

QUESTIONS AND ANSWERS  
DISCLOSURE AND CORPORATE GOVERNANCE AMENDMENTS  
& FUTURE FINANCIAL INFORMATION AMENDMENTS

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QUESTIONS AND ANSWERS  
AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD  
MAIN MARKET LISTING REQUIREMENTS  
RELATING TO DISCLOSURE AND CORPORATE GOVERNANCE AMENDMENTS &  
FUTURE FINANCIAL INFORMATION AMENDMENTS  
(As at 24 March 2016)

**CHAPTER 2 – GENERAL**

*Qualification of directors, chief executive and chief financial officer*

**2.10A What are some of the factors which a listed issuer and its nominating committee should consider when assessing whether a director has the time to effectively discharge his or her role as director pursuant to paragraph 2.20A of the Main LR?**

In undertaking the assessment on the director's time commitment, the listed issuer and its nominating committee should evaluate whether sufficient time and attention is given to the affairs of the listed issuer, in light of the position(s) the director holds in the listed issuer. In this regard, the listed issuer and its nominating committee should consider, among others, the director's –

- attendance at board or committee meetings, major company events, briefings or site visitations;
- participation in continuing training programmes;
- directorships in other listed issuers, public companies and corporations incorporated and listed outside Malaysia; and
- other commitments or positions and the time commitment involved.

**CHAPTER 8 – CONTINUING LISTING OBLIGATIONS**

*PN17 Issuers*

8.20 The auditors of *XYZ Bhd* ~~express an emphasis of matter on *XYZ Bhd's* ability to continue as a highlighted a material uncertainty related to~~ going concern on *XYZ Bhd* in its latest audited financial statements for the financial year ended 30 June 201709 (“Financial Statement”). *XYZ Bhd's* shareholders' equity on a consolidated basis based on the Financial Statement was 60% of its issued and paid up capital (excluding treasury shares).

However, *XYZ Bhd's* subsequent quarterly results for the period ended 30 September 201709 (“quarterly results”) shows that its shareholders' equity has reduced to 35% of its issued and paid up capital (excluding treasury shares).

Will *XYZ Bhd* trigger the Prescribed Criteria upon the release of its quarterly results?

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Yes, since XYZ Bhd's auditors have ~~expressed an emphasis of matter on its ability to continue as a~~ highlighted a material uncertainty related to going concern on XYZ Bhd in its latest Financial Statement and based on XYZ Bhd's latest available results which is the quarterly results, its shareholders' equity is less than 50% of its issued and paid up capital (excluding treasury shares), XYZ Bhd will trigger the Prescribed Criteria pursuant to paragraph 2.1(e) of Practice Note 17. In this event, XYZ Bhd must immediately make the First Announcement under paragraph 4.1(a) of Practice Note 17 upon the release of its quarterly results.

**Compliance with enhanced regularisation plan requirements**

**8.24A Y Bhd is a PN17 Issuer which intends to undertake a regularisation plan which will not result in a significant change in its business direction or policy. In the regularisation plan submitted to Bursa Securities, Y Bhd has included information relating to its financial forecast. What are the specific requirements under the Main LR that Y Bhd must comply with in relation to the disclosure of financial forecast in the regularisation plan?**

Y Bhd and its Principal Adviser must ensure that the preparation and disclosure of the financial forecast in the regularisation plan complies with Chapters 12 and 13 in Part I, Division 1 of the SC's Prospectus Guidelines in relation to future financial information ("SC FFI Standards") as required under paragraph 2.19A of the Main LR. Y Bhd must also ensure that its reporting accountant reviews and reports on the underlying accounting policies and assumptions relied on in the preparation of the financial forecast in accordance with the SC FFI Standards.

In addition to the above, Y Bhd must, amongst others, ensure that -

- the contents of the regularisation plan submitted to Bursa Securities comply with the requirements as set out in paragraph 2.18 of the Main LR; and
- the draft circular submitted to Bursa Securities together with the regularisation plan complies with the standard of disclosure for circulars as prescribed under paragraph 9.32 of the Main LR.

**Poll Voting**

**8.54A Under paragraph 8.29A(1) of the Main LR, a listed issuer must, among others, ensure that any resolution set out in the notice of any general meeting, is voted by poll. What is an example of a matter that is not set out in the notice of general meeting and therefore not subjected to the poll voting requirements?**

Adjournment of general meeting due to unforeseen circumstances is an example of a matter that is not set out in the notice of general meeting.

**8.54B Are resolutions set out in an addendum, errata or amendment to the notice of general meeting subjected to voting by poll under paragraph 8.29A(1) of the Main LR?**

Yes, "notice of any general meeting" in paragraph 8.29A(1) of the Main LR includes any addendum, errata or amendment to the earlier notice of general meeting. Hence, any resolution set out in the addendum, errata or amendment to the notice of general meeting is subjected to voting by poll.

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**8.54C Under paragraph 8.29A(2) of the Main LR, a scrutineer appointed to validate the votes cast at the general meeting must fulfill the following requirements:**

- the scrutineer must not be an officer<sup>1</sup> of the listed issuer or its related corporation;
- the scrutineer must be independent of the person undertaking the polling process;  
and
- if the scrutineer is interested in a resolution to be passed at the general meeting, the scrutineer must refrain from acting as scrutineer for that resolution.

**(a) In view of the above, can a listed issuer's external auditor be appointed as a scrutineer for the general meeting?**

Yes, the listed issuer's external auditor can be appointed as the scrutineer for the general meeting so long as the external auditor is independent of the person undertaking the polling process and refrains from acting in a resolution that it may be interested in, e.g. the resolution seeking its reappointment.

**(b) If the external auditor must refrain from acting as the scrutineer in a resolution seeking its reappointment, who can be the scrutineer to validate the votes cast for such resolution?**

The listed issuer may appoint any other person to be the scrutineer for such resolution so long as the said person is not an officer of the listed issuer or its related corporation and is independent of the person undertaking the polling process.

**8.54D Paragraph 8.29A(2) of the Main LR requires a listed issuer to appoint at least 1 scrutineer who, among others, must not be an officer of the listed issuer or its related corporation, to validate the votes cast at the general meeting. How does the requirement apply in the case of a listed real estate investment trust or a listed business trust?**

A scrutineer appointed under paragraph 8.29A(2) of the Main LR must not be –

- in the case of a listed real estate investment trust, an officer of the management company or the related corporation of the management company; and
- in the case of a listed business trust, an officer of the trustee-manager or the related corporation of the trustee-manager.

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<sup>1</sup> "Officer" has the meaning given in section 4 of the Companies Act 1965 and includes the director, company secretary and employees.

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## **CHAPTER 9 – CONTINUING DISCLOSURE**

### ***General***

**9.01 Does the Main LR impose an obligation on listed issuers to make an announcement on ~~internal management targets, prospects, revenue and profit~~financial estimate, forecast ~~and/or~~ projection?**

The Main LR does not impose an obligation on listed issuers to announce its ~~internal management targets, prospects, revenue and profit~~financial estimate, forecast ~~and/or~~ projection.

~~The Main LR merely prescribes additional disclosure obligations which have to be complied with by listed issuers who~~However, if the listed issuers choose to ~~announce its internal management targets or have previously announced/disclosed~~ its ~~prospects, revenue or profit~~financial estimate, forecast or projection, ~~in a public document~~ the listed issuers must, amongst others, comply with the following ~~in the following respect:~~

- ~~the requirements on the contents of announcement as set out in paragraph 9.16 of the Main LR and in particular, the preparation and the announcement of the financial estimate, forecast or projection must comply with the SC FFI Standards as required under paragraph 9.16(1)(c)(v) of the Main LR. This includes the obligation to ensure that the underlying accounting policies and assumptions of the financial estimate, forecast or projection are reviewed by the external auditors or reporting accountants, as the case may be, in accordance with the SC FFI Standards;~~
- ~~that the announcement on the listed issuer's internal management targets must explain the nature of the internal targets in accordance with paragraph 9.16(1)(f) of the Main LR; and~~
- ~~immediate and periodic disclosures must comply with the requirements as set out in paragraph 9.19(36) of the Main LR and Notes 3(b) and 4 of Appendix 9B of the Main LR; and~~
- ~~the disclosure must adhere to the Corporate Disclosure Policy prescribed under the Main LR including the requirement that there should not be selective disclosure of the financial estimate, forecast or projection to the investors, press, analysts or any other parties prior to the release or simultaneous release, of the financial estimate, forecast or projection through Bursa Link.~~

**9.02 ~~To what extent can a listed issuer disclose to the investors, press or analysts profit estimates / forecast/ internal targets / proposed projects / future developments ("Forecasts & Targets")?~~**

~~A listed issuer can disclose the Forecasts & Targets provided that the disclosure adhere to the Corporate Disclosure Policy prescribed under the Main LR including the requirement that there should not be selective disclosure of the Forecasts & Targets to the investors, press or analysts prior to the release or simultaneous release, of the Forecasts & Targets through Bursa Link.~~

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**If a listed issuer chooses to announce its internal targets that are set as part of its business plan, is it required to comply with the SC FFI Standards in respect of such announcement?**

No. The listed issuer need not comply with the SC FFI Standards. However, the listed issuer must comply with the following obligations instead when it announces its internal targets:

- the requirements on the contents of announcement as set out in paragraph 9.16 of the Main LR and in particular the announcement on its internal target must explain the nature of the internal targets in accordance with paragraph 9.16(1)(f) of the Main LR;
- the immediate and periodic disclosures must comply with paragraph 9.19(36) of the Main LR and Notes 3(b) and 4 of Appendix 9B of the Main LR; and
- the disclosure must adhere to the Corporate Disclosure Policy prescribed under the Main LR including the requirement that there should not be selective disclosure of the internal targets to the investors, press, analysts or any other parties prior to the release or simultaneous release, of the internal targets through Bursa Link.

***Preparation of announcements – content of press or public announcement***

**9.09** ~~Pursuant to Bursa Securities' query on 25 August 2009 in respect of the unusual market activity in X Bhd's securities, X Bhd has in its clarifying announcement on the same day, confirmed that it had entered into a material acquisition and provided the profit estimate together with the accounting bases, calculations and assumptions thereof. Is X Bhd required to ensure that the accounting bases, calculations and assumptions of the profit estimate disclosed in the clarifying announcement are reviewed by the external auditors?~~

~~As the clarifying announcement is made on an immediate basis, X Bhd would not be required to ensure that the accounting bases, calculations and assumptions of the profit estimate disclosed is reviewed by the external auditors pursuant to paragraph 9.16(1)(c)(v) of the Main LR. However, X Bhd must still ensure that the clarifying announcement and the disclosure of its revenue or profit estimate, forecast or projection complies with the standards of disclosure prescribed in paragraph 9.16 of the Main LR. [Deleted]~~

**9.10** ~~This question is independent of Question 9.09 above. What if X Bhd discloses its profit forecast in its quarterly report? Is X Bhd required to ensure that the accounting bases, calculations and assumptions of the profit forecast disclosed in the quarterly report are reviewed by the external auditors?~~

~~Yes. Since the profit forecast is disclosed by X Bhd in its quarterly report and there is sufficient time to ensure that such review is undertaken prior to the release of the quarterly report, X Bhd would need to ensure that the accounting bases, calculations and assumptions of the profit forecast disclosed in the quarterly report are reviewed by the external auditors. [Deleted]~~

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***Prescribed events which require immediate announcement***

9.21 Paragraph 9.19(36) of the Main LR requires the listed issuer to make an immediate announcement of any circumstances or development which are likely to materially affect the results or outcome of any ~~prospects, revenue or profit~~**financial** estimate, forecast, projection or internal targets of the listed issuer previously announced or disclosed in a public document. What is the extent of the variation to the results or outcome of the ~~prospects, financial~~ estimate, forecast, projection or internal targets that would be considered as “material”?

Bursa Securities does not prescribe a threshold where the variation would be considered “material” for purposes of making the requisite announcement under paragraph 9.19(36) of the Main LR. The variation would be considered material if the information of such variation is reasonably expected to have a material effect on -

- (a) the price, value or market activity of any of the listed issuer’s securities; or
- (b) the decision of a holder of securities of the listed issuer or an investor in determining his choice of action.

9.22 ~~Y Bhd announces in its 3rd quarterly report for the financial period ended 30 September 2009 that the prospects of its profit before tax for the 4th quarter for the financial period ending 31 December 2009 (“4th Quarterly Results”), is likely to be 20% higher than what was reported in the previous financial year end based on the sales order in hand and the new business strategy in a new market. However, subsequently on 23 January 2010 prior to the issuance of the 4th Quarterly Results, Y Bhd discovers that it would not be able to achieve the prospect of its 4th Quarterly Results as announced earlier and that Y Bhd estimates that the earnings for the 4th Quarterly Results are likely to be 10% lower than what was reported in the previous financial year end due to the following reasons:~~

- ~~the sales volume was disappointing; and~~
- ~~Y Bhd is unable to execute its new business strategy in the new market coupled with the sudden hike in the price of raw materials resulting in higher operating costs.~~

~~(a) Is Y Bhd required to make an immediate announcement of the aforesaid circumstances or can Y Bhd defer from making an announcement until the quarterly report for the financial period ending 31 December 2009 is finalized?~~

~~Pursuant to the paragraph 9.19(36) of the Main LR, Y Bhd is required to make an immediate disclosure of the aforesaid circumstances even though the results or outcome is not definite. Y Bhd cannot defer releasing the requisite announcement until the quarterly report and/or accounts are finalized.~~

~~(b) Is it sufficient for Y Bhd to disclose in the announcement that it would not be able to achieve the prospect of its 4th Quarterly Results as announced earlier without stating the resultant financial effects?~~

~~No. The requisite announcement pursuant to paragraph 9.19(36) of the Main LR must include the resultant financial effects which should be quantified where possible or qualified, if necessary.~~

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Hence, *Y Bhd* must include in the announcement that the estimated earnings for its 4th Quarterly Results is likely to be 10% lower than what was reported in the previous financial year end. In addition, *Y Bhd* must ensure that the announcement complies with the requirements prescribed under paragraph 9.16(1) of the Main LR. ~~[Deleted]~~

**9.23** ~~Based on the same facts as in Question 9.22 above, assuming that *Y Bhd* discovers on 23 January 2010 that based on its latest revised sales record and the successful implementation of new cost saving measures, *Y Bhd's* profit before tax for the 4th Quarterly Results is likely to be materially higher than the prospect earlier announced. Is *Y Bhd* required to make an immediate announcement of such circumstances?~~

~~Yes, *Y Bhd* is required to make an immediate announcement of the aforesaid circumstances pursuant to paragraph 9.19(36) of the Main LR. It is to be noted that paragraph 9.19(36) of the Main LR requires the immediate announcement to be made irrespective of whether the results or outcome is better or less favourable than the prospects, forecast, projection, estimate or internal targets previously announced or disclosed. ~~[Deleted]~~~~

**9.23A Under paragraph 9.19(37) of the Main LR, a listed issuer is required to make an immediate announcement of any modified opinion or material uncertainty related to going concern, as contained in the external auditor's report of its annual audited financial statements. When must the listed issuer make the immediate announcement as required under paragraph 9.19(37) of the Main LR?**

If the auditor's report contains a modified opinion or material uncertainty related to going concern, the listed issuer must immediately announce such modified opinion or material uncertainty related to going concern, as soon as the annual audited financial statements have been approved by its board of directors. The listed issuer should not delay or defer the announcement until the issuance of its annual report.

As an illustration, the listed issuer has a financial year ending 31 December 2016. In the auditor's report of its annual financial statements, the external auditors have highlighted a material uncertainty related to going concern. Pursuant to paragraph 9.23(1) of the Main LR, the listed issuer must issue its annual report that includes annual audited financial statements together with the auditors' and directors' reports, within 4 months from the close of the financial year of the listed issuer i.e. by 30 April 2017. On 17 April 2017, its board of directors approves the annual audited financial statements of the listed issuer. In this regard, the listed issuer must immediately make the announcement required under paragraph 9.19(37) of the Main LR on 17 April 2017, after the approval of its board of directors for the annual audited financial statements. The listed issuer must not wait until the issuance of its annual report which is targeted on 30 April 2017.

**9.23B Under paragraph 9.19(37) of the Main LR, a listed issuer must immediately announce any modified opinion or material uncertainty related to going concern in an external auditors' report. The announcement must set out the full details of such modified opinion or material uncertainty related to going concern and include the following:**

- (a) all key audit matters disclosed in the external auditors' report;
- (b) steps taken or proposed to be taken to address those key audit matters that relate to the modified opinion or material uncertainty related to going concern; and

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(c) the timeline for the steps referred to in sub-paragraph (b) above.

What is a listed issuer expected to disclose under paragraphs 9.19(37)(a) and (b) of the Main LR respectively?

In announcing “all key audit matters disclosed in the external auditors’ report” pursuant to paragraph 9.19(37)(a) of the Main LR, the listed issuer must state -

- (i) those matters giving rise to a modified opinion in accordance with ISA 705 (Revised), or a material uncertainty related to events or conditions that may cast significant doubt on the listed issuer’s ability to continue as a going concern in accordance with ISA 570 (Revised), as described in the “Basis for Qualified (Adverse) Opinion” or the “Material Uncertainty Related to Going Concern” section of the external auditor’s report; and
- (ii) those matters that, in the auditor’s professional judgment, were of most significance in the audit of its financial statements for the reporting period, as described in the “Key Audit Matters” section of the external auditor’s report.

On the other hand, in the announcement pursuant to paragraph 9.19(37)(b) of the Main LR, the listed issuer will only be required to state the steps taken or proposed to be taken to address those matters set out in paragraph (i) above.

***Publication of certain information in annual reports on the listed issuer’s website***

**9.29 What information set out in Part A of Appendix 9C which may be published on the listed issuer’s website pursuant to paragraph 9.25(1) of the Main LR?**

Under paragraph 9.25(1) of the Main LR, a listed issuer may publish information set out in Part A of Appendix 9C which has been **previously announced or disclosed to shareholders pursuant to these Requirements, or remains substantially unchanged from year to year (“said information”)** provided that the listed issuer discloses in the annual report, the address of its website and the place on its website where the information can be accessed. The said information may include –

- (a) list of material properties;
- (b) profile of directors, ~~and~~ chief executive and key senior management;
- (c) material contracts and loans involving the interest of directors, chief executive who is not a director and major shareholders; and
- (d) terms of references, policies and processes of board committees.



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**Publication of summary of key matters discussed at annual general meetings on the listed issuer's website**

**9.30A What should be covered under the summary of key matters discussed at the annual general meetings which a listed issuer must publish on its website pursuant to paragraph 9.21(2)(b) of the Main LR?**

The summary of the key matters discussed at the annual general meeting which must be published on the listed issuer's website should include a summary of the discussions or explanations on the matters set out in the agenda, substantial or pertinent comments or queries from shareholders relating to the agenda and responses from the board and management.

***Periodic disclosures – annual report***

**9.41 Pursuant to paragraph 9.25(1) of the Main LR, a listed issuer must set out separately in its annual report, the items set out in Part A of Appendix 9C of the Main LR (hereinafter referred as “Appendix 9C”). Does the listed issuer have to provide a negative statement if a particular item contained in Appendix 9C is not applicable to the listed issuer?**

No, the listed issuer does not have to provide a negative statement if a particular item in Appendix 9C is not applicable to the listed issuer except where it is expressly required under Appendix 9C, namely items (18)(b), (21) and (29) of Appendix 9C.

**9.42 What is the definition of “family” relationship as stated in items (3)(f), (4)(f) and (4A)(e) of Appendix 9C?**

“Family” relationship shall have the same meaning as assigned to “family” under paragraph 1.01 of the Main LR.

**~~9.44 Does a listed issuer have to disclose the remuneration of directors of the subsidiaries of the listed issuer in its annual report?~~**

~~Under item (11) of Appendix 9C, a listed issuer has to disclose only the remuneration of directors of the listed issuer, not the directors of the subsidiaries who do not sit on the board of the listed issuer. In this respect, the remuneration disclosed should include remuneration for services rendered by such directors to the listed issuer as a group. [Deleted]~~

**9.45 What is the definition of “relevant regulatory bodies” referred to in items (17)(3)(h), 4(h) and 4A(g) of Appendix 9C?**

“Relevant regulatory bodies” refers to any regulator that regulates a listed issuer or its subsidiaries or any authority or organisation which regulates the business activity of a listed issuer or its subsidiaries. This includes Bursa Securities, the SC, Bank Negara Malaysia, the Companies Commission of Malaysia, the Employees Provident Fund, the Inland Revenue Board, the Department of Environment and the local municipal councils

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- 9.46 Pursuant to item (18)(b) of Appendix 9C, are listed issuers required to disclose non-audit fees paid to corporations which are owned by the external auditors i.e. the partners of the auditing firm?**

Yes, pursuant to item (18)(b) of Appendix 9C, listed issuers are required to disclose non-audit fees paid to corporations owned by the external auditors of the listed issuers.

- 9.47 What is considered as “non-audit fees” pursuant to item (18)(b) of Appendix 9C?**

“Non-audit fees” would encompass any fees paid for services rendered to the listed issuer or its subsidiaries other than for statutory auditing work. An example would be consultancy services.

- 9.47A Pursuant to item 18(b) of Appendix 9C, listed issuers are required to set out in their annual reports, the details on the nature of the services rendered by the external auditors if the non-audit fees incurred were significant. For this purpose, what is regarded as “significant” non-audit fees?**

In determining what could be regarded as “significant” non-audit fees, listed issuers should consider the amount of non-audit fees incurred compared to the amount of audit fees paid. Generally, if the non-audit fees constitute 50% of the total amount of audit fees paid to their external auditors, then such non-audit fees are regarded as significant.

- 9.48 Pursuant to items (3)(h), (4)(h) and (4A)(g) of ~~Part A~~, Appendix 9C, listed issuers are required to set out in their annual report the particulars of the directors, chief executive and key senior management respectively including the list of convictions for offences within the past 405 years other than traffic offences, if any. What is regarded as “convicted of an offence”?**

“Convicted of an offence” includes any finding of guilt or any order involving any finding of guilt by any court of competent authority in Malaysia or outside Malaysia in relation to any act or omission punishable under criminal law.

## **CHAPTER 10 – TRANSACTIONS**

### ***Definition of “transaction”***

- 10.1 Is the definition of “transaction” the same for both non-related party and related party transactions?**

No, there is a different definition of “transaction” in the context of non-related party transactions and related party transactions respectively.

In the context of non-related party transactions, it means acquisitions or disposals of assets by a listed issuer or its subsidiaries and includes any of the following actions undertaken by the listed issuer:

- disposing of; or

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- granting, accepting, exercising or discharging an option or any other right or obligation, present or future, conditional or unconditional, to dispose of,

the listed issuer's developmental rights, all or substantially all its rights, benefits, or control in an asset. However, it but-excludes transactions of a revenue nature in the ordinary course of business.

In the context of related party transactions, it includes acquisitions, disposals or leasing of assets, establishment of joint ventures, provision of financial assistance, provision or receipt of services or any business transaction or arrangement entered into by a listed issuer or its subsidiaries.

***Related party transactions***

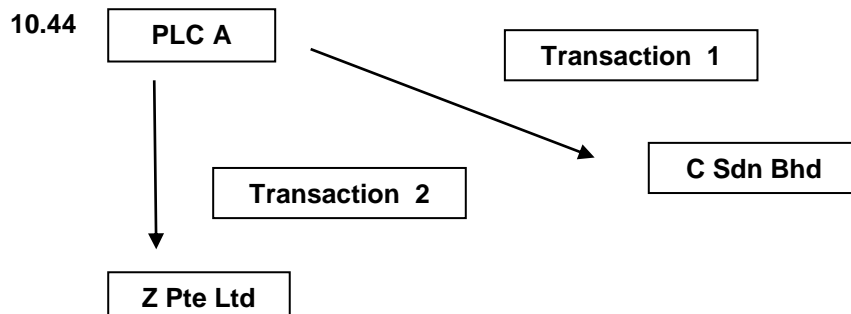
**10.22 Must a listed issuer immediately announce all related party transactions?**

A listed issuer must immediately announce all the following related party transactions:

- (a) related party transactions which do not fall within the category of recurrent related party transaction of a revenue or trading nature and necessary for its day to day operations ("RRPT") and -
  - (i) the value of the consideration of the transaction is RM500,000 or more-; and
  - (ii) the percentage ratio of such related party transaction is 0.25% or more; and
- (b) RRPTs which are not comprised in a valid mandate from its shareholders ("Mandate") and -
  - (i) in relation to a listed issuer with an issued and paid-up capital of RM60 million and above, the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more, or the percentage ratio of such RRPT is 1% or more, whichever is the higher; or
  - (ii) in relation to a listed issuer with an issued or paid-up capital of less than RM60 million, the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more, or the percentage ratio of such RRPT is 1% or more, whichever is the lower,

("Prescribed Limit").

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**PLC A** proposes to enter into Transactions 1 and 2 with **C Sdn Bhd** and **Z Pte Ltd** respectively. The terms and conditions of the transactions were agreed upon on 30 January 2010. **Mr. C**, a director and major shareholder of **C Sdn Bhd**, was also a director and major shareholder in **PLC A** but has resigned as a director of and disposed off his shares in **PLC A** on 1 September 2009 and 29 September 2009 respectively. **Mr. Z**, a director and major shareholder of **Z Pte Ltd**, was also a major shareholder of **PLC A** before 1 March 2009. Are Transactions 1 and 2 related party transactions?

As Transaction 1 involves the interest of **Mr. C** who was a director and major shareholder of **PLC A** within the preceding 6 months from 30 January 2010, Transaction 1 is regarded as a related party transaction pursuant to the Main LR.

However, as Transaction 2 merely involves the interest of **Mr. Z** who is no longer a major shareholder within the preceding 6 months from 30 January 2010, **Mr. Z** is not regarded as a major shareholder under the new definition of "major shareholder" and Transaction 2 would not be regarded as a related party transaction pursuant to the Main LR.

**Recurrent related party transaction of a revenue or trading nature and necessary for its day to day operations ("RRPT")**

10.52 **A Bhd** has obtained a mandate from shareholders for entering into the following RRPTs with companies involving the interests of its director, **Mr. X**:

Transaction No.	Description	Estimated Value (RM)	Actual Value
1	acquisition of stationery	500,000	520,000 (< 10%)
2	provision of secretarial, accounting and registration services	2,500,000	2,800,000 (> 10%)
3	receipt of insurance services/products	4,000,000	3,500,000
	<b>Total</b>	<b>7,000,000</b>	<b>6,820,000</b>

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- (a) **For the purpose of determining whether the Actual Value of the RRPTs entered into by *A Bhd* with *Mr. X* exceeds the Estimated Value, can *A Bhd* use the aggregated Estimated Value for Transactions 1, 2 and 3 and compare it to the aggregated Actual Value for the 3 transactions?**

Yes, as Transactions 1, 2 and 3 involve the interests of the same related party, pursuant to paragraph 10.12 of the Main LR, *A Bhd* may aggregate, the Estimated Value and Actual Value of those transactions respectively and determine whether the aggregated Actual Value exceeds the aggregated Estimated Value by 10% or more, in which case an announcement would be required.

- (b) **Assuming only the Actual Value of Transaction 2 exceeds 10% of its Estimated Value, but the aggregated Actual Value of Transactions 1, 2 and 3 is below the aggregated Estimated Value of the RRPT or does not exceed the aggregated Estimated Value of the RRPT by 10% or more, **M**ust *A Bhd* make an announcement under paragraph 10.09(2)(e) of the Main LR relating to Transaction 2 only?**

No, *A Bhd* need not make such announcement for Transaction 2 only. It only needs to announce under paragraph 10.09(2)(e) of the Main LR if the aggregated Actual Value of Transactions 1, 2 and 3 exceeds the aggregated Estimated Value of the RRPT by 10% or more.

**10.53 Pursuant to paragraph 11 of Annexure PN12-A, a listed issuers must disclose the thresholds for the approval of RRPTs within its group of companies.**

- (a) **What is the “approval” referred to in this paragraph 11?**

It refers to the listed issuer’s internal approval.

- (b) **Does Bursa Securities prescribe these thresholds?**

No, the listed issuer may determine the appropriate thresholds for the approval of RRPTs within its group of companies.

- (c) ***A Bhd* currently has its own internal authority matrix for approvals of transactions/procurement. However, this authority matrix makes no distinction between a transaction/procurement which involves the interest of a related party and a transaction/procurement which does not involve the interest of a related party. Can *A Bhd* use this authority matrix for the purpose of disclosure pursuant to paragraph 11 of Annexure PN12-A?**

Yes, so long as the said authority matrix is wide enough to cover the RRPTs for which shareholder approval is being sought, *A Bhd* may use its internal authority matrix for the purpose of disclosure under paragraph 11 of Annexure PN12-A.

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## **CHAPTER 15 – CORPORATE GOVERNANCE**

### ***Audit committee***

**15.27A Under paragraph 15.12(1)(j) of the Main LR, an audit committee is required to review whether there is reason (supported by grounds) to believe that the listed issuer's external auditor is not suitable for re-appointment, and make the relevant recommendation to the board.**

**What are some of the key factors that may assist the audit committee in determining whether such reason exists where the external auditor is not suitable for re-appointment?**

In making the determination, the audit committee should, in addition to the suitability factors as set out in paragraph 15.21 of the Main LR<sup>2</sup>, also consider the performance of the external auditor and its independence such as -

- the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
- whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.

**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.

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<sup>2</sup> Paragraph 15.21 of the Main LR provides that in appointing an external auditor, a listed issuer must consider, among others –

- (a) the adequacy of the experience and resources of the accounting firm;
- (b) the persons assigned to the audit;
- (c) the accounting firm's audit engagements;
- (d) the size and complexity of the listed issuer's group being audited; and
- (e) the number and experience of supervisory and professional staff assigned to the particular audit.

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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 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; 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: Towards Boardroom Excellence (2<sup>nd</sup> Edition)** and the **2015 Analysis of Corporate Governance Disclosures in Annual Reports**<sup>3</sup>.

**15.27C What is a listed issuer expected to disclose in the summary of the work of the internal audit function under paragraph 15.15(3)(e) of the Main LR?**

Similar to the above, a listed issuer should provide information which enables shareholders to have an insight into how the internal audit function discharged its roles and responsibilities during the financial year. With such information, shareholders are able to understand better the effectiveness and efficiency of the governance, risk management and internal control processes in place. The disclosure would also assist shareholders in assessing whether the audit committee has carried out its oversight duties over the internal audit, effectively.

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<sup>3</sup> This is available on Bursa Malaysia's website at:  
<http://www.bursamalaysia.com/misc/system/assets/16493/2015%20Analysis%20of%20Corporate%20Governance%20Disclosures%20in%20Annual%20Reports%20-%20Report.pdf>

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In this regard, the listed issuer should provide information on the key specific areas that were audited and other information such as the resources made available to the internal audit function as well as the internal audit reporting and communication flow i.e. what was done with the internal audit report and whether concerns, if any, identified by internal audit in its report were addressed, during the financial year. The listed issuer should avoid providing generic statements about the general responsibilities of the internal audit function or its terms of reference which do not inform shareholders of the actual work performed by the internal audit function.

The listed issuer and its audit committee may be further guided in disclosing the summary of the internal audit function's work as required under 15.15(3)(e) of the Main LR by referring to the **Corporate Governance Guide: Towards Boardroom Excellence (2<sup>nd</sup> Edition)** and the **2015 Analysis of Corporate Governance Disclosures in Annual Reports**.

**Risk Management and Internal Control Statement**

**15.34 Is there any guidance to assist directors of listed issuers in making the statement on risk management and internal control?**

In addition to Practice Note 9, directors should also refer to the guidance entitled "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" issued by the Taskforce on Internal Control. A copy of the said guidelines is available on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

***[End of Appendix 3]***