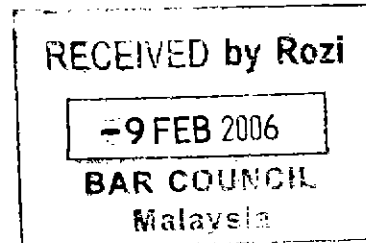


Ref: LACLA/ISSUERS/SR/YYT(ASL)/59B/017/06

25 January 2006

Mr Yeo Yang Poh
President
Bar Council Malaysia
No. 13,15 & 17
Lebuh Pasar Besar
50050 Kuala Lumpur



By hand

Dear Sir

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS RELATING TO PROVISION OF FINANCIAL ASSISTANCE

We refer to the above matter and our letter dated 22 November 2005.

As you are aware, in line with the continuous enhancement of the post-listing regulatory framework for listed issuers, Bursa Securities is proposing to make amendments to the Listing Requirements ("LR") in relation to provisions of financial assistance. These proposed amendments were prompted by the need to ensure investor protection given concerns raised in relation to inter-company lending/borrowing.

Vide our letter dated 22 November 2005, Bursa Securities had sought feedback from industry on the proposed amendments in relation to provisions of financial assistance ("Proposed Amendments") and we appreciate all views and comments received. Pursuant to industry feedback, Bursa Securities has revised the proposed amendments to the LR ("Revised Proposed Amendments"). The Revised Proposed Amendments together with the rationale are attached herewith as Appendix 1.

In this regard, we are seeking the views of industry participants on the Revised Proposed Amendments as it is vital to ensure that the amendments of the LR in this respect will adequately balance market regulation and the promotion of business efficacy. In this connection, we would appreciate your feedback on the Revised Proposed Amendments and in particular on the following:-

- (a) the proposed paragraph 8.23(2)(b) provides that a listed issuer ("PLC") or its subsidiaries cannot lend or advance money to related parties subject to certain exemptions. In this regard, we would like to highlight that, amongst others, a PLC would, in view of this proposed amendment, be prohibited from lending or advancing monies to a subsidiary which is engaged in the business of moneylending for the purposes of the subsidiary's moneylending business;

Ref: LACLA/ISSUERS/SR/YYT(ASL)/59B/017/06

PROPOSED AMENDMENTS TO THE LR RELATING TO PROVISION OF FINANCIAL ASSISTANCE

- (b) the proposed paragraph 8.23(2)(d) requires, subject to exceptions, a PLC or subsidiary which intends to conduct business as a moneylender by lending or advancing monies to obtain prior shareholders' approval. Where a PLC or subsidiary already conducts business as a moneylender, it will not need to obtain shareholders' approval for such business. In addition, the total outstanding amount of loans extended by the PLC or the subsidiary must not exceed the issued and paid-up capital of the company conducting the moneylending operations. If a PLC or subsidiary already conducts business as a moneylender and has exceeded this limit, it should cease to grant new loans until such time the outstanding amount of loans falls below such limit;
- (c) in view of the proposed disclosure of outstanding loans set out in Appendices 9B and 9C, additional disclosures are imposed on PLCs including disclosure of loans granted to subsidiaries, associated companies or the immediate listed holding company if such debts fall within the top 20 debts. In particular, we would like feedback on whether a PLC, which has a centralised treasury function, would face difficulties in making such disclosure and if so, what such difficulties may be. In addition, we would also like to highlight that loans granted or extended to directors and employees must also be disclosed if falling within the top 20 debts.

Therefore, we shall be much obliged if you could revert to us with your views/feedback pertaining to the Revised Proposed Amendments, if any, by 17 February 2006.

In the meantime, should you have any enquiries on the above, please contact the following persons:-

Ms Yew Yee Tee (Ext 7336)

Ms Anisah Suyuti Low (Ext 7295)

Thank you.

Yours faithfully



SELVARANY RASIAH
Chief Legal Officer

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
Para		Para		
8.23	<p>Provision of financial assistance</p> <p>(1) Except as otherwise prohibited under the Companies Act 1965 <u>or any guidelines issued by the Commission</u> or in relation to a foreign corporation, the relevant laws of the place of incorporation, a listed issuer or its unlisted subsidiaries may only:-</p> <p>(a) lend or advance any money; or (b) guarantee, indemnify or provide collateral for a debt, (referred to as "provision of financial assistance" in this Part I) to or in favour of the following:-</p> <p>(i) directors or employees of the listed issuer or its subsidiaries, <u>as the case may be, in such manner as may be permitted under the Companies Act 1965 or the relevant laws of the place of incorporation (as may be applicable);</u> (ii) persons to whom the provision of</p>	8.23	<p>Provision of financial assistance</p> <p>(1) Except as otherwise prohibited under the law or in relation to a foreign corporation, the relevant laws of the place of incorporation and subject to subparagraph (2) below, a listed issuer or its unlisted subsidiaries may only:-</p> <p>(a) lend or advance any money; or (b) guarantee, indemnify or provide collateral for a debt,</p> <p>(referred to as "provision of financial assistance" in this Part I) to or in favour of the following:-</p> <p>(i) directors or employees of the listed issuer or its subsidiaries; (ii) persons to whom the provision of financial assistance is necessary to facilitate the ordinary course of business of the listed issuer or its subsidiaries such as the provision of advances to its sub-contractors. (iii) the subsidiaries or associated companies of the listed issuer, or its immediate holding company which is listed.</p>	<p>This is for clarity.</p> <p>The reference to Companies Act 1965 has been deleted in view of amendments to subparagraph 2(b).</p> <p>The deletion of listed issuer from the category of permitted persons is in view of subparagraph (4)</p>

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
	<p>financial assistance is necessary to facilitate the ordinary course of business of the listed issuer or its subsidiaries, as the case may be, such as the provision of advances to its sub-contractors; or</p> <p>(iii) the subsidiaries or associated companies of the listed issuer, <u>the listed issuer (in the case of the subsidiaries providing the financial assistance) or its immediate holding company which is listed.</u></p> <p>(2) Where a listed issuer or its subsidiaries provide financial assistance <u>to or in favour of the persons referred to under subparagraph (1) above</u>, the following must be complied with:-</p> <p>(a) the directors of such listed issuer must ensure that the provision of the financial assistance referred to in subparagraph (1) above is fair and reasonable to the listed issuer and is not to the detriment of the listed issuer and its shareholders;</p> <p>New provision</p>		<p>(2) Where a listed issuer or its subsidiaries provide financial assistance, the following must be complied with:-</p> <p>(a) the directors of such listed issuer must ensure that the provision of the financial assistance referred to in subparagraph (1) above is fair and reasonable to the listed issuer and is not to the detriment of the listed issuer and its shareholders;</p> <p>(b) A listed issuer or its subsidiary shall not lend or advance money to a related party as defined in paragraph 1.01 except where</p>	<p>which clarifies that this paragraph does not apply to any provision of financial assistance to or in favour of the listed issuer (where the listed issuer is the recipient).</p> <p>This is for clarity in view of subparagraph (3) below.</p> <p>This is for enhanced investor protection to address abuses arising from moneylending to</p>

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
	<p>(b) where it is a related party transaction as defined in paragraph 10.02, the listed issuer complies with the</p>		<p>the related party is one of the following:-</p> <p>(i) subsidiaries or associated companies of the listed issuer or the listed issuer's immediate holding company which is listed to facilitate the ordinary course of business of the listed issuer group. For avoidance of doubt, conducting business operations as a moneylender (whether licensed or otherwise) by lending or advancing money ("moneylending operations") cannot be considered as a business of the listed issuer group; or</p> <p>(ii) directors or employees of the listed issuer or its subsidiaries as the case may be, in such manner as may be permitted under the Companies Act 1965 or the relevant laws of the place of incorporation (as may be applicable);</p> <p>(collectively referred to as "Exempted Persons")</p> <p>(c) where it is a related party transaction as defined in paragraph 10.02, the listed issuer complies with the requirements of paragraph</p>	<p>related parties.</p>

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
	<p>requirements of paragraph 10.08 in addition to this provision;</p> <p>New provision</p>		<p>10.08 in addition to this provision;</p> <p>(d) (i) A listed issuer and/or its subsidiary which intends to conduct or has conducted moneylending operations with persons other than the Exempted Persons must comply with the following:-</p> <p>(aa) where the listed issuer and/or its subsidiaries propose(s) to commence moneylending operations, shareholders' approval of the listed issuer must be procured in general meeting; and</p> <p>(bb) the aggregate outstanding amount of loans extended under or pursuant to the moneylending operations by the listed issuer and/or its subsidiaries ("Outstanding Loans") at any time must not exceed the issued and paid-up capital of the company conducting the moneylending operations ("Limit");</p> <p>(ii) For the purpose of subparagraph (d)(i) (bb) above, where the Outstanding Loans have exceeded the Limit:-</p> <p>(aa) immediately after this subparagraph</p>	<p>This is for enhanced investor protection.</p>

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
	<p>(c) where the provision of financial assistance is to the associated company, and the aggregate amount provided or to be provided at any time to each associated company compared to the net tangible assets of the group is equal to or exceeds 5%, the listed issuer must issue a circular to its shareholders and seek its shareholders' approval in general meeting of such provision of financial assistance; and</p> <p>(d) where shareholders' approval is required pursuant to subparagraphs (b) or (c) above, the listed issuer must state in its circular, the proposed utilisation of the amount of the financial assistance.</p>		<p>comes into force; or</p> <p>(bb) due to purchases of own shares or any other corporate proposals by the company conducting the moneylending operations;</p> <p>no further loans or advances shall be granted until the Outstanding Loans fall below the Limit.</p> <p>(e) where the provision of financial assistance is to the associated company, and the aggregate amount provided or to be provided at any time to each associated company compared to the net tangible assets of the group is equal to or exceeds 5%, the listed issuer must issue a circular to its shareholders and seek its shareholders' approval in general meeting of such provision of financial assistance; and</p> <p>(f) where shareholders' approval is required pursuant to subparagraphs (c) or (e) above, the listed issuer must state in its circular, the proposed utilisation of the amount of the financial assistance.</p>	

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
<p>(3) Subparagraph (1) above does not apply to:-</p> <p>(a) any guarantee or indemnity issued in respect of the listed issuer or its wholly owned subsidiaries or collateral provided for a debt in respect of the listed issuer or its wholly owned subsidiaries, as the case may be; or</p> <p>(b) a company whose activities are regulated by any written law relating to banking, finance companies or insurance and are subject to supervision by Bank Negara Malaysia.</p> <p>New provision</p>		<p>(3) Subparagraphs (1) and (2) above do not apply to:-</p> <p>(a) any provision of financial assistance provided to or in favour of the listed issuer or wholly owned subsidiaries of the listed issuer;</p> <p>(b) a company whose activities are regulated by any written law relating to banking, finance companies or insurance and are subject to supervision by Bank Negara Malaysia; or</p> <p>(c) share financing or share margin financing carried out by a listed issuer or its unlisted subsidiary which is a Participating Organization.</p>	<p>The existing subparagraph (3)(a) has been amended as set out below. The proposed subparagraph (3) clarifies the position with regards to companies regulated and supervised by Bank Negara Malaysia. Requiring such companies to comply with paragraph 8.23 (1) and (2) would unduly impede such business. In any event, there are prudential requirements and safeguards in the relevant Acts in relation to the provision of credit facilities. Further obtaining shareholders' approval may result in the institution being in breach of secrecy provisions which prohibits disclosure of information relating to customers unless it is lawfully available to the public from another source.</p> <p>The same rationale applies in relation to Participating Organizations. There are adequate prudential requirements and safeguards in relation to the</p>

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
				<p>provision of credit facilities by such entities.</p> <p>This amendment also clarifies that provisions of financial assistance to or in favour of the listed issuer or wholly-owned subsidiaries are not subject to this paragraph.</p>
	<p>APPENDIX 9B Part A Quarterly report (paragraphs 9.22(2)(a), 9.34 and 9.43(1))</p> <p>(1)-(13) [As per existing provisions]</p> <p>New provision</p>		<p>APPENDIX 9B Part A Quarterly report (paragraphs 9.22(2)(a), 9.34 and 9.43(1))</p> <p>(1)-(13) [No change]</p> <p>(14) In relation to outstanding loans granted by the listed issuer or its unlisted subsidiary, the following information at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report:-</p> <p>(a) the aggregate amount of outstanding loans;</p> <p>(b) in relation to the 20 debtors having the highest outstanding loans (with aggregation of loans granted to persons</p>	<p>This provides for greater disclosure on loans granted by the listed issuer group in relation to its moneylending operations and hence, enhances investor protection.</p>

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS	PROPOSED PROVISIONS	RATIONALE
		<p>connected with each other), the following information:-</p> <ul style="list-style-type: none"> (i) the names of the debtors and, in relation to each debtor, a statement as to whether the debtor is a related party as defined in paragraph 1.01; (ii) the outstanding loan amounts with aggregation of loans granted to persons connected to each other, and the breakdown into principal and interest owing; (iii) the salient terms of the outstanding loans including the interest rate, terms as to repayment of interest and principal and the security provided; and (iv) the length of default on interest or principal, if applicable; and <p>(c) the aggregate amount of loans in default.</p> <p>For this purpose, a loan in default shall be as determined by the listed issuer but shall in any event, include a situation where the debtor has been in default of payment of either interest or principal sums or both for 6 months or more</p>	

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
			<p>in respect of a loan granted by the listed issuer and/or its subsidiaries.</p> <p>Paragraph (14) shall not apply to:-</p> <p>(a) provisions of financial assistance in respect of the business of leasing, factoring or hire purchase carried out by a listed issuer or its unlisted subsidiaries in the ordinary course of business;</p> <p>(b) share financing or share margin financing carried out by a listed issuer or its unlisted subsidiary which is a Participating Organization;</p> <p>(c) provisions of financial assistance by a company whose activities are regulated by any written law relating to banking, finance companies or insurance and are subject to supervision by Bank Negara Malaysia; or</p> <p>(d) such other similar business that may be determined by the Exchange.</p>	
	<p>APPENDIX 9C Part A Contents of annual report (paragraph 9.25)</p>		<p>APPENDIX 9C Part A Contents of annual report (paragraph 9.25)</p>	<p>This provides for greater disclosure on loans granted by the listed issuer group in respect of its moneylending operations and hence, enhances investor</p>

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
	<p>(1) – (27) [As per existing provisions]</p> <p>New provision</p>		<p>(1) – (27) [No change]</p> <p>(28) In relation to outstanding loans granted by the listed issuer or its unlisted subsidiary, the following information:-</p> <p>(a) the aggregate amount of outstanding loans;</p> <p>(b) in relation to the 20 debtors having the highest outstanding loans (with aggregation of loans granted to persons connected with each other), the following information:-</p> <p>(i) the names of the debtors and, in relation to each debtor, a statement as to whether the debtor is a related party as defined in paragraph 1.01;</p> <p>(ii) the outstanding loan amounts with aggregation of loans granted to persons connected to each other, and the breakdown into principal and interest owing;</p> <p>(iii) the salient terms of the outstanding loans including the interest rate, terms as to repayment of interest and</p>	<p>protection.</p>

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
			<p align="center">principal and the security provided; and</p> <p align="center">(iv) the length of default on interest or principal, if applicable; and</p> <p align="center">(c) the aggregate amount of loans in default.</p> <p>For this purpose, a loan in default shall be as determined by the listed issuer but shall in any event, include a situation where the debtor has been in default of payment of either interest or principal sums or both for 6 months or more in respect of a loan granted by the listed issuer and/or its subsidiaries.</p> <p>Paragraph (28) shall not apply to:-</p> <p>(a) provisions of financial assistance in respect of the business of leasing, factoring or hire purchase carried out by a listed issuer or its unlisted subsidiaries in the ordinary course of business;</p> <p>(b) share financing or share margin financing carried out by a listed issuer or its unlisted subsidiary which is a Participating Organization;</p> <p>(c) provisions of financial assistance by a company whose activities are regulated by any written law relating to banking,</p>	

PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

	EXISTING PROVISIONS		PROPOSED PROVISIONS	RATIONALE
			finance companies or insurance and are subject to supervision by Bank Negara Malaysia; or (d) such other similar business that may be determined by the Exchange.	