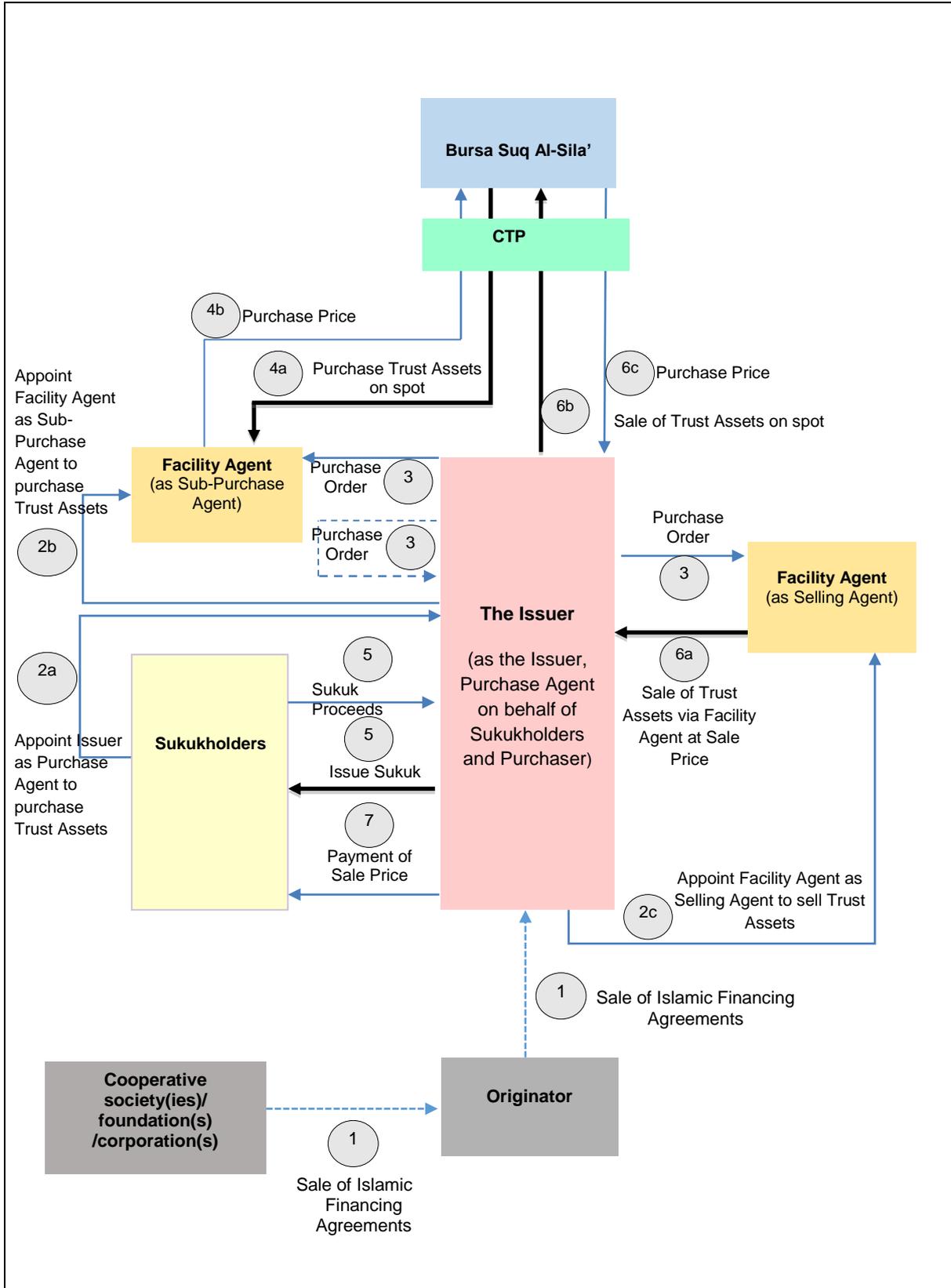
(ll) Disclosure of the following:

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

The Issuer and its board members have not 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 and no action has been initiated against the Issuer and its board members for breaches of the same since incorporation.

- (b) If the issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the lodgement. Not applicable. The Issuer is not a listed entity.
- (mm) Disclosure of the following:
- (a) If the originator 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 originator or its board members for breaches of the same, for the past ten years prior to the lodgement/ since incorporation (for originator incorporated less than ten years); RCEM and its board members have not 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 and no action has been initiated against RCEM and its board members for breaches of the same, for the past ten years prior to the lodgement.
- (b) If the originator has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the lodgement. Not applicable. The Originator is not a listed entity.
- (nn) Any other material information None.

**Annexure 1**



<p><b>Step 1</b></p>	<p>Under the Sukuk Murabahah Programme, the cooperative society(ies)/ foundation(s) /corporation(s), the Originator and the Issuer shall from time to time enter into tripartite sale and purchase agreement(s) (“<b>SPA</b>”) for the sale of Islamic Financing Agreements which comply with the Eligibility Criteria by the cooperative society(ies)/ foundation(s) /corporation(s) to the Originator and the onward sale of the said Islamic Financing Agreements by the Originator to the Issuer (“<b>Acquired Islamic Financing Agreements</b>”).</p> <p>* the SPA will be in the form of a master sale and purchase agreement (to be executed by all parties) with two different appendices attached to the same to be executed by the cooperative society(ies)/ foundations(s) /corporation(s) and the Originator and by the Originator and the Issuer respectively.</p>
<p><b>Step 2a</b></p>	<p>The investors of the Sukuk Murabahah (“<b>Sukukholders</b>”) will appoint the Issuer (in such capacity, the “<b>Purchase Agent</b>”) as its agent (wakeel) to buy Shariah-compliant commodities available at Bursa Suq Al-Sila’ as approved by its Shariah Adviser, which shall include but is not limited to crude palm oil or such other acceptable commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver), as may be approved by SC’s SAC (“<b>Identified Assets</b>”/”<b>Trust Assets</b>”).</p>
<p><b>Step 2b</b></p>	<p>The Purchase Agent will then appoint the Facility Agent as the sub-agent (in such capacity, the “<b>Sub-Purchase Agent</b>”) to purchase the Trust Assets.</p>
<p><b>Step 2c</b></p>	<p>The Purchase Agent will also appoint the Facility Agent (in such capacity, the “<b>Selling Agent</b>”) as its agent (wakeel) to sell the Trust Assets to the Issuer on behalf of the Purchase Agent.</p>
<p><b>Step 3</b></p>	<p>The Issuer (in such capacity, the “<b>Purchaser</b>”) will issue a purchase order (“<b>Purchase Order</b>”) to the Purchase Agent, the Sub-Purchase Agent and the Selling Agent. In the Purchase Order, the Purchaser will irrevocably undertake based on unilateral binding promise to purchase (“<b>Undertaking to Purchase</b>”) the Trust Assets from the Sukukholders at the deferred sale price (“<b>Sale Price</b>”) which shall be the aggregate of the Purchase Price (as defined herein), the profit payment (calculated up to the Legal Maturity Date of the relevant Sukuk which shall include the Additional Profit (if applicable) and the Discounted Amount (if applicable), payable on a deferred payment basis.</p>
<p><b>Step 4a</b></p>	<p>Upon receiving the Purchase Order from the Issuer (as the Purchaser), the Sub-Purchase Agent will purchase on a spot basis, the Trust Assets from commodity vendor(s) in the Bursa Suq Al-Sila’ commodity market (through a Commodity Trading Participant (“<b>CTP</b>”))</p>
<p><b>Step 4b</b></p>	<p>The purchase price to be paid shall be an amount equivalent to the proceeds from the issuance of the Sukuk Murabahah (“<b>Purchase Price</b>”). The Purchase Price shall be in compliance with the asset pricing requirements as set out in the SC LOLA Framework.</p>

<b>Step 5</b>	<p>The Issuer shall concurrently, issue the Sukuk Murabahah to the Sukukholders to evidence the Sukukholders' ownership of the Trust Assets and all rights thereto (including all rights against the Issuer (as the Purchaser) under the Purchase Order). Once the Trust Assets are sold to the Issuer (as the Purchaser), the Sukuk Murabahah shall represent the Sukukholders' entitlement to receive the Sale Price. The proceeds from the issuance of the Sukuk Murabahah received from the Sukukholders shall be used to pay the Purchase Price of the Trust Assets.</p>
<b>Step 6a</b>	<p>Thereafter, pursuant to the Undertaking to Purchase, the Selling Agent (acting on behalf of the Purchase Agent who in turn acts on behalf of the Sukukholders) shall sell the Trust Assets to the Issuer (as the Purchaser) at the Sale Price.</p>
<b>Step 6b</b>	<p>Upon completion of such sale, the Issuer (as the Purchaser) shall instruct the Selling Agent to sell the Trust Assets to Bursa Malaysia Islamic Services Sdn Bhd through a CTP on a spot basis for cash consideration.</p>
<b>Step 6c</b>	<p>The cash consideration shall be for an amount equivalent to the Purchase Price.</p>
<b>Step 7</b>	<p>During the tenure of the Sukuk Murabahah, the Issuer (as part of its obligation to pay the Sale Price) shall make periodic profit payments to the Sukukholders. Each such payment shall pro tanto reduce the obligation of the Issuer (as the Purchaser) on the Sale Price payable for the purchase of the Trust Assets from the Selling Agent (acting on behalf of the Purchase Agent who in turn acts on behalf of the Sukukholders).</p> <p>At (i) the Legal Maturity Date of the relevant Sukuk Murabahah; or (ii) upon the declaration of an Event of Default, whichever is earlier, the Issuer (as part of its obligation to pay the Sale Price) shall pay to the Sukukholders, all amounts then outstanding on the Sale Price (subject to any Ibra', if applicable) as final settlement of the same, upon which the relevant Sukuk Murabahah shall be cancelled.</p>

**APPENDIX II**

**Description of the Acquired Islamic Financing Agreements of the First Tranche**

The following describes the information derived from an indicative identified pool of Acquired Islamic Financing Agreements under the First Tranche as at a cut-off date of 30 April 2016. The final identified pool of eligible Acquired Islamic Financing Agreements in respect of the First Tranche may vary from the indicative identified pool which is selected for the purpose of deriving the information contained herein.

**(1) Portfolio Description and Characteristics**

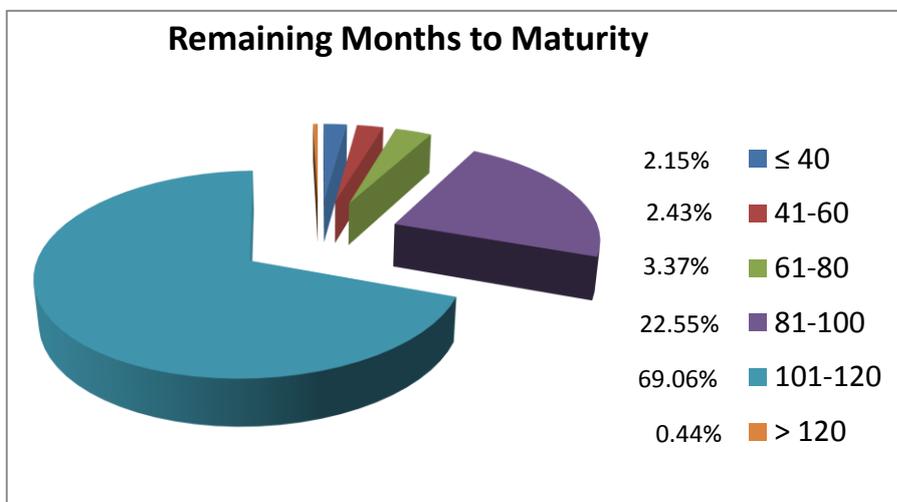
All Acquired Islamic Financing Agreements must satisfy the Eligibility Criteria. The following is a summary of the Receivables/ Acquired Islamic Financing Agreements Issuer under the First Tranche as at 30 April 2016.

<b>Summary of the Characteristic of the portfolio for the First Tranche</b>	
Portfolio original principal balance	RM157,301,159
Average original principal balance	RM14,342
Maximum original principal balance	RM150,000
Weighted average original tenure	116 Months
Portfolio outstanding principal balance	RM148,600,511
Average outstanding principal balance	RM13,547
Number of Acquired Islamic Financing Agreements	10,969
Weighted average remaining months to maturity	102 Months
Weighted average seasoning	15 Months
Weighted average profit rate	7.50%
Weighted average instalment payment	RM466

One of the key Eligibility Criteria of the Receivables under the Acquired Islamic Financing Agreements is the Receivable as at the relevant issue date is not a defaulted Receivable. Based on past 3.75 years data, the weighted average monthly net default rate of receivables of the Originator in general was 0.11% of its original principal balance.

**(2) Breakdown by remaining months to maturity**

About 69.06% of the portfolio or 7,575 of the Acquired Islamic Financing Agreements under the First Tranche as at 30 April 2016 have a remaining tenure of 101 to 120 months, followed by the group of 81 to 100 months at about 22.55% or 2,473 of the Acquired Islamic Financing Agreements. The graph below shows the grouping of the Acquired Islamic Financing Agreements by months.

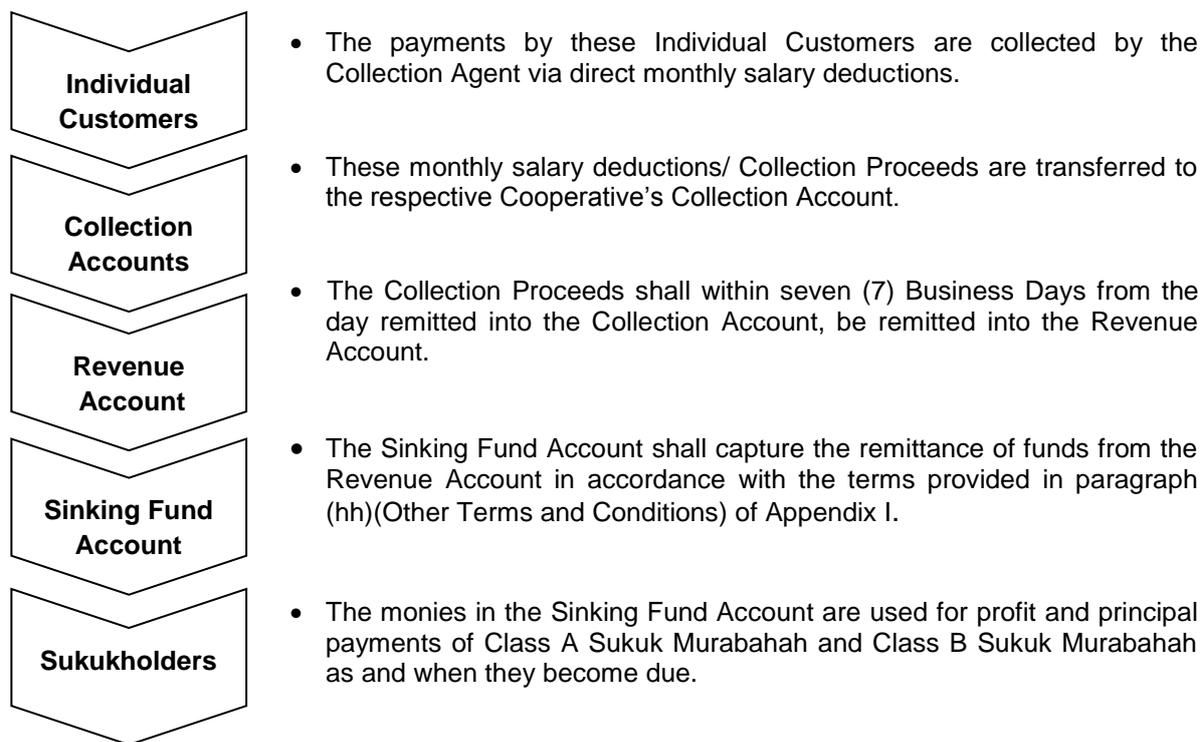


**(3) Cash Flow Profile**

Tabulated below is the projected Collection Proceeds of the Acquired Islamic Financing Agreements under the First Tranche as at 30 April 2016:

Year	Amount (RM)
Year 1	24,074,127
Year 2	28,255,063
Year 3	27,938,296
Year 4	27,668,240
Year 5	27,210,714
Year 6	26,705,322
Year 7	26,089,674
Year 8	24,825,070
Year 9	18,998,489
Year 10	5,251,425

**(4) Fund flow of the Acquired Islamic Financing Agreements in respect of the First Tranche**



**(5) Fair Value of the Acquired Islamic Financing Agreements**

The Acquired Islamic Financing Agreements are sold on a dollar for dollar basis. The Purchase Price in respect of every RM1.00 of the principal amount of the Acquired Islamic Financing Agreements is RM1.00, consisting of a portion in cash and a portion to be settled by way of Class C Sukuk Murabahah. The determination of the fair value is on an arm's length willing buyer willing seller basis based on a price the Originator could have obtained taking into account the principal amounts outstanding and the characteristics of Acquired Islamic Financing Agreements.

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**SHARE TRUSTEE/ SPV ADMINISTRATOR**

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