

**SALIENT PRINCIPAL TERMS AND CONDITIONS OF THE JUNIOR BONDS**

Issuer	:	Kesturi
Issue Price	:	The Junior Bonds are to be issued at par.
Issue Size	:	Up to RM50.0 million in nominal value
Tenure	:	Nineteen and a half (19.5) years from the date of issuance
Rating	:	The Junior Bonds has been assigned an indicative rating of A- by Malaysian Rating Corporation Berhad
Coupon	:	11.5% per annum on nominal value of the Junior Bonds
Status	:	<p>The Junior Bonds will constitute direct, unconditional and secured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer (other than those preferred by law or the transaction documents).</p> <p>The Junior Bonds rank after the IMTNs in respect of payment to the extent that the payments of Expected Coupon Payment or Expected Cumulative Coupon Payment are subject to compliance with the Requisite Condition.</p>
Security	:	<p>The Junior Bonds are secured by a first ranking charge and assignment of the Junior FSRA and the credit balances therein.</p> <p>All assets of Kesturi (other than the Junior FSRA and the credit balances therein) are charged to the holders of IMTNs under the Proposed Sukuk Programme.</p>
Events of Default	:	<p>If there is still IMTNs outstanding under the Proposed Sukuk Programme, the holders of the Junior Bonds are not entitled to declare an event of default if the holders of the IMTNs have not declared an event of default.</p> <p>On the occurrence of any of the events of default, the trustee may, or shall if directed to do by a special resolution of the holders of the Junior Bonds, declare that an event of default has occurred and thereby take such proceedings against the Issuer as it may think fit to enforce the transaction documents including the security. Junior Bonds shall become immediately due and payable.</p>
Junior Bonds Finance Service Reserve Account (“Junior FSRA”)	:	The Issuer will open a Junior FSRA and on the first Scheduled Coupon Payment Date, the Issuer will deposit into such Junior FSRA, an amount equivalent to the next six (6) months of Junior Bonds interest service, subject to the meeting of all obligations under the Proposed Sukuk Programme and maintaining the Senior FSCR at minimum of 1.75 times at all times.

Thereafter, the balance in the Junior FSRA must be at least equivalent to all amounts payable under the Junior Bonds within the next six months ("**Junior Bonds Minimum Required Balance**"). If the balance held in the Junior FSRA is less than or exceeds the Junior Bonds Minimum Required Balance, the shortfall or excess shall be topped up (within 30 days of the shortfall) or released, as the case may be provided always that the Senior FSCR is maintained at minimum of 1.75 times.

The balance in the Junior FSRA may be withdrawn to make payments under the Junior Bonds if the amounts available for such payment from the cashflows (after full payment of amounts due under the Proposed Sukuk Programme and to maintain the requisite Senior FSCR) is insufficient.

"**Senior FSCR**" means the ratio of Available Cash Flow (as defined hereunder) to the aggregate of:

- (i) all principal obligations of the Issuer under the Proposed Sukuk Programme due and payable in the next 12 months; plus
- (ii) all principal obligations, coupon, profit payments or interest paid by the Issuer under any other borrowings of the Issuer (excluding the Junior Bonds) during the previous 12 months\*; plus

\* *Excluding profit and principal payments as well as redemption costs paid by the Issuer relating to the Existing Sukuk*

- (iii) all profit payments under the Proposed Sukuk Programme due and payable in the next 12 months.

"**Available Cash Flow**" means in an annual period, the sum of:

- (i) all income received by the Issuer under the Concession Agreement including the Government funding and other project agreements and any other receipts of a capital or revenue nature under any contract or agreement;
- (ii) all distribution, returns and realised gains received by the Issuer;
- (iii) all credit balances in the designated accounts including accrued profit payments retained by or on behalf of the Issuer and the amount utilised from the designated accounts for permitted investments at the beginning of the relevant 12 months period; and
- (iv) proceeds of takaful/insurance claims received by the Issuer.

Less:

- (i) the total amount spent on management, administration, operation, maintenance and heavy repairs;
- (ii) taxes paid or such other contributions paid by the Issuer to the Government; and

- (iii) capital expenditure incurred (unless funded by contributions from shareholders in the form of equity, advances or shareholders' loans); and
- (iv) any payments made by the Issuer under the Concession Agreement and other project documents or other contract or agreement.

Financial Covenants : The Issuer shall maintain a Junior Finance Service Cover Ratio ("**Junior FSCR**") of at least 1.25 times.

The Junior FSCR is the ratio of Junior Available Cash Flow (as defined below) to the aggregate of all principal amounts and Expected Coupon Payments and/or Expected Cumulative Coupon Payments due under the Junior Bonds during the previous 12 months.

**"Junior Available Cash Flow"** means in any annual period the sum of:

- (i) all income received by the Issuer under the Concession Agreement including the government funding and other project agreements and any other receipts of a capital or revenue nature under any contract or agreement;
- (ii) all distribution, returns and realised gains received by the Issuer;
- (iii) all credit balances in the Junior FSRA and the amount utilised from the Junior FSRA for permitted investments; and
- (iv) proceeds of takaful/insurance claims received by the Issuer.

Less:

- (i) the total amount spent on management, administration, operation, maintenance and heavy repairs;
- (ii) taxes paid or such other contributions paid by the Issuer to the Government;
- (iii) capital expenditure incurred (unless funded by contributions from shareholders in the form of equity advances or shareholders' loans);
- (iv) all amounts paid under the Proposed Sukuk Programme; and
- (v) any payments made by the Issuer under the Concession Agreement and other project documents or other contract or agreement.

Positive Undertakings : The Positive Undertakings provided by the Issuer in relation to the Junior Bonds shall include but not limited to the following:

- (i) the Issuer shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licences, approvals and

permits (governmental and otherwise) which is or may become necessary to enable it to own its assets, to carry on its business or for the Issuer to enter into or perform its obligations under the transaction documents or to ensure the validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the financiers under the transaction documents and the Issuer shall comply with the same;

- (ii) the Issuer shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the transaction documents;
- (iii) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;
- (iv) the Issuer shall promptly perform and carry out all its obligations under all the transaction documents (including but not limited to redeeming the Junior Bonds on the relevant maturity date(s) or any other date on which the Junior Bonds are due and payable) and ensure that it shall immediately notify the trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the transaction documents;
- (v) the Issuer shall prepare its financial statements on a basis consistently applied in accordance with approved accounting standards in Malaysia and those financial statements shall give a true and fair view of the results of the operations of the Issuer for the period to which the financial statements are made up and shall disclose or provide against all liabilities (actual or contingent) of the Issuer;
- (vi) the Issuer shall promptly comply with all applicable laws including the provisions of the Capital Market Services Act 2007 and/or the notes, circulars, conditions or guidelines issued by SC from time to time;
- (vii) the Issuer shall promptly perform its obligations and exercise its rights under the Concession Agreement;
- (viii) the Issuer shall promptly notify the trustee of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer before any court or tribunal or administrative agency which may materially and adversely affect the ability of the Issuer to perform its obligations under the transaction documents; and
- (ix) such other undertakings as may be advised by the legal counsel of the Lead Manager.

Negative Undertakings : The Negative Undertakings provided by the Issuer in relation to the Junior Bond shall include but not limited to the following:

- (i) the Issuer shall not obtain or permit to exist any other borrowings/financings except for (a) the Junior Bonds, (b) the Proposed Sukuk Programme, (c) existing facilities such as the Bank Guarantee-I Facility of RM3,000,000 from CIMB Islamic Bank Berhad; Al-Kafalah Bank Guarantee Facility of RM1,000.000 from Bank Muamalat Malaysia Berhad and the various hire purchase facilities amounting to RM1,108,000 ("**Existing Facilities**"), and, (d) any additional future borrowings/financing to be taken by the Issuer for an aggregate principal amount not exceeding RM10,000,000 (including Existing Facilities) in the form of hire purchase, bank guarantee facilities and/or facilities for working capital requirements;
- (ii) the Issuer shall not create or permit to exist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements having a similar effect or any agreement to create any of the foregoing, but excluding liens arising in the ordinary course of business by operation of law and not by way of contract, and those security as contemplated under the Junior Bonds and the Proposed Sukuk Programme;
- (iii) the Issuer shall not provide or permit to exist any guarantee to any party;
- (iv) the Issuer shall not add, delete, amend or substitute its Memorandum or Articles of Association in a manner inconsistent with the provisions of the transaction documents;
- (v) the Issuer shall not reduce or in any way whatsoever alter except increase, its authorised or paid-up share capital whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stock, or by consolidating, dividing or sub-dividing all or any of its shares, or by any other manner;
- (vi) the Issuer shall not declare or pay any dividends or make any distribution whether income or capital in nature to its shareholders or on the Kesturi redeemable preference shares or make any payments (whether in relation to nominal value, profit/interest or otherwise) to its shareholders in connection with any financings/loans or advances from the shareholders if:
  - (a) the Senior FSCR is below 2.0 times after such payment or distribution; and
  - (b) an Event of Default has occurred or is continuing or if following such payment or distribution, an Event of Default would occur;
- (vii) the Issuer shall not make any payments (whether in relation to nominal value, interests/coupon or otherwise) on the Junior Bonds if the Senior FSCR is below 1.75 times after such payments on the Junior Bonds;

- (viii) the Issuer shall not obtain or permit to exist any loans or advances from its shareholders, subsidiaries or associated companies unless these loans/financings and advances are subordinated to the Junior Bonds;
- (ix) subject to paragraph (viii) above, the Issuer shall not enter into any agreement with its shareholders, subsidiaries or associated companies unless such agreement is entered into:
  - (a) in the ordinary course of its business;
  - (b) on an arms-length basis;
  - (c) will not have a Material Adverse Effect on the Issuer; and
  - (d) in relation to the Junior Bonds.

Material Adverse Effect means any material adverse effect on the business or condition (financial or otherwise) or results of the operations of the Issuer or the ability of the Issuer to perform any of its obligations under any of the transaction documents;

- (x) the Issuer shall not use the proceeds of the Junior Bonds except for the purposes set out in the principal terms and conditions of the Junior Bonds;
- (xi) the Issuer shall not lend/advance any money to any party other than to the Issuer's directors, officers or employees as part of their terms of employment;
- (xii) the Issuer shall not do or suffer to be done any act, matter or thing whereby any takaful/insurance may be rendered void, voidable, unenforceable or incapable of being effected, maintained or renewed; and
- (xiii) such other undertakings as may be advised by the legal counsel of the Lead Manager.

Default interest : Interest on overdue amounts shall be payable at 1% per annum plus the prescribed coupon rate of the Junior Bonds from and including the relevant due date to but excluding the date of actual payment, calculated based on the actual number of days elapsed and a year of 365 days.

Conditional Early Redemption : The Issuer may, at its option, redeem in whole, but not in part, the Junior Bonds for the time being issued and outstanding on any date falling five (5) years after the issue date ("**Early Redemption Date**") subject to advance written notice prior to such redemption and the satisfaction of the Redemption Condition (as defined below).

**"Redemption Condition"** means the issuance of the Replacement Capital (as defined below) on or before the date of redemption which raises net proceeds of at least equivalent to the nominal value and accrued interest payable upon the Early Redemption Date.

**“Replacement Capital”** means any securities constituting obligations that rank pari passu with or lower than the Junior Bonds, issued for the purpose of funding the redemption of the Junior Bonds.

- Redemption : Unless previously redeemed or purchased and cancelled, the Junior Bonds will be redeemed by the Issuer at 100% of their nominal value on the maturity date.
- Transferability : Transferable, but subject to the selling restrictions stated below.
- Selling Restrictions : The Junior Bonds may only be issued, offered, sold, transferred or otherwise disposed directly or indirectly to persons falling within the relevant category of the persons specified in section 4(6) of the Act, as amended from time to time.
- Listing : The Junior Bond will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.
- Governing Law : Laws of Malaysia