

## **GUIDANCE NOTE NO. 4/2006**

### **PROVISION OF FINANCIAL ASSISTANCE**

**Issued in relation to Rule 8.31 of the Listing Requirements;**

**And**

**Pursuant to Rules 2.07, 2.09 and 2.20 of the Listing Requirements.**

#### **1.0 Introduction**

1.1 Rule 8.31 of the Listing Requirements provides that a listed company 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 Rule 8.31(1)(b)(i) to (iii). One of the categories of persons is the following:-

“(ii) persons to whom the provision of financial assistance is necessary to facilitate the principal business of the listed company group, such as the provision of advances to its sub-contractors. For the avoidance of doubt, the provision of financial assistance in itself cannot be considered as a “principal business” of the listed company group;”

1.2 This Guidance Note sets out the following:-

- (a) clarification of certain requirements under Rule 8.31 of the Listing Requirements (hereinafter referred to as "Requirements"); and
- (b) the disclosure obligations of a listed company in providing financial assistance pursuant to Rule 8.31(1)(b)(ii) of the Listing Requirements.

1.3 This Guidance Note must be read in conjunction with Rule 8.31 of the Listing Requirements.

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

2.1 This paragraph sets out the clarification in relation to the following requirement stipulated under Rule 8.31(1)(b)(ii) of the Listing Requirements.

##### **2.1.1 Necessary to facilitate**

In determining what constitutes "necessary to facilitate the principal business", the listed company is required to take into account whether the provision of financial assistance is essential to the listed company 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 company or its subsidiaries being unable to enter into, proceed with and/or complete such transaction.

Examples of what is necessary to facilitate the principal business, which is 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 company to secure work as a sub-contractor; and
- (b) provision of advances or collateral to or in favour of sub-contractors of the listed company to enable them to commence and/or complete the work for the listed company.

- 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 company or its unlisted subsidiaries are not considered as provision of financial assistance within Rule 8.31 of the Listing Requirements. However, where such subscription or acquisition is a related party transaction, the listed company must comply with Rule 10.08 of the Listing Requirements.

### **3.0 Disclosure obligations**

- 3.1 A listed company must announce the financial assistance rendered or made by the said listed company or its unlisted subsidiaries pursuant to Rule 8.31(1)(b)(ii) of the Listing Requirements for each quarter of its financial year, if any, simultaneously with its quarterly report pursuant to Rule 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 company must ensure that its announcement includes the information set out in Appendix GN 4/2006-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 company or its unlisted subsidiaries in the ordinary course of business, or such other similar business that may be determined by the Exchange.

### **4.0 Effective Date**

- 4.1 This Guidance Note takes effect 22 May 2006.

## **APPENDIX GN 4/2006-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 company as a group.