

simple

[sim-puh l]

adjective, 'simpler', 'simplest'.

1. easy to understand, deal with, use, etc.
 2. not elaborate or artificial; plain.
 3. not ornate or luxurious; unadorned.
 4. unaffected; unassuming; modest.
 5. not complicated.
 6. not complex or compound; single.
- occurring or considered alone; mere; bare.
free of deceit or guile; sincere; unconditional
common or ordinary.

READER FRIENDLY GUIDE



30 August 2019

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Chapter 1

I

NTRODUCTION

The evolution of the capital market, growing complexity of corporate proposals, and the maturing of investors have led to a greater need for more relevant and comprehensive information in making informed decisions. It has been observed that announcements and circulars to shareholders issued by listed issuers (“**Disclosure Documents**”) have become increasingly technical, legalistic, voluminous and, to a certain extent, more complicated. All these affect the clarity of disclosures and the shareholders’ ability to properly digest the information.

All Disclosure Documents, particularly those on technical matters, need to be presented in a clear and reader friendly manner. This is to facilitate easy and better understanding by shareholders of the information at first reading and assess the same for their decision making. For the information to be clear and reader friendly, the disclosure should be in plain and simple language, and properly structured.

Considering this, and as part of our continuing commitment towards implementing good disclosure practices to ease the understanding of corporate proposals, we are issuing this Reader Friendly Guide (“**Guide**”) which aims at providing guidance to the preparers of Disclosure Documents and assisting them to ensure that the disclosures made are clear, simple and succinct.

This Guide is neither meant to impose additional nor reduce regulatory requirements on listed issuers, nor in any way, amend or vary the listed issuers’ obligations under the Listing Requirements. This includes the standard of disclosure stipulated under the Listing Requirements and obligation to ensure that disclosures made are accurate, complete, not false or misleading.

The guidance provided here is intended to be applied in a sensible and flexible manner, taking into account different circumstances that may be applicable to a listed issuer.

Chapter 2

PRINCIPLES OF READER FRIENDLY GUIDE

In drafting reader friendly disclosures, you as preparers need to assess whether the information provided is sufficient and clear to assist your shareholders and such other readers/ users of the Disclosure Documents (collectively referred to as “**your shareholders**”) in understanding the corporate proposals, taking into account your company’s specific circumstances. It does not mean removing complex information to make the document easier to understand. For shareholders to make informed decisions, Disclosure Documents must relay complex information in plain language and, in an orderly and clear manner.

Principle 1

HIGHLIGHT KEY INFORMATION BY WAY OF “EXECUTIVE SUMMARY”

Lengthy Disclosure Documents can sometimes confuse your shareholders. As corporate proposals are getting more complex and complicated, and also due to time constraint on the part of your shareholders, it is strongly recommended that you provide a section on “Executive Summary” in the Disclosure Documents. Executive Summary summarises a long or complex proposal and effectively sets out the salient or key information of the corporate proposals in such a way that your shareholders can have an overview of the salient features of corporate proposals and understand the corporate proposal whilst greater details can be sought from the main content of the Disclosure Documents.

Again, due care must be taken to ensure the information in the “Executive Summary” is balanced and not inaccurate, misleading, deceptive or confusing.



Guidance

- Provide a balanced summary of information by giving equal consideration to both positive and negative information. Avoid 'highlighting only the good and hiding the bad' information, as this will prejudice the rights of your shareholders and affect their decision-making.
- Ensure that the disclosures of information in the Executive Summary is consistent with the entire content of the Disclosure Documents.
- Avoid 'copy and paste' the entire paragraphs straight from the content of the Disclosure Document to the Executive Summary.
- Use bullet points to present your ideas, and make sure to always use concise language.
- Use diagrams and illustration such as charts, graphs, tables to present relevant key information.
- Tailor the Executive Summary according to the nature and complexity of your corporate proposals. Generally, a good Executive Summary should not be more than five pages.

An Example of a Good Executive Summary

Proposed Acquisition of Target Company that owns a piece of land for cash consideration of RM28 million. The vendor, Mr. A is an independent third party. The highest percentage ratio for this transaction is 26.5%, hence shareholders' approval is required ("**Proposed Acquisition**")

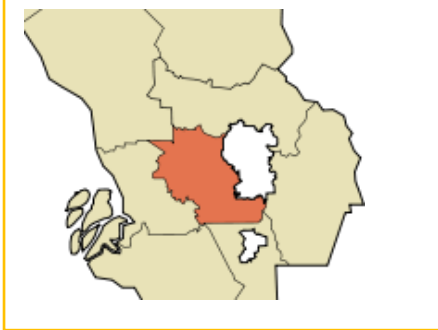
This Executive Summary highlights the salient information contained in the main content of the Circular. Please read the entire Circular carefully for greater details before voting.

We are asking our shareholders to vote on the matters below. The Board recommends that you vote **FOR** the resolution in relation to the Proposed Acquisition to be tabled at the forthcoming general meeting.

An Example of a Good Executive Summary (cont')

What is the transaction all about?

- To acquire Target Company which owns 50 acres land in the Premium Area, Kuala Lumpur (as identified in the map below), as follows:



Brief details about the Land

Size	50 acres
Title	Freehold
Land use	Agriculture
Existing use	Vacant
Market value	RM25 million (valued by Valuer Co. on 1 Jan 2019 by using the comparison method)

- Key Financial Information of Target Company

	FYE 31 Dec 2018
Revenue	-
PAT/(LAT)	(RM508,000)
NA	RM22,503,008

How do we fund the transaction?

- We will fund the RM28 million via bank borrowing. Our gearing ratio will increase from 1.5 time to 2.0 times.

Why do we enter into this transaction?

- Given that the available land in the Premium Area is limited and there is a huge potential and prospect to cater for our Company's future development projects, our Board opined that the Proposed Acquisition is in the best interest of our Company.

What are the key risks?

- Risk of failure to convert the land – The permitted usage of the land is agriculture. We intend to convert the land to commercial use. Should we fail to convert, the usage of the land would be limited.
- Risk of increased gearing.
- Other risks as disclosed in Section xx of the Circular.

Who are the parties involved and is there any element of conflict of interests?

- The vendor, Mr. A, does not have any relationship with our major shareholders, directors and/or persons connected to them.
- All experts and advisers involved in Proposed Acquisition are independent parties.

Principle 2

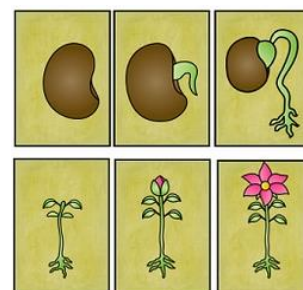
PRESENT THE INFORMATION IN AN ORGANISED AND EFFECTIVE MANNER

The main aim of the Disclosure Documents is to present important information to your shareholders in a clear, concise and logical manner, so that they can understand and digest it, before making an investment decision.

In helping your shareholders to better understand the corporate transaction, information should always be presented in a sequential, logical, step-by-step manner and, by order of 'importance' to make it easy to follow¹.

Example of information by order of 'importance' for corporate transaction is as follows:

1. Terms and conditions of transaction
2. Basis and justification for the consideration
3. Rationale and benefits of transaction
4. Use of proceeds (where relevant)
5. Prospects, outlook and future plan
6. Risks of transaction
7. Financial effects of transaction
8. Interest of directors, major shareholders and person connected to them (if any)



Generally, corporate transactions are reflected and evidenced by the contracts and agreements which set out the details as well as legal and contractual obligations of the parties involved. These documents are typically voluminous and technical. Hence, to facilitate your shareholders in understanding the corporate transactions, you are encouraged to present the key points of the agreements clearly and concisely in plain language, and do not overcrowd the information by extracting the terms directly from the agreement into the Disclosure Documents.

¹ In this connection, the Exchange had amended the Listing Requirements on 8 May 2019 to enhance the flow and presentation of announcements and circulars relating to transactions to improve their readability by re-arranging and clustering the prescribed information under key areas of transactions. This is to ensure that such announcements and circulars are coherent, relevant and easy to understand.

Guidance

- When disclosing the terms of the corporate transaction or details of the risks involved:
 - (i) Highlight the most significant terms or risk first.
 - (ii) Exclude risks that are generic and not relevant to the corporate transaction. The risk factor should be specific and tailored to the circumstances of the corporate transaction.
 - (iii) If there are any terms that may be peculiar or detrimental to your shareholders, such as having to pay unusually large sum as non-refundable deposit or high compensation fees for terminating the agreement, these should also be highlighted under the “risk factors” as this may affect your shareholders’ decision.
- Reduce overcrowding the contents of the Disclosure Documents.
 - (i) Use an appendix to set out the salient terms of the agreement.
 - (ii) Avoid having information that does not enhance the quality of information, e.g. ‘copy and paste’ the overview and outlook of a country’s economy from the research report without commenting on the relevancy of such information to the company/ transaction.
- Use diagrams, tables and other visuals (where possible) as “a picture is worth a thousand words”.
 - (i) Communicate with visual representations of data, numbers and concepts instead of providing wordy explanations.
 - (ii) Use tables or diagrams to convey or illustrate the information succinctly and easily especially when it involves complex transactions or related party transactions.
 - (iii) Keep your charts simple and remove unnecessary elements that could distract them from your focal point. Overwhelming your shareholders with data will likely leave them confused.
- Use descriptive and meaningful headings and sub-headings to break up dense text and help your shareholders navigate their way through information easily.

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Example of Setting out/ Presenting Salient Terms of an Agreement

SALIENT TERMS OF A JOINT VENTURE (“JV”) AGREEMENT

Formation and parties involved	<pre> graph TD A["Company A (100% subsidiary of Listed Issuer)"] -- 51% --> JV["JV Company"] B["JV Partner Co."] -- 49% --> JV </pre>	
	Company A	JV Partner Co.
Contribution	RM51 million	RM49 million
Distribution of profits	51% of the yearly profit after tax (“PAT”) (no minimum payout)	49% of the yearly PAT, subject to a minimum payout of RM10 million
Key responsibilities of the parties	(i) To manage the overall building of the factory (ii) To manage the overall operations of the factory	(i) To transfer the technology and knowledge to produce the product (“ Technology ”)
Exclusivity	Company A will have the exclusive right to use the Technology in Southeast Asia region during the Term.	
Term	An initial period of 3 years (the “ Initial Term ”) At the end of the Initial Term, this Agreement will automatically renew yearly, until this Agreement is terminated.	
Condition Precedent	(i) Company A to obtain approval from relevant authorities in Malaysia for the formation of JV Company. (ii) Company A to complete its due diligence work on the Technology Rights and to be satisfied with the result of feasibility report.	
Termination	Both parties can terminate the JV agreement by giving a 3-months’ notice period. In addition, if the initiating party is Company A, Company A is required to compensate the JV Partner Co. an amount of RM10 million in cash.	
Governing Law	Laws of Malaysia	

Principle 3

USE CLEAR, CONCISE AND SIMPLE LANGUAGE

Clear writing enables your shareholders to understand your corporate proposals and follow your line of reasoning easily.



Being concise means not using more words than necessary to convey your meaning clearly. To achieve concise writing usually requires good understanding of the corporate proposals and efforts to make several revisions after your first draft. Whilst this can take time, it will make your Disclosure Documents more meaningful.

Clear and simple language (usage of common everyday words) helps your shareholders get your message easily and directly. The following are some helpful guidance to achieve writing in clear, concise and simple language:

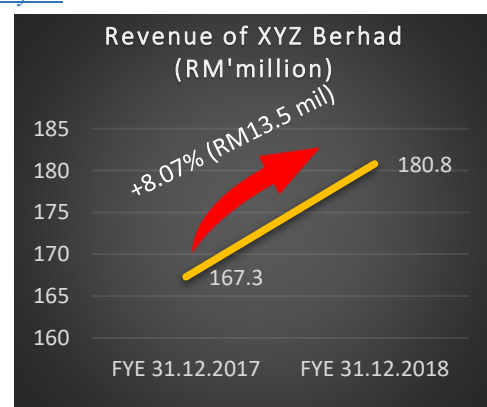
Guidance #1 - Use short sentences

- Each sentence only deals with one main point.
- Shareholders can understand the matter easily at first read.

Before

- ▶ Revenue increased by 8.07% or RM13.5 million from RM167.3 million for the FYE 31 December 2017 to RM180.8 million for the FYE 31 December 2018 mainly due to higher sales of treated water arising from increase in treated water demand from WaterCo, the sole customer of XYZ Bhd and the sole treated water distributor in Kedah, and the higher construction revenue as a result of increasing asset replacement work on the existing facilities to meet requirements of higher production volume of 152.1 million gallons per day ("MGD") for the FYE 31 December 2018 as

After



- ▶ The increase in revenue by 8.07% (RM13.5 million) was mainly due to:-
 - (i) higher sales of treated water and

Guidance #1 - Use short sentences (cont')

Before (cont')

compared to 144.5 MGD for the FYE 31 December 2017.

After (cont')

(ii) higher construction revenue.
The higher sales of treated water were due to increased demand for treated water from WaterCo. WaterCo, is our sole customer as well as the sole distributor of treated water in Kedah.
The higher construction revenue was due to increased asset replacement work on existing facilities. This was to cater for higher production volume of 152.1 MGD for FYE 31 December 2018 (FYE 31 December 2017: 144.5 MGD)

Guidance #2 - Use common everyday words

- Use common everyday words to get your point across.
- Avoid overly-formal writing style that is difficult to read or understand.
- When a shorter and simpler synonym exists, use it. Replace complex, abstract or formal words with simpler ones.

Before

- ▶ *In the event the abovementioned condition precedents are unable to be fulfilled by the vendor on or before 31 December 2019 or such other date as may be agreed by the vendor and the company, then the agreement and the respective rights and obligations of the parties will become null and void.*
- ▶ *elucidate to shareholders*
- ▶ *utilize our resources*
- ▶ *receipt evidencing a loan*

After

- ▶ *If the condition precedents are not met by 31 December 2019 or any later date to be agreed by the parties, then the agreement will be cancelled without any legal implication on both parties.*
- ▶ *explain/clarify to shareholders*
- ▶ *use our resources*
- ▶ *receipt for a loan*

Guidance #3 - Use active voice

- Active voice conveys message directly to a reader.
- Use passive voice sparingly. Sometimes, the passive voice does make sense. But when in doubt, choose the active voice.

Before

- ▶ *The land is acquired by our company*
- ▶ *If the appointer is a corporation, then the proxy form must be executed under the appointer's common seal.*
- ▶ *The fire at the factory was caused by the electrical short circuit.*

After

- ▶ *Our company acquired the land*
- ▶ *The appointer, who is a corporation, must affix its common seal on the proxy form.*
- ▶ *The fire at the factory was caused by electrical short circuit (Example where passive voice is more appropriate)*

Guidance #4 - Use single positive word

- A single word is clearer and straightforward instead of double negatives.
- Avoid double negatives and instead use a positive single word which means the same thing.

Before

- ▶ *Persons other than ordinary shareholders shall not receive these dividends*
- ▶ *No adjustment shall be made to the purchase consideration if the audited net asset value of ABC Sdn Bhd for the financial year end 30 June 2019 does not exceed 5% of the unaudited net asset value of ABC Sdn Bhd for the same financial period*
- ▶ *not accept*
- ▶ *not able*
- ▶ *not uncommon*
- ▶ *not insignificant*

After

- ▶ *Only ordinary shareholders shall receive these dividends*
- ▶ *The purchase consideration shall remain the same if the difference between the audited net asset value of ABC Sdn Bhd for the financial year end 30 June 2019 and the unaudited net asset value of ABC Sdn Bhd for the same financial period does not exceed 5%*
- ▶ *reject*
- ▶ *unable*
- ▶ *common*
- ▶ *significant*

Guidance #5 - Avoid superfluous words

- Superfluous words may sound important, but in actual fact, are less precise.
- As such, try to replace the superfluous words with words that carry the same meaning.

Before

- ▶ *because of the fact that*
- ▶ *despite the fact that*
- ▶ *prior to*

After

- ▶ *because*
- ▶ *although*
- ▶ *before*

Guidance #6 - Use Personal Pronouns

- Use personal pronouns, such as “we”, “us” and “our” and refer to your shareholders as “you”, where appropriate.
- Allow you to ‘speak’ directly to your shareholders, with an appealing tone that keeps them interested.

Before

- ▶ *The audit committee of the Company has reviewed the procedures on the RRPT mentioned in Section 4 of this Circular and is of the view that the stipulated procedures are....*
- ▶ *The Directors are of the opinion that the Proposed Share Buy-Back is in the best interest of the Company. As such, the Directors recommend that the shareholders vote in favour of the resolution for the Proposed Share Buy-Back to be tabled at the forthcoming AGM*

After

- ▶ *Our audit committee has reviewed our Recurrent Related Party Transaction procedures as mentioned in Section 4 and views that our procedures are...*
- ▶ *Our Directors view that the Proposed Share Buy-Back (“Proposal”) is in our Company’s best interest. As such, our Directors recommend that you vote in favour of the resolution for the Proposal to be tabled at the AGM*

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Guidance #7 - Avoid legal, financial and technical jargons

- Minimize legal, financial and technical jargons that ordinary persons may not understand easily.
- In instances where there is a complex or uncommon term being first used or referred to, explain what the term means in a clear and simple manner to facilitate comprehension. If the terms are used or referred to throughout the Disclosure Document for more than three times, insert it in the glossary (see Guidance #8 below).

Before

- ▶ *The new shares will, upon allotment and issuance, rank pari passu in all respects with the existing XYZ Berhad shares*
- ▶ *inter alia*
- ▶ *ultra vires*
- ▶ *intrinsic value*

After

- ▶ *The new shares will, upon allotment and issuance, carry the same rights with the existing XYZ Berhad shares*
- ▶ *among others*
- ▶ *beyond one's legal power or authority*
- ▶ *the perceived or calculated value of a company, including tangible and intangible factors, using fundamental analysis*

Guidance #8 - Use glossary for technical terms

- Given the complexity of corporate proposals that happen across a wide spectrum of industries, it is unavoidable that certain technical terms may be required to illustrate the information in the proper context of some industry-specific businesses.
- You can explain the meaning of the technical or specialised terms for easy understanding by using a glossary at the beginning of the Disclosure Documents.

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Guidance #9 - Use defined terms or abbreviations sparingly

- Use only common and widely understood acronyms (e.g. BNM, BLR).
- Avoid using unfamiliar acronyms.
- Apart from overwhelming your shareholders, overuse of defined terms may result in you writing confusing sentences.
- As a general rule of thumb, do not use a defined term if it is only used less than three times in the entire document.
- Instead of abbreviation, you may find a simplified name for the entity you want to abbreviate. This will also give the reader meaningful content that helps them to understand your message.

Before

- ▶ *Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR")*
- ▶ *Employment and Labour Act 2019 ("ELA 2019")*
- ▶ *Ahman, Ali, Nicholas & Parnters ("AANP")*

After

- ▶ *consider "the Listing Requirements"*
- ▶ *consider "Employment Act"*
- ▶ *consider "the Solicitors"*

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