

## APPENDIX 3

## QUESTIONS AND ANSWERS

AMENDMENTS TO THE MAIN MARKET LISTING REQUIREMENTS IN RELATION TO CONFLICT OF  
 INTEREST AND OTHER AREAS

**CHAPTER 9 - CONTINUING DISCLOSURE***Periodic disclosures - annual report*

- 9.43 What is the definition of “conflict of interest” as stated in ~~item~~paragraphs (3)(g), (4)(g) and (4A)(f) in Part A, paragraph 1(c) in Part B, and paragraph 3(c) in Parts C, E and F, of Appendix 9C of the Main LR?

~~“Conflict of interest” for the purposes of item (3)(g) of Appendix 9C, refers to a situation where the director concerned has personal pecuniary interests which are in conflict with those of the listed issuer or its subsidiaries. It excludes transactions entered into by a listed issuer or its subsidiaries involving the interest of the director concerned which are regarded as related party transactions pursuant to Chapter 10 of the Main LR. The following are illustrations. A sale of property by the listed issuer to a corporation owned by the director would be a related party transaction which does not require disclosure pursuant to item (3)(g) of Appendix 9C. If the director is a major shareholder of another corporation which is the competitor of one of the subsidiaries of the listed issuer, such information must be disclosed pursuant to item (3)(g) of Appendix 9C. A listed issuer may refer to the Issuers Communication Notes No 1/2023 - Guidance on Conflict of Interest issued by Bursa Securities for guidance on complying with the enhanced disclosures on conflict of interest under the Main LR. Among others, the Issuers Communication Note No. 1/2023 highlights some key considerations and guiding principles in determining situations of conflict of interest, potential conflict of interest and interest in competing business, as well as examples and illustrations, as reference.~~

~~The Issuers Communication Note No 1/2023 - Guidance on Conflict of Interest is available at [https://www.bursamalaysia.com/regulation/communication\\_notes\\_guides](https://www.bursamalaysia.com/regulation/communication_notes_guides).~~

**CHAPTER 10 - TRANSACTIONS***Computation of percentage ratio*

- 10.9 If the transaction is entered into, not by the listed issuer but by its subsidiary, how are the percentage ratios referred to in paragraph 10.02(g) of the Main LR applied?

In applying the percentage ratios (other than the percentage ratio in paragraph 10.02(g)(iii)<sup>1</sup> of the Main LR), the listed issuer should take into account its interest in the subsidiary in question when computing the numerator.

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<sup>1</sup> Paragraph 10.02(g)(iii) of the Main LR defines “percentage ratios” to mean the figures, expressed as a percentage, resulting from the aggregate value of the consideration given or received in relation to the transaction, compared with the net assets of the listed issuer.

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For example, X Bhd a listed issuer, has a 60% owned subsidiary, Y Sdn Bhd. Y Sdn Bhd acquires a company which has a net asset of RM100 million. The calculation of the percentage ratio in respect of paragraph 10.02(g)(i) of the Main LR should be as follows:

$$\frac{60\% \times \text{RM100 million}}{\text{Net assets of X Bhd on consolidated basis}}$$

In the case of the percentage ratio in paragraph 10.02(g)(iii) of the Main LR, the total consideration paid will form the numerator. For example, A Bhd, a listed issuer, has a 60% owned subsidiary, B Sdn Bhd. B Sdn Bhd acquires a piece of land for the consideration of RM10 million. The calculation of the percentage ratio in respect of paragraph 10.02(g)(iii) should be as follows:

$$\frac{60\% \times \text{RM10 million}}{\text{Net assets of A Bhd on consolidated basis}}$$

This is clarified in paragraph 10.03(4A) of the Main LR.

### **Related party transactions**

10.39 Referring to the facts as set out in Question 10.38 above, D Sdn Bhd, is entering into a transaction with Y Sdn Bhd (“Transaction”). Mr Z who is a director and a substantial shareholder of D Sdn Bhd is also a director and a substantial shareholder of Y Sdn Bhd. However, Mr Z has no interest in A Bhd, the listed issuer, and A Bhd has no holding company.

- (a) Assuming that Mr Z has no interest in A Bhd, the listed issuer, is this the Transaction a related party transaction?

Yes, this situation is considered a related party transaction under paragraph 10.08(9) of the Main LR.

- (b) What are the obligations of A Bhd with regards to the Transaction?

~~However, pursuant to paragraph 10.08(9) of the Main LR, A Bhd does not need to obtain shareholder approval, issue a circular or appoint an independent adviser. A Bhd must however make an announcement which contains the prescribed information under paragraph 10.08(1) of the Main LR. In addition, the board of directors of A Bhd must approve the Transaction before the terms of the Transaction are agreed upon and ensure that the Transaction is fair and reasonable to A Bhd and is in the best interests of A Bhd.~~

Additionally, if the percentage ratio of the Transaction is 25% or more, A Bhd must comply with the requirements in paragraph 10.07, Part F or Part F(A) in Chapter 10 of the Main LR, as the case may be.

## **Chapter 15 - CORPORATE GOVERNANCE**

### ***Audit committee***

**15.27B Pursuant to paragraph 15.15(3)(d) of the Main LR, a listed issuer must disclose in the audit committee report, a summary of work of the audit committee in the discharge of its functions and duties for the financial year, and how the audit committee has met its responsibilities. What is the information that a listed issuer is expected to disclose under this requirement?**

When describing the summary of work of the audit committee in the discharge of its functions and duties, and how the audit committee has met its responsibilities, a listed issuer must be mindful that the purpose is to provide shareholders with an insight on how the audit committee performed its functions during the financial year, to, among others, safeguard the integrity of financial reporting.

Hence, the listed issuer is expected to discuss the areas over which the audit committee exercised its oversight, and explain with sufficient details what it did to execute its oversight responsibilities.

For example, the listed issuer should, in relation to the audit committee's role to oversee financial reporting, include details such as -

- the dates when the audit committee met with the external (and internal) auditors without the presence of management and the topics discussed;
- identified new financial reporting standards and other standards that were discussed and which may have had a significant impact on the listed issuer's financial statements;
- the review undertaken on matters relating to management judgments and estimates;
- the processes and controls that were in place for effective and efficient financial reporting and disclosures under the financial reporting standards.

With regards to the audit committee's role to review any related party transactions ("RPTs") and conflict of interest ("COI") situations that arose, persist or may arise within the listed issuer or group, the listed issuer should include -

- information on the framework in place for the purposes of identifying, evaluating, approving, reporting and monitoring such COI situations and ~~transactions~~RPTs; and
- the key considerations taken by the audit committee when it reviews the RPTs or COI situations.

The listed issuer must avoid providing a generic or boilerplate statement that fails to reflect the breadth and depth of the important activities undertaken by the audit committee. It should also avoid merely re-stating its terms of reference or charter, which is typically static information that should be made available on the listed issuer's website.

The listed issuer and its audit committee may be further guided in disclosing the summary of the audit committee's work as required under paragraph 15.15(3)(d) of the Main LR by referring to the **Corporate Governance Guide (4th Edition)**<sup>2</sup>.

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<sup>2</sup> This is available at: <https://bursasustain.bursamalaysia.com/droplet-details/resources/corporate-governance-guide-4th-edition>