



CONSULTATION PAPER NO. 4/2010

PROPOSED CORPORATE DISCLOSURE GUIDE

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Bursa Securities invites your written comments on the issues set out in this Consultation Paper by 19 August 2010 via:

- E-mail : norlaila_mohamad@bursamalaysia.com
- Facsimile : 603-27320065
- Mail : Regulatory Policy & Advisory
Bursa Malaysia Securities Berhad
9th Floor Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

Respondents to this Consultation Paper are requested to use the reply format as stipulated in the Attachment.

Kindly contact the following persons if you have any queries in relation to this Consultation Paper:

- Name : Tan Ai Chia/ Rowena Ooi Lyn See
- E-mail : Tan_Ac@bursamalaysia.com/ Rowena@bursamalaysia.com
- Direct Line : 603-2034 7089/ 7515

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INTRODUCTION

This Consultation Paper is to invite public feedback on the draft Corporate Disclosure Guide (“**CD Guide**”) proposed to be issued by Bursa Malaysia Securities Berhad (“**the Exchange**”).

In line with the Exchange’s aim of enhancing the standards of disclosure in the marketplace, the Exchange proposes to issue the CD Guide to help listed issuers in understanding the disclosure obligations in the Listing Requirements (“**LR**”) better, which in turn, will facilitate greater compliance with such obligations. The CD Guide provides clarification on the disclosure requirements set out in the LR and illustrates how the disclosure requirements should be applied in practice. It also sets out the best practices for establishing internal policies and procedures to enable listed issuers to fulfill their disclosure obligations. In addition, the CD Guide also provides, in the Appendices to the CD Guide, examples and case studies together with discussions on issues relating to particular situations, to illustrate the Exchange’s views on the application of the disclosure provisions as set out in the LR. Compliance with the CD Guide is voluntary. Although voluntary, listed issuers are strongly encouraged to adopt the recommendations and best practices set out in the CD Guide.

In coming up with the CD Guide, the Exchange has also taken into account the best practices recommended under the Best Practices in Corporate Disclosure issued in July 2004 and has incorporated them in the CD Guide, where applicable. A copy of the draft CD Guide is attached to this document as Annexure I.

This document should be read in conjunction with the Consultation Paper No. 3/2010 on the Proposed Amendments to Bursa Malaysia Securities Berhad Listing Requirements in relation to Enhanced Disclosure Obligations and Others (“**Consultation Paper No. 3/2010**”) issued by the Exchange concurrently.

Comments on the draft CD Guide can be given by filling up the template as attached in the ATTACHMENT.

Details of the draft CD Guide are set out below.

PROPOSED CORPORATE DISCLOSURE GUIDE (“CD GUIDE”)

1. The CD Guide, among others, seeks to provide guidance and clarification in the following areas:

Material information

2. The CD Guide emphasizes, among others, that it is vital for a listed issuer to make an immediate assessment of the likely impact of an event or information on its share price, value and market activity, and decide whether an immediate announcement is required.
3. A listed issuer must have regard to and apply the materiality test as set out in the LR in considering whether the information is material, on a case to case basis, and whether there is a need to make an immediate announcement. For example, where a listed issuer has been awarded a contract and such contract has been determined to require an immediate announcement after applying the materiality test, the Board must be proactive in making an immediate announcement of the contract and ensure that the announcement contains sufficient information that is factual, clear, unambiguous, accurate and succinct.
4. In applying the materiality test, the CD Guide also provides that a listed issuer should consider other qualitative factors when deciding whether it is necessary to disclose a piece of information. These may include information such as:
 - (a) historical trading pattern of the listed issuer’s securities;
 - (b) unexplained change in price of volume of the listed issuer’s securities;
 - (c) volatility of the listed issuer’s securities;
 - (d) operating environment of the listed issuer; or
 - (e) a combination of any one or more of the information in subparagraphs (a) to (d) above that is publicly available.
5. The CD Guide provides further guidance to a listed issuer in deciding whether information is material for specific events or circumstances such as the procurement of a contract, the borrowing of funds and the commencement of or involvement in litigation.
6. In addition, the CD Guide sets out examples of transactions and the information to be included in the announcements made, such as the following:
 - (a) Procurement of material contracts
 - (i) the value of contract;
 - (ii) the tenure of contract;
 - (iii) whether the contract is subject to renewal, and if yes, the details of such renewal;
 - (iv) the financial impact of the contract on the group;
 - (v) the risks in relation to the contract; and

- (vi) whether the directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the contract, and the nature and extent of their interests.
- (b) Construction of a new plant which has significant impact on the group's future revenue/income
- (i) the intended usage of the new plant;
 - (ii) the production capacity of the new plant;
 - (iii) the expected commencement and completion date of the construction of the new plant;
 - (iv) the financial impact of the construction of the new plant on the group; and
 - (v) the source of funding and the breakdown of the source. If it is by way of borrowings, the effect on the group's gearing ratio.
- (c) Involvement in litigation
- (i) the date of the litigation/suit;
 - (ii) the particulars of the claim under the litigation, including the amount claimed for and interest rate;
 - (iv) the details of events leading to the commencement of litigation;
 - (v) the name of plaintiff and defendant;
 - (vi) the potential liability to the group arising from the litigation;
 - (vii) where the litigation is commenced against a subsidiary, a confirmation as to whether the subsidiary is a major subsidiary (i.e. a subsidiary which contributes 70% or more of the profit before tax or total assets employed of the listed issuer on a consolidated basis);
 - (viii) the financial and operational impact to the group; and
 - (ix) the steps taken or proposed to be taken by the listed issuer in respect of the litigation.

Corporate disclosure policies and procedures

7. The CD Guide takes into account the recommendations made under the Best Practices in Corporate Disclosure issued in July 2004 ("**Best Practices**") and updates them where necessary.
8. Among others, the CD Guide reiterates that –
 - (a) a listed issuer is encouraged to develop and establish internal written policies and procedures ("**CDPP**") that encompass the Corporate Disclosure Policy and other requirements relating to corporate disclosure as set out in the LR;

- (b) the board is ultimately responsible for ensuring that the CDPP are in place and are applied in a manner that fulfills the disclosure requirements in the LR;
- (c) a senior officer should be appointed to take overall responsibility for ensuring compliance with the disclosure requirements in the LR;
- (d) a listed issuer should have procedures to monitor due compliance with the CDPP; and
- (e) the CDPP should provide for due diligence and verification processes.

Maintaining confidentiality of information

9. In updating the recommendations in the Best Practices on maintaining confidentiality, the CD Guide proposes additional measures which a listed issuer may consider in maintaining confidentiality of information prior to disclosure such as –
- (a) using codenames in correspondence and documents;
 - (b) ensuring physical copies of documents are securely stored in locked cabinets when not in use, with restricted access;
 - (c) regularly communicating with employees or personnel not to read confidential documents or have discussion in public places;
 - (d) using private fax lines, dedicated printers and email accounts;
 - (e) keeping confidential information on protected drives and controlling access through password protection and blocking mechanism;
 - (f) installing password protection mechanisms for electronic equipment and activating automatic locking system on these equipment after a stipulated period;
 - (g) locating employees involved in secure areas that are separate from other employees;
 - (h) providing suitable training on the importance of not divulging confidential information for employees;
 - (i) putting in place policies that restrict dealing in securities by employees or management who may have price-sensitive information; and
 - (j) having in place processes on how a suspected leak is investigated and implementing whistle-blowing policies that facilitate employees to report misconduct or wrongdoings.

Equal access to material information

10. In order to maintain market integrity and investor confidence in the capital market, all investors must have equal and timely access to all material information. This is also an important principle set out under the Corporate Disclosure Policy in the LR. Hence, listed issuers are prohibited from practising selective disclosure to analysts, journalists, fund managers and institutional investors (“**preferred parties**”).

11. Accordingly, the CD Guide reiterates and updates the guidance set out in the Best Practices as to how listed issuers may avoid selective disclosure or preferential treatment. Among others, the CD Guide sets out how a listed issuer should handle unanticipated questions, respond on financial projections and reports prepared by the preferred parties, correct misinterpreted information and conduct meetings or briefings with the preferred parties.

Other specific announcements

12. The CD Guide also seeks to assist listed issuers in dealing with particular or specific situations by setting out the Exchange's expectations on whether immediate announcements are required. The guidance set out in the CD Guide covers specific events such as where announcements are made by government ministries or agencies regarding government policy, announcements are made by a listed issuer which is listed on more than one stock exchange and announcements are made by a listed issuer of its scheduled dates to release financial statements.

Leveraging on information technology for broader public dissemination of information

13. Consistent with the recommendation set out in the Best Practice, the CD Guide encourages a listed issuer to broaden its channel of dissemination of information by taking advantage of advances made in information technology. For instance, the CD Guide recommends that listed issuers post material information on their websites and ensure that their websites are user-friendly and accessible to all. The websites must also be regularly updated to ensure that information is current and complete.

Clarification, confirmation or denial of rumours or reports

14. Whenever a listed issuer becomes aware of a rumour or report that contains material information, the listed issuer must make due enquiry to ascertain the truthfulness of the rumour or report, and immediately publicly clarify, confirm or deny the rumour or report.
15. The CD Guide clarifies that it is not the expectation of the Exchange that the listed issuer respond to all articles or reports in the media where the information is general in nature. The Exchange will, however, engage with the listed issuer if the information is -
 - (a) reasonably specific and has not been announced previously;
 - (b) perceived to have an impact on investors' investment decisions; or
 - (c) there is sufficient evidence to show that the movement in the share price and volume of the listed issuer's securities relates to the material information in the articles or reports.

Unusual market activity ("UMA")

16. Where a UMA query is initiated by the Exchange to a listed issuer, the CD Guide provides that the listed issuer must undertake an enquiry with its directors and major shareholders to determine the cause of the unusual market activity and respond to the UMA query immediately. For this purpose, the CD Guide also recommends that listed issuers have in place internal policies and procedures to ensure that the enquiry or information gathering process is carried out efficiently and expeditiously, so that material information can be announced to the Exchange on an immediate basis.

Unwarranted promotional disclosure activity

17. The CD Guide provides that a listed issuer must refrain from publishing promotional activity in any form which may mislead investors or result in unusual market activity. In this regard, the CD Guide provides general guidance on the language or words which may be deemed as promotional in nature and hence, should be avoided. They include the use of emotive and subjective language, the use of vague or confusing language, and the use of superlatives or references to position or ranking.

Insider trading

18. It is reiterated and recommended in the CD Guide that the CDPP of a listed issuer should ensure the listed issuer, its officers, employees, associates or persons connected with the listed issuer, its officers, employees or associates, do not abuse material information that has not yet been made generally available.
19. The CDPP should also set out clearly the consequences of contravening insider trading law.

Profit guidance

20. The CD Guide recommends that where there is a likelihood that the expected financial results of a listed issuer may be significantly above or below the general market expectation, historical trend and/or the profit estimate, forecast or projection previously announced, the listed issuer should apply the materiality test under paragraph/Rule 9.03 of the LR to the circumstances at hand, to determine whether an immediate announcement is required.
21. Hence, if a listed issuer becomes aware or where there is evidence of any material improvement or deterioration in the listed issuer's financial results, the listed issuer must make a prompt assessment on the impact of such information. If such information is deemed material, then the listed issuer must immediately announce such information to the public instead of deferring the release until the disclosure of the periodic reports. The delay in releasing the information may be construed as withholding of material information without proper justification, and this is clearly not within the spirit of the LR.

General mandate for issuance of securities pursuant to section 132D of the CA

22. The CD Guide seeks to clarify the Exchange's expectation with regards to disclosure of the purpose and utilization of proceeds raised from an issuance of new securities pursuant to a general mandate under section 132D of the CA. Listed issuers are expected to provide clear explanation on the purpose for which the general mandate is sought. For instance, the Board must, having taken into consideration the listed issuer's strategic business objectives, indicate whether the funds to be raised will be utilized to finance any proposed acquisition or capital expenditure of its existing business operations or for working capital purposes.

Summary of lengthy circulars

23. The CD Guide also provides that listed issuers should summarise all lengthy circulars, and ensure that the summary is clear and is an accurate reflection of the circular. This will provide shareholders with a snapshot of the salient matters covered in the circulars.

Guidance on the presentation and contents of the management discussion and analysis

24. To complement our proposal in the Consultation Paper No. 3/2010 where listed issuers are encouraged but not obliged to prepare and include a separate statement in its annual report containing the listed issuer's management discussion and analysis ("MD&A") of its business, operations and financial performance during the financial year, the CD Guide sets out a general framework on the recommended form and content of the MD&A.
25. In particular, the CD Guide sets out the focus areas that the MD&A should cover and includes the information required for each focus area. Among others, the MD&A should include the following:
- (a) overview of the group's business and operations, its objectives and strategies;
 - (b) review of results through analysis indicators – both historical and future;
 - (c) operational capabilities to achieve the desired business objectives and results;
 - (d) financial results, financial position and financial condition conveyed in the financial statements; and
 - (e) anticipated or known risks that may have a material effect on, among others, the sustainability of the group's results or operations, financial condition or liquidity; and
 - (f) expectations of future results.

Disclosure of financial highlights and financial indicators in annual reports

26. The CD Guide also sets out the information or details to be included when disclosing the financial highlights of major items in the income statement and balance sheet, as well as the financial indicators in the annual report¹.

Proposed CD Guide - Issue(s) for Consultation:

1. Please state your views or comments on the CD Guide.
2. In addition, do you have any other suggestion which may enhance the quality of disclosure made by listed issuers?
3. Is there any other area of disclosure which the Exchange should provide guidance on apart from those proposed in the CD Guide?

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¹ This new requirement is introduced by the Exchange in Proposal 1.5 of Consultation Paper No. 3/2010 issued on 16 July 2010.

ANNEXURE I
PROPOSED CORPORATE DISCLOSURE GUIDE

CORPORATE DISCLOSURE GUIDE

issued by

BURSA MALAYSIA SECURITIES BERHAD

DRAFT FOR CONSULTATION

PART A INTRODUCTION AND KEY OBJECTIVES

1. INTRODUCTION

Corporate disclosure policy & best practices

- 1.1 Timely, complete and accurate disclosure of material information is key to a fair and orderly market for the trading of securities. This is also one of the primary objectives of Bursa Malaysia Securities Berhad (“**Bursa Securities**”). In this regard, Bursa Securities Main Market Listing Requirements (“**Main LR**”) and ACE Market Listing Requirements (“**ACE LR**”) play a significant role in promoting effective and timely disclosure of all material information, a cardinal principle to promote transparency, good corporate conduct and investor protection.

Disclosure of material information

- 1.2 Both the Main LR and ACE LR (collectively referred to as the “**LR**”) require that a listed issuer must make immediate public disclosure of material information which is reasonably expected to have a material effect on the price, value or market activity of any of the listed issuer’s securities, or which may affect the decision of its shareholders or investing public in making their choice of investment².

Compliance in substance rather than form

- 1.3 In this regard, the LR prescribes the minimum mandatory standard of disclosure required of a listed issuer. Notwithstanding that, disclosure by a listed issuer should be aimed at providing shareholders and the public with accurate facts and information on a timely and equal basis, and not merely at meeting the minimum regulatory requirements.
- 1.4 To achieve this, a listed issuer and its directors must aspire to achieve compliance in substance rather than in form and to give effect to the intended purpose and spirit of the continuous disclosure requirements. It is in the best interest of a listed issuer to present timely disclosure of accurate and quality information as investors often accord premium ratings to listed issuers that are transparent and open.
- 1.5 It is also important to note that the continuous disclosure obligation under the LR can only be properly discharged by the listed issuer, which is in the best position to assess the elements of the LR in the context of its obligations to the market and the information that is known only to the listed issuer.

² See paragraph 9.03(2) of the Main LR and Rule 9.03(2) of the ACE LR.

Equal treatment to all

- 1.6 By virtue of being listed on Bursa Securities and having access to the capital market, a listed issuer has a duty not just to its shareholders, but also to the investing public. The interests of a listed issuer should not take precedence over the interests of the market, and more specifically the interests of a fully informed market.

Corporate Disclosure Guide (“this Guide”)

- 1.7 This Guide is intended to provide guidance and suggestions to a listed issuer and its directors in fulfilling their disclosure obligations under the LR, so that the market is kept informed of the listed issuer’s developments in a proactive, timely and accurate manner.
- 1.8 In coming up with this Guide, the best practices recommended under the Best Practices in Corporate Disclosure issued in July 2004, have also been taken into account and are contained in this Guide, where applicable.
- 1.9 This Guide does not in any way amend or vary a listed issuer’s obligations under the LR, nor does it remove the need for a listed issuer to exercise its own judgment as to what constitutes material information and when disclosure is required. This Guide serves to outline some of the criteria which Bursa Securities will consider in its interpretation of the requirements for immediate disclosure of material information. Further, this Guide also sets out Bursa Securities’ expectations in relation to best disclosure practices by listed issuers. Some examples and case studies of the operation and application of the continuous disclosure framework are included as appendices at the end of this Guide.

Management discussion & analysis

- 1.10 A listed issuer is presently required under the LR to include in their annual report a statement representing the collective view of the board of directors pertaining to, among others, a discussion and analysis of its operating performance and financial position during the year in review.³
- 1.11 In addition to that, a listed issuer is also encouraged to provide a separate statement in its annual report containing a comprehensive management discussion and analysis of its businesses, operations and financial performance (“**MD&A**”), on a voluntary basis⁴.
- 1.12 Hence, this Guide seeks to assist a listed issuer in the preparation of the MD&A by providing a general framework on the recommended form, content and area for discussion.

³ See paragraph 7 of Part A, Appendix 9C of the Main LR and paragraph 8, Appendix 9C of the ACE LR.

⁴ See new paragraph 7A of Part A, Appendix 9C of the Main LR and paragraph 8A, Appendix 9C of the ACE LR.

Disclosure of financial highlights and financial indicators in annual reports

- 1.13 Further, this Guide also contains clarification on specific disclosure requirements in the quarterly report and annual report of a listed issuer to assist a listed issuer in its understanding and compliance with these requirements⁵.

Format and arrangement of contents

- 1.14 This Guide is divided into 5 main parts as follows:
- (a) Part A which comprises the introduction to and key objectives of this Guide;
 - (b) Part B which sets out the guidance and clarification on the Corporate Disclosure Policy set out in the LR together with the recommended practices, policies and procedures, as well as clarification on the requirement to disclose the purpose and utilization of proceeds pursuant to a general mandate sought;
 - (c) Part C which sets out the guidance on disclosure and practices in respect of the MD&A;
 - (d) Part D which sets out the guidance on disclosure of the financial highlights and financial indicators in annual reports; and
 - (e) appendices with examples and case studies of the operation and application of the continuous disclosure framework.
- 1.15 Compliance with this Guide is voluntary. However, a listed issuer is strongly encouraged to adopt the recommendations and best practices set out in this Guide as they will facilitate better compliance of the LR by the listed issuer.

2. KEY OBJECTIVES OF THIS GUIDE

The key objectives of this Guide are, among other things:

- (a) to assist listed issuers in understanding the LR better and to ensure that listed issuers meet both the letter and the spirit of the continuous disclosure requirements in the LR;
- (b) to assist listed issuers, their directors and officers to manage their disclosure obligations and minimize the risk of breaching the requirements;
- (c) to provide parity in the standard of disclosure adopted by listed issuers;
- (d) to improve the quality of disclosures made by listed issuers;

⁵ See paragraph 1 of Part A, Appendix 9B and new paragraph 31 of Part A, Appendix 9C of the Main LR. For the ACE LR, see paragraph 1, Appendix 9B and new paragraph 32, Appendix 9C.

- (e) to promote and maintain market integrity and investor confidence;
- (f) to ensure listed issuers provide equal access to material information in a timely manner, and to avoid selective disclosure;
- (g) to propagate the exercise of due diligence to ensure that information disseminated will be, as far as possible, accurate, clear and complete;
- (h) to instill in listed issuers that they shall have in place an efficient management of information procedure that promotes accountability for the dissemination of material information;
- (i) to encourage listed issuers to take advantage of advances made in information technology in disseminating information; and
- (j) to encourage listed issuers to build good investor relations with the investing public that inspires trust and confidence.

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PART B GUIDANCE ON BURSA SECURITIES' CORPORATE DISCLOSURE POLICY, RECOMMENDED PRACTICES, POLICIES & PROCEDURES, AND GENERAL MANDATE DISCLOSURE REQUIREMENTS

3. MATERIAL INFORMATION

Materiality test

- 3.1 Under paragraph/Rule⁶ 9.03 of the LR, a listed issuer must make an immediate public disclosure of any material information, unless such information falls within the exceptional circumstances set out in paragraph/Rule 9.05 of the LR where the material information may be temporarily withheld.
- 3.2 Information is considered material, if it 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.
- 3.3 There are many events which can affect the price, value and market activity of a listed issuer's securities. It is vital for the listed issuer to make an ***immediate assessment*** of the likely impact of these events on its share price, value and market activities, and decide whether the relevant information is price-sensitive and requires disclosure. As guidance to the listed issuer, Bursa Securities has also provided in the LR⁷, some examples of events which may require immediate disclosure.
- 3.4 The listed issuer must be mindful that in each of the examples or circumstances given, it must apply the materiality assessment set out in paragraph/Rule 9.03(2) of the LR to determine whether an immediate announcement is necessary.
- 3.5 It must also be noted that the list of examples given in the LR under paragraph 2.0 of Practice Note 31 and Guidance Note 22 is, by no means exhaustive. Deciding on what information is material is a matter of judgment. As such, a listed issuer is reminded again that paragraph/Rule 9.03 of the LR must be complied with at all times within the spirit of the continuing disclosure requirements in considering whether a piece of information is material.

⁶ For easy reference, the term "**paragraph/Rule of the LR**" when used in this Guide means the respective paragraph of the Main LR, and Rule of the ACE LR.

⁷ For the examples of events which may require immediate announcement, see paragraph 9.04 and Practice Note 31 of the Main LR, and Rule 9.04 and Guidance Note 22 of the ACE LR.

- 3.6 For example, where a listed issuer has –
- (a) been awarded a contract and such contract has been determined to require an immediate announcement after applying the materiality test, the Board must be proactive in making an immediate announcement of the contract and ensure that the announcement contains sufficient information that is factual, clear, unambiguous, accurate and succinct; or
 - (b) discovered a fraud or irregularity taking place in the listed issuer and such fraud or irregularity has been determined to require an immediate announcement after applying the materiality test, the Board must be proactive in making an immediate announcement of such fraud or irregularity and the measures or steps taken to address them. Where experts have been engaged, the listed issuer must also announce the views or findings of the experts to the Exchange, if it contains material information.

Materiality test - other qualitative factors

- 3.7 In applying the materiality test, a listed issuer should also consider other qualitative factors when deciding whether it is necessary to disclose a piece of information. These may include, but are not limited to, information such as:

- (a) historical trading pattern of the listed issuer's securities;
- (b) unexplained change in price or volume of the listed issuer's securities;
- (c) volatility of the listed issuer's securities;
- (d) operating environment of the listed issuer; or
- (e) a combination of any one or more of the information in subparagraphs (a) to (d) above that is publicly available.

- 3.8 If the listed issuer is unable to ascertain whether the information is material or in cases of doubt, it is recommended that an announcement be made to Bursa Securities for the benefit of the investing community.

- 3.9 For the specific events or circumstances set out below⁸, a listed issuer may be guided by the following in deciding whether an information is material:

⁸ These are events or circumstances where listed issuers commonly consult Bursa Securities as to whether immediate announcement is required.

(a) Procurement of contract⁹

Generally, a listed issuer is expected to make an announcement if the value of each contract (calculated on a per annum basis) exceeds **25%** of the group's total turnover based on the latest audited financial statements of the listed issuer.

Even if the contract value is not more than the 25% threshold above, an announcement is still required if the listed issuer expects the profit margin to have a material impact on its financial performance. A listed issuer must always have regard to and apply the “**materiality test**” prescribed under paragraph/Rule 9.03 of the LR in considering whether the information is material on a case to case basis, and hence, whether there is a need to make an immediate announcement.

(b) Borrowing of funds¹⁰

An immediate announcement of any borrowing of funds is expected from a listed issuer where such borrowing is reasonably material and is expected to affect the investment decision of the shareholders and investing public. For this purpose, borrowing of funds includes debt papers.

In determining whether a borrowing of funds is material, a listed issuer must take into account, among others, the following:

- (i) its current level of borrowings i.e. its gearing;
- (ii) the industry in which it operates; and
- (iii) its financial condition.

(c) Commencement of or involvement in litigation¹¹

Notwithstanding that the litigation may occur within the ordinary course of business of a listed issuer, an immediate announcement is expected from the listed issuer if the estimated potential liability of the litigation to the group is reasonably material and is expected to affect the investment decision of the shareholders and investing public. For example, if the litigation is indicative of lack of available funds to meet the listed issuer's obligations or lack of operation in the listed issuer, an immediate announcement is required.

See also Illustration 1 below for another example in assessing whether a transaction is material and whether announcement is required.

⁹ See paragraph 2.0(b) of Practice Note 31 and Guidance Note 22.

¹⁰ See paragraph 2.0(e) of Practice Note 31 and Guidance Note 22.

¹¹ See paragraph 2.0(f) of Practice Note 31 and Guidance Note 22.

Illustration 1: Assessment Whether Transaction Is Material & Whether Announcement Required

Chapter 10 of the LR does not require a listed issuer to make an announcement for a non-related party transaction of a revenue nature in the ordinary course of its business. However, a listed issuer is still required to assess such non-related party transaction in accordance with paragraph/Rule 9.03 of the LR to determine whether an immediate announcement of such transaction is required.

Hence, where a listed issuer whose business relates to aircrafts and vessels, enters into a transaction to acquire or dispose of an aircraft or vessel of significant amount, the listed issuer must still make an assessment as to whether such transaction will have any impact on its share price, value and market activity. This is important for it to determine whether an announcement is required under paragraph/Rule 9.03 of the LR, notwithstanding that Chapter 10 does not require an announcement.

Contents of announcement

- 3.10 A listed issuer must be mindful and ensure that the information contained in all its announcements is complete, factual, unambiguous, accurate and succinct. The announcements must contain adequate details to enable shareholders and investors to make informed investment decision. In fact, disclosure of incomplete information may create confusion to the market and undermine the principle of fair and orderly market. See Illustration 2 below for an example.

Illustration 2: Disclosure of complete, unambiguous and accurate information

Where a listed issuer announces the award of a material contract or a new business arrangement which it has entered into, the listed issuer must indicate clearly the financial impact arising from the award of contract or business arrangement. The disclosure of such information will enable shareholders and investors to put the announcement in perspective. Where the listed issuer is unable to disclose the financial impact with certainty, the listed issuer must provide an explanation together with the reasons for the non-disclosure and provide sufficient information to enable investors to assess for themselves the financial impact of such transaction.

- 3.11 The following are examples of transactions and the information to be included in the announcements made which Bursa Securities considers beneficial to investors in making their investment decision.

(a) Procurement of material contracts

A listed issuer should include the following information in its announcement:

- value of contract;
- tenure of contract;
- whether the contract is subject to renewal, and if yes, the details of such renewal;
- the financial impact of the contract on the group;
- risks in relation to the contract; and
- whether the directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the contract, and the nature and extent of their interests.

(b) Construction of a new plant which has a significant impact on the group's future revenue/income

A listed issuer should set out the following details in its announcement:

- intended usage of the new plant;
- production capacity of the new plant;
- expected commencement and completion date of the construction of the new plant;
- the financial impact of the construction of the new plant on the group; and
- source of funding and the breakdown of the source. If it is by way of borrowings, the effect on the group's gearing ratio.

(c) Involvement in litigation

A listed issuer should ensure that the following information is announced:

- date of the litigation/suit;
- the particulars of the claim under the litigation, including the amount claimed for and interest rate;
- details of events leading to the commencement of litigation;
- name of plaintiff and defendant;
- estimated potential liability to the group arising from the litigation;
- where the litigation is commenced against a subsidiary, a confirmation as to whether the subsidiary is a major subsidiary (i.e. a subsidiary which contributes 70% or more of the profit before tax or total assets employed of the listed issuer on a consolidated basis);
- the financial and operational impact to the group; and
- steps taken or proposed to be taken by the listed issuer in respect of the litigation.

- 3.12 The above examples are aimed at providing guidance to listed issuers on embracing the disclosure principles which are premised on accuracy, clarity and completeness, to enable informed investments.

4. CORPORATE DISCLOSURE POLICIES & PROCEDURES (“CDPP”)

General

- 4.1 A listed issuer is encouraged to develop and establish internal policies and procedures to manage its disclosure obligations and minimize the risk of breaching the LR.
- 4.2 Bursa Securities encourages listed issuers to adopt the measures and practices suggested in this Guide, but they should be implemented flexibly and sensibly to fit the situation of individual listed issuers. Each listed issuer needs to exercise its own judgment and develop a disclosure regime that meets the requirements of the LR and its own needs and circumstances.
- 4.3 The measures and practices set out in this Guide are what Bursa Securities considers to be good disclosure practice. They are not binding but are strongly recommended to be adopted as they will aid in building and maintaining corporate credibility and investor confidence in the Malaysian capital market.
- 4.4 For easy reading, the paragraphs below (i.e. paragraphs 4.5 to 4.22) set out the general policies and procedures recommended to be adopted by a listed issuer. Later in this Guide, specific policies and procedures are also suggested to cater to specific circumstances.

Establishing & developing CDPP

- 4.5 The proper and systematic dissemination of material information is greatly assisted by having written policies and procedures (“**Corporate Disclosure Policies & Procedures (CDPP)**”) that encompass the corporate disclosure policy and other requirements relating to corporate disclosure as set out in the LR (“**Bursa Securities’ Disclosure Requirements**”).
- 4.6 For this purpose, the board of directors of a listed issuer (“**the Board**”) is ultimately responsible for ensuring that policies and procedures are in place for the disclosure of material information and that these are applied in the manner that fulfills Bursa Securities’ Disclosure Requirements.
- 4.7 Essentially, the CDPP should promote the disclosure of material information that is accurate, clear, timely and complete. There should also be clear provisions in the CDPP that will, among other things, promote¹²:

¹² Paragraph/Rule 9.02 of the LR requires a listed issuer to disclose to the public all material information necessary for informed investing and to take reasonable steps to ensure that all who invest in the listed issuer’s securities enjoy equal access to material information. Further, the listed issuer must also adhere to the 6 specific policies and procedures concerning disclosure as enumerated in paragraph/Rule 9.02(2) of the LR.

- (a) the immediate disclosure of material information as required by the LR;
- (b) the widest possible public dissemination of material information;
- (c) the clarification, confirmation or denial of rumours or reports;
- (d) the appropriate response to unusual market activity;
- (e) the prevention of promotional disclosure activity in any form which may mislead investors or cause unwarranted price movement and activity in the listed issuer's securities;
- (f) the prevention of the usage of insider information for illegal and improper purposes; and
- (g) the prevention of unauthorized disclosure of information.

4.8 In particular, the CDPP should provide for:

- (a) clear roles and responsibilities of directors, management, employees and all other relevant persons with regards to handling and disclosing of material information;
- (b) the clear level of authority accorded to the designated person (referred to in paragraph 4.12 of this Guide), spokespersons and committees in handling and disclosing of material information; and
- (c) a mechanism for overseeing and co-ordinating the efficient disclosure of material information to the investing public.

4.9 The policies and procedures designed or developed should be practical to implement. In this regard, constant feedback from management as to what policy or procedure best suits a listed issuer, should always be sought.

4.10 The CDPP should be regularly reviewed to ensure that the policies and procedures in place shall always remain current, updated and continuously effective and efficient.

4.11 Once the CDPP is in place, a listed issuer should ensure that its Board, management, employees and all interested parties¹³ are made aware of the CDPP, any changes to the CDPP and also the consequences of non-compliance. This in part will ensure due compliance with the CDPP.

¹³ Interested persons may include but are not limited to substantial shareholders, business partners/associates, advisors, the listed issuer's bankers, lawyers, auditors, accountants and stockbrokers.

Appointment of designated person

- 4.12 There are considerable practical benefits for a listed issuer in having one of its senior officers taking overall responsibility for ensuring compliance with the Bursa Securities' Disclosure Requirements. This also includes overseeing and co-ordinating disclosure of material information to Bursa Securities, analysts, institutional investors, the media and investing public¹⁴.
- 4.13 For convenience, this senior officer will be referred to in this Guide as the "**designated person**". A listed issuer may choose to give this person any designation it wishes. It should assess and determine which person within its company should undertake this role.
- 4.14 As a general guide, the designated person should, meet the criteria set out below:
- (a) he should be a person at senior management level as issues on corporate disclosure require careful management and considerable judgment;
 - (b) he should be familiar with the listed issuers' operations; and
 - (c) he should possess sufficient understanding of the LR and securities laws.
- 4.15 The designated person should report and make recommendations to the Board (or committee), for the purpose of drawing up the CDPP. In making these recommendations, he should consult relevant persons within the listed issuer. Further, the designated person should be responsible for creating awareness amongst the directors, management and employees on the CDPP.
- 4.16 Each listed issuer needs to decide the level of autonomy the designated person should have in making decisions about disclosure. Some Board members will want to have total control of decisions about lodging information with Bursa Securities whilst others may wish to delegate this function to varying degrees. The Board members must, in making their decisions, always bear in mind the need for an efficient system so that accurate disclosures are made to Bursa Securities in a timely manner.
- 4.17 The designated person needs to work closely with an alternate who is fully familiar with the area and can take over responsibility for disclosure when the designated person is absent. An alternate is important to ensure, among other things, that accurate disclosures to the market are still being made on a timely basis even in the absence of the designated person.
- 4.18 The designated person should oversee and maintain accurate records of all disclosure of material information by the listed issuer to the investing public¹⁵. The designated person should keep up-to-date with any pending material development concerning the listed issuer.

¹⁴ Pursuant to paragraph/Rule 9.17(1) of the LR, one or more individuals may undertake this responsibility.

¹⁵ Records of publicly disclosed material information may include a record of all relevant news releases and debriefing notes.

Ensure due compliance with CDPP

- 4.19 A listed issuer should have procedures to monitor and ensure that there is due compliance with the CDPP particularly by its Board, management and employees.
- 4.20 If due compliance is not observed with the CDPP, these should be identified and appropriate measures taken to arrest the problems and irregularities to avoid future recurrences. The factors contributing to non-compliance should be examined and problems rectified.

Exercise of due diligence

- 4.21 The CDPP should provide that due diligence is exercised by the persons responsible for preparing the disclosure to ensure that the information to be disclosed to the investing public is accurate, clear and complete in content and is disclosed in a timely manner.
- 4.22 It is, therefore, imperative that the CDPP includes a proper verification process that enables material information to be verified by the designated person before that material information is disclosed to the investing public. The verification process should include the designated person having to review all information that is to be disclosed so as to ensure due compliance with the appropriate securities laws and LR. The designated person should also ensure that the relevant persons such as the chief executive or chief financial officer of the listed issuer have verified the material information.
- 4.23 Prior to disclosing material information, the designated person should ensure that the relevant approval or authorization from the management as set out in the CDPP has been obtained.

5. MAINTAINING CONFIDENTIALITY OF INFORMATION

- 5.1 The guiding principle in disclosing material information is that information which is expected to be material must be announced immediately. Until an announcement is released, it is essential to maintain confidentiality. However, a listed issuer must be mindful that where material information is withheld, it must refrain from delaying disclosure of such information for an unreasonable period of time as it may be difficult to maintain confidentiality beyond a short period of time¹⁶.
- 5.2 Hence, a listed issuer may consider implementing the following procedures in its CDPP to maintain the confidentiality of information prior to its disclosure:

(a) **Document management**

Better document management can assist in minimizing leakage of confidential information. Some measures which a listed issuer may consider include the following:

¹⁶ See paragraph/Rule 9.05(a) of the LR.

- using codenames in correspondence and documents to protect the identities of parties involved;
- ensuring physical copies of documents are securely stored in locked cabinets when not in use, with access restricted to authorized employees only; and
- regularly communicating with employees or personnel involved in a transaction not to read confidential documents or have discussion in public places.

(b) Information technology system security

A listed issuer should ensure that the information technology system that it has in place for information management is adequately secure. For this purpose, the listed issuer may consider adopting the following practices:

- using private fax lines, dedicated printers and email accounts;
- ensuring that confidential documents cannot be accessed through technology such as shared servers;
- keeping confidential information on protected drives and tightly controlling access through password protection and blocking mechanism; and
- installing password protection mechanisms for electronic equipment such as laptops and other storage media containing confidential information, and activating automatic locking system on these equipment after a stipulated period.

(c) Restricted dissemination of information

A listed issuer should limit the dissemination and access of the information to those who “need to know” so that if there is any illegitimate leakage or abuse of information, there is greater accountability. For this, the listed issuer may implement the following steps:

- locating employees and personnel involved in secure areas that are separate from other employees; and
- having in place systems and controls to quarantine information from others.

(d) Internal control policies

A listed issuer should put in place the following confidentiality policies and practices to minimize leakage of confidential information:

- formulating and implementing a code of ethics on confidentiality of information;
- regularly reminding all parties involved of the need to keep all such information strictly confidential;
- providing suitable training on the importance of not divulging confidential information for employees, particularly those with access to confidential information;
- putting in place policies that restrict dealing in securities by employees/management who may have price-sensitive information; and
- having in place processes on how a suspected leak is investigated and implementing whistle-blowing policies that facilitate employees to report misconduct or wrongdoings.

- 5.3 In relation to paragraphs 5.2(c) and (d) above, it is recommended that a listed issuer should maintain a list of people involved in the corporate exercise or are in possession of price sensitive information. This list should include the senior management, lawyers, reporting accountant, auditor and investment adviser. Each person in the list should also sign a confidentiality agreement.
- 5.4 If discussion of the price sensitive information involves a bigger group of people and it is found that the confidentiality of information is difficult to maintain, an announcement should be made as soon as possible.
- 5.5 A listed issuer should proactively monitor and co-ordinate the release of material and price sensitive information. In the event of a leak or inadvertent disclosure of such information to third party, the listed issuer must make an immediate announcement to Bursa Securities to ensure that timely and accurate information is made available to the general public. In this regard, see Illustration 3 for a commentary on the steps to be taken in the event of a leakage.

Illustration 3: Steps to be taken in the event of leakage

If there is news leakage pertaining to a proposal that is mooted by the controlling shareholders instead of the listed issuer itself, the listed issuer (or its designated person) should engage and seek confirmation from the party involved i.e. the controlling shareholders, and decide whether previously undisclosed material information has been leaked, and if so, take the appropriate steps to make an immediate announcement to Bursa Securities.

6. **EQUAL ACCESS TO MATERIAL INFORMATION**

- 6.1 Bursa Securities' Disclosure Requirements are founded on the principle that all investors must have equal and timely access to all material information, in order to maintain market integrity and investor confidence in the capital market. Accordingly, no investor, analyst, journalist or fund manager should receive any information on a selective basis. If the listed issuer becomes aware that price sensitive information has inadvertently been given to a third party, it should immediately announce the relevant information to Bursa Securities.

Guidance on prohibition of selective disclosure to analysts, journalists, fund managers and institutional investors

- 6.2 Bursa Securities acknowledges that journalists, analysts and fund managers play an important role in providing information to the market. However, a listed issuer must ensure that material information should not be given unless it has been previously disclosed when answering journalists, analysts and fund managers' questions or reviewing their report. Care should also be taken to ensure that journalists, analysts and fund managers do not obtain material information that is not public when they visit the listed issuer.

Handling unanticipated questions

- 6.3 A listed issuer and its officers need to be particularly careful in responding to journalists', analysts' or fund managers' questions that raise issues outside the intended scope of discussion. The ground rules include confining answers to clarification of material information that has been publicly released and being aware of the need to avoid disclosing additional or new information. It is inappropriate for a question to be answered if the answer to such question touches on non-public material information. The listed issuer's representatives should instead either decline to answer or take it on notice. Where such question is taken on notice, the listed issuer must first make an announcement of the information to Bursa Securities before responding.

Responding on financial projections and reports

- 6.4 It is also a common industry practice for analysts to send draft financial analysis or reports of listed issuers to the chief financial officer (or similar officer) and to request comments on the analysis and correction of any factual errors. A listed issuer must comment on errors in factual information, but the listed issuer need not comment on opinions made by analysts, including prediction of future sales, earnings or other quantitative data¹⁷. It is also inappropriate for the draft financial analysis or report to be corrected, if doing so involves providing non-public material information.

¹⁷ See paragraph 9.10(3) of the LR

Correcting misinterpreted information

- 6.5 In some circumstances, for example, where a listed issuer's business is complex and comprises many different subsidiaries or cross shareholdings, it is possible that journalists, analysts and fund managers may misread or misinterpret certain information. In such cases, it is appropriate for the listed issuer to clarify the information and correct any factual errors in the information which is significant to the extent that such information may mislead the market, provided that any clarification is confined to drawing their attention to information that has already been made public.

Proper conduct of meetings with analysts, journalists, fund managers and institutional investors

- 6.6 A listed issuer should not give preferential treatment to analysts, fund managers, journalists or institutional investors by providing them access to information that is not generally available to the public as this may undermine investors' confidence in the existence of a level playing field. Hence, the listed issuer should have in place internal policies and procedures that suit its circumstances to minimize the risk of practising selective disclosure such as the following:

(a) Ensuring that only selected persons are the spokespersons

A listed issuer has better control over disclosure if it keeps the number of persons authorized to speak on its behalf to a minimum. Authorized spokespersons should be aware that they must not disclose material information that has not been previously made public to a select few. The designated person can reduce the risk of inadvertent disclosure of non-public material information by briefing authorized spokespersons on what a listed issuer has previously disclosed before they give briefings, presentations or meetings to analysts, journalists, fund managers, institutional investors or other persons outside the listed issuer ("**External Meetings**").

(b) Co-ordinating release of material information

Prior to conducting any External Meetings, the authorized spokespersons should first consult the designated person to ensure that material information is disclosed in such manner to ensure equal access by all parties. If the authorized person inadvertently discloses material information, immediate steps should be taken to make the information publicly available.

(c) Records of External Meetings

A listed issuer should ensure that accurate records of all External Meetings are kept. A review should be made of this record to ensure that the External Meetings do not contain any material information that has not been previously disclosed, in which case, immediate steps should be taken to release this information to the public.

(d) Transparency in the External Meetings

A listed issuer may open up the External Meetings to the press and the public, or announce in advance the convening of the External Meetings. Where material information is to be made public during the External Meetings, the same material information must be announced first to Bursa Securities or simultaneously to Bursa Securities as required under the LR. In such instances, the listed issuer shall consider requesting for suspension to enable the release of such information;

(e) Early release of prepared information

A listed issuer is encouraged to post any prepared information or materials intended for the External Meetings such as the presentation slides, speeches or questions and answers on its web-site. When posting such materials on the listed issuer's website, the listed issuer must aim to ensure that ordinary investors have full access to all significant background information on equal terms (or as near as practicable equal terms) with those who attend the briefings in person.

- 6.7 In summary, should a listed issuer inadvertently disclose any material and non-public information during the External Meetings, it must immediately announce the same information to Bursa Securities to ensure that everyone has equal access to the information.

7. **OTHER SPECIFIC ANNOUNCEMENTS**

Announcements by external parties

- 7.1 There are certain instances where government ministries/agencies make announcements with regard to a government policy which may impact the share price or market activities of a listed issuer's securities. Such instances may include an announcement on a variation in the power tariff, imposition of windfall tax, revision in the independent power purchase agreements or toll concessionaire agreements. In these circumstances, if such announcements by the government ministries/agencies are expected to have a significant impact on the listed issuer, then the listed issuer must make an immediate announcement to Bursa Securities and provide in its announcement the business and financial impact of such announcements by the government ministries/agencies on the listed issuer. An example of the immediate announcement to be made by the listed issuer is as follows:

Illustration 4: Example of an immediate announcement by a listed issuer arising from a government announcement

ABC Bhd wishes to announce that in line with the Government's decision to reduce the gas price to the power sector as announced today, ABC Bhd will revise the power tariff to its consumers with effect from 1 January 2008.

The revision of power tariff is expected to have a financial impact on ABC Bhd [to provide details]

- 7.2 If a listed issuer is unable to ascertain the financial impact at the time when it makes the immediate announcement, the listed issuer should make a subsequent announcement with the update when the information is made available.

Announcement of material information for a listed issuer listed on more than one stock exchange

- 7.3 If the securities of a listed issuer are listed on more than one stock exchange, the listed issuer should synchronize the release of material information so that Bursa Securities is simultaneously informed of any information released to such other stock exchanges, regardless of whether Bursa Securities is opened for trading.
- 7.4 If material information is released during the period where it is closed for trading Bursa Securities may, depending on the materiality of the information, exercise its discretion to impose a trading halt on the securities of the listed issuer, on the next market day, to ensure thorough dissemination of such information.

Announcement of scheduled dates to release financial statements

- 7.5 To facilitate greater transparency in the disclosure of information, a listed issuer is encouraged to announce in advance to Bursa Securities, the dates scheduled to release its financial statements or make recommendation for declaration of dividend before the date fixed for any board meeting to consider and approve such matters.

8. LEVERAGING ON INFORMATION TECHNOLOGY FOR BROADER PUBLIC DISSEMINATION OF INFORMATION

- 8.1 In addition to the release of information via *Bursa Link* as well as posting of the same on a listed issuer's web-site, a listed issuer is encouraged to broaden its channel for dissemination of information (i.e. by taking advantage of the advances made in information technology) such that news will be disseminated to the shareholders and the public in a timely manner.
- 8.2 It is also prudent for a listed issuer to ensure, among other things, that –
- (a) the CDPP sets out clear policies and procedures authorizing the usage of this media or means to disseminate material information and describing how the listed issuer's electronic communication is to be structured, supervised and maintained;
 - (b) appropriate security measures are in place in order to maintain the integrity of the information disseminated via this media or means;
 - (c) the designated person should be responsible for ensuring due compliance with the CDPP on electronic communication;

- (d) the designated person must ensure that prior to the posting of any material information or announcements on the listed issuer's website, there should be public disclosure of the material information made first to Bursa Securities in accordance with the LR¹⁸;
- (e) material information posted on the listed issuer's website must be accessible to all and not just a select few. As such, it is necessary to ensure that the listed issuer's website is user-friendly with sufficiently efficient search and navigation facilities and that the listed issuer's website allows access to material information without the usage of password; and
- (f) the listed issuer's website must be regularly updated, current and complete with information relevant to investors¹⁹ (such as information of interest to investors that is already available to the public by other means including periodic financial statements, annual reports, circulars, annual general meeting minutes and other company news for the general information of investors, the media or the public) so as to ensure that information posted will always be accurate. In this regard, it would be prudent to date all information posted and to archive historical information.

9. CLARIFICATION, CONFIRMATION OR DENIAL OF RUMOURS OR REPORTS

- 9.1 Pursuant to paragraphs/Rule 9.09 and 9.10 of the LR, whenever a listed issuer becomes aware of a rumour or report, true or false, that contains information that is likely to have, or has had, an effect on the price, value or market activity in the listed issuer's securities, or would be likely to have a bearing on investment decisions, the listed issuer must make due enquiry with its directors, major shareholders and all such other persons reasonably familiar with the matter to ascertain the truthfulness of that rumour or report and immediately publicly clarify, confirm or deny the rumour or report.
- 9.2 Further, the designated person of a listed issuer in consultation with the Board (or committee) should ascertain whether that rumour or report contains undisclosed material information that requires immediate disclosure in accordance with the LR. If immediate disclosure is required, the listed issuer should proceed to make the announcement without waiting for a query from Bursa Securities. If immediate disclosure is not required, then the designated person, in consultation with the Board (or committee), should decide whether a voluntary announcement should be made to clarify, confirm or deny that rumour or report.
- 9.3 Bursa Securities wishes to emphasize that the obligation to clarify, confirm or deny the rumour or report rests on a listed issuer. Hence, a listed issuer should be pro-active and on its own accord make the appropriate announcement to the investing public should the listed issuer become aware of any rumour or report that contains material information which requires clarification, confirmation or denial.

¹⁸ See paragraph/Rule 9.21(2) of the LR.

¹⁹ See paragraph/Rule 9.21(4) of the LR.

9.4 Generally, Bursa Securities does not expect a listed issuer to respond to or clarify articles or reports in the media if it considers that the information stated in the articles or reports is general in nature. However, Bursa Securities will engage with the listed issuer if:

- (a) the information in the articles or reports is reasonably specific and has not been announced previously;
- (b) the information in the articles or reports is perceived to have an impact on investors' investment decisions; or
- (c) there is sufficient evidence to show that the movement in the share price and volume of the listed issuer's securities relates to the material information in the articles or reports.

9.5 Where the said information is deemed material, a listed issuer is required to make an announcement by providing sufficient facts to support the clarification, confirmation or denial, as the case may be. A listed issuer must not make any evasive announcements or replies that do not confirm, clarify or deny the rumour or report.

9.6 In ensuring that the investing public is well informed on the accuracy of the information in a timely manner, the announcements to confirm, deny or clarify such information must be made by the listed issuer on an immediate basis.

10. UNUSUAL MARKET ACTIVITY ("UMA")

10.1 Where unusual trading activity or price movement in a listed issuer's securities occurs which cannot be explained by any recent announcement or corporate activity, this may signify trading by investors who are acting on unpublished information or market rumours, whether true or false. The unusual market movement, if left unchecked, may mislead uninformed investors, who may presume that the sudden change in share price and trading volume in the listed issuer's securities reflects a corresponding change in its business.

10.2 In such circumstances, Bursa Securities will initiate a written UMA query to the listed issuer to ascertain the cause of the unusual trading activity. Upon receiving an UMA query from Bursa Securities, the listed issuer must undertake an enquiry with its directors and major shareholders to determine the cause of the unusual trading activity and respond to the UMA query immediately.

10.3 In this regard, the listed issuer should have in place, internal policies and procedures to ensure that the enquiry or information gathering process is carried out efficiently and expeditiously, so that material information can be announced to Bursa Securities on an immediate basis.

11. UNWARRANTED PROMOTIONAL DISCLOSURE ACTIVITY

11.1 Whilst Bursa Securities always encourages a listed issuer to make accurate and timely disclosure of information, the listed issuer must, nevertheless, refrain from publishing promotional activity in any form which may mislead uninformed investors or result in unusual movement on the price, value or market activity in the listed issuer's securities.

11.2 As a general guide, a listed issuer should refrain from using the following language and/or words which may be deemed as "promotional" in nature:

(a) Emotive and subjective language

A listed issuer must not use the *Bursa Link* (being a facility provided by Bursa Securities) for purposes other than to disseminate information. These include for promotional purposes, or as a forum for subjective debates. See the examples as set out in the box below.

Information disclosed by a listed issuer must be factual, accurate and objective. A listed issuer must not use emotive language in its announcements or disclosures for its personal purposes.

Bursa Link *must not* be used as a forum for subjective debates between -

- the listed issuer and journalists where the listed issuer takes issue with opinions expressed in the media,
- a target company and offeror in a hostile takeover, or
- directors in a board tussle.

(b) Vague or confusing language

A listed issuer must not use vague or confusing phrases such as "double digit" growth in its announcements. Such language or phrases does not allow the investors to accurately assess the information for the purpose of making an informed investment decision.

(c) Superlatives or references to position/ranking

A listed issuer must avoid making a statement that makes references to position or ranking such as a statement claiming that it is the market leader or ranked number one in the industry, unless such a statement is supported by facts or a source of information which is widely acknowledged and regarded in its field.

In any case, all announcements should contain sufficient quantitative information to allow investors to evaluate the relative importance of the information *vis-a-vis* the listed issuer.

12. **INSIDER TRADING**

- 12.1 The goal of both Bursa Securities' Disclosure Requirements and the insider trading law is to maintain investor confidence and market integrity. Equal access to all material information disclosed by a listed issuer is critical to ensure market integrity and fairness. It is also of equal importance to prohibit the abuse of material information²⁰.
- 12.2 As such, the CDPP should ensure that the listed issuer, its officers, employees, associates or any other persons connected directly or indirectly with the listed issuer or such officers or associates, including advisers, auditors or lawyers of the listed issuer, do not abuse material information that has not yet been made generally available.
- 12.3 It would be prudent to ensure that the CDPP provide examples, as to what sort of information that, if generally made available, can materially affect the price of the listed issuer's securities. For this, a listed issuer may refer to paragraphs/Rules 9.04 and 9.19 of the LR or this Guide for some examples of events which are material and require immediate announcement. It is to be noted that the examples provided are by no means exhaustive.
- 12.4 The CDPP should also make it clear that persons who are in possession of unreleased material information must not use that information to:

- (a) trade in the listed issuer's securities or enter into any agreement to do so;
- (b) procure another person to acquire or dispose the listed issuer's securities or enter into any agreement to do so; or
- (c) tip any other third party with such unreleased material information so as to cause that third party to trade in the listed issuer's securities or enter into any agreement to do so or to procure another person to acquire or dispose the listed issuer's securities or enter into any agreement to do so.

- 12.5 The CDPP should set out clearly the consequence that can flow from contravening the above prohibitions. In this regard, it must be brought to the attention of all those who are concerned, that contravention of the above prohibition can result in both criminal and civil liabilities²¹.

²⁰ Under the existing insider trading law, a listed issuer itself may be found guilty of the insider trading offence. Thus, prohibiting the abuse of material information is self-serving. In this respect, a listed issuer should, among other things, make use of confidentiality agreements or undertaking as may be appropriate. Further, a listed issuer must also make it clear to its officers and employees that the listed issuer, in its capacity as an employer, will not tolerate any abuse of unreleased material information.

²¹ Upon conviction of insider trading, the law imposes a penalty of a minimum fine of RM1,000,000 and imprisonment for a term not exceeding 10 years: s. 188(4) of the Capital Markets and Services Act 2007 ("CMSA"). Further, s. 201 of the CMSA empowers the Securities Commission and injured party to seek civil remedies against the contravener.

13. **PROFIT GUIDANCE**

- 13.1 Where there is a likelihood that the expected financial results of a listed issuer may be significantly above or below the general market expectation, historical trend and/or the profit estimate, forecast or projection previously announced, the listed issuer should apply the materiality test under paragraph/Rule 9.03 of the LR to the circumstances at hand, to determine whether an immediate announcement is required.
- 13.2 The LR further provides that where the prospects, revenue or profit estimate, forecast or projection (collectively referred to as “**Projections and Forecasts**”) or internal targets are previously announced or disclosed in a public document, the listed issuer is required to make:
- (a) an immediate announcement of any circumstances or development which are likely to materially affect the results or outcome of the Projections and Forecasts or internal targets and give an explanation of the possible outcome arising from such circumstances or development²²; and
 - (b) periodic announcements via the quarterly report on the listed issuer’s progress and steps taken or proposed to be taken to achieve the Projections and Forecasts or internal targets, and to provide the directors’ opinion as to whether the Projections and Forecasts or internal targets are likely to be achieved²³.
- 13.3 Even in the absence of such Projections and Forecasts or internal targets, a listed issuer must observe Bursa Securities’ Disclosure Requirements, in particular paragraph/Rule 9.03 of the LR on disclosure of material information. Under this requirement, a listed issuer must make an immediate announcement to the public on any material information which is reasonably expected to have a material effect on the price, value or market activity of any of the listed issuer’s securities or which may affect the decision of the shareholders or investing public in making his choice of investment.
- 13.4 Thus, if a listed issuer becomes aware or where there is evidence of any material improvement or deterioration in the listed issuer’s financial results, it is vital for the listed issuer to make a prompt assessment on the impact of such information. If such information is deemed material, then the listed issuer must immediately announce such information to the public instead of deferring the release of such information until the disclosure of the periodic reports²⁴. The delay in releasing the information may be construed as withholding of material information without proper justification, and this is clearly not within the spirit of the LR.

²² See paragraph 9.19(36) of the Main LR and Rule 9.19(37) of the ACE LR.

²³ See paragraphs (3) and (4) of Part A, Appendix 9B of the Main LR and paragraphs (3) and (4), Appendix 9B of the ACE LR.

²⁴ Periodic reports in this Guide includes the quarterly reports or annual reports of the listed issuer

14. GENERAL MANDATE FOR ISSUANCE OF SECURITIES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965 (“ACT”)

- 14.1 In addition to the guidance and clarification provided above on Bursa Securities’ Disclosure Requirements, this Guide also seeks to clarify Bursa Securities’ expectation with regard to disclosure of the purpose and utilisation of proceeds raised from an issuance of shares pursuant to a general mandate sought under section 132D of the Act²⁵.
- 14.2 Under paragraph 6.03(1) of the Main LR (and Rule 6.04(3)(1) of the ACE LR), a listed issuer may issue shares pursuant to a general mandate sought at a general meeting in accordance with section 132D of the Act subject to, among others, the nominal value of the shares when aggregated with the nominal value of any such shares issued during the preceding 12 months, not exceeding 10% of the nominal value of the issued and paid-up capital (excluding treasury shares) of the listed issuer (“**general mandate**”). The aim of both the LR and section 132D of the Act is to provide some degree of flexibility to a listed issuer in issuing its shares i.e. to facilitate the issuance of new shares in a speedy manner to cater for any potential investment or capital raising exercise which the directors may deem fit PROVIDED ALWAYS THAT such issuance shall not exceed 10% of the nominal value of the issued and paid up capital (excluding treasury shares) of the listed issuer.
- 14.3 The flexibility granted under the general mandate will also serve to assist a listed issuer in saving time and reducing cost of doing business by eliminating the need to convene a specific shareholder meeting to approve such issuance of shares.
- 14.4 Whilst a listed issuer will benefit from the general mandate, the Board must also be mindful of the interest of its shareholders as such issuance of shares or securities will inevitably result in dilution of their shareholdings. Thus, it is paramount that adequate information relating to the purpose and utilization of the general mandate is provided to shareholders for them to make informed decision on whether to approve the resolution for the general mandate.
- 14.5 Against this backdrop and pursuant to paragraph 6.03(3)(c) of the Main LR (Rule 6.04(3)(c) of the ACE LR), Bursa Securities expects a listed issuer to provide clear explanation on the purpose for which the general mandate is sought. For instance, the Board must, having taken into consideration the listed issuer’s strategic business objectives, indicate whether the funds to be raised from the issuance of new shares will be utilized to finance any proposed acquisition or capital expenditure of its existing business operations or for working capital purposes.

²⁵ The requirement for the disclosure of purpose and utilisation of proceeds from general mandate sought is set out in paragraph 6.03(3)(c) of the Main LR and Rule 6.04(3)(c) of the ACE LR.

15. SUMMARY OF LENGTHY CIRCULARS

- 15.1 As an added benefit to shareholders, listed issuers are also encouraged to summarise all lengthy circulars, and ensure that the summaries are clear and are an accurate reflection of the circulars. This will provide the shareholders with a snapshot of the salient matters covered in the circulars.

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PART C MANAGEMENT DISCUSSION AND ANALYSIS GUIDANCE ON PRESENTATION AND CONTENT

16. GUIDANCE ON THE PRESENTATION AND CONTENT OF THE MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

Basic standards

- 16.1 Under the LR, a listed issuer is encouraged, but not obliged, to prepare and include a separate statement in its annual report containing the listed issuer’s MD&A of its business, operations and financial performance during the financial year²⁶.
- 16.2 The objective of the MD&A is to provide shareholders or investors of a listed issuer with an understanding of the business, operations and financial position of the listed issuer’s group²⁷. For this purpose, the presentation of discussion and analysis by management should take into account the following factors:

- (a) the requirements in paragraph/Rule 2.18 of the LR must be complied with;
- (b) the need to be neutral, balanced and fair, and to provide both positive and negative factors affecting the business;
- (c) the discussion and analysis by management should be comparable over time; and
- (d) trend, factors and analysis of performance indicators, both financial and non-financial should be provided.

Focus areas

- 16.3 To meet the information needs of shareholders, the MD&A should aim to provide them with a holistic discussion and analysis of the performance, opportunities and risks underlying the results and financial condition of a listed issuer’s group. To this end, the MD&A should include presentation of the following focus areas:

²⁶ See new paragraph 7A in Part A, Appendix 9C of the LR.

²⁷ The term “**listed issuer’s group**” or “**group**” for purposes of Part C in this Guide refers to the listed issuer and its subsidiaries.

- (a) an overview of the group's business and operations, its objectives and strategies;
- (a) review of results through analysis of indicators - both historical and future;
- (b) operational capabilities to achieve the desired business objectives and results;
- (c) financial results, financial position, and financial condition conveyed in the financial statements;
- (d) anticipated or known risks that may have a material effect on, among others, the sustainability of the group's results or operations, financial condition or liquidity; and
- (e) expectations of future results.

These are discussed in greater detail in the paragraphs below.

17. OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS, OBJECTIVES AND STRATEGIES

Discussion on business and operations

- 17.1 The discussion on the group's business and operations should be comprehensive to the extent that management deems such disclosure to be appropriate for an understanding of the group's entire business operations. The information should include, but is not limited to, the following:

- (a) nature of the group's business and operations as a whole (on a consolidated basis);
- (b) information concerning recent material acquisition, merger or consolidation of the group;
- (c) the group's organization and operating structure;
- (d) the industries, markets and locations in which the group operates;
- (e) products and services, business practices and intellectual assets;
- (f) main operating facilities and capacities; and
- (g) any significant changes to –
 - the mode of conducting the business; and
 - legal, social, political and regulatory environments that influence the group.

Strategies & objectives

17.2 The overview of the group's strategies and objectives to fulfil its vision and achieve the desired results should cover the following:

- (a) the long term business objectives, goals or targets and shorter term priorities;
- (b) the management principles and strategies (such as strategic business relationships, marketing and distribution procedures and others) to achieve its business plan and objectives; and
- (c) the underlying rationale supporting the strategies, highlighting the key assumptions upon which implementation of the strategies depends.

18. REVIEW OF RESULTS

18.1 The MD&A should disclose a range of financial and non-financial indicators used to measure the group's performance. The actual outcomes, accomplishments, or degree to which predetermined objectives are met, provide an indication of management's efficiency and effectiveness.

18.2 Examples of areas in which results may be discussed include review of revenue and profit or loss by categories such as principal business activities, product/services and geographical areas.

19. OPERATING REVIEW

19.1 For a review of the group's operational capabilities, the MD&A should provide commentaries on the availability of significant non-financial resources that are used in each principal business activity of the group to meet its stated objectives. This may include analysis of corporate or product brand, royalties, copyrights and trademarks, and research and development.

19.2 The MD&A should set out an analysis of matters which may significantly affect the business activities of the group, for example:

- (a) changes in economic and market conditions which affect the group's operating activities;
- (b) new products and services introduced, providing details and their development schedule;
- (c) challenges affecting the listed issuer's operations i.e. competition pressure, technological changes, pricing policies, etc.;
- (d) discontinued operation and acquisitions and disposals;
- (e) results of any material acquisition, and extent to which published expectations at the time of acquisition have been realized;
- (f) risk affecting the group's operations, for example, business risk, interest rate risk, funding risk, economic risk and political risk;
- (g) significant changes in the external factors, for example, legal, political or regulatory environment that could influence the businesses of the group;
- (h) other significant effects on operations, such as significant litigation, assets impairment, tax disputes, major acquisition or disposals of assets/business; and
- (i) the status of international operations.

19.3 In addition to the analysis above, the MD&A should also cover the approach or action taken by the group in dealing with the effect or outcome of such matters on its business activities.

20. FINANCIAL REVIEW

20.1 To facilitate understanding of the group's financial statements, it would be useful for the MD&A to identify and discuss the critical accounting policies, estimates and judgments made that are key to the interpretation of the group's financial statements. Such information would be particularly relevant for areas where subjective judgments are involved or for corporations with complex financial structures.

20.2 In preparing a review of the financial performance of the group, the MD&A should:

- (a) provide relevant supporting facts and information for the financial statement analysis to help users understand the group's financial results, financial position, and financial condition conveyed in the financial statements;
- (b) assist users in assessing whether the financial position has improved or deteriorated as a result of the financial year's activities;
- (c) provide management's understanding of major changes in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays;
- (d) discuss the capital expenditure requirements, capital structure and capital management policies of the group, its treasury policy, the dynamics of the group's financial position and its funding and liquidity position (for example whether primary source of liquidity is from cash generated from operations, whether liquidity requirements are for working capital, capital expenditure or general use of the group); and
- (e) provide management's understanding of significant balances or amounts shown in the financial statements, if such balances or amounts are relevant to facilitate investors' understanding of the financial statements.

20.3 In assessing the financial position, an enhanced analysis and explanation on the cash flow statement, balance sheet and income statement is equally important. The analysis and explanation may comprise -

- (a) the sufficiency of working capital to meet commitments or existing obligations;
- (b) the sources and uses of cash and the plans in place to raise more cash, if required;
- (c) the restrictions of resources or their availability;
- (d) the type of financing employed to support its operations and strategies, including research and development needs;
- (e) the appropriateness of its current and future debt/equity ratio; and
- (f) the expected return to shareholders.

21. **FORWARD-LOOKING STATEMENTS**

21.1 The MD&A should provide an analysis of the group's future performance as a whole, as well as an analysis for each of its principal business activities, where necessary, for better understanding of the business dynamics of the listed issuer. This analysis entails discussion of the group's possible trend and outlook, investment plans and prospects of new businesses/investments.

- 21.2 The discussion of the forward looking statements should include factors that would affect the future performance/results, liquidity and capital management of the group.
- 21.3 The management is also encouraged to comment on the factors that affect the group's performance disclosed in the preceding year's forward-looking statements and provide explanations on the factors that:
- (a) caused the shortfall in achieving the group's performance, as disclosed previously; or
 - (b) led to the achievement of the group's performance, which exceeded the directors' expectation.
- 21.4 It is recommended that the discussion of the group's future performance in the forward looking statements should be in narrative form.

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PART D GUIDANCE AND CLARIFICATION ON DISCLOSURE OF FINANCIAL HIGHLIGHTS AND FINANCIAL INDICATORS IN ANNUAL REPORTS

22. DISCLOSURE OF FINANCIAL HIGHLIGHTS AND FINANCIAL INDICATORS IN THE ANNUAL REPORT

- 22.1 The LR requires a listed issuer to disclose in its annual report, the financial highlights on the major items set out in the income statement and balance sheet together with the financial indicators for the last 5 years or since the year of admission to the Official List (if it is less than 5 years)²⁸.
- 22.2 Bursa Securities considers the following information or details pertaining to the financial highlights disclosure in the annual report as being beneficial to investors. A listed issuer is encouraged to disclose them in its annual report. See the box below for the details.

Financial Highlights Disclosure: Information/Details to be included

Income statement items

- Revenue
- EBITDA (*Earnings Before Interest, Taxes, Depreciation and Amortization*)
- Profit Before Tax
- Profit After Tax
- Net Profit Attributable to Equity Holders

Balance sheet items

- Total Assets
- Total Borrowings
- Shareholders Equity

Financial Indicators

- Return on Equity
- Return on Total Assets
- Earnings Per Share
- Net Asset Per Share
- Gross Dividend Per Share
- Price Earning (PE) ratio
- Gross Dividend Yield
- Gearing ratio (net debts/shareholders equity)
- Share price as at the relevant financial year end
- Interest cover

²⁸ See new paragraph 31 of Part A in Appendix 9C of the LR.

APPENDICES EXAMPLES & ILLUSTRATIONS

Explanatory Notes to the Appendices

Where relevant, the Appendices include examples and illustrations showing how the principles, recommendations and best practices outlined in this Guide could be applied. They are to be treated strictly as examples only. Therefore, a listed issuer should only use the examples and illustrations provided here as guidance when formulating its reply to Bursa Securities. The examples and illustrations provided are also by no means exhaustive.

A listed issuer is advised to apply the principles, recommendations and best practices in this Guide to its own situations and unique circumstances.

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APPENDIX 1 EXAMPLES ON THE APPLICATION OF BURSA SECURITIES' DISCLOSURE REQUIREMENTS

Example 1: Illustrative examples of events that require immediate disclosure of material information

The following are several illustrations of examples in which a listed issuer is required to make an immediate announcement. For simplicity, ABC Bhd is a listed issuer and the transactions referred to in each example should be regarded as having a material effect on the price, value or market activity of ABC Bhd's securities.

Illustration 1

- (a) **ABC Bhd enters into negotiations with B Sdn Bhd to acquire B Sdn Bhd and due diligence is under way. A number of options in which the acquisition may proceed are being explored but ABC Bhd has not made any firm decision whether or not to proceed.**

A daily news media reports on a speculation that ABC Bhd and B Sdn Bhd are in discussion and are about to merge, and that the merger will have a positive financial impact on ABC Bhd.

Immediate disclosure of the negotiations that are taking place is required. While the proposal is clearly one that is incomplete, it is apparent that the negotiations have not remained confidential. Hence ABC Bhd is expected to confirm to the market that it is in discussion with B Sdn Bhd, but no decision has been made on whether or not to proceed.

- (b) **The negotiations between ABC Bhd and B Sdn Bhd reach a stalemate and the parties determine that the proposed acquisition will not proceed. Discussions are then terminated.**

On the basis that the negotiations about the merger have been announced, ABC Bhd must immediately disclose the discontinuation of the discussions and negotiations upon the negotiations with B Sdn Bhd collapsing.

- (c) **ABC Bhd subsequently enters into negotiations with C Sdn Bhd to purchase C Sdn Bhd's business. Both ABC Bhd and C Sdn Bhd execute confidentiality undertakings not to disclose the terms of the negotiations pertaining to the proposed business purchase.**

However, a daily news media reports, in specific details, the terms of the proposed business purchase.

The obligations under the confidentiality undertakings entered into by ABC Bhd must not prevent ABC Bhd from complying with the requirements under the LR to make immediate disclosure, if the information is no longer confidential and has been disclosed to the public. In this instance, as the proposed business purchase has been disclosed to the public via the media report, ABC Bhd must immediately clarify the information in the media report.

It is usual for parties to enter into confidentiality undertakings or agreements in business transactions. However, such undertakings or agreements must not prevent or exempt the parties from complying with the disclosure requirements under the LR where the information pertaining to the business transactions is no longer confidential and has been disclosed to the public.

Illustration 2

- (a) **ABC Bhd proposes to acquire XYZ Bhd, a listed issuer in the same industry. Although the acquisition has been contemplated by the board of ABC Bhd for some time, no formal offer has been made as yet. ABC Bhd and XYZ Bhd have just begun confidential negotiations with a view that ABC Bhd will acquire XYZ Bhd. Information about the negotiations is strictly limited to the parties and their advisers.**

Coincidentally, there is an article in the media speculating about the rationalization in the industry, and both ABC Bhd and XYZ Bhd are mentioned as potential targets for rationalisation.

Generally, both ABC Bhd and XYZ Bhd are not required to clarify the media article if the comments in the article:

- appear to be speculative;
- are based on generally known circumstances about the industry; and
- are based on industry analysis of that information rather than the specific circumstances of ABC Bhd and XYZ Bhd.

However, if arising from the media article, there is a material movement to the price, volume and market activity of ABC Bhd's and XYZ Bhd's securities, both ABC Bhd and XYZ Bhd must provide clarification on the media article.

- (b) **Discussions between ABC Bhd and XYZ Bhd proceed as before and are significantly advanced. Only one major issue remains unresolved. After a few days of intense discussions, it becomes apparent that neither party will concede and the proposed acquisition is abandoned.**

A day later, 2 of XYZ Bhd’s advisers are discussing the failed proposed acquisition where part of their conversation is overheard by a senior reporter. On the following day, the media features an article about a proposed deal between the parties under the headline “ABC Bhd to make bid for XYZ Bhd”

Both ABC Bhd and XYZ Bhd must make an immediate announcement that there is no intention to proceed with the bid. In the absence of such announcement from both ABC Bhd and XYZ Bhd, the inaccurate media article is likely to mislead the market as investors will not know whether the media article is accurate or not.

- (c) **After a few months and a change in circumstances relating to the proposed acquisition, discussions between ABC Bhd and XYZ Bhd resume. Subsequently, analysts and the news editors publish a report on XYZ Bhd which includes details of the negotiations between ABC Bhd and XYZ Bhd. Arising from this, there is a material movement in price and volume of the securities in ABC Bhd and XYZ Bhd.**

Both ABC Bhd and XYZ Bhd must disclose the fact that negotiations have resumed. Such disclosure is required as the negotiations are no longer confidential and their existence has been disseminated to the market. However, the details of the terms of the proposed acquisition need not be disclosed until they are finalized.

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Example 2: Illustrative example of a response to Unusual Market Activities

The financial year end for ABC Bhd is 31 December. Pursuant to paragraph/Rule 9.23(2) of the LR, ABC Bhd is required to issue its annual audited accounts (“AAA”) for the financial year ended 31 December 2010, by 30 April 2011.

However, during the Audit Committee meeting on 20 April 2011, its external auditors express some concerns pertaining to the trade receivables and some advances of money made to external parties.

Upon the commencement of trading on the next market day (i.e. on 21 April 2011), the share price of ABC Bhd is heavily traded, and by 12 noon, the share price drops by 30%. The drop in the share price results in a forced sale of the directors’ and major shareholders’ shares in ABC Bhd which further exacerbates the drop in ABC Bhd’s share price.

Bursa Securities issues an UMA query at 12.30 p.m. on the same day to ABC Bhd seeking the cause of the unusual trading activities.

Under these circumstances, ABC Bhd must, upon receipt of the UMA query from Bursa Securities, undertake due enquiry with its directors and major shareholders to find out the cause of the unusual trading activities, and respond to the UMA query immediately.

ABC Bhd must, in reply to the UMA query, explain that the unusual trading activities may be due to the following:

- (a) the concern expressed by the external auditor on the AAA pertaining to the trade receivables and some advances of money made to external parties; and
- (b) the forced sale of the directors’ and major shareholders’ shares.

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Example 3: Illustrative examples of clarification, confirmation or denial of rumours and reports

When a listed issuer is required to comment on a rumour or report, or becomes aware of such rumour or report, the listed issuer should ascertain whether that rumour or report contains undisclosed material information that requires immediate disclosure. The listed issuer should always avoid evasive announcements that do not confirm, clarify or deny the rumour or report.

The following illustrates examples of evasive announcement which should be avoided and announcements that confirm, clarify or deny a report or rumour.

Media Report

“GMI Berhad is currently riding on the back of the market talk of its acquisition of an education-based company, ART Sdn Bhd, as part of its expansion plan in venturing into the education sector. GMI is reportedly in the midst of discussions with several property owners to build two campuses in Klang Valley. This augurs well with GMI’s plans as it has been awarded a contract by a large international conglomerate to conduct various programmes for more than 10,000 of its employees. At the same time, GMI may make a general offer for the shares of EDU Berhad, a leading player in the provision of twinning programmes in Klang Valley.”

Actual Facts:

The actual facts are as follows:

- ❖ **GMI Berhad is acquiring ART Sdn Bhd.**
 - ❖ **GMI Berhad is in the midst of discussion with property owners to build two campuses in Klang Valley.**
 - ❖ **GMI Berhad has just tendered for a contract with SPACE Ltd to conduct various technical and non-technical programmes for its employees.**
 - ❖ **GMI Berhad is not making any general offer for the shares of EDU Berhad**
- (a) **Example of an EVASIVE announcement to a media report which should be avoided**

“GMI Berhad wishes to advise Bursa Securities that as an investment holding company, it is the Company’s business to explore investment opportunities which are viable and meet our investment criteria. Accordingly, should investment propositions arise, the Company will consider such propositions if it meets our investment criteria.”

(b) Example of an announcement to CONFIRM a rumour or report containing material information

“GMI Berhad wishes to confirm the reported articles as quoted above as true on the acquisition of an education-based company namely ART Sdn Bhd.

The full details of the acquisition of ART Sdn Bhd will be immediately announced to the Exchange upon the terms being finalised.

Further GMI wishes to confirm that it is engaging in preliminary discussions with some property owners to either acquire or lease their properties for two academic campuses in Klang Valley, one in Petaling Jaya and the other in Ampang, Kuala Lumpur. However, no formal agreement has been reached as at to date.

GMI will make the appropriate announcement to Bursa Securities in a timely manner in accordance with the Bursa Securities Listing Requirements should there be any further development on this matter.”

(c) Example of an announcement to CLARIFY a rumour or report containing inaccurate material information

“GMI Berhad, having made due and diligent enquiry with the board of directors and major shareholders of the Company, wishes to clarify that the Company has merely tendered its bid to SPACE Ltd to conduct various technical and non-technical programmes mandatory for all its employees.

As at to date, the Company has not received any award from the SPACE Ltd in relation to the project.

GMI Berhad will make the appropriate announcement to Bursa Securities in a timely manner in accordance with the Bursa Securities Listing Requirements, should there be any further development on this matter.”

(d) Example of an announcement to DENY a rumour or report containing erroneous material information

“GMI Berhad, having made due and diligent enquiry with the board of directors and major shareholders of the company, wishes to state that the statement is not true as the company has no plan to make such general offer. Further, the company is not involved in any negotiation with any party which may trigger a general offer for the shares in EDU Bhd.”

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APPENDIX 2 CASE STUDY ON THE APPLICATION OF BURSA SECURITIES' DISCLOSURE REQUIREMENTS AND THIS GUIDE

As a general rule, a listed issuer is required to make an immediate announcement of all material information to Bursa Securities.

A listed issuer, however, is allowed to withhold the information and disclose the same during the window period²⁹ or after trading hours if it is able to maintain strict confidentiality and if there is no leakage of the information or unusual market activities. The release of material information during the window period or after the close of trading hours will avoid suspension of trading in the listed issuer's securities.

A listed issuer may temporarily withhold material information in exceptional cases, as set out in the LR, provided that strict confidentiality is maintained. In cases where material information is withheld, the listed issuer must not delay unreasonably from disclosing the information.

Pending the release of the announcement to Bursa Securities, all parties who are privy to the information must maintain strict confidentiality of the information. This would include all external parties who may have assisted in the drafting of the agreements and negotiations; management staff and board members.

To illustrate the timeline in releasing announcements in accordance to the LR or in accordance with this Guide, a case study has been included. The accompanying case study incorporates some events that require disclosures according to the Bursa Securities' Disclosure Requirements and this Guide.

When a listed issuer is faced with an actual event that requires disclosure, the listed issuer must comply with Bursa Securities' Disclosure Requirements and where applicable, should also endeavour to comply with this Guide.

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²⁹ "window period" here refers to the period between 12.30 pm to 1.30 pm where no trading halt will be imposed even if a material announcement is made, unless Bursa Securities exercises its discretion to suspend the trading of securities.

Case Study

ABC Berhad (“ABC”), a corporation listed on Bursa Securities is involved in the engineering, construction and property development industries.

ABC plans to purchase a piece of land located just outside Johor Bahru from DEF Rubber Plantation Berhad (“DEF”), a corporation also listed on Bursa Securities (“Proposed Land Acquisition”). The said land measures about 1000 hectare and is estimated to be worth around RM400 million. The corporate proposal is a material transaction for both ABC and DEF.

At the beginning of November 2010, ABC and DEF commence negotiation on the terms and conditions of the Proposed Land Acquisition.

For ABC, the Proposed Land Acquisition is expected to exceed 25% based on the percentage ratio as defined in Chapter 10 of the LR. The Proposed Land Acquisition will be done through its 53 percent-owned subsidiary, ABC Property Development Sdn Bhd (“ABC Property”). ABC has announced earlier that it would acquire the remaining 47% of ABC Property’s equity for RM 27 million cash, making ABC Property its wholly owned subsidiary (“Proposed Subsidiary Acquisition”).

On 8 November 2010, the news on the Proposed Land Acquisition and Proposed Subsidiary Acquisition (collectively the “Proposed Acquisitions”) is reported in a national daily. The extract of the report is as follows:

“ABC Berhad (“ABC”) through its subsidiary ABC Property Development Sdn Bhd (“ABC Property”) is reportedly in the midst of negotiations to purchase a 700 hectare land just outside Johor Bahru.

More recently, ABC has proposed to increase its stake to 100 per cent in ABC Property. ABC has proposed to purchase 3.5 million shares, or a 47 per cent stake in ABC Property for RM27 million cash, making ABC Property its wholly owned subsidiary. ABC Property’s core business is in the provision of property development, landscaping and maintenance of building.”

On the same day, ABC receives calls from several reporters enquiring whether the purchase of the land has been finalized.

On 15 November 2010, the Board of Directors of both ABC and DEF agree to the final terms and condition of the Proposed Land Acquisition.

On 16 November 2010, a sale and purchase agreement is signed between ABC and DEF during an official signing ceremony that is held during trading hours, followed by a press conference thereafter.

Other relevant facts:

The persons assigned with responsibilities under ABC’s Corporate Disclosure Policy and Procedures (“ABC’s CDP”) include the following:

1. The Board has delegated the function to approve any disclosure of material information to both the Managing Director (“MD”) and the Finance Director (“FD”).
2. The Company spokespersons are the Chairman of the Board, the MD and the FD.
3. The Company Secretary is the “designated person”.

RECOMMENDED PRACTICES TO BE COMPLIED WITH³⁰

Event(s) Date	Facts	Recommended Practices
Early Nov. 2010	Commencement of negotiations between ABC and DEF	<p>ABC should do the following to maintain confidentiality of the negotiations:</p> <ol style="list-style-type: none"> i. notify DEF of ABC’s CDDP and procure an undertaking from DEF to maintain confidentiality; ii. limit dissemination and access of information pertaining to the negotiations to only those who “need to know”; iii. maintain a list of people involved in the transaction or are in possession of sensitive information pertaining to the transaction; iv. remind all parties involved of the need to keep all such information strictly confidential; and v. monitor the media and its trading activities to ensure no release of unpublished information has been made. <p>Since ABC and DEF are in negotiations on the terms and conditions of the proposed transaction, and the facts are still in a state of flux, ABC decides that no announcement is required to be made at this juncture.</p>
8 Nov. 2010	Media reports of the Proposed Acquisitions and related news	<p>Upon becoming aware of the newspaper report, the designated person should verify the report by liaising with the MD, FD and any other relevant persons who may have the information.</p>

³⁰ Please note that the recommended practices are set out from the perspective of ABC only and do not reflect that of DEF.

Event(s) Date	Facts	Recommended Practices
		<p>The designated person should then compile the relevant facts relating to the report to assist in determining whether an immediate announcement in accordance with the LR is required.</p> <p>The designated person and both the MD and FD are guided by the following principles outlined in ABC's CDPP:</p> <ol style="list-style-type: none"> i. If the information is not material, no further announcement needs to be made. ii. In the case where the material information has yet to be disclosed, an immediate announcement should be made to Bursa Securities in accordance with the LR. iii. If the material information has been disclosed, the designated person in consultation with the MD and FD will decide whether an announcement to Bursa Securities should be made to confirm, clarify or deny the report as the case may be. <p>The following illustrates the recommended actions to be taken by the MD and FD in dealing with the reported news on the Proposed Acquisitions:</p> <ol style="list-style-type: none"> 1. “ABC Berhad (“ABC”) through its subsidiary ABC Property Development Sdn Bhd (“ABC Property”) is reportedly in the midst of negotiations to purchase a 700 hectare land just outside Johor Bahru.” <p>The above statement contains material information that has not been disclosed. In addition, the information contained is inaccurate, as the land area measures about 1000 hectare, and not 700 hectare as reported. As such, the MD and FD decide that an announcement will be made to confirm that it is in negotiations to undertake the proposed land acquisition and to clarify the report, without waiting for a query from Bursa Securities.</p> <ol style="list-style-type: none"> 2. “More recently, ABC has proposed to increase its stake to 100 per cent in ABC Property. ABC has proposed to purchase 3.5 million shares, or a 47 per cent stake in ABC Property for RM27 million cash,

Event(s) Date	Facts	Recommended Practices
		<p>making it a wholly owned subsidiary. ABC Property’s core business is in the provision of property development, landscaping and maintenance of building.”</p> <p>The above material information has been disclosed earlier and the MD and FD decide that no further announcement will be made in this regard.</p>
8 Nov. 2010	Calls from reporters enquiring whether the Proposed Land Acquisition has been finalized	<p>Any call from the media should be directed to the designated person who then advises the media that only authorized spokespersons of the company can release any statement or material information relating to the company. The designated person advises that the company’s spokespersons are the Chairman of the Board, the MD and the FD.</p> <p>Given the announcement made in response to the media reports on 8 November 2010 and the fact that negotiations are still ongoing, the spokespersons should not divulge additional material information which has not been disclosed. The spokespersons should be aware of the need to avoid disclosing additional or new material information, as this will risk the contravening of the LR.</p> <p>In the event that the call has been attended to by anyone other than the spokespersons, or that the spokespersons inadvertently disclose other material information, the designated person should be immediately informed. If undisclosed material information has been inadvertently conveyed to the media, an immediate disclosure to Bursa Securities is necessary.</p>
15 Nov. 2010	Agreement on the final terms and conditions of the Proposed Land Acquisition by the Board of Directors at 3 p.m.	<p>Upon agreeing to all the final terms and conditions of the Proposed Land Acquisition, ABC requests for a suspension of trading of its securities on Bursa Securities and submits the application to Bursa Securities at 3.30 p.m. The request for suspension is to enable ABC to prepare and finalise the announcement to Bursa Securities, and in view of the press conference to be held on 16 November 2010 during trading hours.</p> <p>Bursa Securities suspends the securities of ABC immediately on 15 November 2010.</p>

Event(s) Date	Facts	Recommended Practices
16 Nov. 2010	Signing of Sale & Purchase Agreement	Upon signing of the agreement, ABC makes an announcement in accordance with the LR, concurrently with the announcement made by DEF on the same subject matter.

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ATTACHMENT

TABLE OF COMMENTS

[Please see the Table of Comments enclosed with this Consultation Paper]