

DIVISION 2

CORPORATE BONDS AND SUKUK

C O N T E N T S

	PAGE
Chapter 1 GENERAL	1
Chapter 2 COVER PAGE	3
Chapter 3 INSIDE COVER/FIRST PAGE	4
Chapter 4 TIMETABLE AND CORPORATE DIRECTORY	7
Chapter 5 INFORMATION ON THE CORPORATE BONDS OR SUKUK	8
Chapter 6 RISK FACTORS	10
Chapter 7 INFORMATION ABOUT ISSUER/SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/KEY MANAGEMENT PERSONNEL/GUARANTOR	11
Chapter 8 FINANCIAL INFORMATION	13
Chapter 9 RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST	15
Chapter 10 RIGHTS OF HOLDERS OF CORPORATE BONDS OR SUKUK	16
Chapter 11 INFORMATION RELATING TO BOND/SUKUK TRUSTEE AND TRUST DEED	17
Chapter 12 EXPERT’S REPORTS	18

Part II – Contents of Prospectus (Division 2)

Chapter 13 DOCUMENTS AVAILABLE FOR INSPECTION	19
Chapter 14 APPLICATION FOR CORPORATE BONDS OR SUKUK	20

Chapter 1

GENERAL

- 1.01 This division shall apply to a prospectus prepared in relation to the offer of corporate bonds or sukuk except for Plain Debt Securities under an ACMF initiative.
- 1.02 If the issuer is a special purpose vehicle (SPV), the requirements on an issuer stated in this division shall also apply, where applicable, to the obligor.
- 1.03 The information to be disclosed in the prospectus must be up-to-date not more than six weeks prior to the issue of the prospectus, except for, where applicable, the requirements as set out in Chapter 10 Reports by the Reporting Accountants of Division 1 of Part II.
- 1.04 Issuer and any other relevant persons responsible for preparing the prospectus must strictly observe any significant change or new matter arising that will affect the content of the prospectus and to update it via a supplementary prospectus or replacement prospectus as necessary.
- 1.05 Subject to paragraph 1.06, a prospectus is valid for a period of 12 months from the date of registration of the prospectus.
- 1.06 In the case of a debt or sukuk programme, a prospectus may be issued:
- (a) in a single document, which is valid for a period of 12 months from the date of registration of the prospectus; or
 - (b) by way of a base prospectus supported by pricing supplement, which is valid for a period of 24 months from the date of registration of the prospectus.
- 1.07 A base prospectus and its supporting pricing supplement must both comply with these guidelines. The base prospectus must contain information relating to the issuer and the pricing supplement must contain information concerning the specific issue of each tranche under the debt or sukuk programme. The base prospectus and pricing supplement must each contain a statement that it should be read in conjunction with the other.
- 1.08 A base prospectus may only be issued where the terms and conditions for every issuance under a debt or sukuk programme remain unchanged except in relation to the following terms and condition:
- (a) Issue size;
 - (b) Price/yield to maturity;
 - (c) Tenure;

- (d) Coupon/profit/rental rate and payment period;
- (e) Listing status of the corporate bonds or sukuk;
- (f) Selling restrictions;
- (g) Rating;
- (h) Lead manager; and
- (i) Shariah adviser.

1.09 For the purposes of this division:

“Corporate bonds or sukuk” refers to corporate bonds or sukuk, as the case may be;

“Debt or sukuk programme” has the meaning assigned to it in the *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors*, as the case may be;

“Obligor” has the meaning assigned to it in the *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors*;

“Pricing supplement” refers to the pricing supplement under paragraph 12.08 of Part C of the *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors*; and

“Significant subsidiary” means a subsidiary which accounts for 10% or more of the total amount of the net assets, net liabilities, or profit or loss before tax, of the group during any of the past three financial years.

Chapter 2

COVER PAGE

2.01 The cover page must contain the following information and statements:

- (a) Particulars about the issuer, including full name, registration number, place of incorporation and statute under which it was incorporated;
- (b) The date of the prospectus;
- (c) Salient features of the corporate bonds or sukuk offered, including type, tenure, nominal amount, coupon/profit/rental, offer price, the Shariah principles applied, and in the case of loan stocks/Islamic loan stocks¹, the number of loan stocks/Islamic loan stocks offered;
- (d) Whether the corporate bonds or sukuk will be listed on the stock exchange, issued over-the-counter or both and the manner in which the corporate bonds or sukuk are offered to investors;
- (e) The name of the principal adviser, lead arranger and underwriter;
- (f) The following statements to appear in bold:

“INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. TURN TO PAGE [] FOR “RISK FACTORS”;

- (g) For corporate bonds or sukuk that are non-transferable and non-tradable, the following statement is to be included and highlighted in bold:

INVESTORS ARE ADVISED TO NOTE THAT THIS CORPORATE BOND OR SUKUK IS NON-TRANSFERABLE AND NON-TRADABLE.

2.02 In relation to the offer of corporate bonds or sukuk under a debt or sukuk programme where a base prospectus is issued, the information and statement under paragraphs 2.01(c), (d) and (g) need not be included in the base prospectus but must be incorporated in the pricing supplement.

¹ These are loan stocks structured in a Shariah-compliant manner based on any permissible Shariah principles and have been named appropriately.

Chapter 3

INSIDE COVER/FIRST PAGE

3.01 The prospectus must contain the following statements on the inside cover or at the very least, on page 1:

Responsibility statements

- (a) “The directors of the issuer have seen and approved this prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in the prospectus false or misleading.”;
- (b) “[Name of principal adviser/lead arranger], being the Principal Adviser/Lead Arranger, acknowledges that, based on all available information, and to the best of its knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the offering.”;
- (c) Where future financial information is provided:

“The directors of the issuer confirm that the bases and assumptions relied on in the preparation of the future financial information are reasonable.”

“[Name of principal adviser/lead arranger], being the Principal Adviser/Lead Arranger, is satisfied that bases and assumptions relied on in the preparation of the future financial information are reasonable.”;

Statements of disclaimer

- (a) “The Securities Commission Malaysia has approved the [to state the offering approved by the SC]. This prospectus has been registered with the Securities Commission Malaysia. The approval, and registration of this prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of the corporate bonds or sukuk being offered for investment.”;
- (b) “The Securities Commission Malaysia is not liable for any non-disclosure on the part of the company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this prospectus.”;

- (c) Where applicable:

“The valuation utilised for the purpose of the corporate exercise should not be construed as an endorsement by the Securities Commission Malaysia on the value of the subject assets.”;
- (d) Where the corporate bonds or sukuk offered are to be listed and quoted on Bursa Securities:

“Admission to the Official List of Bursa Malaysia Securities Bhd is not to be taken as an indication of the merits of the offering, issuer, or its corporate bonds or sukuk.”;
- (e) “This prospectus, together with the application form, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.”;

Additional statements

- (a) “Investors should note that they may seek recourse under sections 248, 249 and 357 of the *Capital Markets and Services Act 2007* for breaches of securities laws, including any statement in the prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the prospectus or the conduct of any other person in relation to the corporation.”;
- (b) “Corporate bonds or sukuk are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in section 236 of the *Capital Markets and Services Act 2007*, is responsible.”; and
- (c) A statement that no corporate bonds or sukuk will be issued on the basis of–
 - (i) a prospectus, later than 12 months after the date of issue of the prospectus; or
 - (ii) a base prospectus, later than 24 months after the date of issue of the base prospectus.

3.02 In addition to the statements required under paragraph 3.01 above, where the corporate bonds or sukuk are proposed to be listed and quoted on a stock exchange, the prospectus must contain the following statements:

- (a) A statement that the approval for the listing and quotation of the corporate bonds or sukuk on the stock exchange has been granted; or
- (b) Where such approval has not been granted, the following statements:

Part II – Contents of Prospectus (Division 2)

- (i) that an application has been or will be made for the corporate bonds or sukuk offered to be listed and quoted on the official list of a stock exchange;
- (ii) any allotment made on an application to subscribe for corporate bonds or sukuk under the prospectus would be void if–
 - A. the application to list and quote has not been made within three market days from the date of issue of the prospectus; or
 - B. the permission for the application to list and quote is not granted within six weeks from the date of issue of the prospectus (or such longer period as may be specified by the SC); and
- (iii) the issuer will repay without interest all monies received from the applicants if such application was not made or if the stock exchange refuses to grant permission.

Chapter 4

TIMETABLE AND CORPORATE DIRECTORY

Indicative timetable

- 4.01 Disclose the timetable, including the following critical dates:
- (a) Opening and closing dates of the offering; and
 - (b) Dates of any special event, for example, date for balloting, allotment and listing.
- 4.02 Disclose whether the directors reserve the right to extend the closing date of the offering.
- 4.03 Disclose the method of informing the public if the closing date is extended.

Corporate directory

- 4.04 The directory must contain the following details:
- (a) Addresses and telephone numbers of the company's registered office, head/management office and the e-mail and website addresses;
 - (b) Name, address and membership number of the company secretary;
 - (c) Names, addresses and telephone numbers of the following parties, where applicable:
 - (i) Principal adviser;
 - (ii) Lead arranger;
 - (iii) Facility agent;
 - (iii) Paying agent;
 - (iv) Solicitors;
 - (v) Credit rating agency;
 - (vi) Bond/sukuk trustee;
 - (vii) Guarantor;
 - (ix) Underwriter;
 - (x) Shariah adviser;
 - (xi) Any other expert whose prepared reports or excerpts or summaries are included or referred to in the prospectus; and
 - (xii) Any other person connected to the offer.

Chapter 5

INFORMATION ON THE CORPORATE BONDS OR SUKUK

- 5.01 The prospectus must include the Principal Terms and Conditions of the Proposal, set out in Part 2 of Appendix 1 of the *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors*.
- 5.02 The prospectus must also include a summary of the credit rating report relevant to the corporate bonds or sukuk, published by a credit rating agency.
- 5.03 In addition, the prospectus must disclose information on the relevant tax provisions, including whether the issuer will be responsible for the withholding of tax on any payments made on the corporate bonds or sukuk.
- 5.04 The prospectus must disclose a reasonably itemised statement of the major categories of expenses incurred in connection with the issuance or offering of the corporate bonds or sukuk. If the amounts of any items are not known, estimated expenses (identified as such) must be given. The prospectus must also disclose if parties other than the issuer are paying the expenses.
- 5.05 If the corporate bonds or sukuk are convertible/exchangeable into shares that are listed on a stock exchange or are issued with warrants, whether or not detachable, the following detailed information, where applicable, must be made available:
- (a) Mode of conversion/exchange;
 - (b) Conversion/exchange period;
 - (c) Conversion/exchange ratio;
 - (d) Conversion/exchange price;
 - (e) Number of warrants;
 - (f) Price of warrants;
 - (g) Rights attached to warrants;
 - (h) Warrant exercise period;
 - (i) Warrant exercise price;
 - (j) The effects of the issuance and the conversion on, inter alia, the earnings per share and net tangible assets/net assets per share of the company;
 - (k) Details of the proposed utilisation of proceeds from the issuance and conversion;
 - (l) Detailed description on the adjustment of the conversion price in light of any changes to the issuer's share capital and to provide illustrations for each possible circumstance; and
 - (m) Any other relevant information which a potential investor will require on the issuance of the convertible/exchangeable corporate bonds or sukuk.

- 5.06 In relation to paragraph 5.05 above, where the underlying shares are already listed on a stock exchange, the following information relating to the shares must also be disclosed:
- (a) Information on the highest and lowest market prices for the three most recent full financial years and monthly for the most recent six months;
 - (b) If there is any significant trading suspensions occurred in any of the preceding three years; and
 - (c) Where the underlying shares are not regularly traded on a stock exchange, information must be given about any lack of liquidity.
- 5.07 In relation to Sustainable and Responsible Investment (SRI) sukuk, the prospectus must include a statement to inform the investors that further information relating to the issuer's SRI sukuk framework is provided on a designated website as required under paragraphs 20.05 and 20.16 of the *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors*.

Chapter 6

RISK FACTORS

- 6.01 The prospectus must contain information about risk factors which are specific to the issuer/group and its industry, and the corporate bonds or sukuk being offered, including the extent of credit risks.
- 6.02 Disclaimers on the risk factors should not undermine the risk disclosures which will render the risk disclosures of little or no beneficial use to investors.

Chapter 7

INFORMATION ABOUT ISSUER/SUBSTANTIAL SHAREHOLDERS/ DIRECTORS/KEY MANAGEMENT PERSONNEL/GUARANTOR

7.01 The following information must be provided in the prospectus:

- (a) Information about the background and business activities of the issuer, its significant subsidiaries and associated corporations, and an overview of the industry in which they operate;
- (b) A list of subsidiary and associated corporations, the percentage interest held and a diagrammatic illustration of the group;
- (c) Information on the issuer's substantial shareholders:
 - (i) Name and background information;
 - (ii) Nationality or country of incorporation; and
 - (iii) Direct and indirect shareholding in the issuer, and to state the ultimate beneficial ownership of shares held under nominee or corporation or trustee arrangements.
- (d) Information on the issuer's directors and chief executive:
 - (i) Name, age, address, profession, qualification and profile, including business and management experience;
 - (ii) Designation or functions, including executive or non-executive and independent/non-independent;
 - (iii) Representation of corporate shareholders, where applicable;
 - (iv) Direct and indirect shareholding in the issuer;
 - (v) Other principal directorships at present and in the last three years; and
 - (vi) Involvement in the issuer's Audit Committee as chairman or member.
- (e) Information on the issuer's key management and key technical personnel:
 - (i) Name, age and qualification and profile, including business, management or technical experience;
 - (ii) Designation or functions; and
 - (iii) Direct and indirect shareholding in the issuer.
- (f) Information on all the issuer's current, pending or threatened material litigation or arbitration proceedings and contingent liabilities, including assessment and disclosure of specific impact on financial performance and position upon becoming enforceable; and

- (g) Where a guarantor is other than a financial institution, Danajamin Nasional Bhd or the Credit Guarantee and Investment Facility, information on the guarantor:
 - (i) Business overview;
 - (ii) Financial information as set out under paragraph 8.02 below for the past three financial years and where applicable, the latest financial period;
 - (iii) Capitalisation and indebtedness statement as set out under paragraph 8.03; and
 - (iv) Main features and terms of guarantees provided on the corporate bonds or sukuk offered.

Chapter 8

FINANCIAL INFORMATION

8.01 This chapter sets out the minimum financial information that an issuer must include in a prospectus. All financial statements must be prepared in ringgit Malaysia.

8.02 The issuer must disclose a table of the issuer's financial statement and the group's financial statement, where the issuer is a holding company, for the past three financial years or such shorter period that the issuer/group has been in operation, and where applicable the latest financial period.

Such information must be extracted from the issuer/group's audited financial statements and must include the following:

- (a) Revenue;
- (b) Gross profit and gross profit margin;
- (c) Earnings before interest, taxation, depreciation and amortisation (EBITDA);
- (d) Other income;
- (e) Finance costs;
- (f) Share of profits and losses of associates and joint ventures;
- (g) Profit or loss before tax and profit/loss before tax margin;
- (h) Tax expense;
- (i) Profit/loss for the year and profit/loss margin;
- (j) Profit/loss attributable to minority interest and equity holders of the parent;
- (k) Basic and diluted earnings per share;
- (l) Issued and paid-up share capital;
- (m) Retained profits or accumulated losses;
- (n) Shareholders' funds; and
- (o) Key financial ratios, including gearing, liquidity, and receivables and payables turnover.

In relation to the key financial ratios, the prospectus must state the formula used to compute the key financial ratios.

8.03 Provide a statement of capitalisation and indebtedness (distinguishing between guaranteed and unguaranteed, and secured and unsecured, indebtedness) as at the latest financial period and disclose any subsequent significant changes in the capitalisation and indebtedness. Indebtedness also includes indirect and contingent liabilities.

8.04 If the date of the prospectus issuance is later than six months after the end of the last financial year, interim audited financial statements must be provided in the same format as the audited financial statements provided under paragraph 8.02 above.

- 8.05 The prospectus must also disclose the following information:
- (a) A statement of total outstanding borrowings/financings, classified into long term and short term, interest-bearing and non-interest bearing; and for all foreign borrowings or financings, to be separately identified with the corresponding foreign currencies amount.

If a material deficiency is identified in the issuer's ability to meet its cash obligations, disclose the course of action that the issuer has taken or proposes to take to remedy the deficiency. Include a statement whether there has been any default on payments of either interest or profits and/or principal sums for any borrowing or financing throughout the past one financial year and the subsequent financial period; and
 - (b) If the issuer or any other entity in the group is in breach of terms and conditions or covenants associated with credit arrangement or bank loan/financing which can materially affect the issuer's financial position and results or business operations, or the investments by holders of corporate bonds or sukuk of the issuer, provide details of the credit arrangement or bank loan or financing and any actions taken or to be taken by the issuer or other entity in the group to rectify the situation, including status of any restructuring negotiations or agreement, if applicable.
- 8.06 Pro forma financial information is required if the corporate bonds or sukuk offered causes or has a material effect on the issuer or group's assets, liabilities or earnings.
- 8.07 Where pro forma financial information, or future financial information are provided in the prospectus, the relevant sections pertaining to **Pro forma financial information** and **Future financial information** in Chapter 9 Financial Information, and Chapter 10 Reports by the Reporting Accountants of Division 1 of Part II shall apply.

Chapter 9

RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST

- 9.01 The following information must be disclosed for the three most recent financial years, and the latest financial period, where applicable, immediately preceding the date of the prospectus:
- (a) The nature and extent of any related-party transaction or presently proposed related-party transactions that are material to the issuer and its related party, or any transaction that is unusual in nature or conditions to which the issuer or any of its parent or subsidiaries was a party; and
 - (b) The amount of outstanding loans (including guarantees of any kind) made by the issuer or any of its parent or subsidiaries to or for the benefit of the related party. The information given must be classified into long term and short term.
- 9.02 The issuer must disclose, for each transaction mentioned above, whether it was carried out on an arm's length basis and the procedure undertaken or which will be undertaken to ensure that such a transaction will be carried out on an arm's length basis.
- 9.03 A prospectus must include a declaration of any expert's existing and potential interests/conflicts of interest in an advisory capacity (if any) vis-à-vis the issuer/group. If a conflict of interest exists, full disclosure of the nature of the conflict and the steps taken to address such conflicts must be provided.

Chapter 10

RIGHTS OF HOLDERS OF CORPORATE BONDS OR SUKUK

- 10.01 There must be a summary of rights conferred upon the holders of corporate bonds or sukuk, including any provisions relating to how the terms or their rights may be modified.
- 10.02 There must be details on the requirements for convening, attending or voting at a meeting of holders of corporate bonds or sukuk, if such a meeting can be held. Disclose the conditions governing the manner in which such a meeting would be convened, the quorum requirement, the admittance to the meeting and the minimum number of votes required to adopt certain types of resolutions.
- 10.03 The prospectus must also disclose the recourse available to the holders of corporate bonds or sukuk in an event of default, termination or failure to make a payment (which may not constitute an event of default).

Chapter 11

INFORMATION RELATING TO BOND OR SUKUK TRUSTEE AND TRUST DEED

11.01 The prospectus must provide the following information:

- (a) In relation to the bond or sukuk trustee:
 - (i) Any requirements before the bond or sukuk trustee can act on behalf of the holders of corporate bonds or sukuk, such as a requirement that the holders of a certain percentage of the corporate bonds or sukuk have instructed the bond or sukuk trustee to take action; and
 - (ii) Whether the bond or sukuk trustee requires indemnification before proceeding to enforce a lien against the issuer's property or before taking any other action at the request of the holders of corporate bonds or sukuk.
- (b) In relation to the trust deed:
 - (i) The main terms of the trust deed; and
 - (ii) Whether the issuer is required to make periodic disclosure to provide any early indication of any deterioration in the issuer's financial condition such as periodic disclosure of evidence that the issuer is not in default or that it is in full compliance with the terms of that contract.

Chapter 12

EXPERT'S REPORTS

- 12.01 Where an expert's report is included in the prospectus, it must be signed and dated.
- 12.02 Where valuations of property assets have been carried out for inclusion in a prospectus, a summary of the valuation in the form of a valuation certificate that complies with the *Asset Valuation Guidelines* must be included in the prospectus.
- 12.03 Where the offering involves sukuk, the Shariah pronouncement including detailed Shariah reasoning or justification from the Shariah adviser must be disclosed in the prospectus.
- 12.04 Where the offering involves SRI sukuk, a summary of the external reviewer's report as required under the *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors* must be included in the prospectus, together with a link to a website where investors may have free access to the full report.

Guidance to paragraph 12.01 – Expert's report

1. The expert's report should be signed and dated within a reasonable time, which generally should not be earlier than the latest practicable date.

Chapter 13

DOCUMENTS AVAILABLE FOR INSPECTION

- 13.01 A prospectus must provide a statement informing the investors that for a period of at least 12 months from the date of issue of the prospectus, the investor may inspect the following documents (or copies thereof), at a specified place in Malaysia:
- (a) The constituent document of the issuer;
 - (b) Any trust deed or deed poll;
 - (c) Each material contract or document referred to in the prospectus and, in the case of contracts not in writing, a memorandum which gives full particulars of the contracts;
 - (d) All reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in the prospectus. Where a summary of the expert's report is included in the prospectus, the corresponding full expert's report must be made available for inspection;
 - (e) Each consent given by parties disclosed in the prospectus;
 - (f) The audited financial statements of the issuer and the group, where the issuer is a holding company, and of significant subsidiaries for the last three years (or such shorter period that the issuer/group has been in operation), preceding the date of the prospectus;
 - (g) The latest audited financial statements of the issuer and the group, where the issuer is a holding company, and key subsidiaries for the current financial period (where applicable); and
 - (h) Such information and documents as specified in Division 4 of Part VI of the CMSA, may be inspected by relevant persons.

Chapter 14

APPLICATION FOR CORPORATE BONDS OR SUKUK

- 14.01 Disclose the procedures for application of corporate bonds or sukuk.
- 14.02 Disclose whether directors reserve the right to extend the closing date.
- 14.03 The contents of the application form must not be contrary to any information that is in the prospectus.
- 14.04 Where applicable, the issuer must allocate all excess corporate bonds or sukuk for any subscription on a fair and equitable basis. The prospectus must state that the allocation of the excess corporate bonds or sukuk will be made on a fair and equitable manner.