

APPENDIX 3

QUESTIONS AND ANSWERS

AMENDMENTS TO THE ACE MARKET LISTING REQUIREMENTS IN RELATION TO CONFLICT OF INTEREST
AND OTHER AREASCHAPTER 9 - CONTINUING DISCLOSURE*Periodic disclosures - annual report***9.38** What is the definition of “conflict of interest” as stated in ~~item~~paragraphs (3)(g), (4)(g) and (4A)(f) in Part A of Appendix 9C of the ACE 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 corporation or its subsidiaries. It excludes transactions entered into by a listed corporation or its subsidiaries involving the interest of the director concerned which are regarded as related party transactions pursuant to Chapter 10 of the ACE LR.~~

~~The following are illustrations. A sale of property by the listed corporation 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 corporation, such information must be disclosed pursuant to item (3)(g) of Appendix 9C. A listed corporation 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 ACE 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.~~

CHAPTER 10 - TRANSACTIONS*Computation of percentage ratio*

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

In applying the percentage ratios (other than the percentage ratio in Rule 10.02(g)(iii)¹ of the ACE LR), the listed corporation should take into account its interest in the subsidiary in question when computing the numerator.

For example, X Bhd a listed corporation, 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 Rule 10.02(g)(i) of the ACE LR should be as follows:

60% x RM100 million

Net assets of X Bhd on consolidated basis

In the case of the percentage ratio in Rule 10.02(g)(iii) of the ACE LR, the total consideration paid will form the numerator. For example, A Bhd, a listed corporation, 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 Rule 10.02(g)(iii) should be as follows:

~~60% x~~ RM10 million

Net assets of A Bhd on consolidated basis

This is clarified in Rule 10.03(4A) of the ACE 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 corporation, and A Bhd has no holding company.

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

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

¹ Rule 10.02(g)(iii) of the ACE 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 corporation.

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

~~However, p~~Pursuant to Rule 10.08(9) of the ACE 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 Rule 10.08(1) of the ACE LR. In addition, the board of directors of A Bhd must approve the ~~€T~~Transaction before the terms of the ~~€T~~Transaction are agreed upon and ensure that the ~~€T~~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 Rule 10.07, Part F or Part F(A) in Chapter 10 of the ACE LR, as the case may be.

Chapter 15 - CORPORATE GOVERNANCE

Audit committee

15.28B Pursuant to Rule 15.15(3)(d) of the ACE LR, a listed corporation 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 corporation 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 corporation 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 corporation 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 corporation 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 corporation'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.

QUESTIONS & ANSWERS
AMENDMENTS IN RELATION TO CONFLICT OF INTEREST AND OTHER AREAS

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 corporation or group, the listed corporation 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 corporation 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 corporation's website.

The listed corporation and its audit committee may be further guided in disclosing the summary of the audit committee's work as required under Rule 15.15(3)(d) of the ACE LR by referring to the **Corporate Governance Guide (4th Edition)**².

[END OF APPENDIX 3]

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