



## MANAGEMENT OF SECURITIES

As a result of loan restructuring exercises where settlements were in the form of securities, Danaharta would own and manage the securities. These securities could include equity shares which were set off as part of a settlement agreement or new securities issued by the borrower.

In general, the securities were categorised into irredeemable, redeemable and convertible securities:

- **Irredeemable securities**

The two classes of securities in this category were ordinary shares and irredeemable convertible loan stocks (ICULS). Danaharta would only dispose of these securities if the share price exceeded the pre-determined target price based on Danaharta's fundamental analysis of the securities. Danaharta's policy for the sale of shares was to sell controlling blocks through a tender exercise and non-controlling blocks through the market.

- **Redeemable securities**

This category included both secured and unsecured loan stocks as well as preference shares. Danaharta would only dispose of these securities if the price exceeded the pre-determined target price based on Danaharta's analysis of the credit risks against the yield to maturity of the securities. If the target price was not met, Danaharta would depend on redemption of the securities as a means to exit from these securities.

- **Convertible securities**

These were generally redeemable securities such as loan stocks and preference shares which might be converted into equity shares. The management of these securities would be mainly similar to that of redeemable securities, up to the point where the price of the ordinary shares exceeded the redemption sum of the instrument. From that point onwards, any decision to sell would be similar to that for ordinary shares, i.e. when the price exceeded the target price set by Danaharta based on fundamental analysis.

The actual selling of securities that were readily tradable were made through:

- Stockbrokers, in accordance with market rules of the Bursa Malaysia where the securities are listed and normally traded through the Bursa Malaysia; and
- Financial institutions, where sales would follow normal trade practices for marketable instruments (relating mainly to securities that were not listed or normally traded through the Bursa Malaysia).
- However, where the securities were subject to call and put options, the decision to dispose the securities would be governed by the call and put option agreements. In situations where there was a breach of the agreement, the decision to dispose would be based on the type of security as explained above.

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