THE MAIN MARKET

Key Changes to the LR
- PN17 Companies
- Cash Companies
- Default in Payment

6 July 2009
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Head, Issuers Investigation & Surveillance
Key Changes to Requirements for PN17 Companies
Statistics of Financially Distressed Companies

- Statistics of Amended PN17, PN17 and PN4 companies as at 31 May 2009

<table>
<thead>
<tr>
<th>PN</th>
<th>Outstanding</th>
<th>Regularised</th>
<th>De-listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amended PN17</td>
<td>40</td>
<td>7</td>
<td>34</td>
</tr>
<tr>
<td>PN17</td>
<td>2</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>PN4</td>
<td>1</td>
<td>87</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>107</strong></td>
<td><strong>81</strong></td>
</tr>
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</table>
Amendment to shareholders’ equity criterion

**Existing Criteria**

(a) shareholders’ equity (SE)
- ≤ 25% of the issued & paid-up capital
- < minimum issued and paid-up capital

**Main LR**

(a) shareholders’ equity
- ≤ 25% of the issued & paid-up capital (excluding treasury shares)
- < RM40 million
PN17 Co. - Change of Prescribed Criteria (Cont’d)

- No change to other Prescribed Criteria

Diagram:

- Prescribed Criteria
  - Adverse/Disclaimer Opinion
  - Modified Opinion on Going-Concern & SE ≤ 50% of Issued & Paid-Up Cap.
  - Default in Payment & no Solvency Declaration
  - Winding-Up Order of Subsi./Assoc. Cos.
  - Suspended/Ceased All/Major Business/Operations
  - R&M Appointed for ≥ 50% Total Asset
  - Insignificant Business/Operations (Revenue ≤5% Issued & Paid-Up Cap.)
Trigger PN17 Criteria

First Announcement

Within 3 months

Announce whether Plan will result in Significant Δ in Business Direction/Policy

Within 12 months

Significant Δ

Submit Plan to SC

To obtain SC approval

Implementation

Within 6 - 12 months

NO Significant Δ

Submit Plan to Bursa Securities and procure approval

Implementation

Immediately after implementation - to report a net profit in 2 consecutive quarterly results

PN17 Co. – Regularisation Flowchart
PN17 Co. – New Requirements on Regularisation Obligations

Announce **within 3 months** from FA - whether the reg. plan will result in a significant change in business direction/policy

If reg. plan **will result** in significant change in the business direction or policy –

(a) submit plan to SC for approval, **within 12 months** from FA date; and

(b) complete implementation within timeframe prescribed by SC.

If reg. plan **will not result** in significant change in the business direction or policy –

(a) submit plan to Bursa & obtain Bursa’s approval **within 12 months** from FA date; and

(b) complete implementation of the plan **within 6 – 12* months** from plan approval date; and

Must record **net profit** in 2 consecutive quarterly results immediately after completion - quarterly results subject to limited review by external auditor

* For plan which involves Court proceeding
Regularisation Plan

- Sufficiently comprehensive, capable of resolving all problems, financial or otherwise
- Enable to regularise its financial condition and level of operations
- Fair and reasonable to the company and shareholders & increase shareholder value
Regularisation Obligations

Failure to Comply with Obligations to Regularise

- Bursa Send Notice of Suspension
- 5 Market Days Suspension Notice
- Suspend
- De-list Subject to Right to Appeal

Trigger Prescribed Criteria Within 3 Years After De-classified as PN17 Co.

Must undertake a reg. plan which will result in a significant change in its business direction or policy
Key Changes to Requirements for Cash Companies
What is a Cash Company?

A listed issuer whose assets on a consolidated basis, consist of 70% or more of cash or short term investments, or a combination of both (“Cash Criterion”)
Cash Co. – Regularisation Flowchart

1. Trigger Cash Criteria
2. Notify Bursa Securities in writing
3. Announcement
4. Submit proposal to acquire a new core business to SC
5. Obtain SC approval
6. Implementation

Immediately upon receipt of the Exchange’s notice that it is a Cash Company.

Within 12 months.

Within the timeframe prescribed by SC.
Cash Co. – New Requirements

Place > 90% cash & short-dated securities with account opened and operated by a custodian – cannot withdraw except for:
- to implement reg. proposal; or
- to distribute to shareholders on pro-rata basis if fails to regularise

Cash Company

Failure to regularise
- May be suspended & delisted
- Must distribute money in account to shareholders on pro-rate basis

Submit Proposal to Acquire New Core Business to SC for Approval within **12 months** & Implement within SC’s timeline
Transitional Arrangements for Cash & PN17 Companies
Transitional Arrangements for Cash & PN17 Companies

Existing Cash & PN17 Company may apply to Bursa to regularise its condition under new framework

PROVIDED THAT -

it is still within the stipulated or extended timeframe to submit its proposal or plan to regularise its condition under the Amended PN17 Framework.
Key Changes to Practice Note 1
Default in Payment
**PN1 – Amendments to Event of Default**

- **General - default not dependent on demand**

<table>
<thead>
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<th>Existing Provisions</th>
<th>Main LR</th>
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<tr>
<td>(a) Default for credit facility is $\geq 5%$ of PLC’s net assets</td>
<td>(a) Default where the total amount outstanding of the defaulted credit facility is $\geq 5%$ of PLC’s net assets</td>
</tr>
<tr>
<td>(b) Default which has material effect on the price, value or market activity</td>
<td>(b) Clarify that <em>where a PLC has a negative net asset, any amount in default will be considered as material</em></td>
</tr>
</tbody>
</table>
PN1 – Amendments to Event of Default

- No change to other Event of Defaults

- Default in payments of interest in respect of loan stocks or bonds, whether listed or unlisted on the Exchange

- Default in principal payments in respect of loan stocks or bonds, whether listed or unlisted on the Exchange

- Default in payments under a debenture;
PN1 – Amendments to Definition of Solvency

Existing Provisions

(c) “Solvent” if majority directors forms the opinion that PLC will be able to pay all its debts within 12 months from announcement date

Main LR

(c) “Solvent” if majority directors forms the opinion that PLC will be able to pay all its debts as and when they fall due within 12 months from announcement date
PN17 Co. - Definition of “net profit”

Net profit after minority interest and excludes one off items, such as -

(i) interest waiver;
(ii) negative goodwill credited to income statement;
(iii) gain/loss arising from sale of investment in associated companies/subsidiaries or land and building; and
(iv) restructuring cost.
“Custodian” means any of the following who is independent of the Cash Company:

(a) a trust company registered under the Trust Companies Act 1949 or incorporated pursuant to the Public Trust Corporation Act 1995 and is in the List of Registered Trustees in relation to Unit Trust Funds issued by the SC; or

(b) a licensed bank or merchant bank as defined in the Banking and Financial Institutions Act 1989.
Thank You