

Our Ref: IS/TAC/RO(RJ)/LD28/20 [New Issue & Others]

13 August 2020

The Company Secretary
(ACE Market Listed Corporations)

Via email

Dear Sir/Madam,

AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS IN RELATION TO NEW ISSUE OF SECURITIES AND OTHER AMENDMENTS

(A) INTRODUCTION

1. Pursuant to section 9 of the Capital Markets and Services Act 2007, Bursa Malaysia Securities Berhad (“the Exchange”) has made amendments to the ACE Market Listing Requirements (“ACE LR”) in relation to new issue of securities and other amendments (“LR Amendments”).

(B) BACKGROUND

2. In 2018, the Exchange enhanced the ACE LR in the areas of continuing disclosure obligations of listed corporations such as the contents of transaction circulars and announcements as well as Corporate Disclosure Policies and immediate announcements of prescribed events.
3. This time, the Exchange has focused on the requirements for new issue of securities particularly on the disclosures made in the announcements and circulars as well as the definition of independent directors. Apart from this, the Exchange also continues to address gaps that we see to safeguard investor interest.
4. In finalising the LR Amendments, the Exchange has considered various feedback and comments received in response to the public consultation paper issued on 30 August 2019.

(C) OBJECTIVES OF THE LR AMENDMENTS

5. The LR Amendments, among others, seek to achieve the following objectives:
 - (a) ensuring announcements and circulars for new issue of securities are coherent, meaningful and easy to understand;

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- (b) strengthening board integrity and quality through enhanced board independence; and
- (c) addressing gaps for greater shareholder protection and confidence.

(D) KEY LR AMENDMENTS

6. The key LR Amendments are as follows:

Enhancing requirements for new issue of securities to facilitate better understanding of corporate proposals by shareholders and strengthen investor protection

6.1 The amendments consist of the following:

- (a) enhancing the presentation of announcements and circulars by clustering information under key areas for better flow and improved readability;
- (b) enhancing the contents of announcements and circulars to ensure that shareholders and investors continue to receive value-add disclosures for better informed decision-making. The enhanced disclosures include the following:
 - (i) details of equity fund-raising exercises in the past 12 months before the announcement of the new issue of securities, if the listed corporation is embarking on a new issue of securities for fund-raising purposes;
 - (ii) particulars of corporate placees (e.g. name and direct/indirect shareholding of directors and substantial shareholders); and
 - (iii) additional details on proceeds utilised for investment purposes (i.e. how the proceeds will be utilised pending identification of investments) and proceeds utilised for working capital purposes; and
- (c) imposing a limit not exceeding 50% of the total number of a listed corporation's issued shares ("**50% Limit**"), to an exercise or conversion of convertible equity securities, to mitigate the dilution effect to shareholders.

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Addressing gaps and enhancing board integrity for greater shareholder protection and confidence

6.2 These comprise of the following:

- (a) if an immediate announcement of a material loan or borrowing is made under Rule 9.03 of the ACE LR and the relevant loan documents contain conditions, covenants or restrictions placed on a controlling shareholder, requiring disclosure of specified information in the immediate announcement which shall include details of the conditions, covenants or restrictions as well as the aggregate level of the facilities that may be affected by a breach of such conditions, covenants or restrictions;
- (b) enhancing the regularisation framework governing the financial condition of a listed corporation by including the appointment of a judicial manager pursuant to the Companies Act 2016 (“CA 2016”) as a triggering criterion;
- (c) strengthening the definition of independent directors by -
 - (i) extending the prescribed cooling-off period to a non-independent non-executive director; and
 - (ii) lengthening the cooling-off period from 2 years to 3 years for, among others, an officer, adviser or transacting party of prescribed transactions, of a listed corporation or its related corporation.

(E) FULL TEXT OF THE LR AMENDMENTS

7. The full text of the LR Amendments is attached in Appendix 1. For ease of reference, the amendments are reflected in the following manner:

- portions underlined are text newly inserted / added onto the existing rules; and
- portions struck through are text deleted.

(F) IMPLEMENTATION

8. Apart from the amendments set out in paragraph 9 below, the LR Amendments are effective immediately from **13 August 2020** onwards.

9. Where appropriate the Exchange will accord listed corporations with sufficient grace period to comply with the LR Amendments. In this regard, listed corporations are given up to **1 October 2020** to comply with the requirements as specified below:

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No.	Amendments	Effective Date(s)
(a)	Imposition of the 50% Limit to an exercise or conversion of convertible equity securities	Corporate exercises involving convertible equity securities announced on or after 1 October 2020.
(b)	Enhanced definition of independent directors	Any independent director appointed on or after 1 October 2020 must comply with the enhanced independent definition.

(G) ADDITIONAL INFORMATION

10. In addition, we have also provided “Questions and Answers” as set out in **Appendix 2** to facilitate a listed corporation’s better understanding of, and compliance with the LR Amendments. We have also taken this opportunity to update some of our existing Questions and Answers as well.
11. This letter and the above-mentioned documents are also available at Bursa Malaysia Berhad’s website at https://www.bursamalaysia.com/regulation/listing_requirements/ace_market/amendments_to_listing_requirements.
12. In the meantime, if you have any queries on the LR Amendments above, please contact the Listing Advisory & Development, Listing Division at 03-2034 7766.

Thank you.

Yours faithfully,

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