

“APPENDIX 1”

SUMMARY OF THE AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS (“ACE LR”) IN VARIOUS AREAS

RELATED PARTY TRANSACTION (“RPT”) REQUIREMENTS (Please refer to Appendix 2 for the full text of the amendments)

- (1) Exempting additional small or immaterial transactions from the RPT requirements and non-RPT acquisition and disposal requirements by increasing the monetary limit from RM100,000 to **RM200,000** [Rules 10.08(1)(a); 10.08(10); 10.06(3) and 10.07(3)].
- (2) Clarifying that the Sponsor or Adviser must **advise the listed corporation** whether the RPT is carried out on fair and reasonable terms and conditions, and not to the detriment of the minority shareholders of the listed corporation (instead of ensuring that the RPT is carried out on fair and reasonable terms and conditions [Rule 10.08(4)].
- (3) Exempting more transactions which pose insignificant risks to listed corporations from complying with the RPT requirements and refining the existing exemptions as follows:
 - (a) increasing the shareholding threshold of less than 1% held by the common director in the counterparty to **less than 5%** [Rule 10.08(11)(c)];
 - (b) increasing the shareholding threshold of a related party in the target company from less than 5% to **less than 10%** [Rule 10.08(11)(d)];
 - (c) increasing the shareholding threshold of the related party in the counterparty from less than 5% to **less than 10%** [Rule 10.08(11)(l)];
 - (d) expanding the Exempted Transactions referred to under paragraph 10.08(11)(g) relating to provision of goods or services based on non-negotiable fixed price or rate which is published or publicly quoted, to the **provision or usage of broadcasting services** [Rule 10.08(11)(g)];
 - (e) in relation to a contract awarded by way of public tender, requiring a listed awardee or its subsidiaries to provide **an explanation of the basis for selecting the winning bid** in the immediate announcement, in addition to the existing disclosure on the terms of the awarded contract and value of at least the 3 closest bid [Rule 10.08(11)(j)];

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- (f) exempting the following additional transactions from the RPT requirements *[Rule 10.08(11)(a)]*:
- (i) the **grant of options and the issue of securities arising from the exercise of options, under a Share Issuance Scheme** implemented by the listed corporation or any of its subsidiaries (subject to compliance with Chapter 6 of the ACE LR); and
 - (ii) **subscription of securities on a pro rata basis.**
- (4) Simplifying the RPT and RRPT requirements relating to the obligation of an interested related party to abstain from voting and ensuring that persons connected with it abstain from voting, on a resolution in respect of the transaction *[Rules 10.08(7) and 10.09(2)(d)]*.

REGULARISATION PLANS FOR FINANCIALLY DISTRESSED LISTED CORPORATIONS AND FRAMEWORK FOR LISTED CORPORATIONS WITH INADEQUATE LEVEL OF OPERATIONS (Please refer to Appendix 3 for the full text of the amendments)

- (5) Improving the quality of regularisation plans of financially distressed listed corporation classified under Guidance Note 3 (“GN3 Company”) through the following enhanced regularisation criteria *[paragraphs 3.0; 5.1; 5.2 and 5.3 of Guidance Note 3]*:
- (a) requiring the GN3 Company and its Sponsor to demonstrate to the satisfaction of the Exchange the following:
 - (i) the regularisation plan is able to **strengthen the financial position** of the GN3 Company;
 - (ii) the **steps** taken or proposed to be taken **are comprehensive and capable of addressing the issues** which caused the GN3 Company to trigger any of the Prescribed Criteria¹; and
 - (iii) the **core business activities post-implementation** of the regularisation plan **must be sustainable and have prospects**;
 - (b) requiring the GN3 Company and its Sponsor to **review** the GN3 Company’s **risk management and internal control system** and **submit to the Exchange the results together with its action plans** to address the weaknesses identified *[paragraph 5.4 of Guidance Note 3]*;
 - (c) prescribing the minimum contents of the circular for regularisation plan undertaken by a GN3 Company *[Annexure GN3-A]*; and

¹ **Prescribed Criteria** refers to the criteria in relation to the financial condition of the listed corporation as set out in paragraph 2.0 of Guidance Note 3.

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- (d) stipulating the documents required for the submission of regularisation plans by the GN3 Company [*paragraph 5.5 of Guidance Note 3*].
- (6) Introducing a separate framework for listed corporations with inadequate level of operations (instead of classifying them as or co-mingling them with the other GN3 Companies) as follows [*Rule 8.03A*]:
 - (a) requiring the listed corporation to **comply with the similar disclosure requirements and regularise its conditions as in the case of a GN3 Company**; and
 - (b) allowing the listed corporation to **dispense with undertaking a regularization plan pursuant to Guidance Note 3** if it is able to **demonstrate to the Exchange's satisfaction** that its **remaining business is sustainable and has prospects** with appropriate justifications, it remains suitable for continued listing, and it makes specific immediate announcements.

FOREIGN LISTING REQUIREMENTS (Please refer to Appendix 4 for the full text of the amendments)

- (7) Requiring a foreign corporation whose operations are entirely or predominantly foreign-based to have **at least 2 independent resident directors** [*Rule 5.07*].
- (8) Requiring the **audit committee** of a foreign corporation to have **at least 1 independent resident** director upon admission and on a continuing basis [*Rules 5.07A and 5.14*].
- (9) Requiring a foreign corporation to appoint an **internationally affiliated accounting firm** as its external auditors [*Rule 5.11*].
- (10) Defining “**auditor**” to mean a registered auditor or a recognised auditor under section 31O of the Securities Commission Act 1993 [*Rule 1.01*].
- (11) Stipulating that a foreign corporation must obtain prior shareholder approval in a general meeting to appoint or remove its external auditor [*Rule 5.15A*].
- (12) Requiring a foreign corporation to immediately announce any change in the laws of its country of incorporation or the laws in the country of incorporation of its foreign principal subsidiary which may affect the rights of its shareholders. Consequentially, moving the definition of “principal subsidiary” in Rule 8.23(2)(a) to Rule 1.01, and refining the said definition for greater clarity [*Rules 5.25; 8.23(2)(a) and 1.01*].
- (13) Clarifying that a foreign corporation and its subsidiaries **must have a system of internal control similar to that required of a public company** under the Malaysian Companies Act 1965 [*Rule 5.26*].
- (14) Clarifying that a listed corporation must **make available for inspection the agreements** entered into by the listed corporation or its subsidiaries in connection with any acquisition or disposal of assets, or any transaction outside the ordinary course of business, at **its registered office in Malaysia** [*Rule 8.33*].

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DISCLOSURE OBLIGATIONS (Please refer to Appendix 5 for the full text of the amendments)

- (15) Requiring immediate announcement of the **appointment** of, or **change in a legal representative** of the listed corporation or its foreign principal subsidiary *[Rule 9.19(14B) and Part B(B) of Appendix 9A]*.
- (16) Moving the requirements set out in Guidance Note 5 relating to default in payment, to a new Rule 9.19A containing the simplified events of default in respect of any credit facility or debt securities, which, if triggered will require the listed corporation to make an immediate announcement to the Exchange, irrespective of whether a demand has been made *[Rule 9.19A; Part H(A) of Appendix 9A; Rules 9.03; 9.04(l); 9.16; Guidance Note 5; and paragraph 2.1(h) of Guidance Note 3]*.

OTHER AMENDMENTS (Please refer to Appendix 6 for the full text of the amendments)

- (17) **Removing the requirement for approval of the listed corporation's shareholders** for a Share Issuance Scheme undertaken by a subsidiary, and requiring **immediate announcement of the principal terms and financial effect (including the dilutive effect)** of any employee share scheme implemented by the subsidiary as an additional safeguard *[Rules 6.45 and 9.19(52)]*.
- (18) Reinstating the requirement that a listed corporation seeking a listing of its **convertible securities must have at least 100 holders holding not less than 1 board lot of the convertible securities each** *[Rule 6.52]*.
- (19) Clarifying the documents that must be filed with the listing application for bonus issues *[paragraph 1(dA) in Part B of Annexure GN17-B]*.
- (20) Allowing a listed corporation to provide the relevant confirmations for an application of quotation of new issue of securities arising from an exercise or conversion of convertible securities, or an exercise of options under a Share Issuance Scheme *[paragraph 2 in Part C of Annexure GN17-B]*.
- (21) Allowing a Cash Company which does not intend to maintain its listing status to distribute the monies placed in the custodian account to its shareholders on a pro rata basis, early *[Rule 8.03(9)]*.
- (22) Liberalising the requirements in relation to a provision of financial assistance as follows *[Rule 8.25]*:
- (a) clarifying that a subsidiary listed on a stock exchange outside Malaysia is not subjected to the requirements under Rule 8.25 on provision of financial assistance, but instead will be subjected to its home exchange rules on the subject matter;
 - (b) allowing provision of financial assistance to joint arrangements; and

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- (c) clarifying that shareholder approval is not required for financial assistance given to associated companies or joint arrangements if the financial assistance –
- (i) is necessary to facilitate the ordinary course of business of the listed corporation or its subsidiaries; or
 - (ii) pursuant to the ordinary course of business of the listed issuer or its subsidiaries.
- (23) Clarifying that in addition to a DBT, “**on the market**” also **excludes** a share buy-back executed via an **On-Market Married Transaction** [Rule 12.02].
- (24) Requiring a **valuation** to be conducted on all material real estate of a listed corporation which intends to undertake a Major Disposal, if its total assets comprise substantial real estate [Rules 10.11A(1)(bA) and 10.11A(5)].
- (25) Stipulating that, in the case of a take-over offer where the listed corporation has made an announcement that the offeror does not intend to maintain the listed corporation’s listing status, the Exchange shall only suspend trading of the listed corporation’s securities **upon expiry of 5 market days from the close of the offer period** (instead of from the date of the announcement by the listed corporation) [Rule 16.02(3) and Part J of Appendix 9A].
- (26) **Removing** the requirement to suspend the securities of a listed corporation upon the expiry of 5 market days from the date of immediate announcement by the listed corporation that the offeror does not intend to maintain the listed corporation’s listing status **pursuant to a corporate proposal** in Rule 16.02(3), as a similar requirement is already provided under Rule 16.02(1)(a) where the Exchange may suspend the trading of listed securities in the event of any substantial corporate exercise or capital restructuring of a listed corporation [Rules 16.02(1)(a) and 16.02(3)].
- (27) Other ancillary enhancements as follows:

No.	Rule	Amendments
(a)	Rule 1.01	Clarifying that a partnership in the definition of “ partner ” also includes a limited liability partnership as defined in the Limited Liability Partnerships Act 2012 (in addition to a partnership as defined in the Partnership Act 1961).
(b)	Rule 2.28A	Clarifying that any amendment to the ACE LR will not affect any action proposed to be taken, or is in the process of being taken, or has been taken by the Exchange, in relation to the provision which is effective prior to the amendments.

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No.	Rule	Amendments
(c)	Rule 6.57	Clarifying that a listed corporation must submit an additional listing application for any issue of convertible securities arising from adjustments due to an issue of securities or a subdivision or consolidation of shares.
(d)	Rule 8.28(1)	Clarifying that once dividend has been declared <u>or proposed to the shareholders</u> , the listed corporation must not make any subsequent alteration to the dividend entitlement.
(e)	Paragraph 2 in Appendix 8A.	Cross referring the existing requirement for a listed corporation to include the specific information in relation to a mandate obtained under Rule 6.04(3) for a new issue of securities, in its statement accompanying notice of annual general meeting.
(f)	Rules 8.25(4)(b); 9.20(2)(a); 10.08(11)(e); 10.08(11)(m)(dd)(C); 10.08(11)(p); and paragraph 2.2 of Guidance Note 4	Clarifying in the ACE LR, where appropriate, that the reference to Bank Negara Malaysia, refers to the <u>equivalent foreign regulatory authority as the Exchange deems appropriate</u> .
(g)	Rule 9.20(2)(b)	Clarifying that the purchases or sales in an existing subsidiary or associated company refer to purchases or sales of <u>quoted securities</u> .
(h)	Rule 9.32(b)	Clarifying that where a corporate proposal is also subject to the approval from other relevant authorities, a listed corporation must issue the circular or document within 14 market days after receipt <u>of the Exchange's approval or the relevant authorities' approval, whichever is the later</u> .
(i)	Rule 10.02(g)(ii) and Rule 10.03(2)	Clarifying that in determining the net profits of the assets which are the subject matter of the transaction in the percentage ratio for the net profits test, the net profits refer to the <u>profits after tax attributable to owners of a corporation (before other comprehensive income or loss) represented by the equity interest being acquired or disposed</u> .

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No.	Rule	Amendments
(j)	Rule 10.03(1)(b)(ii) and paragraph 7(a) in Part H of Appendix 10B	Replacing “accounts” with “ <u>financial statements</u> ”
(k)	Rule 10.08(11)(p)	Replacing “or on behalf of” with “ <u>or guaranteed by</u> ”.
		Replacing “unlisted subsidiary” with “ <u>subsidiary not listed on any stock exchange</u> ”.
(l)	Rule 10.11(4) of the ACE LR	Deleting Rule 10.11(4) which requires a listed corporation to issue a circular or any documents only after the Exchange has confirmed in writing that it has no further comments, no later than 7 market days after receipt of such confirmation.
(m)	Paragraph 3 in Part G of Appendix 10B	Clarifying that an accountant’s report is not required for a very substantial transaction involving the acquisition of an unlisted corporation, if the percentage ratio for the very substantial transaction is triggered solely as a result of aggregating the separate transactions of the unlisted corporations and treating them as 1 transaction but where individually, each transaction is less than 100%.
(n)	Rule 15.05(2)	In relation to a foreign listed corporation, clarifying that any person appointed as its director has not been convicted by a court of law of an offence under the <u>equivalent securities and corporation legislation of the foreign listed corporation’s place of incorporation</u> .
(o)	Rule 15.17(f)	Replacing “internal auditors” with “ <u>persons carrying out the internal audit function or activity, or both</u> ”.
(p)	Rule 16.07	Clarifying that a listed corporation may apply for delisting under the following modes of privatisation:

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No.	Rule	Amendments
		<p>(a) in relation to a take-over offer under the Malaysian Code on Take-Overs and Mergers 2010, other than those effected by way of a scheme of arrangement, compromise, amalgamation or selective capital reduction, upon 90% or more of its listed shares (excluding treasury shares) being held by a shareholder, either individually or jointly with associates of the said shareholder; or</p> <p>(b) in relation to a corporate proposal undertaken by or in relation to the listed corporation, upon 100% of the listed shares of the listed corporation being held by a shareholder either individually or jointly with the associates of the said shareholder,</p> <p>and the listed corporation has announced the offeror's intention not to maintain the listed corporation's listing status.</p>
	Rule 9.19(48)	Clarifying the immediate announcement requirement in a take-over offer by deleting the words "for the acquisition of the listed shares of a listed corporation".
(q)	Paragraphs 1.1, 2.2, 3.1 and 3.2 of Guidance Note 4 and paragraphs 3.4(a) and (c) of Guidance Note 8	Replacing "unlisted subsidiary" with " <u>subsidiary not listed on any stock exchange</u> "
(r)	Paragraph 12 in Part A of Annexure GN17-B	Clarifying that a controlling shareholder of a listed corporation which is a <u>statutory institution managing funds belonging to the general public</u> , is no longer required to list down its directorships or substantial shareholdings in all other listed corporations in Malaysia for the past 3 years, in a listing application for new issue of securities.

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No.	Rule	Amendments
(s)	Paragraph 19 in Part A of Annexure GN17-B	Specifying that the prescribed undertakings required in the listing application for new issue of securities are only required for corporate proposals which apply the procedures set out under <u>paragraphs 4.1 and 4.2</u> (instead of stating generally paragraph 4.0) of Guidance Note 17.

[End]