

date

BRIEFING

MARCH 2002

OVERALL BANKING SECTOR RESTRUCTURING

ECONOMIC CONDITIONS AT THE ONSET OF THE CRISIS

Similar to other Asian “Tigers”, Malaysia had....

- A decade of strong economic growth, Real GDP growth > 8%
- Loans and M3 growth at around 20–30% pa
- Excess “fat” built up in certain sectors
- Stock market at all-time high
- Large proportion of bank loans going to property sector and share financing

3

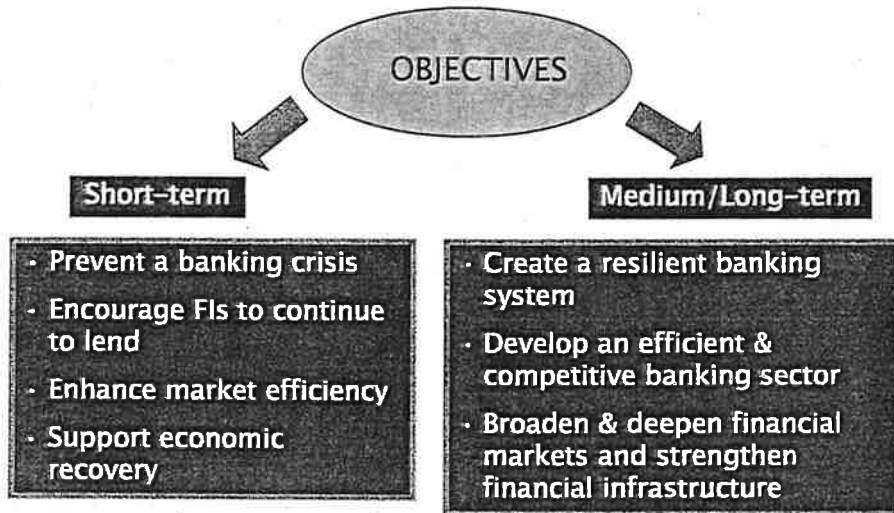
ECONOMIC CONDITIONS AT THE ONSET OF THE CRISIS (Cont'd)

What made Malaysia different.....

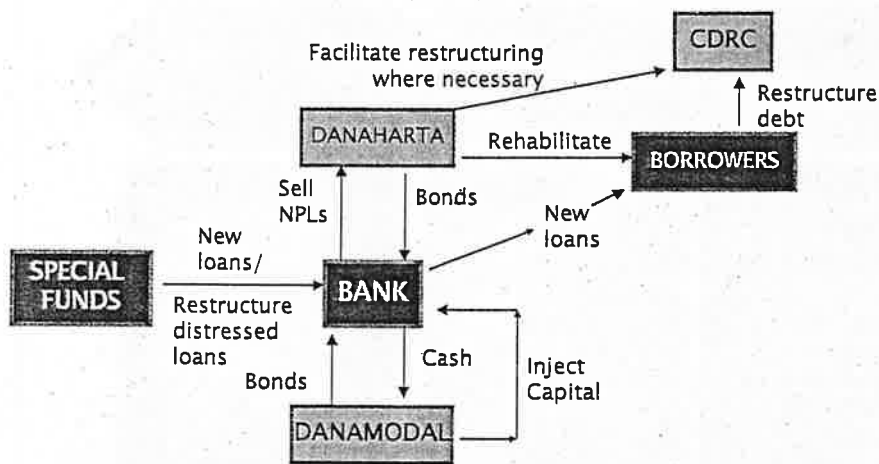
- Banking system entered crisis from a position of strength
- Low levels of external debt
- Stable government
- Malaysia acted pre-emptively

4

COMPREHENSIVE BANKING SECTOR RESTRUCTURING



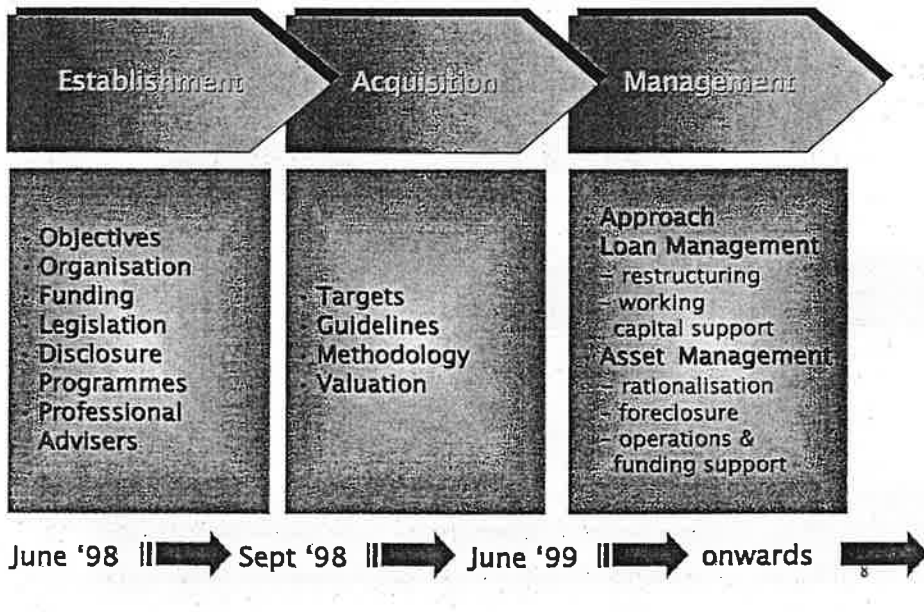
COMPLEMENTARY ROLES

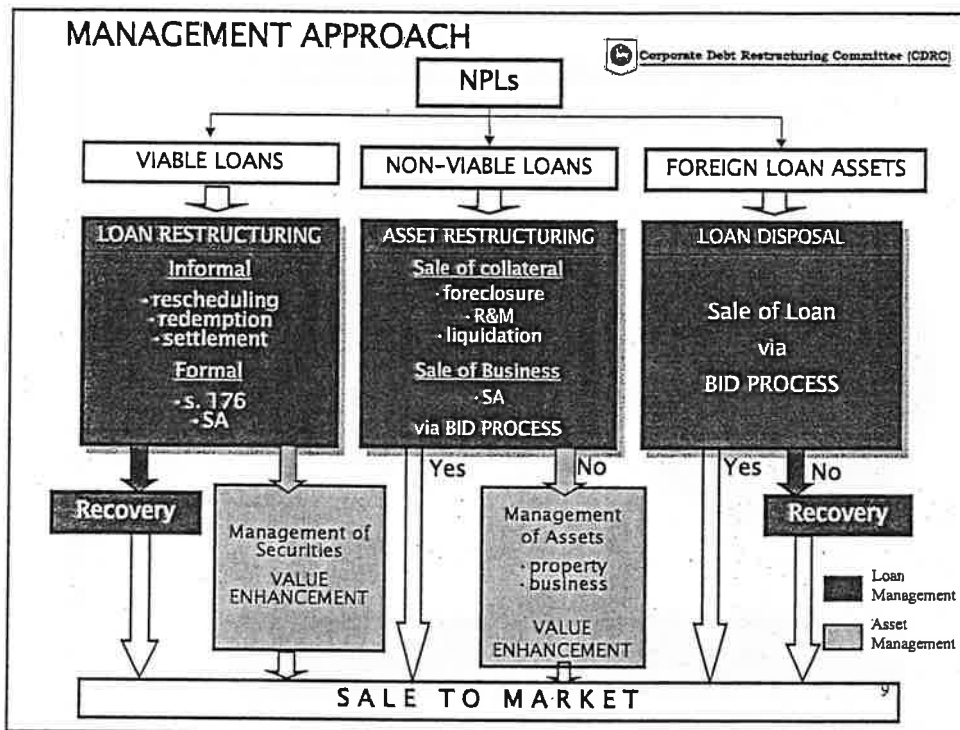


Coordination of activities undertaken by Steering Committee in BNM

DANAHARTA

DANAHARTA'S PROGRESS THROUGH PHASES





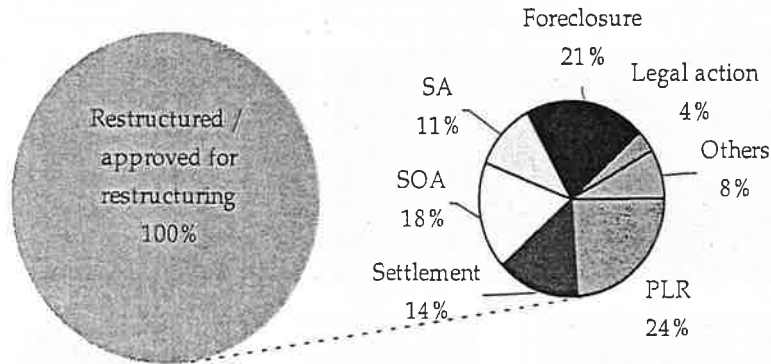
Corporate Debt Restructuring Committee (CDRC)

DANAHARTA'S PROGRESS THUS FAR...

- Portfolio of RM47.72bn (US\$12.6bn); 2,902 accounts
 - Acquired accounts amount to RM19.82bn, purchased at 55% discount
 - Managing RM27.90bn on behalf of government (Sime Bank and BBMB)
- Resolved 100% of its portfolio with an expected recovery rate of 56%
- Has already collected RM9.7bn (US\$2.6bn) in cash from its recovery efforts
- First tranche of ABS launched in Dec'01, more in the pipeline
- Expected to close down in 2005

10

LOAN MANAGEMENT STATISTICS as at 31 December 2001



Total Loan Rights Acquired: RM47.72bn
Default rate: 11 %

11

EXPECTED RECOVERY RATE

Recovery method	* Adjusted loan outstanding RM billion	^ Adjusted expected recovery RM billion	Expected Recovery %
Plain loan restructuring	11.60	8.04	69%
Settlement	6.87	5.19	76%
Scheme of arrangement	9.15	6.95	76%
SA - scheme approved	5.55	2.46	44%
Foreclosure	11.58	3.37	29%
Others (inc. partial resolutions)	4.14	2.50	60%
Legal action	2.05	-	-
	50.94	28.51	56%

Comprising total LRA of RM47.69 billion and accrued interest of RM3.25 billion

^ Assuming zero recovery on defaulted cases as at 31 December 2001

Gross value of loans and assets restructured or disposed or both as at 31 December 2001 **RM50.94bn**

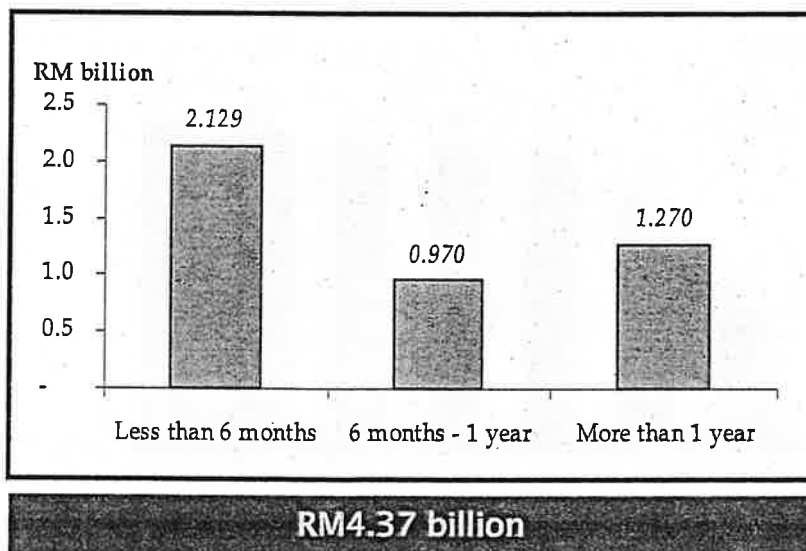
Expected average recovery rate **56 %**

SECURITISATION OF PERFORMING LOANS

- On 20 November 2001, Danaharta launched its inaugural issue of Asset Backed Securities
- First Collateralised Loan Obligation type issue in Malaysia
- The issue comprised of RM310 million Senior Notes and RM285.4 million subordinated notes, issued via Securita ABS Sdn Bhd, a special purpose vehicle formed for this exercise.
- Backed by RM595 million in performing loans and cash transferred to Securita ABS Sdn Bhd
- Oversubscribed by 3.5 times, received orders in excess of RM1.0 billion.

13

AGING ANALYSIS OF RESTRUCTURED LOANS



14

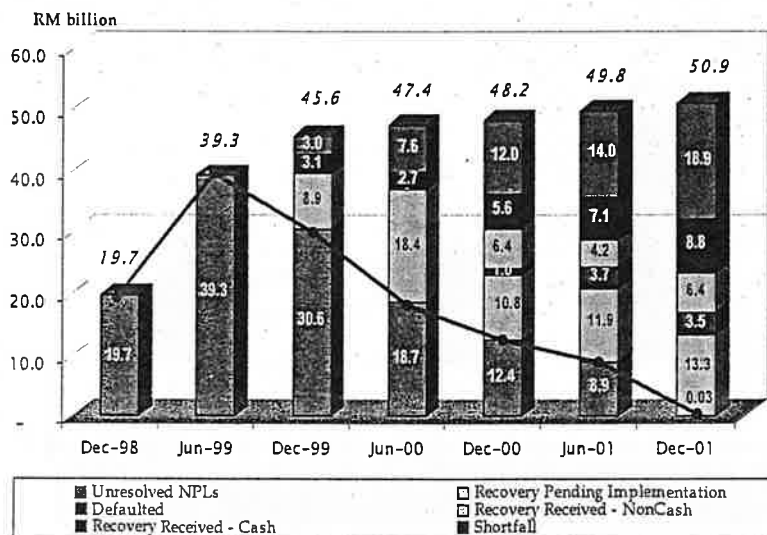
DISTRIBUTION OF RECOVERY PROCEEDS as at 31 December 2001

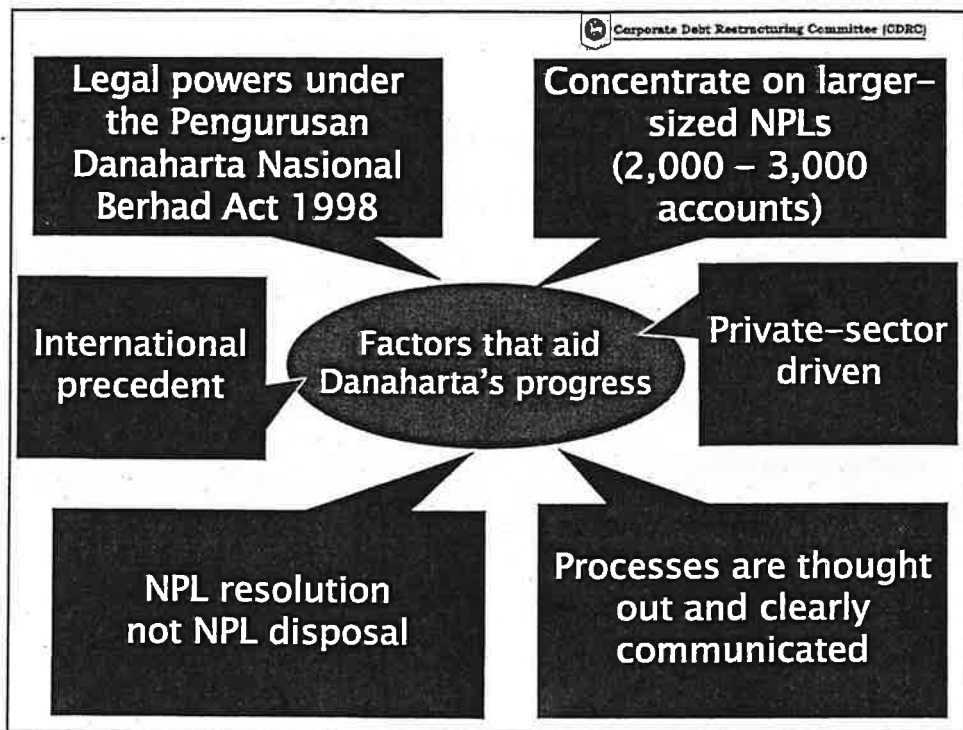
Distribution	Cash (RM billion)	Securities (units)
Recovery proceeds for loans under management - NPLs of BBMB Group and Sime Bank Group	7.67	-
Surplus recovery from acquired loans, distributed to 24 financial institutions	0.31	36.56
Total distributed recovery	7.98	36.56

	Cash (RM billion)
Cash realised from recovery operations (incl. adjustments)	9.69
Less: Total distributed recovery	7.98
Balance of cash available, that will contribute to the redemption of Danaharta bonds	1.71
Total face value of bonds as at 31 December 2001	10.87

15

ASSET MOVEMENT AT SIX-MONTH INTERVALS up to 31 December 2001





Corporate Debt Restructuring Committee (CDRC)

**CORPORATE DEBT
RESTRUCTURING COMMITTEE**

18

NEW INITIATIVES (with effect from 1 August 2001)

- Expansion of CDRC to include representatives from relevant sectors.
- Changes to framework and approach to accelerate restructuring efforts.
- More comprehensive disclosure and reporting.

THE CORPORATE DEBT RESTRUCTURING COMMITTEE

■ ROLE

- Facilitate the restructuring of large corporate debts.

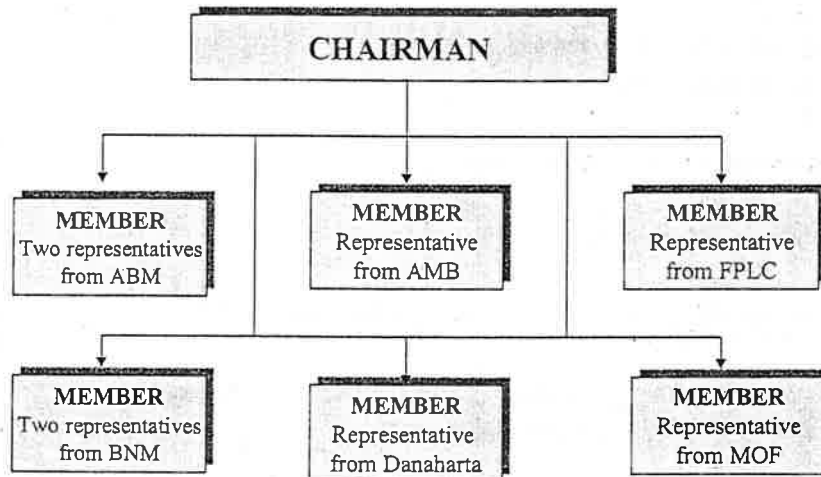
■ KEY FUNCTIONS

- Set guidelines and policies.
- Evaluate applications to determine their viability for acceptance.
- Monitor and manage the progress of accepted cases.

■ MEMBERSHIP

- Nine (including Chairman) appointed by BNM Governor.
- Comprises representatives from regulators, and business and financial community.

MEMBERSHIP OF CDRC



MEMBERS OF CDRC

- Dato' Azman Yahya (Chairman)
- Dato' Ismail Shahudin (Association of Banks Malaysia)
- Mr. Michael Hague (Association of Banks Malaysia)
- Mr. Cheah Tek Kuang (Association of Merchant Banks Malaysia)
- Encik Mohd Razif Abdul Kadir (Bank Negara Malaysia)
- Puan Nor Shamsiah Yunus (Bank Negara Malaysia)
- Encik Rahim Mokti (Ministry of Finance)
- Encik Abdul Hamidy Hafiz (Pengurusan Danaharta Nasional Berhad) - *new member*
- Dato' Megat Najmuddin Khas (Federation of Public Listed Companies and Malaysian Institute of Corporate Governance) - *new member*

CRITERIA FOR ACCEPTANCE

- Minimum aggregate borrowings of RM100 million by the borrower/group.
- Exposure to at least 5 Creditors Banks.
- Viable, ongoing businesses.
- Sufficient cash generated to cover operating expenditure (EBITDA).
- Can be referred to by corporate borrowers or bank creditors making up at least 25% of total indebtedness.

CREDITORS' STEERING COMMITTEE

■ ROLE

- Co-ordinate, formulate and manage the implementation of an acceptable workout.

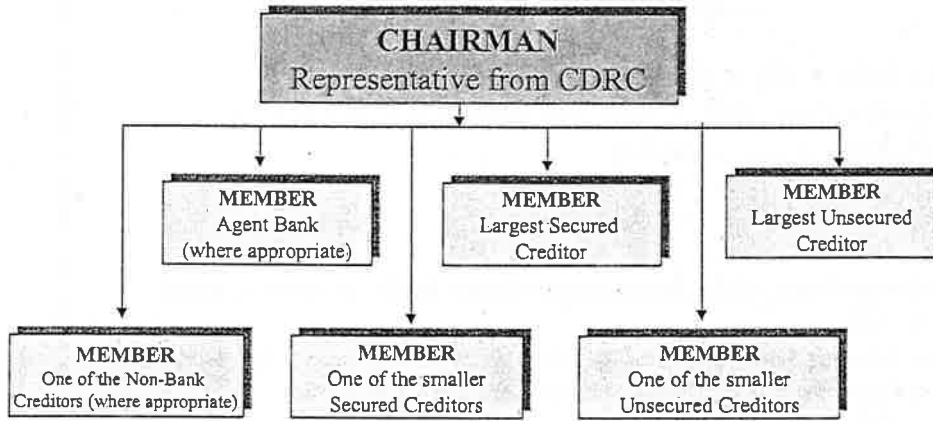
■ KEY FUNCTIONS

- Convene regular meetings to review progress and determine follow-up action.
- Negotiate with borrowers in evaluating and determining appropriate workout.
- Liaise with and guide consultants on acceptability or otherwise of their proposals.
- Assist in liaising with and obtaining approvals from relevant regulatory authorities.

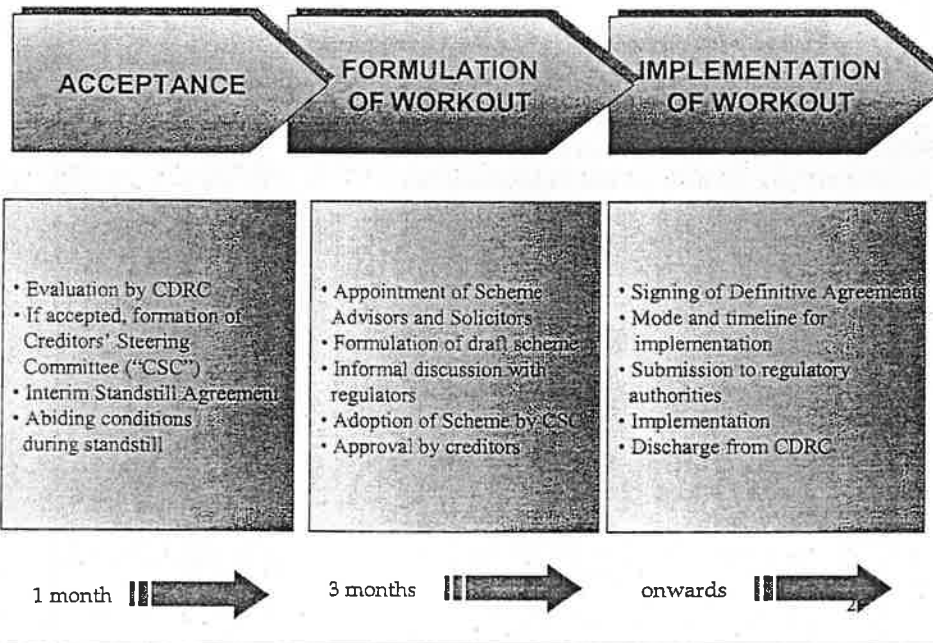
■ MEMBERSHIP

- Chairman and Secretary shall be senior representatives from CDRC.
- Representation from at least 5 Creditor Banks.
- Two senior representatives from each Creditor Bank, one of whom must be Head of Recovery or equivalent.
- For syndicated exposures, the Agent Bank shall automatically be appointed a member.
- Failure to attend 2 meetings will result in termination of membership. Absenteeism shall be reported to BNM.

MEMBERSHIP OF CREDITORS' STEERING COMMITTEE



- Representation should constitute more than 50% of creditors in value terms.
- Representation from the smaller creditors shall constitute the lower 50% of creditors in value terms.



GUIDING PRINCIPLES

Each workout shall be guided by the following:

- Creditors' claims shall be limited to levels as at date of the Standstill Agreement.
- Preservation of existing securities.
- Preservation of borrower's cash flow
- Recognition of lender's priority of rights.
- No accelerated demand for repayment.
- Where operating accounts are maintained, Creditor Banks will not exercise rights of set-off.
- New monies (approved by the CSC) will be given priority of exit under the Workout.
- Total recovery should correlate to the net aggregate value of tangible and intangible assets of the Borrower.
- Shareholders shall take a bigger haircut than creditors.
- Financial Restructuring and Operational Restructuring must ensure viability and going concern status of the Borrower.

GUIDING PRINCIPLES (cont'd)

Financial Restructuring will embody the following:-

- Debt to be restructured into equity/quasi equity and pure debt.
- Common rate of interest for similar classes of creditors.
- Maximum differential in rate of interest between classes of creditors of 1% p.a.
- Waiver of all penalty interest.
- Periodic servicing of interest.
- Designated usage of funds.
- Sharing of all surplus from disposal of unencumbered assets.
- Incorporation of financial covenants.
- All concessions can be clawed back in the event of failure.

GUIDING PRINCIPLES (cont'd)

Operational Restructuring to incorporate the following:-

- Changes in management, Board of Directors and shareholders, where appropriate.
- Disclosure of related-party transactions.
- Divestment and/or liquidation of non-viable and non-core assets within defined parameters.
- Sale of assets to be agreed by the CSC and should reflect prevailing market values.
- Provisions for appointment of Monitoring Accountants and special audits.
- Regular reporting to creditors.
- Establishment of operational covenants.

FORMULATION OF WORKOUT PROPOSAL

- Upon acceptance by CDRC, a Standstill Agreement is to be executed by a majority in value of creditors and will be binding on all creditors.
- Appointment of consultants to formulate a workout proposal.
 - Scheme Advisors and Solicitors from an approved panel.
 - Discussions with regulators, where necessary.
- Adoption of the workout proposal by the CSC.
- Approval for implementation.
 - Majority in number representing at least 75% in value of the creditors present and voting.
 - All creditors shall be bound by the decision of the majority.
 - Rejections must be accompanied with valid reasons and proposed amendments.
 - Upon rejection of any scheme, specific provisions shall be made by bank creditors based on valuation determined during the workout.

IMPLEMENTATION OF WORKOUT PROPOSAL

- Signing of Restructuring Agreements.
 - All creditors to endorse the agreements as approved by the CSC.
- Mode of implementation of the Workout Proposal.
 - Shall be in one of the following manner:
 - Voluntary Scheme by the Borrower;
 - R&M;
 - Section 176; or
 - Danaharta Act.
- Costs and expenses.
 - Shall be borne by the Borrower or White Knight.

31

ABIDING CONDITIONS DURING STANDSTILL PERIOD

BORROWERS

- Cash inflows to be captured in a prescribed escrow account to defray the following expenses:-
 - Operational expenses;
 - Payments from specifically encumbered sources;
 - Working capital;
 - Payment to all advisors; and
 - Interest servicing/principal repayment
- No preferential treatment of existing lenders.
- No disposal or charge, acquisition or transfer of assets without consent of the CSC other than that incurred in the ordinary course of business.
- Prevailing substantial shareholders are not permitted to dilute and/or divest their shareholding without the consent of the CSC.

32

ABIDING CONDITIONS DURING STANDSTILL PERIOD (cont'd)

BORROWERS (cont'd)

- No new venture or undertaking without the consent of the CSC.
- No new borrowings other than that agreed by the CSC.
- Regular reports as requested by the CSC.
- Provision for appointment of Monitoring Accountants.
- Provision to allow for special audits.

ABIDING CONDITIONS DURING STANDSTILL PERIOD (cont'd)

CREDITOR BANKS

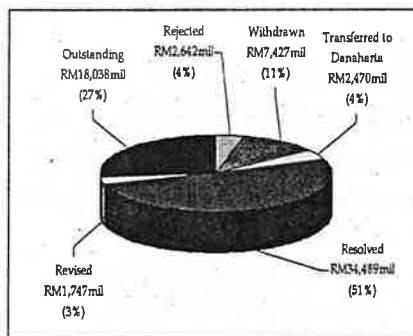
- Stay of all legal proceedings.
- Moratorium on all new legal action.
- Endorse Standstill Agreement drafted by solicitors appointed by the CSC.
- Interest servicing based on priority of rights and similar class of creditors, subject to affordability.
- Revert within one month with their approval/disapproval on the workout proposal. Failure to revert within stipulated time shall be construed as acceptance.
- Bound by all decisions of the CSC including decision to sell assets.

STATUS SUMMARY AS AT 31 DECEMBER 2001

35

STATUS UPDATE AS AT 31 DECEMBER 2001

Status as at 31 December 2001		
	RM mil	No of cases
Cases discharged		
Rejected cases	2,642	10
Withdrawn cases	7,427	13
Subtotal	10,069	23
Cases accepted		
Outstanding	18,038	12
Revised	1,747	3
Resolved	34,489	37
Transferred to Danaharta	2,470	11
Subtotal	56,744	63
Total referred to CDRC	66,813	86



36

**PROGRESS OF RESTRUCTURING OF ACCEPTED
CASES AS AT 31 DECEMBER 2001**

As at 31 December 2001	Total debt		Pending lenders' approval		Approved by lenders pending implementation		Fully implemented	
	RMmil	Cases	RMmil	Cases	RMmil	Cases	RMmil	Cases
Resolved	34,489	37	0	0	5,852	14	28,637	23
Transferred to Danaharta	2,470	11	1,573	6	563	3	334	2
Revised	1,747	3	1,747	3	0	0	0	0
Outstanding	18,038	12	18,038	12	0	0	0	0
Total	56,744	63	21,358	21	6,415	17	28,971	25

37

STATUS AS AT 31 DECEMBER 2001

TRANSFERRED TO DANAHARTA CASES		Amount outstanding
		RM2,470 m
Pending lenders approval		RM1,573 m
1	NCK Corporation Bhd	
2	Abrar Group International Sdn Bhd	
3	Timber Master Industries Bhd	
4	Cableview Services Sdn Bhd	
5	Abrar Corporation Berhad	
6	Magnitude Network Sdn Bhd	
Approved by lenders but pending implementation		RM563 m
7	Bridgecon Holdings Bhd	
8	Jupiter Securities Bhd	
9	Suasa Unik (M) Sdn Bhd	
Fully implemented		RM334 m
10	PERSTIMA Bhd	
11	Red Box (M) Bhd	

38

STATUS AS AT 31 DECEMBER 2001		
REVISED CASES		
Pending lenders approval		Amount outstanding
Borrowers		RM1,747 m
1	ELITE	
2	Business Focus Sdn Bhd	
3	Chase Perdana Bhd	

STATUS AS AT 31 DECEMBER 2001		
OUTSTANDING CASES		Amount outstanding
Pending lenders approval		RM18,038 m
1	Lion Group	
2	Sistem Televisyen M'sia (TV3)	
3	Intrakota Komposit Sdn bhd	
4	Actacorp Holdings Bhd	
5	Johor Corporation	
6	Metroplex Bhd	
7	Land & General Bhd	
8	Johan Holdings Bhd	
9	George Kent (M) Bhd	
10	HVD	
11	Kretam Holdings Berhad	
12	PKNP	

Note:

CDRC is expected to cease operations by the end of July 2002.

DETAILS OF CDRC'S PROGRESS SINCE 1 AUGUST 2001

43

RESOLVED CASES

44

Idris Hydraulics Berhad

- On 8 September 2001, the Debt Restructuring Agreement for IHB's restructuring scheme was signed for outstanding debts amounting to RM843mn.
- The scheme involves:-
 - Newco taking over IHB's listed status via issuance of 1 Newco share for every 40 IHB shares.
 - 3 for 1 rights issue to raise RM42mn
 - Issuance of loan stocks by SPV, guaranteed by Newco
 - Disposal of non-core assets within 12 months
- Recovery rates:-

Secured	=	100%
Unsecured	=	58%

45

Hai Ming Holdings Berhad

- On 30 October 2001, a Debt Restructuring Agreement ("DRA") was signed for HMHB's outstanding debts of RM53.6mn with 8 creditor banks. HMHB was admitted to CDRC in October 1999.
- As part of the DRA, a work-out scheme involving the following has been proposed:-
 - Acquisition of Koh Poh Seng Plywood Co. (M) Sdn Bhd ("the White Knight") for RM99,800,000 to be satisfied via issuance of 99,800,000 new ordinary shares of RM1.00 in HMHB.
 - Settlement of bank debts via a combination of cash, new ordinary shares, Redeemable Convertible Secured Loan Stocks (RCSLS) and Irredeemable Convertible Unsecured Loan Stocks (ICULS)

46

Cygal Berhad

- On 19 November 2001, the Debt Restructuring Agreement for Cygal's restructuring scheme was finalised for outstanding debts amounting to RM230mn. Cygal was admitted to CDRC in February 1999.
- The scheme involves:-
 - Takeover of Cygal's listing status by Newco through share swap
 - Proposed rights issue of RM31mn
 - Proposed issuance of RCLS and ICULS by Newco
 - Proposed acquisition of property development companies paid in cash and Newco shares

47

Sistem Transit Aliran Ringan Sdn Bhd ("STAR") Perusahaan Usahasama Transit Automatik Sdn Bhd ("PUTRA")

- On 30 November 2001, the debt restructuring scheme of STAR and PUTRA was successfully completed, representing first phase of overall restructuring of the LRT system. STAR and PUTRA were referred to CDRC in June 1999.
- This involves:-
 - Purchase of loan rights from STAR and PUTRA lenders by SPNB (loan rights as at 29 November 2001 amounted to RM5.7bn)
 - Issuance of RM5.468bn fixed rate serial bonds by SPNB as purchase consideration

48

Tanco Holdings Berhad

- On 6 December 2001, the Debt Restructuring Agreement for Tanco's restructuring scheme was finalised for outstanding debts amounting to RM294.77mn. Tanco was admitted to CDRC in December 1998.
- The scheme involves:-
 - Repayment of debt amounting to RM6.38mn from part of the proceeds of a proposed two-call rights issue with warrants
 - Remaining debts will be termed-out over 6 years

49

Nam Fatt Corporation Berhad

- On 31 December 2001, the Debt Restructuring Agreement for Nam Fatt's restructuring scheme was finalised for outstanding debts amounting to RM611mn. Nam Fatt was admitted to CDRC in August 1998.
- The scheme involves:-
 - Proposed rights issue of Irredeemable Convertible Unsecured Loan Stocks B amounting to RM10mn to be used for working capital and repayment of bank borrowings
 - Conversion of outstanding debts to Long Term Loan and Irredeemable Convertible Unsecured Loan Stocks A
 - Disposal of assets worth an estimated RM108mn

50

Gadek (Malaysia) Berhad

- On 9 January 2002, the Debt Restructuring Agreement for Gadek's restructuring scheme was signed by all lenders for outstanding debts amounting to RM1.1bn. Gadek was admitted to CDRC in April 1999.
- The scheme involves:-
 - Cash settlement of RM240mn
 - Proposed issue of Redeemable Secured Loan Stocks amounting to RM486mn
 - Proposed issue of Redeemable Exchangeable Secured Loan Stocks amounting to RM208mn, exchangeable for new DRB-Hicom shares
 - Proposed issue of Redeemable Exchangeable Unsecured Loan Stocks amounting to RM178mn, exchangeable for new DRB-Hicom shares

51

Land & General Berhad

- On 28 February 2002, the Debt Restructuring Agreement for L&G's restructuring scheme was finalized for outstanding debts amounting to RM350mn. A separate meeting with Euro Convertible bondholders will be held later for outstanding debts worth RM307mn.
- L&G was admitted to CDRC in May 2001.
- The scheme involves:-
 - Conversion of outstanding debts to term loan and RCLS
 - 29.6mn shares in Bumi Armada Berhad will be swapped with all lenders at a fixed price of RM7 per share
 - Disposal of assets valued at RM618mn

52

Sistem Televisyen Malaysia Berhad

- On 28 February 2002, the debt restructuring scheme of TV3 was approved by its lenders for outstanding debts amounting to RM645mn. TV3 was accepted into CDRC in December 1999.
- The scheme involves:-
 - Proposed capital reduction of 60%
 - Proposed debt waiver of RM191.7mn
 - Cash payment of RM140.2mn
 - Proposed issue of RM89.4mn 5-year, 4.5% Redeemable Unsecured Loan Stocks
 - Proposed issue of 223.6mn new TV3 shares which will be swapped into 102.8mn MRCB shares and 66.8mn Profitune Berhad shares

53

Chase Perdana Berhad

- On 6 March 2002, the debt restructuring agreement for CP's restructuring scheme was finalized for outstanding debts amounting to RM569.7mn. CP was accepted into CDRC in June 1999.
- The scheme involves:-
 - Proposed 90% capital reduction and consolidation
 - Proposed share premium account reduction of RM159.6mn
 - Proposed rights issue of RM28.1mn
 - Proposed conditional restricted issue of new shares between RM0.7mn-28.1mn
 - Proposed conversion of outstanding debts to RCPS, RCSLS and RCULS after waiver of some portion of unsecured debts
 - Proposed assets disposal with estimated value of RM187.4mn

54

NEW CASES

55

Kretam Holdings Berhad

- Kretam Holdings Bhd (“KHB”) via its advisors, Alliance Merchant Bank Berhad (“Alliance”) had written on 7 September 2001 requesting for its debt restructuring scheme to be admitted into CDRC.
- At the CDRC Main Committee meeting on 4 October 2001, the request for KHB’s debt restructuring scheme to be admitted into CDRC was approved.
- As at 31 December 2000, KHB Group has total borrowings of RM373mn spread amongst 16 banks.
- KHB’s principal activities are in oil palm plantation and investment holding, and is listed on the KLSE Main Board.

56

Perbadanan Kemajuan Negeri Pahang

- Perbadanan Kemajuan Negeri Pahang (“PKNP”) via its advisors, CIMB had written on 3 December 2001 requesting for its debt restructuring scheme to be admitted into CDRC.
- The request was approved by the Committee vide circular resolution dated 12 December 2001.
- CDRC agreed to accept PKNP and assist in its debt restructuring exercise based on a proposed guarantee to be provided by the Pahang State Government on at least a portion of the restructured debts.
- PKNP has total borrowings of about RM702.5mn, including RM182.1mn at various dependent subsidiaries, spread amongst 24 lenders.

57

Sriwani Holdings Berhad

- Sriwani Holdings Berhad (“SHB”) via its advisors, Arthur Andersen (“AA”) had written on 5 and 21 December 2001 requesting for its debt restructuring scheme to be admitted into CDRC.
- The request was approved by the Committee during a meeting on 10 January 2002.
- SHB’s main business is trading of duty free merchandise with 15 duty free outlets around the world. It is also involved in other tourism-related activities such as resort development and food and beverage.
- SHB Group has total borrowings of RM609mn spread amongst 25 banks.

58

REJECTED CASES

PSC Industries Berhad

- The discharge of PSC Industries Bhd ("PSCI") from CDRC was approved by the Committee vide circular resolution dated 12 December 2001 and announced on 28 December 2001. PSCI was admitted to CDRC in September 1998.
- During a meeting on 11 December 2001, it was unanimously decided by PSCI lenders to declare an event of default due to non-compliance of abiding conditions in the Debt Restructuring scheme by the borrower.
- Lenders expressed their desire to pursue unilateral action and were agreeable for PSCI's discharge from CDRC.
- A total of RM553mn is owing by PSCI and its subsidiaries to 13 financial institutions.

Business Focus Sdn Bhd

- The discharge of Business Focus Sdn Bhd ("BFSB") from CDRC was approved by the Committee during a meeting held on 10 January 2002 and announced on 11 January 2002. BFSB was admitted to CDRC in September 1998.
- During a meeting on 9 January 2002, it was unanimously decided by BFSB lenders to declare an event of default due to non-compliance of abiding conditions in the Debt Restructuring scheme by the borrower.
- Lenders expressed their desire to pursue unilateral action and were agreeable for BFSB's discharge from CDRC.
- A total of RM374mn is owing by BFSB and its subsidiaries to 11 financial institutions.

61

Actacorp Holdings Berhad

- The discharge of Actacorp from CDRC was approved by the Committee vide circular resolution dated 4 February 2002 and announced on 18 February 2002. Actacorp was admitted to CDRC in September 1998.
- During a meeting on 31 January 2002, it was unanimously decided by Actacorp lenders to request for the discharge.
- Lenders expressed their desire to pursue unilateral action having accepted that sufficient time had been given to the group to achieve a meaningful debt restructuring scheme.
- A total of RM163mn is owing by Actacorp and its subsidiaries to 20 lenders.

62

