

# **BURSA SECURITIES MALAYSIA BERHAD**

## **PRACTICE NOTE NO 14/2002**

### **REQUIREMENTS ON TRANSACTIONS AND RELATED PARTY TRANSACTIONS**

**Issued in relation to Chapter 10 of the Listing Requirements;**

**And**

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

#### **1.0 Introduction**

1.1 Chapter 10 of the Listing Requirements sets out the requirements that must be complied with in respect of transactions (whether related party transactions or otherwise) entered into by a listed issuer or its subsidiaries.

1.2 This Practice Note sets out the following:-

- (a) (Deleted)
- (b) the principles of aggregation;
- (c) the transactions that are not normally regarded as related party transactions in addition to those transactions set out in paragraph 10.08(9) of the Listing Requirements; and
- (d) the application of paragraph 10.09 in relation to provision of financial assistance.

**2.0** (Deleted)

#### **3.0 Principles of aggregation**

3.1 Pursuant to paragraph 10.11 of the Listing Requirements, the Exchange may aggregate separate transactions and treat such transactions as if they were one transaction in certain circumstances (hereinafter referred to as “the Rule of Aggregation”). In this respect, the Exchange generally considers the following principles in applying the Rule of Aggregation:-

- (a) A transaction will be aggregated with an earlier transaction for the purpose of determining the obligations applicable in respect of the latest transaction except in the following circumstances:-
- (i) a transaction that has been announced earlier pursuant to Chapter 10 of the Listing Requirements, shall not be aggregated with the latest transaction when determining whether an announcement is required; and
  - (ii) a transaction which has been approved by shareholders or which was the subject of aggregation with a transaction which has been approved by shareholders pursuant to Chapter 10 of the Listing Requirements, shall not be aggregated with the latest transaction when determining whether any obligations are applicable; and
- (b) If the aggregation of transactions results in a requirement for shareholders' approval under Chapter 10 of the Listing Requirements, then that approval is required only for the latest transaction. The earlier transaction(s) would only require disclosure in the circular which shall include the information prescribed under the Listing Requirements.

**Illustration 1:**

**Facts:**

Listed issuer, Z Bhd started to conduct business with a non-related party, Mr B in 2002. The transactions entered into between Z Bhd and Mr B during the year are as follows:-

<b>Transactions</b>	<b>Date of Transactions</b>	<b>Relevant Percentage Ratio</b>
Transaction 1	January 2002	1%
Transaction 2	February 2002	4%
Transaction 3	Early March 2002	1%
Transaction 4	End March 2002	5%
Transaction 5	April 2002	6%
Transaction 6	November 2002	10%

Based on the above facts, the application of the principles set out in sub-paragraphs (a) and (b) above is as follows:-

- (i) Transaction 2 will be aggregated with Transaction 1 to determine the obligations that are applicable. As the aggregate percentage ratio of Transactions 1 and 2 is 5%, Transaction 2 must be announced pursuant to paragraph 10.04 of the Listing Requirements. The announcement must include information on Transaction 1 which shall include the information set out in Appendix 10A of the Listing Requirements;
- (ii) Transactions 1 and 2 will be aggregated with Transaction 3 to determine the obligations that are applicable. However for purposes of determining whether an announcement is required, Transactions 1 and 2 will be excluded from aggregation with Transaction 3 as they have already been announced. As the percentage ratio of Transaction 3 is only 1%, no announcement is required. As the aggregate percentage ratio for Transactions 1 to 3 is 6%, no other obligation is triggered;
- (iii) Transaction 4 will be aggregated with Transactions 1 to 3 to determine the obligations that are applicable. However for purposes of determining whether an announcement is required, Transactions 1 and 2 will be excluded from aggregation with Transaction 4 as they have already been announced. As the aggregate percentage ratio for Transactions 3 and 4 is 6%, an announcement is required. The announcement must include information on Transaction 3 which shall include the information set out in Appendix 10A of the Listing Requirements. As the aggregate percentage ratio of Transactions 1 to 4 is 11%, no other obligation is triggered;
- (iv) Transaction 5 will be aggregated with Transactions 1 to 4 to determine the obligations that are applicable. However, for purposes of determining whether an announcement is required, Transactions 1 to 4 will be excluded from aggregation with Transaction 5 as they have all been announced. As the percentage ratio for Transaction 5 is 6%, Transaction 5 on its own requires an announcement. As the aggregate percentage ratio for Transactions 1 to 5 is 17%, an announcement together with a despatch of a copy of the announcement must be made in accordance with paragraph 10.05 of the Listing Requirements. In this respect, information on Transactions 1, 2, 3 and 4 must be included in the said announcement which shall include the information prescribed under Appendix 10A of the Listing Requirements; and
- (v) Transaction 6 will be aggregated with Transactions 1 to 5 to determine the obligations that are applicable. However for purposes of determining whether an announcement is required, Transactions 1 to 5 will be excluded from aggregation with Transaction 6 as they have all been announced. As the percentage ratio for Transaction 6 is 10%, Transaction 6 on its own requires an announcement. As the aggregate percentage ratio for Transactions 1 to 6 is 27%, shareholders' approval is required in respect of the latest transaction, i.e. Transaction 6. In this respect, information on Transactions 1, 2, 3, 4 and 5 must be included in the circular issued which shall include the information set out in Appendix 10B of the Listing Requirements.

Illustration 2:

Facts:

In addition to the facts set out in Illustration 1, Z Bhd entered into Transaction 7 with Mr B in December 2002. In this case, shareholders' approval had been sought for Transaction 6 in November 2002.

Based on the above facts, and the application of the principles set out in sub-paragraph (a) above, Transactions 1 to 6 will be excluded from aggregation with Transaction 7 for purposes of determining whether any obligation is triggered as they have all been announced and shareholders' approval has been sought for Transaction 6 based on aggregation with Transactions 1 to 5.

Illustration 3:

Facts:

Listed issuer A Bhd entered into the following transactions with a related party, Mdm Y in 2002:-

<b>Transactions</b>	<b>Date of Transactions</b>	<b>Relevant Percentage Ratio</b>
Transaction 1	February 2002	3%
Transaction 2	April 2002	2%

Based on the above and applying the principles set out in sub-paragraph (a) and (b), Transaction 2 will be aggregated with Transaction 1 thus requiring Transaction 2 to comply with paragraph 10.08(2) of the Listing Requirements. In this respect, information on Transaction 1 must be included in the circular issued which shall include the information prescribed under Appendix 10B and Part A of Appendix 10D of the Listing Requirements.

<b>Transactions</b>	<b>Date of Transactions</b>	<b>Relevant Percentage Ratio</b>
Transaction 3	October 2002	3%

In this case, the parties subsequently entered into Transaction 3 in October 2002. Transaction 3 will not be aggregated with Transactions 1 and 2 as shareholders' approval for Transaction 2 has been obtained based on aggregation with Transaction 1. Transaction 3 on its own must be announced pursuant to paragraph 10.08(1) of the Listing Requirements.

**4.0** (Deleted)

**5.0 Application of general mandate pursuant to paragraph 10.09 to provision of financial assistance**

5.1 Notwithstanding paragraph 4.2(d) of Practice Note 12/2001 (hereinafter referred to as “PN12”) and subject to paragraph 10.09 of the Listing Requirements and the other provisions of PN12, a listed issuer may seek a general mandate in respect of the following Recurrent Transactions:-

- (a) the pooling of funds within the listed issuer’s group of companies via a centralised treasury management function or such similar arrangements which entails the provision of financial assistance by the listed issuer and/or its unlisted subsidiaries on a short or medium term basis provided that:-
  - (i) the listed issuer in seeking such a mandate in accordance with paragraphs 8.23 and 10.09 of the Listing Requirements, must include in its circular, in addition to such other information as prescribed under the Listing Requirements, the estimated amounts or value of financial assistance (hereinafter referred to as “the Estimate”); and
  - (ii) if the actual amount of financial assistance provided or rendered exceeds the Estimate, the listed issuer must make an immediate announcement of the same. If the percentage ratio of the amount of financial assistance provided or rendered in excess of the Estimate is 5% or more, the listed issuer must comply with paragraph 10.08 of the Listing Requirements.

For purposes of this paragraph:-

- (aa) “short or medium term basis” shall mean for a duration not exceeding 3 years; and
  - (bb) “group of companies” shall mean the subsidiaries, associated companies of the listed issuer and the listed issuer’s immediate holding company which is listed.
- (b) provision of guarantee, indemnity or such other collateral to or in favour of another person which is necessary in order to procure a contract or secure work from the other person or to enable the other person to commence and/or complete a contract or work for the listed issuer or its subsidiaries.
  - (c) provision of financial assistance in respect of the business of:-
    - (i) leasing, factoring or hire purchase carried out by a listed issuer or its unlisted subsidiaries; or

- (ii) share financing or share margin financing carried out by a listed issuer or its unlisted subsidiaries which is a Participating Organisation; or
- (iii) such other similar business that may be determined by the Exchange.

## **6.0 Effective Date**

6.1 This Practice Note takes effect on 1 January 2003.