

APPENDIX 2

QUESTIONS AND ANSWERS

AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS
RELATING TO ACE MARKET ONE-STOP CENTRECHAPTER 1 - DEFINITIONS AND INTERPRETATION

1.2 Definition of "independent director"

(i) - (iv) [No change].

(v) What are the examples of "adviser" used in sub-Rule (f) of the said definition?

"Adviser" is as defined in Rule 1.01 of the ACE LR and includes, amongst others, Advisers or Sponsors, Qualified Persons and Senior Officers of the Advisers or Sponsor, advocates and solicitors, licensed investment banks, universal brokers, tax consultants, accounting firms, auditing firms etc offering professional advisory services to the listed corporation or its related corporation.

(vi) [No change].

(vii) *Mr X* is a director (and not a major shareholder) of *A Bhd*, a listed corporation. He is proposed to be appointed as an independent director of *B Bhd*, another listed corporation. *A Bhd* and *B Bhd* are engaged in transactions, the consideration of which exceeds the said Threshold. Would paragraph 5.1 of Guidance Note 9 preclude *Mr X* from being appointed as an independent director of *B Bhd*?

Mr X would not be disqualified from being an independent director of *B Bhd* pursuant to sub-Rule (g) of the said definition and paragraph 5.2(b) of Guidance Note 9 if *Mr X* is not involved in the transactions entered into between *A Bhd* and *B Bhd*, i.e. *Mr X* is not the initiator, promoterspecified shareholder, agent or is not a party to such transactions, and provided that such transactions are on normal commercial terms.

(viii) - (xiii) [No change].

[End of Chapter 1]

CHAPTER 2 - GENERAL***Undertaking by adviser*****2.7 Are advisers required to file undertakings with Bursa Securities?**

Under Rule 2.21 of the ACE LR, only advisers who present, submit or disclose an application, circular or any information or other document to Bursa Securities on behalf of an applicant or a listed corporation, must file undertakings with Bursa Securities.

2.8 Must an adviser who is subject to Rule 2.21(1) of the ACE LR file an undertaking each time it acts for a listed corporation?

No, an adviser who is subject to Rule 2.21(1) has to file only 1 undertaking. Such undertaking will be applicable for all clients. The form of the undertaking has been prescribed in Appendix 2A of the ACE LR.

2.9 When must an adviser who is subject to Rule 2.21(1) of the ACE LR file an undertaking with Bursa Securities?

An adviser who is subject to Rule 2.21(1) must file an undertaking with Bursa Securities before the submission of documents to Bursa Securities.

If the adviser is involved in the application for admission of an applicant to the Official List, such adviser must provide the undertaking to Bursa Securities together with the submission of the pre-admission consultation pack under paragraph 2A.0 of Guidance Note 15.

~~All advisers who may act as principal adviser under the SC's Principal Advisers Guidelines may file the undertaking immediately if they have not already done so.~~

[End of Chapter 2]

CHAPTER 3 - ADMISSION***Pre-admission consultation***

3.0 ~~[Deleted] The ACE LR states that a potential applicant is strongly encouraged to consult Bursa Securities prior to its application for admission to the Official List.~~

~~(a) Who from the potential applicant should attend the pre-admission consultation with Bursa Securities?~~

~~Bursa Securities expects the key promoters, chief executive officer or chief financial officer to attend the pre-admission consultation. A potential applicant may consult with Bursa Securities, with or without a Sponsor.~~

~~(b) What does a potential applicant need to prepare for a pre-admission consultation with Bursa Securities?~~

~~A potential applicant would first need to make an appointment with the Listing Division, ACE Market Department for pre-admission consultation. It should then furnish to Bursa Securities the documents and information set out in Appendix 3A of the ACE LR at least 1 week prior to its consultation. However, even where the potential applicant is unable to furnish some of the documents and information set out in Appendix 3A to Bursa Securities, the potential applicant may still be able to engage in the pre-admission consultation.~~

~~(c) Is there a fee payable by the potential applicant to Bursa Securities for a pre-admission consultation?~~

~~No, the pre-admission consultation with Bursa Securities is free of charge.~~

~~(d) Can the potential applicant request for more than one pre-admission consultation with Bursa Securities?~~

~~Yes, the potential applicant may request for more than one pre-admission consultation with Bursa Securities, if necessary.~~

Criteria for admission

3.1 ~~It is noted that the existing provisions relating to the approval from the SC for admission to the Official List have been removed under the ACE LR. Does this mean that is the approval of the SC ~~is no longer~~ required for listing on the ACE Market?~~

~~Yes. No. Except for debt securities issues, corporations seeking listing on the ACE Market will not require the SC's approval under section 212 of the CMSA. Additionally, applicants are no longer required to register their prospectus with the SC pursuant to section 232 of the CMSA. Such prospectuses must be registered with the Exchange instead. All requirements relating to admission and registration of prospectus will be governed by the ACE LR. However, applicants are still required to submit and register their prospectus with the SC pursuant to section 232 of the CMSA.~~

Admission and prospectus registration processes & procedures

- 3.5 Must an applicant submit both the initial listing application (“ILA”) and quotation application (“Quotation Application”) to Bursa Securities before the listing of its securities shares?**

Under the enhanced initial listing process as set out in paragraph 2.0 of Guidance Note 15, an applicant is no longer required to submit 2 applications to Bursa Securities, namely -

- (a) an ILA for an approval-in-principle for the admission of securities shares; and
- (b) a Quotation Application for quotation of securities shares on Bursa Securities.

Instead, the Quotation Application will be merged with the ILA and thus only one application is required to be submitted to Bursa Securities for listing of securities shares (“Consolidated Application”).

- 3.6A Under Guidance Note 15, an applicant is required to submit to the Exchange, a cover letter for the listing application and a cover letter for the Stage 1 prospectus registration. Does this mean that the applicant must submit two separate cover letters to the Exchange?**

No. One cover letter containing the contents under paragraph 1(a) in Part B and paragraph 1(a) in Part C of Annexure GN15-A may be furnished to Bursa Securities for the listing application and Stage 1 prospectus registration.

- 3.6B Is an applicant still required to submit hard copies of the application for registration of prospectus and the relevant supporting documents to Bursa Securities?**

Yes, in addition to the filing of electronic copies via BursaLINK, the applicant must still submit the hard copies of the application and supporting documents for both Stages 1 and 2 of prospectus registration, to Bursa Securities.

- 3.6C Under paragraph 9.1(a) of Guidance Note 15 of the ACE LR, an applicant must ensure that when it makes an application to register a prospectus, the information in the prospectus is substantially complete except in relation to information that by its nature can only be finalised and incorporated after the relevant authorities’ approvals for the corporate proposal have been obtained. What are some examples of such information?**

Examples of such information include, among others, agreements relating to underwriting, cornerstone investors and lock-up arrangements for cornerstone investors.

- 3.6D If an applicant decides to prepare an independent market research (“IMR”) report, must the applicant submit the IMR report to the Bursa Securities in support of the ILA and disclose such in the prospectus?**

Yes. Although the preparation of an IMR report is now made optional at the discretion of the applicant, if the applicant has opted to have an IMR report prepared to support the ILA or the preparation of the prospectus, the applicant must submit the IMR report containing the prescribed information under paragraph 1(m) of Part B of Annexure GN15-A to Bursa Securities and disclose such in the prospectus. In this regard, the IMR report must contain information about the industry and market in which the applicant operates that will aid

investors' understanding about the applicant's business, and must also cover, amongst others, the background of the independent expert, an overview of the industry, commentary on the industry's size, outlook, prospects and competitive landscape, as well as an overview and appraisal of the applicant's business vis-à-vis the industry.

3.7 When will the listing and quotation of the new securities-shares be effected on Bursa Securities?

The admission and listing of new securities-shares on Bursa Securities will take place on the next market day upon the receipt of confirmation by the applicant from Bursa Depository that the new securities are ready for crediting into the respective securities accounts provided that the applicant has made the following announcements:

- (a) Announcement pursuant to paragraph 8.1 of Guidance Note 15 through Bursa Link via a dedicated template, "Timetable for IPO" on the issuance date of the prospectus.

The announcement must include the following information:

- The opening and closing date of the offer period;
- The balloting date;
- The allotment date of the IPO; and
- The tentative listing date.

If there is any change to the tentative listing date, the applicant must immediately announce the change to Bursa Securities.

- (b) Announcement pursuant to the paragraph 8.2 of Guidance Note 15 through Bursa Link via a dedicated template, "IPO template" before 3 p.m. on the market day before the listing date.

The announcement must include the following information:

- Actual date of listing;
- total number of shares which will be listed;
- Stock Short Name, Stock Code, ISIN Code; and
- Sector and market under which the new securities-shares will be admitted.

Methods of offering of ~~securities~~shares

- 3.9 Can an applicant undertake an offer for sale during the initial public offer under the ACE LR?

Yes, an offer for sale is allowed provided that the applicant has generated 1 full financial year of operating profit based on its latest audited financial statements and all its ~~promoters-specified shareholders~~ in aggregate, hold not less than 45% of the enlarged issued and paid-up capital of the applicant at the date of admission to the ACE Market.

- 3.10 Is an offer of ~~securities~~shares to the general public via balloting mandatory for an applicant seeking admission to the ACE Market?

No. An applicant is free to determine its methods of offering of ~~securities~~shares.

- 3.12 Is underwriting mandatory before an offering of ~~securities~~shares is made under the ACE LR?

No, underwriting is no longer mandatory. Underwriting arrangement is now at the discretion of the applicant and its Sponsor.

- 3.13 Mr. A and Mr. B are the ~~promoters-specified shareholders~~ of X Bhd, a corporation which is admitted to the ACE Market on 15 August 2017. As at 15 August 2017 -

- X Bhd has a total number of 500,000 issued ordinary shares; and
- both Mr. A and Mr. B hold in aggregate 300,000 ordinary shares representing 60% of the total number of issued ordinary shares of X Bhd.

- (a) Is there a moratorium imposed on the shareholdings of Mr. A and Mr. B?

Yes. Pursuant to Rule 3.19 of the ACE LR, a moratorium is imposed over the shareholdings of Mr. A and Mr. B in the following manner:

- (i) From 15 August 2017 until 14 February 2018 (6 months), a moratorium is imposed on the entire shareholdings of Mr. A and Mr. B amounting to 300,000 ordinary shares in X Bhd;
- (ii) From 15 February 2018 until 14 August 2018 (the following 6 months), a moratorium is imposed on the aggregate shareholdings of Mr. A and Mr. B amounting to 225,000 ordinary shares in X Bhd which represents 45% of X Bhd's total number of issued ordinary shares;
- (iii) After 14 August 2018, Mr. A and Mr. B may sell up to a maximum of 1/3rd per annum (on straight line basis) of the 225,000 ordinary shares held under moratorium provided that X Bhd has generated 1 full financial year of operating revenue based on its latest audited financial statements.

- (b) [No change].

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3.14 Mr X and Mr Y are the ~~promoters~~ specified shareholders of ABC Bhd, a corporation which is admitted to the ACE Market on 1 September 2017. As at 1 September 2017 -

- Mr. X and Mr. Y hold in aggregate 30 million ordinary shares and 10 million convertible securities which are convertible into 10 million ordinary shares in ABC Bhd;
 - ABC Bhd has a total number of 45 million issued ordinary shares; and
 - ABC Bhd has also issued a total of 15 million convertible securities which are convertible into 15 million ordinary shares in ABC Bhd.
- (a) For purposes of Rule 3.19 of the ACE LR, what is the amount of shares held by Mr. X and Mr. Y which are to be placed under moratorium?

The shares of Mr. X and Mr. Y which are to be placed under moratorium are as follows:

- (i) From 1 September 2017 until 30 March 2018 (6 months), the entire shareholdings of Mr. X and Mr. Y amounting to 30 million ordinary shares and 10 million convertible securities in ABC Bhd, must be placed under moratorium;
- (ii) Pursuant to Rule 3.19(1)(e) of the ACE LR, where the specified shareholders ~~promoters~~ also own securities which are convertible or exercisable into ordinary shares of the applicant, the specified shareholders' ~~promoters'~~ shareholdings to be placed under moratorium should amount to 45% of 60 million issued ordinary shares of ABC Bhd assuming full conversion or exercise of such securities.

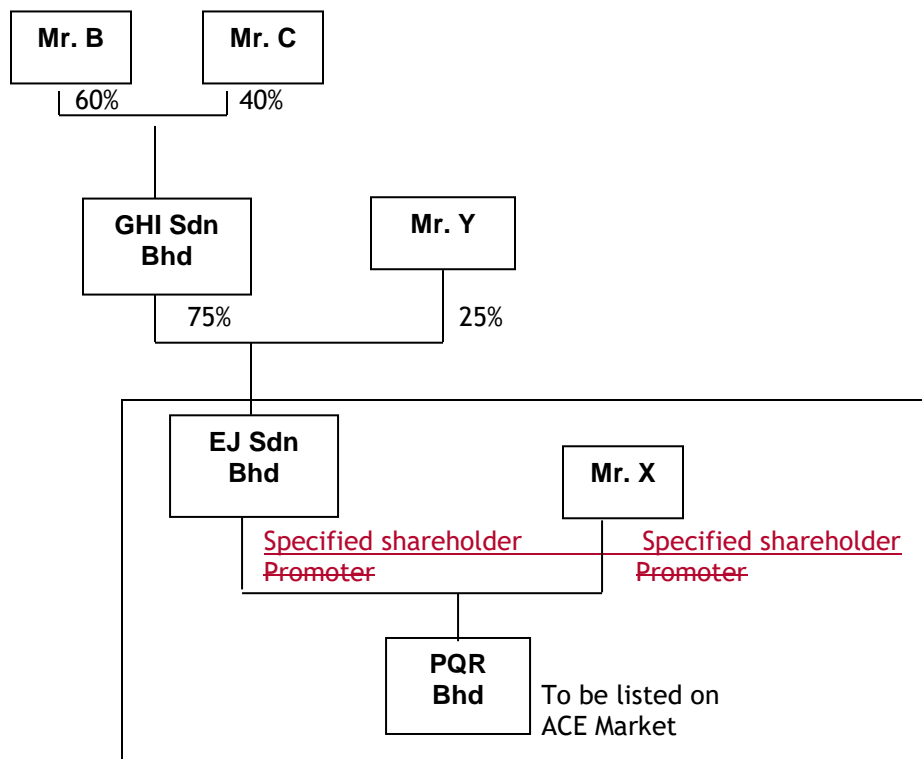
As such, from 1 April 2018 until 30 October 2018 (the following 6 months), the aggregate shareholdings of Mr. X and Mr. Y amounting to 27 million ordinary shares in ABC Bhd, must be placed under moratorium;

- (iii) After 30 October 2018, Mr. X and Mr. Y may sell up to a maximum of 1/3rd per annum (on straight line basis) of the 27 million ordinary shares held under moratorium provided that ABC Bhd has generated 1 full financial year of operating revenue based on its latest audited financial statements.

(b) [No change].

3.15 EJ Sdn Bhd and Mr. X are the ~~promoters~~ specified shareholders of PQR Bhd, a corporation which intends to list on the ACE Market. EJ Sdn Bhd is an unlisted corporation.

A chart depicting the corporate structure of PQR Bhd is as follows:



- (a) Are the promoters-specified shareholders of PQR Bhd required to provide Bursa Securities with an undertaking that they will comply with the moratorium requirements set out in Rule 3.19 of the ACE LR?

Yes, all the promoters-specified shareholders of PQR Bhd are required to provide Bursa Securities with the undertaking on moratorium. As such, both EJ Sdn Bhd and Mr. X must give the said undertaking to Bursa Securities.

- (b) In the case of EJ Sdn Bhd, are its shareholders also required to provide Bursa Securities with the undertaking that they will comply with the moratorium requirements set out in Rule 3.19 of the ACE LR?

Rule 3.19(2) of the ACE LR provides that where the promoter-specified shareholder of an applicant seeking listing on the ACE Market or a vendor of the asset in a reverse take-over/back-door listing is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporation) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will comply with the moratorium requirements set out in Rule 3.19 of the ACE LR.

As EJ Sdn Bhd is an unlisted corporation, all its shareholders (whether individuals or other unlisted corporation) up to its ultimate individual shareholders, must provide the undertaking on moratorium to Bursa Securities in compliance with Rule 3.19(2) of the ACE LR. Hence, GHI Sdn Bhd, Mr. Y, Mr. B and Mr. C are required to give the undertaking on moratorium to Bursa Securities.

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- 3.15A Mr. X is the founder and has 60% equity interest in GHI Bhd, a corporation which intends to list on the ACE Market. He is also the managing director of GHI Bhd and an accredited Angel Investor with Malaysian Business Angel Network. In respect of the shares held by Mr. X in GHI Bhd, will Mr. X be entitled to a moratorium period of 6 months only pursuant to Rule 3.19(1A)(a)(ii)?

No. The nature of Mr. X's investment in GHI Bhd is not as an angel investor, but as a promoter-specified shareholder that drives its business. As such, he is not entitled to the 6 months moratorium period stipulated in Rule 3.19(1A)(a)(ii) in respect of his shares held in GHI Bhd. Both GHI Bhd and Mr. X will have to ensure full compliance with Rule 3.19(1) of the ACE LR.

- 3.15C JKL Bhd, a corporation listed on the ACE Market, enters into several acquisitions post-listing. Based on the pro-forma accounts, the enlarged group meets the quantitative criteria for admission to the Main Market of Bursa Securities.

Can JKL Bhd and its promoters-specified shareholders apply to Bursa Securities to be exempted from continued compliance with Rules 3.19(1)(b) and 3.19(1)(c) of the ACE LR based on the pro-forma accounts?

No, JKL Bhd and its promoters-specified shareholders may only apply to Bursa Securities to be exempted from continued compliance with Rules 3.19(1)(b) and 3.19(1)(c) pursuant to Rule 3.19(1B) after the first audited consolidated financial statements of JKL Bhd, following its listing on the ACE Market, show that it has met the quantitative criteria for admission to the Main Market of Bursa Securities.

- 3.15D Apart from the shares a promoter-specified shareholder holds in a listed corporation prior to listing, what other type of securities held by the promoter-specified shareholder which would also be placed under the moratorium pursuant to Rule 3.19(1A) and 3.19(1D)?

Such securities include all shares in the listed corporation issued to the promoters-specified shareholders during the moratorium period, and all shares issued arising from the conversion or exercise of any convertible securities or warrants held by the promoters-specified shareholders as at the date of listing of the listed corporation on the ACE Market. The enlarged number of shares to be held under moratorium is in proportion stated in Rule 3.19(1)(a) to (d).

- 3.15E Ms. X, a pre-IPO investor, had invested in LMN Sdn Bhd on 1 July 2020. As part of JKL Berhad's proposed listing, Ms. X will exchange her shares in LMN Sdn Bhd with shares in JKL Berhad at an issue price of RM0.55 per share. On 1 June 2021, JKL Berhad, via its Sponsors, submitted a listing application to Bursa Securities and the IPO issue price is RM0.60 per share. Is Ms X's shareholding in JKL Berhad subjected to moratorium?

Yes, the shares held by Ms. X in JKL Berhad will be subject to a moratorium period of 6 months from the date of listing of ANZ Berhad on the ACE Market pursuant to Rule 3.19A, as Ms. X had invested in LMN Sdn Bhd within 12 months prior to the date of the listing application to Bursa Securities and had acquired the shares at a discount to the listing price.

Others

3.20 With the removal of prescription on how due diligence is to be conducted for certain proposals (i.e. initial public offering, new issue of securities, prospectus registration, preparation of Public Documents and proposals under Guidance Note 19) under the ACE LR, are the applicant/listed corporation, Sponsor/Adviser and all other parties accepting responsibility for all or any part of the information and documents submitted to the Exchange (“the relevant parties”) no longer required to undertake a due diligence exercise?

No. Whilst the ACE LR no longer prescribes how a due diligence should be conducted nor what is the applicable standards for such exercise, the relevant parties must still ensure that due diligence and enquiry is done so that submissions to Bursa Securities, as well as disclosures to the market meet the prescribed standards of disclosure under the ACE LR¹. The relevant parties may undertake the necessary due diligence exercise in accordance with industry practices, to ensure this obligation is met. For this purpose, the Sponsor/Adviser may refer to the Malaysia Equity Capital Markets and Debt Capital Markets Due Diligence Guides² issued by the Malaysian Investment Banking Association.

Additionally, the relevant parties must also make due and careful enquiries and comply with the equivalent obligations and standards imposed under the SC’s Guidelines on Submission of Corporate and Capital Market Product Proposals, in respect of submission of the proposals to Bursa Securities, as if the submission is made to the SC.

[End of Chapter 3]

¹ Rule 2.18 of the ACE LR stipulates that any application, proposal, statement, information or document presented, submitted or disclosed pursuant to the ACE LR must be clear, unambiguous and accurate; does not contain any material omission; and is not false or misleading.

Similar standards are also imposed on any prospectus prepared, submitted or issued pursuant to the ACE LR under Rule 3.12C and announcements and circulars issued to securities holders under Rule 9.35 of the ACE LR.

² These Guides are available at <https://www.miba.com.my/info-nuggets/resources/>.

CHAPTER 4 - SPONSORS*Definition of “Public Document”*

- 4.1 Does “Public Document”³ as referred to in certain rules such as Rules 4.02 and 4.10 of the ACE LR, include an announcement made by a Sponsored Corporation?

Yes, “Public Document” means any document issued by a Sponsored Corporation to the public or holders of any class of securities. This includes an announcement made to Bursa Securities for dissemination to the public.

Mandatory pre-admission consultation

- 4.1A Who are the key advisers for the purpose of the mandatory pre-admission consultation under Rule 4.06A of the ACE LR?

The key advisers would be advisers as may be specified by Bursa Securities, which may include the applicant’s financial adviser, legal adviser, reporting accountant and valuer.

- 4.1B Can an applicant undertake voluntary consultation with Bursa Securities prior to the mandatory pre-admission consultation under Rule 4.06A of the ACE LR?

Yes. An applicant is encouraged to undertake voluntary consultation with Bursa Securities prior to the mandatory pre-admission consultation particularly on key material or potential issues which may impede the proposed listing of the applicant.

Eligibility, roles and responsibilities of a Sponsor

- 4.2 Who is eligible to be a Sponsor?

A Sponsor must be an recognised principal adviser ~~who has been admitted to the Approved List of Principal Advisers Submitting Specific Corporate Proposals~~ under the SC’s Principal Adviser Guidelines-Licensing Handbook and admitted to the Register of Sponsor of the ACE Market.

Resignation and termination of a Sponsor

- 4.11 X is the Sponsor who makes an application for listing on behalf of A Bhd. A Bhd is listed on the ACE Market on 1 September 2009. Based on Rule 3.21 of the ACE LR, A Bhd must secure and maintain the services of a Sponsor for at least 3 full financial years after its admission to the Official List, and extended to at least 1 full financial year after the applicant has generated operating revenue. A Bhd financial period ends on 31 December 2010.

(a) - (d) [No change].

³ Rule 4.02 of the ACE LR defines “Public Document” as any document issued by an applicant or a listed corporation ~~Sponsored Corporation~~ to the public or to the holders of any class of securities in a listed corporation pursuant to the ACE LR.

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- (e) Further to Question (d) above, what are the exceptional circumstances under which Bursa Securities may consider in allowing a resignation or termination of X as A Bhd's Sponsor?

Generally, Bursa Securities will consider whether the parties have acted "reasonably". The exceptional circumstances which Bursa Securities may consider X's resignation or termination as A Bhd's Sponsor include circumstances where -

- (i) there is an irreconcilable breakdown in the relationship between X and A Bhd;
or
- (ii) X is no longer qualified to act as a Sponsor for any reasons, including not having the minimum number of Qualified ~~Senior Personnel~~ Person or being removed from the Register of Sponsors by Bursa Securities.

The parties must substantiate their application with the relevant facts and information.

- (f) - (g) [No change].

[End of Chapter 4]

CHAPTER 5 - FOREIGN LISTING***Admission processes & procedures*****5.4 What are the admission procedures that a foreign corporation must comply with for this purpose?**

The foreign corporation must comply with the admission processes and procedures as set out in paragraph 2.0 of Guidance Note 15. In this regard, the foreign corporation must submit to Bursa Securities -

~~(a) — submit a registrable prospectus to the Securities Commission; and~~

~~(b) — submit to Bursa Securities —~~

~~(aa)~~ a listing application (in a template as set out in Part A of Annexure GN15-A of Guidance Note 15);

~~(b)~~ a registrable prospectus (which complies with the requirements under Rule 6.18B);
and
and

~~(bbc)~~ all the requisite documents and/or confirmations required for quotation of the shares and registration of prospectus, including the supporting documents specified in Parts B and C of Annexure GN15-A of Guidance Note 15 and Annexure GN16-A of Guidance Note 16.

5.5 Are all the directors, promoters and chief executive of a foreign corporation seeking primary listing on the ACE Market required to provide Bursa Securities with the undertakings set out in Annexure GN15-C and Annexure GN15-D of Guidance Note 15?

Yes, the foreign corporation must enclose and submit all its directors', promoters' and chief executive undertakings in the format as prescribed in Annexure GN15-C and Annexure GN15-D of Guidance Note 15 to Bursa Securities, together with its application for listing.

[End of Chapter 5]

CHAPTER 6 - NEW ISSUES OF SECURITIES*Requirements relating to a rights issue*

- 6.20 What is the cut-off time for a listed corporation to submit to Bursa Securities a copy of the abridged prospectus (“AP”) in respect of a rights issue pursuant to Rule ~~6.26~~ 6.18B(3) of the ACE LR?

A listed corporation must submit to Bursa Securities a copy of the AP together with a soft copy in PDF file format before 3.00 p.m. at least 1 market day before the commencement of trading of Rights.

[End of Chapter 6]

CHAPTER 10 - TRANSACTIONS

Major Disposal

10.55A A listed corporation undertaking a Major Disposal must appoint an independent adviser and such independent adviser must be a person appropriate to give competent independent advice under the Take-Overs and Mergers Code as prescribed under Rules 10.11A(3)(a) of the ACE LR. How does a listed corporation comply with this requirement?

In assessing whether or not the adviser is a person appropriate to give competent independent advice, the listed corporation and its board should be guided by paragraphs 3.09 and 3.10 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions⁴.

Bursa Securities will not usually interfere with the selection and appointment of an independent adviser by a listed corporation, unless it is aware or becomes aware of issues which may compromise the independence of such adviser. In this regard, pursuant to Rule 10.11A(4) of the ACE LR, Bursa Securities may not allow an adviser to continue to act or be appointed as an independent adviser in a Major Disposal if, in its opinion, the adviser is deemed not to be independent.

⁴ Paragraphs 3.09 and 3.10 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions stipulate that -

- (a) a person would not be regarded as appropriate to give competent advice if the person -
- is in the same group as the financial or professional adviser (including a stockbroker) to the offeror or the offeree; or
 - has a substantial interest in or financial connection with, either the offeror or the offeree company of such a kind as to create a conflict of interests for that person; and
- (b) circumstances that can be taken into account in considering whether a person is appropriate to give competent independent advice include whether the person -
- holds 10 per cent or more of the voting shares or voting rights in the offeror or the offeree at any time during the last 12 months from the beginning of the offer period;
 - has a business relationship with the offeror or the offeree, at any time during the last 12 months from the beginning of the offer period that contributes to more than 10 per cent in revenue or profit of the adviser, based on the latest audited financial statements or the latest management accounts, if the latest audited financial statements is more than six months;
 - has a representative on the board of directors of the offeror or the offeree;
 - has a representative from either the offeror or the offeree on the board of directors of the independent adviser;
 - is or will be involved in the financing of the take-over offer;
 - is a substantial creditor of either the offeror or the offeree, based on the latest audited financial statements or the latest management accounts, if the latest audited financial statements is more than six months;
 - has a financial interest in the outcome of the take-over offer other than outlined above;
 - was an adviser in any planning, restructuring, acquisition or disposal proposals of the offeror or the offeree at any time during the period of 12 months prior to the beginning of the offer period.

- 10.56 If a Major Disposal also involves a take-over offer pursuant to the Take-Overs and Mergers Code, can the independent adviser required to be appointed under the Take-Overs and Mergers Code and under the ACE LR for the Major Disposal be the same party?

Yes, the independent adviser appointed can be the same party. The said independent adviser must be a person who is appropriate to give competent independent advice under the Take-Overs and Mergers Code and comply with the relevant requirements under both the Take-Overs and Mergers Code as well as the ACE LR.

- 10.57 Where the Major Disposal involves a related party, can the independent adviser required to be appointed for the related party transaction and the Major Disposal be the same party?

Yes, the independent adviser appointed can be the same party. ~~The~~ However, the said independent adviser must be a person who is appropriate to give competent independent advice under the Take-Overs and Mergers Code and comply with the relevant requirements under Rules 10.08 (Related Party Transaction) and 10.11A (Major Disposal) of the ACE LR.

[End of Appendix 2]