

GUIDANCE NOTE NO. 5/2006

DEFAULT IN PAYMENT

Issued in relation to Rules 9.03, 9.04(I) and 9.16 of the Listing Requirements;

And

Pursuant to Rules 2.09 and 2.20 of the Listing Requirements.

1.0 Introduction

- 1.1 This Guidance Note is issued to highlight the obligation of a listed company to make immediate announcements in the event of default of interest and/or principal payments in respect of loans pursuant to Rules 9.03 and 9.04(I) of the Listing Requirements.
- 1.2 This Guidance Note is issued to enumerate some circumstances upon which a listed company is required to make such announcements under Rules 9.03 and 9.04(I) of the Listing Requirements. It is to be noted that the circumstances enumerated are not exhaustive of all circumstances upon which the listed company is required to make such announcements.
- 1.3 Nothing in this Guidance Note shall be read to restrict the generality of Rules 9.03, 9.04(I) and 9.16 of the Listing Requirements.

2.0 Circumstances

- 2.1 The following are some situations upon which a listed company shall be required to make an immediate announcement under Rules 9.03 and 9.04 of the Listing Requirements:-
 - (a) default in payments of interest in respect of loan stocks or bonds whether listed or unlisted on the Exchange irrespective of whether a demand has been made;
 - (b) default in principal payments in respect of loan stocks or bonds whether listed or unlisted on the Exchange;
 - (c) default in payments under a debenture;
 - (d) default in payments of either interest or principal sums or both in respect of a credit facility where the credit facility is 5% or more of the net assets of the listed company; or
 - (e) default in payments of either interest or principal sums or both in respect of a credit facility, which is reasonably expected to have a material effect on the price, value or market activity of any of the listed company's securities or the decision of a holder of securities of the listed company or an investor in determining his choice of action.
- 2.2 The default referred to above may be that of the listed company, its subsidiaries or associated companies.

3.0 Details of the announcement

3.1 In the event of default in payments in circumstances stipulated under paragraph 2.1 above, the announcement to be made under Rule 9.16 of the Listing Requirements shall include specifically the following information:-

- (a) the reasons for the default in payments;
- (b) the measures by the listed company to address the default in payments;
- (c) the financial and legal implications in respect of the default in payments including the extent of the listed company's liability in respect of the obligations incurred under the agreements for the indebtedness;
- (d) in the event the default is in respect of secured loan stocks or bonds, the lines of action available to the guarantors or security holders against the listed company;
- (e) in the event the default is in respect of payments under a debenture, to specify whether the default will empower the debenture holder to appoint a receiver or receiver and manager;
- (f) whether the default in payment constitutes an event of default under a different agreement for indebtedness (cross default) and the details thereof, where applicable;
- (g) where the default in payment is in respect of a subsidiary or associated company, a confirmation as to whether the subsidiary or associated company is a major subsidiary or major associated company, as the case may be;
- (h) where the default in payment is in respect of a listed company, major subsidiary or major associated company, as the case may be, a statement as to whether the listed company is solvent (hereinafter referred to as the "Solvency Declaration"). In the event the listed company is solvent, a statement that the listed issuer undertakes to provide to the Exchange, the Solvency Declaration duly executed by the board of directors of the listed company, in respect of the listed company within 3 market days from the date of the announcement. For this purpose, a listed company is regarded as being "solvent" if the majority directors have formed the opinion that the listed company will be able to pay all its debts in full within a period not exceeding 12 months from the date of the announcement; and
- (i) any other information that the Exchange may require from time to time.

3.2 The listed company shall thereafter be required to make periodic announcements on a monthly basis of the current status of the default and the steps taken by the listed company to address the default until such time when the default is remedied.

4.0 Effective Date

4.1 This Guidance Note takes effect on 8 May 2006.