

# **BURSA MALAYSIA SECURITIES BERHAD**

## **PRACTICE NOTE NO 11/2001**

### **PROVISION OF FINANCIAL ASSISTANCE**

**Issued in relation to paragraph 8.23 of the Listing Requirements;**

**And**

**Pursuant to paragraphs 2.06, 2.08 and 2.19 of the Listing Requirements.**

#### **1.0 Introduction**

1.1 Paragraph 8.23 of the Listing Requirements provides that a listed issuer or its unlisted subsidiaries may lend or advance any money or guarantee, indemnify or provide collateral for a debt (hereinafter referred to as "provision of financial assistance") to categories of persons set out in paragraph 8.23(1)(i) to (iii). One of the categories of persons is the following:-

“(ii) persons:-

- (aa) to whom the provision of financial assistance is necessary to facilitate; or
- (bb) pursuant to;

the ordinary course of business of the listed issuer or its subsidiaries such as the provision of advances to its sub-contractors or advances made to clients in the ordinary course of its moneylending business;”

1.2 This Practice Note sets out the following:-

- (a) clarification of certain requirements under paragraph 8.23 of the Listing Requirements (hereinafter referred to as "Requirements"); and
- (b) the disclosure obligations of a listed issuer in providing financial assistance pursuant to paragraph 8.23(1)(ii) of the Listing Requirements.

1.3 This Practice Note must be read in conjunction with paragraph 8.23 of the Listing Requirements.

#### **2.0 Clarification on Requirements**

2.1 This paragraph sets out the clarification in relation to the following requirements stipulated under paragraph 8.23 (1)(ii) of the Listing Requirements.

### 2.1.1 Ordinary course of business

For the purposes herein, a transaction in the "ordinary course of business" means a transaction which would reasonably be expected to be carried out by the listed issuer and its subsidiaries given the particular business the listed issuer and its subsidiaries are involved in. The fact that the transaction is envisaged in the memorandum of association of the listed issuer and its subsidiaries shall not be a conclusive factor of determination.

As an example, in respect of a listed issuer involved in manufacturing activities (hereinafter referred to as "Manufacturing Company"), the following transactions, which are by no means exhaustive, are considered to be in the ordinary course of business of the Manufacturing Company:-

- (a) the purchase of materials and supplies for its manufacturing activities;
- (b) the sale of products either directly or through appointed distributors;
- (c) the purchase and/or lease of machines, equipment, vehicles and spares for its operations and office supplies;
- (d) the treatment and disposal of waste from its plants; and
- (e) the construction of plant and/or other infrastructure facilities for its operations.

### 2.1.2 Necessary to facilitate

In determining what constitutes "necessary to facilitate the ordinary course of business", the listed issuer is required to take into account whether the provision of financial assistance is essential to the listed issuer or its subsidiaries entering into, proceeding with and/or completing a transaction to the extent that if such financial assistance were not rendered, it would result in the listed issuer or its subsidiaries being unable to enter into, proceed with and/or complete such transaction.

Examples of what is necessary to facilitate the ordinary course of business, which are by no means exhaustive, are as follows:-

- (a) provision of corporate guarantee or performance bond to a third party in favour of a main contractor in order for a listed issuer to secure work as a sub-contractor; and
- (b) provision of advances or collateral to or in favour of sub-contractors of the listed issuers to enable them to commence and/or complete the work for the listed issuer.

- 2.2 Subscription to or acquisition of debt securities and/or redeemable preference shares which are regulated by any written law and are subject to supervision by the Commission or Bank Negara Malaysia, by a listed issuer or its unlisted subsidiaries are not considered as provision of financial assistance within paragraph 8.23 of the Listing Requirements. However, where such subscription or acquisition is a related party transaction, the listed issuer must comply with paragraph 10.08 of the Listing Requirements.

### **3.0 Disclosure obligations**

- 3.1 A listed issuer must announce the financial assistance rendered or made by the said listed issuer or its unlisted subsidiaries pursuant to paragraph 8.23(1)(ii) of the Listing Requirements for each quarter of its financial year, if any, simultaneously with its quarterly report pursuant to paragraph 9.22 of the Listing Requirements and in any event not later than 2 months after the end of each quarter of a financial year. The listed issuer must ensure that its announcement includes the information set out in Appendix PN11/2001-A.
- 3.2 Paragraph 3.1 above shall not apply to provision of financial assistance in respect of the business of leasing, factoring, share financing, share margin financing or hire purchase carried out by a listed issuer or its unlisted subsidiaries in the ordinary course of business, or such other similar business that may be determined by the Exchange.
- 3.3 Where a listed issuer and/or its subsidiary lends or advances money in the ordinary course of its business as a moneylender pursuant to paragraph 8.23(1)(ii) of the Listing Requirements, the announcement referred to in paragraph 3.1 above must also contain the information prescribed under paragraph 8.23(2)(e) of the Listing Requirements

### **4.0 Effective Date**

- 4.1 This Practice Note takes effect on 1 July 2001.

## **APPENDIX PN11/2001-A**

### **Contents of announcement in relation to provision of financial assistance**

- (1) The aggregate amount of financial assistance provided during the reporting quarter by type (i.e. advances, guarantees etc); and
- (2) The financial impact of the financial assistance provided, on the listed issuer as a group.