

# **BURSA MALAYSIA SECURITIES BERHAD**

## **PRACTICE NOTE NO 1/2001**

### **DEFAULT IN PAYMENT**

**Issued in relation to paragraphs 9.03, 9.04(1) and 9.16 of the Listing Requirements;**

**And**

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

#### **1.0 Introduction**

- 1.1 This Practice Note is issued to highlight the obligation of a listed issuer to make immediate announcements in the event of default of interest and/or principal payments in respect of loans pursuant to paragraphs 9.03 and 9.04(1).
- 1.2 This Practice Note is issued to enumerate some circumstances upon which a listed issuer is required to make such announcements under paragraphs 9.03 and 9.04(1). It is to be noted that the circumstances enumerated are not exhaustive of all circumstances upon which the listed issuer is required to make such announcements.
- 1.3 Nothing in this Practice Note shall be read to restrict the generality of paragraphs 9.03, 9.04(1) and 9.16 of the Listing Requirements.

#### **2.0 Circumstances**

- 2.1 The following are some situations upon which a listed issuer shall be required to make an immediate announcement under paragraphs 9.03 and 9.04:-
  - (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 issuer; 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 issuer's securities or the decision of a holder of securities of the listed issuer or an investor in determining his choice of action.
- 2.2 The default referred to above may be that of the listed issuer, 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 paragraph 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 issuer 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 issuer'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 issuer;
- (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; and
- (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 issuer, major subsidiary or major associated company, as the case may be, a statement as to whether the listed issuer is solvent (hereinafter referred to as the "Solvency Declaration"). In the event the listed issuer 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 issuer, in respect of the listed issuer within 3 market days from the date of the announcement. For this purpose, a listed issuer is regarded as being "solvent" if the majority directors have formed the opinion that the listed issuer will be able to pay all

its debts in full within a period not exceeding twelve 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 issuer 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 issuer to address the default until such time when the default is remedied.

#### **4.0 Effective Date**

4.1 This Practice Note takes effect on 1 June 2001.